

Qubicaamf Ut Ltd
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Qubica Holdings S.r.l.

Consolidated Financial Statements
As of 31 December 2019



Consolidated Financial Statements

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Qubica Holdings S.r.l.
Consolidated Balance Sheets
(In thousands USD)

	December 31, 2019	December 31, 2018
Cash & Securities	16,531	7,471
Account and Other Receivables	21,335	17,182
Taxes Receivables	786	2,510
Net Receivables	22,121	19,692
Net Inventories	27,409	25,001
Prepaid & Other Current Assets	2,138	2,220
Total Current Assets	68,198	54,384
Net Property, Plant and Equipment	13,043	12,861
Long-Term Note Receivables	1,423	1,027
Long-Term Deferred Taxes	1,131	3,056
Intangibles and Other Assets	6,324	2,198
Total Non-Current Assets	21,921	10,142
Total Assets	90,119	73,526
Accounts Payable – Trade	6,669	6,699
Accrued Expenses	18,766	15,243
Income Taxes Payables	1,057	1,565
Current Portion Of Long Term Debt	3,405	790
Total Current Liabilities	29,897	24,297
Deferred Taxes	922	866
Long-Term Debt	11,332	2,738
Other Long-Term Liabilities	1,202	431
Total Non-Current Liabilities	13,456	4,035
Total Liabilities	43,353	28,332
Common Stock	10,961	10,961
Retained Earnings	22,846	24,059
Net Income	7,826	6,196
Ending Retained Earnings	30,673	30,254
Profit /Loss From Consolidation	(504)	(1,067)
Deferred Translation	338	547
Total Equity – Group	41,469	40,696
Total Equity - Third parties	5,297	4,499
Total Equity	46,766	45,194
Total Liabilities and Equity	90,119	73,526

	December 31, 2019	December 31, 2018
Total Net Sales	\$157,415	\$147,548
Cost of Goods and Services	105,141	99,771
Gross Profit	52,274	47,776
Selling, General & Admin Expenses	30,889	30,640
R&D Expenses	4,574	5,443
Depreciation/Amortization	2,612	2,013
Total Operating Expenses	38,074	38,096
Operating Profit	14,199	9,680
Other Non-Operating Income/Expenses	1,347	(291)
Fx Loss /(Gain)	62	926
EBIT	12,790	9,044
Interest Expenses	188	219
EBT	12,602	8,826
Income Taxes	3,615	1,729
Net Income	8,988	7,097
Net Income Third Parties	1,161	901
Net Income - Group	7,826	6,196

Qubica Holdings S.r.l.
Statement of Comprehensive Income
(In thousands Usd)

	31 Dicembre 2019	31 Dicembre 2018
Profit/(Loss) for the period	8,988	7,097
Other components of the statement of comprehensive income:		
<u>- Profit/(Loss) due to translation of the accounts of foreign companies</u>	(301)	(161)
<u>Total other components of the statement of comprehensive income</u>	(301)	(161)
<u>Utile (perdita) complessivo, attribuibile a:</u>	8,686	6,936
<u>- Parent company shareholders</u>	7,616	6,060
<u>- Minority interests</u>	1,070	876

Qubica Holdings S.r.l.

Consolidated Statements of Changes in Stockholders' Profit

(In thousands Usd)

	Common Stock	Deferred Translation	Retained Earnings/Other Reserves/APIC	Profit / (Loss) for the period	Third Parties Equity	Total Net Equity
December 31, 2017						
Ending Balance	10,961	684	19,157	5,381	3,301	39,483
December 31, 2018						
Allocation of earnings			5,381	(5,381)		0
Decrease			(2,967)			(2,967)
Current year result				6,196	901	7,097
Other variation			1,420		322	1,742
Translation differences		(136)			(25)	(161)
Ending Balance	10,961	547	22,992	6,196	4,499	45,194
December 31, 2019						
Allocation of earnings			6,196	(6,196)		0
Decrease			(8,497)			(8,497)
Current year result				7,826	1,162	8,988
Other variation			1,652		(270)	1,382
Translation differences		(209)			(92)	(301)
Ending Balance	10,961	338	22,343	7,826	5,297	46,766

Qubica Holdings S.r.l.

Consolidated Statements of Cash Flows

(In thousands Usd)

	December 31, 2019	December 31, 2018
Operating activities		
Net income (loss)	8,988	7,097
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,612	2,013
Deferred taxes	1,982	(262)
Gain on disposal of assets, net		
Unrealized loss (gain) on foreign exchange	138	214
Changes in assets and liabilities:		
Accounts and notes receivable	(4,551)	(2,610)
Inventories	(2,408)	(2,382)
Other assets	(2,321)	(257)
Accounts payable, customer deposits, accrued expenses and deferred revenue	4,263	3,336
Income taxes receivable (payable)	1,217	427
Net cash provided by operating activities	9,919	7,576
Investing activities		
Purchases of property and equipment	(1,103)	(3,551)
Development costs capitalized	(2,003)	
Net cash used in investing activities	(3,106)	(3,551)
Financing activities		
Dividends	(7,383)	(2,967)
Lease repayments	(367)	
Borrowings on term loans and revolver, net	11,234	4,056
Repayments on term loans	(845)	(2,229)
Net cash used in financing activities	(2,639)	(1,141)
Effect of exchange rates on cash	(392)	(41)
Net increase (decrease) in cash	9,060	2,843
Cash, beginning of year	7,471	4,628
Cash, end of year	16,531	7,471

Qubica Holdings S.r.l.

Notes to Consolidated Financial Statements

(In thousands Usd)

1. Business Description and Organization

Qubica Holdings S.r.l. is an Italian company (the “Parent Company”) which, through its direct subsidiary QubicaAMF Europe Spa and its indirect subsidiaries QubicaAMF Worldwide, LLC (“QAMF”) and QubicaAMF BV (collectively with the Parent Company and its direct and indirect subsidiaries, the “Group”), is engaged in one primary business – the manufacture and sale of bowling equipment, such as automatic free-fall and string pinspotters, automatic scoring and management systems, bowling pins, lanes, ball returns, lane machines, mini-bowling equipment, bowling center supplies and the resale of other related products, including bowling bags and shoes.

The Group is one of the largest manufacturers of bowling equipment in the world. Revenues consist of two major sales categories:

- New Center Packages (“NCPs”), which is all of the equipment necessary to outfit one lane at a new or existing bowling center; and
- Modernization and Aftermarket Products, which is equipment used to upgrade an existing center, mini-bowling equipment, spare parts, pins, supplies, house balls, rental shoes and consumable products used in the operation of a center, and bowling balls and ancillary products for resale to bowlers.

The Group’s business operations and operating assets are held in subsidiaries:

- QAMF operates the U.S.-based sales and manufacturing activities, conducts business in certain countries around the world through branch offices and subsidiaries, and serves as the U.S. headquarters of the Group;
- QEurope operates the Italian based sales and manufacturing activities, conducts business in Italy and Canada through subsidiaries, and serves as the European headquarters of the Group.

The Group’s mission is focused, yet simple, making bowling amazing. It’s at the heart of everything the company does, creating the products of tomorrow, today, and driving bowling forward. Over the past seven years the Group has focused on the redevelopment, improvement and extension of its product line and plans to continue on its innovation path, with the continued release of future products designed to extend the bowling population, to reach the younger generations, to increase their spending and frequency of visits—and thus improving the Group customer’s revenue.

Events of 2019

In 2019, the Group posted another significant increase in total net sales, growing 6.7% to \$157,415 versus 2018 total net sales of \$147,548. As a result, operating earnings continued to increase as well. Group EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) increased 43.8% to \$16,811 from \$11,693 in 2018, while Net Income increased 26.6% to \$8,988. The

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(In thousands Usd)

Group's net financial position (Cash & Securities less Total Debt) remains strong at \$1,794 as of December 31, 2019 versus \$3,943 at the prior year-end. Management believes that its commitment to developing innovative new products and solutions designed to enhance its customers' business continues to be the primary factor driving the Group's net sales and profitability and is committed to this strategy moving forward.

During the year 2019 the Parent Company increased by 2.43% its investment in QU3 S.A. and as a result the Parent Company currently owns a 63.0% direct participation of QU3 S.A.

On December 17, 2019 Stephens Bowling LLC, an Arkansas limited liability company, that is part of Stephens Capital Partners private equity group ("SCP") purchased a minority stake of Qubica Holdings S.r.l ("QH", "Parent Company" or the "Company") from the existing QH shareholders for an undisclosed amount.

The parties also entered as part of the transaction a quotaholders' agreement ("Shareholder Agreement") and a new Company Bylaws.

SCP has appointed one new board member of QH whilst the previous QH board members have been re-confirmed.

After the transaction, the Qubica co-founder and Chief Executive Officer of the Company, Emanuele Govoni, and the two co-Founders and Company executive directors Luca Drusiani e Roberto Vaioli, will continue to manage and be responsible for the QubicaAMF group consistently with past practices and according to the Shareholder Agreement and Bylaws.

Subsequent events

Significant events occurring after the end of 2019 include the further increase by the Parent Company in its shareholding in QU3 S.A. by 11.23%, due to capital stock purchases made in February 2020. As a result of this purchase, the Parent Company's shareholding in QU3 S.A. now amounts to 74.23% of the capital stock.

We also highlight the epidemiological emergency resulting from the spread of the COVID-19 virus during the first quarter of 2020. As a result of this emergency, the Italy national and regional authorities have been forced to issue a series of emergency measures, increasingly stringent, which have had a major impact on the possibility of movement within the national territory and on the performance of economic activities, which have in fact affected the entire Italian business system. This pandemic has now seriously impacted the economic activities in the majority of the Group's trading markets, including the United States and Europe, and this general economic slowdown of the global economy is expected to continue throughout 2020.

This exceptional, unforeseeable and unavoidable circumstance will have an impact on the Group as it is likely that the turnover of direct and indirect subsidiaries will decrease. In fact, in the main markets where these subsidiaries operate (Europe and North America) bowling centers remain

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(In thousands Usd)

closed and the possibility of selling aftermarket products and installing new equipment is very limited. The Group's directors are taking the appropriate measures to reduce operating costs and realign them as much as possible to the expected reduction in turnover.

Despite the negative effects the pandemic will have on the Group's turnover and results throughout 2020, the continuation of the business as it currently stands does not appear to be at risk. The Group's strong capital structure and available liquidity today are not at present elements of concern for the Group as a going concern.

2. Significant Accounting Policies

Introduction

The consolidated financial statements have been prepared in compliance with the international financial reporting standards (IFRS) issued by the IASB (International Accounting Standards Board), and endorsed by the European Union, pursuant to European Regulation 1725/2003 and subsequent amendments, at the date of approval of the draft financial statements by the Board of Directors of the Parent Company and contained in the relative EU Regulations published at this date.

As permitted by Legislative Decree 38/2005 published in the Italian Gazzetta Ufficiale n. 66 of 21 March 2005 and in application of the European Regulation (EC) No. 1606/2002 of 19 July 2002, the Group voluntarily opted for the preparation of the consolidated financial statements in accordance with the International Accounting Standards ("IFRS") issued by International Accounting Standards Board ("IASB")

Criteria of assessment

The assessment of the items in the financial statements was carried out with a going concern view and considering the financial function of each of the elements of the balance sheet assets and liabilities.

The financial statements were drawn up according to the principle of historical cost.

Presentation and content of the Consolidated Financial Statements

The group, as permitted by IAS 21, has decided to adopt the United States Dollar (USD) as the presentation currency of the consolidated financial statements. This choice is justified because, although the Euro is the functional currency of the Parent Company, most of the Group's activities take place on the North American market.

Therefore, all values reflected in these financial statements are rounded to thousands of USD unless otherwise indicated.

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Notes to Consolidated Financial Statements

(In thousands Usd)

The consolidated financial statements provide comparative information referring to the previous year.

The consolidated financial statements for the year ended 31 December 2019 consist of Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes.

When preparing the consolidated financial statements as of 31 December 2019 and as of 31 December 2018, the Group availed of some of the options permitted by international accounting standards. In particular:

- *the Statement of Financial Position* separates current and non-current assets and liabilities on the basis of the normal twelve-month operating cycle. Current assets are represented by cash, cash equivalents and activities expected to be carried out, sold or consumed in the normal course of the business cycle within twelve months from the balance sheet date. All other assets are classified as non-current. Current liabilities are represented by liabilities that are supposed to be extinguished in the normal course of the business cycle within twelve months from the balance sheet date and by those that do not have an unconditional right to defer their extinction beyond twelve months. All other liabilities are classified as non-current;
- *the Income Statement* is classified "by destination" as it is considered the most suitable to represent corporate information;
- In application of the provisions of IAS 1, all changes generated by transactions with third parties, whether recorded in the income statement or accounted for directly in equity, are highlighted in two separate statements (income statement and comprehensive income statement) in order to present the overall performance of the year (so-called comprehensive income). Therefore, all the changes generated by transactions with third parties and accounted for directly in equity are shown in the *statement of comprehensive income*.
- *the cash flow statement* has been prepared by exposing the cash flows according to the "indirect method", as allowed by IAS 7. Based on this indirect method, the profit or loss for the year is adjusted by the effects of non-monetary transactions, from any deferral or provision of previous or future operational collections or payments and from elements of revenues or costs connected with financial flows deriving from investment or financial activity;

Principles of Consolidation

The consolidated financial statements include the financial statements of the Parent Company as well as those of the subsidiaries in which the Parent Company has the power, directly or indirectly, to govern the financial and operating policies to obtain benefits from their activities.

The main consolidation criteria used for the preparation of the consolidated financial statements, prepared in accordance with the IFRS principles, for the years ended 31 December 2019 and 31 December 2018 are as follows:

- the financial statements of the parent company and the financial statements of the subsidiaries are those approved by the respective corporate bodies as of December 31, 2019 and December 31,

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(In thousands Usd)

2018, adjusted to adapt them to the principles and financial statements required for the application of the IFRS;

- all the companies of the group close their financial years as of December 31st;
- the financial statements of subsidiaries are consolidated according to the line-by-line method, assuming the entire amount of the assets, liabilities, costs and revenues of the individual companies, regardless of the equity investments held, eliminating the book value of the consolidated investments held, directly or indirectly by the parent company, against the related equity;
- for companies consolidated on a line-by-line basis and which are not wholly owned by the shareholders of the parent company, the portion of shareholders' equity and the result of the year pertaining to third parties are shown separately in the item "Shareholders' equity of third parties" of the balance sheet and consolidated financial statements and "Net minority interests" in the Statement of consolidated profit / (loss) for the year;
- in business combinations, the difference between the purchase price of the investments acquired and the corresponding portion of equity at the acquisition date, if positive, is allocated to assets, liabilities and contingent liabilities based on the relative fair value. Any residual value, if positive, is recorded in the goodwill item, if negative it is immediately recognized in the income statement. The difference between the acquisition cost of an additional controlling interest and the relative value of the acquired interest shares is entered directly in the equity reserves. If the combination is carried out in several stages, the equity investment previously held in the acquired company is measured at fair value on the date of acquisition of control. The differentials thus identified are recognized in the income statement;
- any losses in excess of the parent's interest are not recognized unless the Group has assumed an obligation to cover them;
- in the consolidation process, payables and receivables, as well as costs and revenues, deriving from transactions between the companies included in the consolidation area, are eliminated in full. Unrealized gains and losses deriving from transactions between the Group's consolidated companies and included at the balance sheet date in the valuation of inventories and fixed assets are also eliminated, if any. Unrealized losses are eliminated unless the transaction provides evidence of impairment of the transferred asset. In this case, the value of the transferred asset is written down;
- the dividends distributed by the consolidated companies are also eliminated from the consolidated profit / (loss) for the year and added to the profits of the previous years, if and to the extent in which they were withdrawn by them.

Area of consolidation, variations and exclusions as of 31 December 2019

The consolidated financial statements derive from the full consolidation of the financial statements of the parent company and of the companies over which it has the right to exercise control directly or indirectly.

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(In thousands Usd)

Control is obtained when the Group has the right to variable returns, deriving from its relationship with the entity being invested in and, at the same time, has the ability to affect these returns by exercising its power over that entity.

Specifically, the Group controls an investee if, and only if the Group has:

- power over the investee (i.e. the investor has existing rights that give it the ability to direct the investee's relevant activities);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

In general, it is assumed that the majority of votes entails a control. To support this assumption, and when the Group holds less than the majority of votes (or similar rights), the Group considers all relevant facts and circumstances in order to define whether it controls the investees, including:

- agreements with holders of other voting rights;
- rights resulting from agreements;
- voting rights and potential voting rights of the Group.

The Group reconsiders whether it has the control on an investee if the facts and circumstances show that changes occurred in one or more of the three elements used for the definition of control. An investee is consolidated when the Group obtains its control and the consolidation ends when the Group loses control. Assets, liabilities, revenues and costs of the investee, which is acquired or sold during the year, are included in the Consolidated Financial Statements at the date in which the Group obtains control until the date in which the Group no longer exercises control on the entity.

If the Group loses control in an investee, all related assets (including goodwill), liabilities, minority interests and other components in the Shareholders' Equity must be derecognised, while any possible profit or loss will be recognised in the Income Statement. The equity interest possibly maintained must be recognised at fair value.

The list of consolidated equity investments using the full consolidation method is shown in the table hereunder:

Company	Method of consolidation	% held	Seat
Qubica Holdings S.r.l.	Full	Parent	Italy
QubicaAMF Europe S.p.A.	Full	89.83%*	Italy
QubicaAMF Worldwide LLC	Full	100.00%	USA
QubicaAMF Mexico, S.de R.L.	Full	100.00%	Mexico

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(In thousands Usd)

QubicaAMF BV	Full	100.00%	The Netherlands
AMF Bowling Products, LLC	Full	100.00%	Russia
QubicaAMF UK, Ltd	Full	100.00%	UK
QubicaAMF Canada, Inc.	Full	100.00%	Canada
QU3 S.A.	Full	63.00%	Luxembourg
CDE Software LLC	Full	90.00%	USA
QubicaAMF Sudamerica SAS	Full	100.00%	Colombia
QubicaAMF Poland Sp.Z.o.o	Full	99.00%	Poland
QubicaAMF Intemat.Tr. Co Ltd	Full	100.00%	China

* QubicaAMF Europe S.p.A. it is controlled directly by the Parent Company (72.5%) and indirectly through QU3 S.A. for the remaining (27.5%).

During the year 2019 there was an increase in the participation in "QU3 S.A." 2.43%; against this purchase, the investment in the company QU3 S.A. it is now equal to 63.0% of the share capital. In the consolidation area, three newly established companies were also included, QubicaAMF Sudamerica SAS, QubicaAMF Poland Sp.Z.o.o. and QubicaAMF Intemat.Tr. Co Ltd.

Subsidiaries exempt from audit

The subsidiary QubicaAMF UK Limited, with trading address at Unit 8 Marchmont Gate, Boundary Way, Hemel Hempstead, United Kingdom and company registered number 8207080, will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2019.

Conversion to USD of the balance sheet items of Group companies denominated in other currencies

At the end of the year, the assets and liabilities of the Group companies are converted into USD at the exchange rate on that date while the revenues and costs of each statement of comprehensive income or separate income statement presented are converted at the rates of average exchange rate for the year. The exchange differences deriving from the conversion are recognized in the statement of comprehensive income and recorded in the balance sheet among the items in the shareholders' equity. Upon the divestment of a foreign operation, the conversion reserve referred to such foreign management is entered in the income statement.

The goodwill deriving from the acquisition of a foreign operation and the adjustments to the fair value of the book values of assets and liabilities deriving from the acquisition of that foreign management, are accounted for as assets and liabilities of the foreign operation and therefore are expressed in the functional currency of the foreign operations and converted at the year-end exchange rate.

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(In thousands Usd)

The exchange rates used for the conversion into Euro of the economic and financial situations of the companies included in the consolidation area are shown in the following table:

Amount of currency for 1 USD	Dicembre 31, 2018		Dicembre 31, 2019	
	average	year-end	average	year-end
Euro - EUR	0,8467	0,8734	0,8933	0,8902
English Pound - GBP	0,7490	0,7813	0,7836	0,7573
Canadian Dollar - CAD	1,3629	1,2957	1,3269	1,2994
Polish Zloty - PLN	3,6133	3,7567	3,8397	3,7892

In preparing the consolidated cash flow statement, the cash flows of the subsidiaries were converted at the average exchange rate for the period.

Summary of the main accounting principles

The main accounting principles adopted by the Group are shown below.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value on the acquisition date, and the amount of the minority interest in the acquiree. For each business combination, the Group defines whether to measure the minority shareholding in the acquiree at fair value or in proportion to the share of the minority shareholding in the net identifiable assets of the acquiree. Acquisition costs are expensed during the year and classified among administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions existing at the acquisition date. This includes verification to determine whether an embedded derivative should be separated from the primary contract.

Any potential consideration to be recognized is recognized by the buyer at fair value on the acquisition date. The potential consideration classified as equity is not subject to remeasurement and its subsequent payment is accounted for under equity. The change in the fair value of the potential consideration classified as an asset or liability, as a financial instrument that is the subject of IFRS 9 Financial instruments, must be recognized in the income statement in accordance with IFRS 9. The potential consideration that does not fall within the scope of the IFRS 9 is measured at fair value at the balance sheet date and changes in fair value are recognized in the income statement.

Goodwill is initially recognized at the cost represented by the excess of the total amount paid and the amount entered for minority interests with respect to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the sum of the consideration paid, the Group again checks whether it has correctly identified all the assets

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(In thousands Usd)

acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognized on the acquisition date. If the fair value of the net assets acquired still exceeds the consideration, the difference (profit) is recognized in the income statement.

After initial recognition, goodwill is valued at cost net of accumulated impairment losses. For the purpose of checking for impairment, the goodwill acquired in a business combination is allocated, from the date of acquisition, to each cash-generating unit of the Group which is expected to benefit from the synergies of the combination. Regardless of whether other assets or liabilities of the acquired entity are assigned to such units.

If the goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill associated with the asset disposed of is included in the carrying amount of the asset when determining the profit or the loss of the divestment. The goodwill associated with the divested business is determined on the basis of the relative values of the divested business and the retained part of the cash generating unit.

Fair value measurement

The Group evaluates financial assets at fair value at each balance sheet date.

Fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators on the measurement date. A fair value assessment assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market of the asset or liability;
- or
- in the absence of a main market, in the most advantageous market for the asset or liability.

The main market or the most advantageous market must be accessible for the Group.

The fair value of an asset or liability is assessed by adopting the assumptions that market operators would use in determining the price of the asset or liability, assuming that they act to best satisfy their economic interest.

An assessment of the fair value of a non-financial asset considers the ability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator who would use it in its maximum and best use. .

The Group uses valuation techniques that are suitable for the circumstances and for which there is sufficient data available to assess fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All the assets and liabilities for which the fair value is valued or shown in the financial statements are categorized according to the fair value hierarchy, as described below:

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- Level 1 - the prices quoted (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date;
- Level 2 - Inputs other than the listed prices included in Level 1, observable directly or indirectly for the asset or liability;
- Level 3 - assessment techniques for which the input data are not observable for the asset or liability.

The fair value measurement is classified entirely in the same level of the fair value hierarchy in which the lowest level hierarchy input used for the measurement is classified.

For the assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between the levels of the hierarchy by reviewing the categorization (based on the lowest level input, which is significant for the purposes of fair evaluation value in its entirety) at each balance sheet date.

At each balance sheet date, the Group Directors analyze the changes in the values of assets and liabilities for which, based on the Group's accounting principles, re-evaluation or restatement is required.

For this analysis, the main inputs applied in the most recent valuation are verified, linking the information used in the valuation to contracts and other relevant documents.

The Group Directors, with the support of external experts, make a comparison between each change in the fair value of each asset and liability and the relevant external sources, in order to determine whether the change is reasonable.

For the purposes of disclosure relating to fair value, the Group determines the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as previously illustrated.

Financial instruments - Recognition and evaluation

A financial instrument is any contract that gives rise to a financial asset for an entity and a financial liability or to a representative instrument for another entity.

a) Financial assets

Initial detection and evaluation

At the time of initial recognition, the financial assets are classified, according to the cases, according to the subsequent measurement methods, that is, the amortized cost, fair value recognized in the comprehensive income statement and fair value recognized in the income statement.

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses

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for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially assesses a financial asset at its fair value plus, in the case of a financial asset not at fair value recognized in the income statement, the transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are valued at the transaction price determined according to IFRS 15.

Financial assets for which the following requirements are verified are classified among Financial assets valued at amortized cost:

(i) the business is owned as part of a business model whose goal is to own the business aimed at collecting contractual cash flows; is

(ii) the contractual terms of the activity provide for cash flows represented only by principal and interest payments on the amount of principal to be repaid (so-called 'solely payments of principal and interest (SPPI)').

Financial assets for which the following requirements are verified are classified under Financial assets at fair value to the comprehensive income statement ("FVOCI"):

(i) the activity is owned within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the activity itself; is

(ii) the contractual terms of the activity provide for cash flows represented only by principal and interest payments on the amount of principal to be repaid (so-called 'solely payments of principal and interest (SPPI)').

This assessment is referred to as an SPPI test and is performed at the instrument level.

The Group's business model for managing financial assets refers to the way in which it manages its financial activities in order to generate financial flows. The business model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of the financial assets or from both.

The purchase or sale of a financial asset that requires its delivery within a period of time generally established by regulation or market conventions (so-called standardized sale or regular way trade) is recognized on the trade date, i.e. the date on which the Group undertook to buy or sell the asset.

Subsequent evaluation

For the purpose of subsequent evaluation, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);

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- Financial assets at fair value through the comprehensive income statement with reclassification of accumulated profits and losses (debt instruments);
- Financial assets at fair value recognized in the comprehensive income statement without reversing the accumulated profits and losses at the time of elimination (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The Group evaluates financial assets at amortized cost if both of the following requirements are met:

- the financial asset is owned within the framework of a business model whose objective is the possession of financial assets aimed at collecting contractual cash flows
- and
- the contractual terms of the financial asset provide for certain dates cash flows represented solely by payments of principal and interest on the amount of principal to be repaid

Financial assets at amortized cost are subsequently valued using the effective interest criterion and are subject to impairment. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI (debt instruments)

The Group evaluates assets from debt instruments at fair value through the comprehensive income statement if both of the following conditions are met:

- the financial asset is owned within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets
- and
- the contractual terms of the financial asset provide for certain dates cash flows represented only by payments of principal and interest determined on the amount of principal to be repaid.

For assets from debt instruments measured at fair value through OCI, interest income, changes due to exchange rate differences and losses in value, together with write-backs, are recognized in the income statement and are calculated in the same way as the financial assets measured at amortized cost. The remaining changes in fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognized in OCI is reclassified in the income statement.

The Group's debt instrument assets measured at fair value through OCI include investments in listed debt instruments included in other non-current financial assets.

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Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must be measured at fair value. The assets held for trading are all those assets acquired for their sale or their repurchase in the short term. Derivatives, including those separated, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Despite the criteria for debt instruments to be classified at amortized cost or at the fair value recognized in OCI, as described above, debt instruments can be accounted for at fair value recognized in the income statement at the time of initial recognition if this entails the elimination or significant reduction of an accounting mismatch.

Financial instruments at fair value with changes recognized in the income statement are recorded in the statement of financial position at fair value and the net changes in fair value recorded in the profit / (loss) statement for the year.

This category includes derivative instruments and listed equity investments that the Group has not irrevocably chosen to classify at the fair value recorded in OCI. Dividends on listed equity investments are also recognized as other income in the profit / (loss) statement for the year when the right to payment was established.

The embedded derivative contained in a hybrid non-derivative contract, in a financial liability or in a main non-financial contract, is separated from the main contract and accounted for as a separate derivative, if: its economic characteristics and the risks associated with it are not strictly correlated to those of the main contract; a separate instrument with the same terms as the embedded derivative would satisfy the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value, with the changes in fair value recognized in the income statement.

A recalculation takes place only if there is a change in the terms of the contract that significantly changes the cash flows otherwise expected or a reclassification of a financial asset to a category other than the fair value in the income statement.

An implicit derivative included in a hybrid contract that contains a financial asset is not separated from the host contract. The financial asset together with the implicit derivative is classified entirely as a financial asset at fair value through profit or loss.

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Cancellation

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is canceled in the first place (e.g. removed from the statement of financial position of the Group) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group has transferred the right to receive cash flows from the asset to a third party or has assumed a contractual obligation to pay them in full and without delay and (a) has substantially transferred all the risks and rewards of ownership of the financial asset, or (b) has not transferred or substantially retained all the risks and rewards of the asset, but has transferred control of it.

In cases where the Group has transferred the rights to receive cash flows from an asset or has signed an agreement under which it maintains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the financial flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits inherent in possession. In the event that it has neither transferred nor substantially retained all the risks and benefits or has not lost control over it, the activity continues to be recognized in the Group's financial statements to the extent of its residual involvement in the activity itself. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are valued to reflect the rights and obligations that remain pertaining to the Group.

When the residual involvement of the entity is a guarantee on the transferred asset, involvement is measured on the basis of the lesser of the amount of the asset and the maximum amount of the consideration received that the entity may have to repay.

Impairment of financial assets

Further information relating to the impairment of financial assets is also provided in the following notes:

- Discretionary valuations and significant accounting estimates
- Fair value debt instruments recognized in OCI
- Trade receivables, including contract activities

The Group recognizes an expected credit loss 'ECL' for all financial assets represented by debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the financial flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include the cash flows deriving from the enforcement of the collateral held or other credit guarantees which are an integral part of the contractual conditions.

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Expected losses are recognized in two stages. With regard to credit exposures for which there has not been a significant increase in credit risk since the initial recognition, the credit losses deriving from the estimate of default events that are possible within the following 12 months (12-month ECL) must be recognized. For credit exposures for which there has been a significant increase in credit risk since the initial recognition or which at the time of initial registration had a deteriorated credit rating ("POCI"), the expected losses that refer to the residual duration must be fully recognized exposure, regardless of when the default event is expected to occur ("Lifetime ECL").

For trade receivables and contract activities, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but fully recognizes the expected loss at each reference date. The Group has defined a matrix system based on historical information, revised to consider prospective elements with reference to the specific types of debtors and their economic environment, as a tool for determining expected losses.

For assets represented by debt instruments measured at fair value through OCI, the Group applies the simplified approach allowed for low credit risk assets. At each balance sheet date, the Group assesses whether the debt instrument is deemed to have low credit risk by using all the available information that can be obtained without excessive costs or efforts. In making this assessment, the Group monitors the creditworthiness of the debt instrument.

The Group considers a financial asset in default when the contractual payments have expired for 90 days. In some cases, the Group may also consider that a financial asset is in default when internal or external information indicates that the Group is unlikely to recover the contractual amounts entirely before considering the credit guarantees held by the Group. A financial asset is eliminated when there is no reasonable expectation of recovery of the contractual cash flows.

b) Financial liabilities

Initial detection and evaluation

Financial liabilities are classified, at the time of initial recognition, among financial liabilities at fair value through profit or loss, among mortgages and loans, or among derivatives designated as hedging instruments.

All financial liabilities are initially recognized at fair value to which are added, in the case of mortgages, loans and payables, the transaction costs directly attributable to them.

The Group's financial liabilities include trade and other payables, mortgages and loans, including bank overdrafts and financial derivative instruments.

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Subsequent evaluation

The assessment of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognized in the income statement include liabilities held for trading and financial liabilities initially recognized at fair value with changes recognized in the income statement.

Liabilities held for trading are all those assumed with the intention of extinguishing or transferring them in the short term.

This category also includes the derivative financial instruments subscribed by the Group which are not designated as hedging instruments in a hedging relationship defined by IFRS 9. The embedded derivatives, separated from the main contract, are classified as financial instruments held for trading unless are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit / (loss) statement for the year.

Financial liabilities are designated at fair value with changes recognized in the income statement from the date of first recognition, only if the criteria of IFRS 9 are met.

Loans and credits

After the initial recognition, the loans are valued with the amortized cost criterion using the effective interest rate method. Gains and losses are recognized in the income statement when the liability is extinguished, as well as through the amortization process.

The amortized cost is calculated by detecting the discount or premium on the acquisition and the fees or costs that form an integral part of the effective interest rate. Depreciation at the effective interest rate is included in the financial charges in the profit / (loss) statement.

This category generally includes interest-bearing loans and receivables.

Cancellation

A financial liability is canceled when the obligation underlying the liability is extinguished, canceled or fulfilled. If an existing financial liability is replaced by another of the same lender, at substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is treated as an accounting cancellation of the original liability, accompanied by the recognition of a new liability, with recognition of any differences between book values in the profit / (loss) statement for the year.

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c) Clearing of financial instruments

A financial asset and liability can be offset and the net balance shown in the statement of financial position, if there is a current legal right to offset the amounts recognized in the accounts and there is an intention to pay off the net residual, or realize the assets and simultaneously extinguish the liability.

Financial derivative instruments

Derivative instruments, including embedded ones (so-called embedded derivatives) subject to separation from the main contract, are initially recognized at fair value.

Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, verified periodically, is high.

When hedging derivatives cover the risk of changes in the fair value of the hedged instruments, they are recognized at fair value with recognition of the effects in the income statement; consistently, the hedged instruments are adequate to reflect the changes in fair value associated with the hedged risk.

When the derivatives cover the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the hedges made are designated against the exposure to the variability of the financial flows attributable to the risks that may subsequently affect the Account. Cheap; these risks are generally associated with an asset or liability recognized in the Financial Statements (such as future payments on variable rate payables).

The effective part of the change in fair value of the part of derivative contracts that have been designated as hedging, according to the requirements of the standard, is recognized as a component of the comprehensive income statement (cash flow hedge reserve); this reserve is then attributed to the operating result in the period in which the hedged transaction affects the income statement.

The ineffective part of the change in fair value, as well as the entire change in fair value of derivatives that have not been designated as hedges or that do not meet the requirements required by the aforementioned IFRS 9, are instead accounted for directly in the income statement.

Fair value of financial instruments

The book value of cash and cash equivalents, receivables, inventories and payables approximates their fair value. The value of the loans also approximates the market value, considering also the corresponding interests are variable. The Group has no significant financial instruments.

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Inventories

Inventories are valued at the lower of cost and net realizable value.

The cost is determined on the basis of standard costs which substantially approximate the weighted average cost.

The presumed net realizable value is made up of the normal estimated sale price in the normal course of business, less the estimated completion costs and the estimated costs for realizing the sale.

The Group periodically assesses whether there are obsolete or slow-moving assets and adjusts their value through specific funds.

Long-lived Assets

According to IAS 16 (Property, plant and equipment) and IAS 38 (Intangible assets), tangible and intangible assets are assessed using the cost method. This method is also used for subsequent evaluations after the initial entry.

The cost includes the contractual price and all other charges directly attributable to the asset, sustained before the asset is in the conditions suited for its use.

Costs for maintenance and repair of an ordinary nature are charged to the profit and loss in the financial year in which they are sustained. The capitalization of costs inherent to expansion, modernization or improvement of assets owned or used by third parties, is carried out exclusively within the limits in which the above mentioned elements comply with the requirements for separate classification as assets or part of an asset, applying the so called "component approach". Costs for replacing components related to assets are recognized in the balance sheet and amortized according to their remaining useful life whereas the residual value of the component replaced is charged to the profit and loss account.

The carrying amount of assets subject to amortization is reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. Recoverability of assets to be held and used is measured comparing the carrying amount of an asset to cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Assets available for sale are separately classified in the consolidated balance sheet as "held for sale" and assessed at the lower of the carrying amount or fair value less selling costs, and are no longer depreciated.

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The Group noted no instances of impairment of long-lived assets in 2019 or 2018.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated on the straight-line method, starting when the asset is available for use, or when it is potentially able to provide the economic benefits associated with it according to economic/technical rates determined according to assets' residual possibility of use, over the following estimated useful lives:

Buildings	25 to 39 years
Leasehold improvements	5 to 13 years
Equipment	4 to 10 years
Furniture and fixtures	5 to 16 years

If, despite the amortization process, evidence of a lasting loss of value emerges, the asset is written down; if the reason for which the write-down was made no longer exists, the original cost is restored.

The residual value and useful life of all fixed assets are reviewed at least at the end of each year in order to evaluate significant changes in value.

Expenditures for routine maintenance and repairs which do not improve or extend the life of an asset are charged as incurred. Major renewals or improvements are capitalized and amortized over the lesser of the remaining life of the asset or, if applicable, lease term.

Gains and losses on disposals are determined by comparing the sale price with the net book value and are fully recognized in the income statement when they are incurred.

Development costs have a defined useful life and have been capitalized and amortized since the commencement of commercial production of the product, on a straight-line basis, for a period equal to the useful life of the products to which they refer.

Rental, operating lease costs and Assets held under finance lease

Following the adoption by the Group of the new accounting standard IFRS 16, starting from 1 January 2019, leasing contracts are recorded in the financial statements on the basis of a single accounting model similar to what is disciplined by IAS 17 regarding the accounting of financial leases. At the time of entering into each contract, the Group:

- determines whether the contract is or contains a lease, a circumstance that occurs when it is itself grants the right to control the use of a specified asset for a period of time in exchange of a

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consideration. This evaluation is repeated in case of subsequent modification of the terms and of the conditions of the contract;

- separates the components of the contract by dividing the contract price between each leasing or non-leasing component; and
- determines the duration of the lease as the non-cancellable period of the lease to which there are added any periods covered by an option to extend or terminate the lease.

At the effective date of each contract in which the Group is the lessee of an asset, what needs to be recognized in the financial statements is the activity consisting of the right of use, valued at cost, and the financial liability for leasing, equal to the present value of future residual payments discounted using the implicit interest in the lease or, alternatively, the Group's marginal lending rate. Subsequently, the activity consisting of the right of use is assessed by applying the cost model, net of depreciation and any accumulated impairment losses and adjusted for any new valuations or changes to the lease. The leasing liability is instead valued by increasing the book value to take account of interest, decreasing the value for the payments duly made and redetermining the book value for any new valuations or changes to the lease. The assets are depreciated on the basis of an amortization period represented by the duration of the lease, unless the duration of the lease is less than the useful life of the asset on the basis of the rates applied for the tangible fixed assets and there is a reasonable certainty of the transfer of ownership of the leased asset at the natural expiry of the contract. In this case the amortization period will be calculated based on the criteria and rates indicated for the tangible fixed assets. For leases whose term ends within 12 months from the initial application date and which do not provide for renewal options, and for contracts for which the underlying activity is modest value, the rents are recognized in the income statement on a linear basis for the duration of the contract.

Impairment of non-financial assets

At each balance sheet date, tangible and intangible assets with a finite life are analyzed in order to identify the existence of any indicators, deriving from both external and internal sources of the Group, of impairment of the same. If the existence of these indicators is detected, it is necessary to estimate the recoverable value of the asset to determine the extent of any impairment, attributing the related write-down to the income statement (impairment test). In this regard, the international accounting standards provide that the impairment test must be conducted at the level of the cash-generating unit (CGU), that is to say the smallest group of assets that generates incoming cash flows independent of those generated by other asset or group of assets.

The assets available for sale are separately classified as "held for sale", valued at the lower of the book value and the fair value net of the sale costs and are no longer depreciated.

At each balance sheet date, the Group assesses the existence of indicators of impairment of assets. In this case, or in cases where an annual check on the loss of value is required, the Group makes an estimate of the recoverable value. The recoverable value is the greater of the fair value of the

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asset or cash-generating unit, net of selling costs, and its use value. The recoverable value is determined by individual asset, except when such asset generates cash flows that are not largely independent of those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has suffered a loss of value and is consequently written down to bring it back to the recoverable value.

In determining the value in use, the Group discounts estimated future cash flows to the present value using a pre-tax discount rate, which reflects market assessments of the present value of money and the specific risks of the asset. In determining fair value net of selling costs, recent transactions on the market are taken into account. If these transactions cannot be identified, an appropriate valuation model is used. These calculations are corroborated by appropriate valuation multipliers, prices of listed equity securities for investee companies whose securities are traded on the market, and other available fair value indicators.

The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each Group cash generating unit to which individual activities are allocated.

Impairment losses of assets in operation are recognized in the profit / (loss) statement for the year in the cost categories consistent with the destination of the asset that highlighted the impairment. Fixed assets previously revalued are an exception, where the revaluation has been accounted for among the other components of the comprehensive income statement. In such cases, the impairment loss is in turn recognized among the other components of the comprehensive income statement up to the previous revaluation.

For activities other than goodwill, at each balance sheet date, the Group assesses the possible existence of indicators of the loss (or reduction) of impairment losses previously recognized and, if such indicators exist, estimates the recoverable value of the business or CGU. The value of a previously written down asset can be restored only if there have been changes in the assumptions on which the calculation of the determined recoverable value was based, subsequent to the recognition of the last impairment loss. The recovery of value cannot exceed the book value that would have been determined, net of depreciation, in the event that no loss of value had been recognized in previous years. This recovery is recognized in the profit / (loss) statement for the year unless the asset is not recognized at revalued value, in which case the recovery is treated as an increase from revaluation.

Goodwill is subject to impairment tests at least once a year or more frequently, when circumstances suggest that the book value may be subject to impairment.

The impairment of goodwill is determined by assessing the recoverable value of the cash-generating unit (or group of cash-generating units) to which the goodwill is attributable. Where the recoverable value of the cash-generating unit is lower than the book value of the cash-generating unit to which the goodwill has been allocated, an impairment loss is recognized. The reduction in the value of goodwill cannot be restored in future years.

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Intangible assets with an indefinite useful life are subject to impairment tests at least once a year with reference to 31 December, at the level of the cash-generating unit and when circumstances indicate that there may be a loss in value.

Staff benefits

Staff benefits are recorded as stated under IAS 19. The Group decided to book all accumulated actuarial profits and losses existing and not to adopt the so-called “corridor method” for actual profits and losses which were generated and shall be generated, deeming that the actuarial variations do not produce significant impacts on the profit and loss account such as to justify recourse to the subsidy envisaged by the “corridor”.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities whose amount or due date are uncertain and that must be recognized on the statement of financial position when the following conditions are satisfied at the same time:

- the entity has a present obligation (legal or constructive), arising from a past event;
- it is probable that economic resources will have to be used to fulfil the obligation;
- the amount needed to fulfil the obligation can be reliably estimated;
- risks, for which materialization of a liability is only contingent, are disclosed in the notes to accounts, in the section commenting on provisions, without provision being made.

In the case of events that are only remote (i.e. events that have very little likelihood of occurrence) no provision is made and no additional or supplementary disclosure is provided.

Provisions are recognized at the value representing the best estimate of the amount the entity would pay to settle the obligation, or to transfer it to third parties, at the reporting date. If the time value of money is material, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate reflecting the market's current evaluation of the cost of money over time. When discounting to present value is performed, the increase in the provision due to the passage of time is recognized as finance expense.

Revenue Recognition

Revenues are measured at the fair value of the consideration received or receivable from the sale of goods or rendering of services within the scope of the Group's characteristic business activity. Revenues are disclosed net of Value Added Tax (VAT), returns, discounts and reductions and after eliminating intergroup sales.

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Revenue is generated by sales of products in two general categories, and sales of software used by operators of bowling centers.

The Group recognizes revenue:

- For product sales without software, when the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable;
- for consumable products such as parts and supplies generally upon shipment;
- for equipment sales without software, which typically require installation, upon shipment in the US, in accordance with the terms of the contract, or upon acceptance by customer, in Europe. Installation services, if required, are generally performed by subcontractors, and the related revenue is recognized according to the percentage of completion method. The Group records all revenues net of taxes collected for government agencies and remitted to them;
- on multiple deliverable arrangements with non-software deliverables, revenue is allocated to deliverables using the relative selling price method based on the following hierarchy: vendor-specific evidence of fair value (VSOE), third party evidence (TPE), or best estimated selling price (BESP).

VSOE generally exists when we sell the deliverable separately and we are normally able to establish VSOE for all deliverables in these multiple element arrangements; however, in certain limited instances VSOE cannot be established. This may be because we infrequently sell each element separately, do not price products or services within a narrow range, or have a limited sales history. When we are unable to establish selling price using VSOE, we use TPE or BESP in our allocation of non-software deliverables. TPE is third party evidence of indication of value such as the price charged by a third party subcontractor for installation services in the case of the Group. BESP is the estimated price at which we would sell a product or service if it were sold on a stand-alone basis. We determine BESP for a product or service by considering multiple factors including, but not limited to, pricing practices, market conditions, competitive landscape, and type of customers. Significant pricing practices that we take into consideration include historic contractually stated prices, volume discounts where applicable, and our price lists. The determination of BESP is made through consultation with and formal approval by management, taking into consideration our overall market strategy.

The Group recognizes revenue on multiple deliverable arrangements that include software by allocation to non-software deliverables based on their relative selling prices as described and to software deliverables based on its selling price. Software that is considered to be essential to the functionality of related hardware equipment is considered to be a non-software deliverable for the purposes of allocation. Non-essential software deliverable elements, such as software licenses and related upgrades/enhancements, post-contract customer support (PCS), and training, are governed by software recognition rules, which require VSOE to separate software elements. If VSOE is available for some but not all elements of software deliverables then the residual method is utilized for allocation of revenue among elements. If elements such as PCS cannot be separated from the license by VSOE then the license revenue

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is recognized ratably over the term of the PCS. Revenue for software licenses sold without post-contract support is recognized when the license is delivered.

The Group sells one year extended warranties at the end of the original warranty period on a limited number of products. The Group defers all revenue received and amortizes it ratably over the one year extended warranty period.

Amounts received in advance of meeting the revenue recognition criteria are deferred.

Government grants

Government grants are recognized regardless of the existence of a formal grant resolution - when there is reasonable certainty that the company will comply with any conditions attached to the grant and therefore that the grant will be received.

Government grants receivable as compensation for expenses already incurred or to provide immediate financial support to the recipient company with no future related costs, are recognized as income in the period in which they become receivable.

Shipping and Handling Costs

The Group accounts for all shipping and handling costs as a part of cost of goods sold.

Income Taxes

Income taxes include current and deferred taxes. Income taxes are generally recognized in the Income Statement, except when they relate to items entered in other comprehensive Income.

Current income taxes are the taxes expected to be paid, calculated by applying to taxable income the tax rate in force at the reporting date and adjustments to taxes related to prior periods.

Prior to 2017 the Subsidiaries QAMF e CDE Software, LLC were considered partnerships for U.S. tax purposes and, therefore, was not subject to U.S. income taxes directly. Rather, the stockholders were subject to U.S. income taxes based on their respective shares of income or loss. On January 2, 2017 QAMF and CDE Software, LLC converted to corporation status for U.S. tax purposes and are now subject to pay direct U.S. income taxes. The Group is also subject to income taxes in certain foreign jurisdictions. These income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred

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tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Group has tax jurisdictions located in many areas of the world and is subject to audit in these jurisdictions. Tax audits by their nature are often complex and can require several years to resolve. In the preparation of the Group's financial statements, management exercises judgments in estimating the potential exposure to unresolved tax matters. The Group recognizes the tax benefit from an uncertain tax position if it is more likely than not that the position is sustainable. For those tax positions that meet the more likely than not criteria, the Group records only the portion of the tax benefit that is greater than 50% likely to be realized upon settlement with the respective taxing authority. Interest and penalties related to unrecognized tax benefits are recorded within income tax expense in the consolidated statements of operations. While actual results could vary, in management's judgment, the Group has adequate tax accruals with respect to the ultimate outcome of such unresolved tax matters.

Deferred taxes are calculated when temporary differences emerge between the taxable base of an asset or liability and the related book value. The deferred tax assets, including those related to previous tax losses are recognized to the extent in which it is deemed likely that a taxable income shall be realized against which they can be recovered.

Foreign Currency Translation

All assets and liabilities of our international operations are translated from foreign currencies into USD at exchange rates in effect at the end of each fiscal period. Adjustments resulting from the translation of financial statements of international operations into USD are included in the foreign currency translation adjustment in the accompanying consolidated balance sheet. Revenue and expenses of international operations are translated using the average exchange rates of the fiscal period. Currency exchange gains and losses resulting from transactions conducted in other than local currencies are included in operating expenses.

IFRS accounting standards, amendments and interpretations applied as from 1 January 2019

The accounting standards adopted effective January 1, 2019 for the consolidated financial statements:

- On January 13, 2016, the IASB published the standard "IFRS 16 – Leases" which replaced IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of a good in order to distinguish leasing contracts from service contracts while identifying the following as discriminating factors: identification of the good, the right of

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replacement of the latter, the right to substantially obtain all the economic benefits deriving from the use of the good and the right to manage the use of the good underlying the contract.

The standard provides for a single model for the recognition and measurement of leasing contracts for the lessee and which includes the booking of the assets also subject to an operating lease under assets and with an offsetting item equal to a financial payable, thereby providing for the possibility of not recognizing contracts which involve low-value assets, as well as leases with a contractual duration equal to or less than 12 months, as leasing contracts. On the contrary, the standard does not include significant changes for lessees.

The standard is applicable as from January 1, 2019 but early application is allowed solely for companies which applied IFRS 15 - Revenue from Contracts with Customers, in advance.

The change in the definition of lease mainly refers to the right of use criterion. According to IFRS 16, a contract contains a lease if the customer has the right to control the use of an identified asset for a period of time in exchange for a fee. This notion is substantially different from the concept of "risks and benefits" to which significant attention is paid in IAS 17 and IFRIC 4.

The Group applies the definition of leases and the relevant provisions of IFRS 16 for all lease agreements entered into or modified starting from January 1, 2019 (regardless of the condition of the lessee or lessor in each lease contract). In view of the first application of IFRS 16, the Group carried out a project to assess the potential impacts and implementation of IFRS 16. The analysis carried out has shown that the new definition envisaged by IFRS 16 will not significantly change the scope of application of contracts defined by the Group as leases,

The Group has chosen to apply the principle retrospectively, however recording the cumulative effect deriving from the application of the Standard in shareholders' equity as of January 1, 2019 (without changing the comparative data for 2018), in accordance with the provisions of IFRS 16: C7-C13. In particular, the Group has accounted for the leases previously classified as operating:

- a) a financial liability, equal to the present value of the future payments remaining on the transition date, discounted using for each contract the incremental borrowing rate applicable on the transition date;
- b) a right of use equal to the value of the financial liability on the transition date, net of any accrued income and prepaid expenses referring to the lease and recognized in the balance sheet on the closing date of these financial statements.

In adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16: 5 (a) in relation to short-term leases.

Likewise, the Group has made use of the exemption granted by IFRS 16: 5 (b) concerning lease contracts for which the underlying asset is configured as a low-value asset (i.e., the individual asset underlying the contract lease does not exceed USD 5,000 when new).

For these contracts, the introduction of IFRS 16 did not entail the recognition of the financial liability for the lease and the related right of use, but the lease payments are recognized in the

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income statement on a linear basis for the duration of the respective contracts in the item "Other costs" in the consolidated income statement.

- On October 12, 2017 the IASB published the document "*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*". This document specifies that a debt instrument that has a prepayment feature might respect a cash flow characteristic test ("SPPI" test) and, for this reason, it could be eligible to be measured at amortized cost method or at fair value through other comprehensive income even in the case where the reasonable additional compensation in case of prepayment is a negative compensation for the lender. The adoption of this amendment did not have any effects on the Group's consolidated financial statements.
- On June 7, 2017 the IASB published the Interpretation "*IFRIC 23 – Uncertainty over Income Tax Treatments*". This document broaches the issue of uncertainty on the tax treatment adopted over income taxation. The paper provides that the uncertainty on determination of tax liability or tax assets are recognized in the balance sheet when it is probable that the entity is going to pay or going to recover the amount. In particular, the Interpretation requires an entity to analyze the uncertain tax treatments (individually or as a whole, depending on the characteristics) always assuming that the tax authority examines the tax position in question, having full knowledge of all the information relevant. In the event that the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity must reflect the effect of uncertainty in measuring its current and deferred income taxes. The interpretation does not introduce any new disclosure requirements, but highlights that the entity will have to establish whether it will be necessary to provide information on the considerations made by management and related to the uncertainty inherent in the accounting of taxes, in accordance with the provisions of IAS 1. The adoption of this amendment did not have any effects on the Group's consolidated financial statements.
- On October 12, 2017 the IASB published the document "*Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*". This document clarifies the necessity of applying IFRS 9, even requirement for the impairment, and the long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. This modification will be applied from January 1, 2019.
- On February 7, 2018, the IASB published the document "*Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)*". The document clarifies how an entity should detect a change (i.e. a curtailment or a settlement) of a defined benefit plan. The changes require the entity to update its assumptions and re-measure the liability or net asset deriving from the plan. The amendments clarify that after the occurrence of this event, an entity uses updated hypotheses to measure the current service cost and interest for the rest of the reference period following the event. The adoption of this amendment did not have any effects on the Group's consolidated financial statements.

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- On December 12, 2017 the IASB published the document “*Annual Improvements to IFRSs 2015-2017 Cycle*”. This document implements the modification at some standards on the annual process of improving.

The document makes amendments to the following standards:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: The amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Instead this process is not required when an entity obtains joint control of a business.
- IAS 12 *Income Taxes*: The amendments clarify that all the income tax consequences of dividends (even payment on financial instrument classified as equity) should be recognized in coherence with the transaction has generated profit. (profit or loss, OCI, equity)
- IAS 23 *Borrowing costs*: modification clarifies that in case of a borrowing is continuing after the qualifying asset is just ready for its intended use or sale, the borrowing became part of all debt to calculate borrowing cost.

The adoption of this amendment did not have any effects on the Group's consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet applied mandatorily and not adopted in advance by the Group

- On March 29, 2018 the IASB published the document “*Amendments to the Conceptual Framework for Financial Reporting*”. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.
- On October 31, 2018 the IASB published the document: “*Definition of Material (Amendments to IAS 1 and IAS 8)*”. The definition of material helps a company determine whether information about an item, transaction or other event should be provided to users of financial statements.

The amendments clarify the definition of material and its application by:

- aligning the wording of the definition of material across all IFRS Standards and other publications and making minor improvements to that wording;
- including some of the supporting requirements in IAS 1 Presentation of Financial Statements in the definition to give them more prominence; and
- clarifying the explanation accompanying the definition of material.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements.

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The changes introduced were approved on November 29, 2019 and apply to all transactions subsequent to January 1, 2020.

- On September 26, 2019 the IASB published the document "*Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*". The amendments modify IFRS 9 - Financial Instruments as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements required for the application of hedge accounting, providing for temporary derogations from them, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on the flows of future cash in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships which are directly affected by the uncertainties generated by the reform and to which the aforementioned exemptions apply. The directors do not expect effects on the Group's consolidated financial statements from the adoption of this amendment. The Group will continue to apply the amendments relating to IFRS9 until the uncertainties arising from the reform of the benchmark interest rates to which the Group is exposed, with specific reference to the deadlines and the amount of the underlying cash flow, will be resolved. The Group expects that uncertainty will persist until the Group's contracts indexed to IBOR are modified to specify the date after which the benchmark interest rate will be replaced, the cash flows related to the new rate and the related spread adjustment. In part this will depend on the introduction of the fall back clauses that have not yet been added to the Group's contracts and on the negotiation with the lenders.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

- On October 22, 2018, the IASB published "*Definition of a Business (Amendments to IFRS 3)*". The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify in the business in the presence of an integrated set of activities / processes and assets. However, to meet the business definition, an integrated set of activities / processes and assets must include, at a minimum, an input and a substantial process which together significantly contribute to the ability to create an output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduced an optional "concentration test" which allows you to exclude the presence of a business if the price paid is substantially attributable to a single activity or group of activities. The changes apply to all business combinations and acquisitions of activities subsequent to January 1, 2020, but early application is permitted. The changes apply to all business combinations and acquisitions of activities subsequent to January 1, 2020, but early application is permitted.

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Considering that this amendment will be applied to the new acquisition transactions which will be concluded from January 1, 2020, any effects will be recognized in the consolidated financial statements closed after that date.

- On May 18, 2017 the IASB published the standard “IFRS 17 – *Insurance Contracts*”, that will substitute the standard IFRS 4- *Insurance Contracts*.
The objective of the standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations that came from insurance contracts. The IASB has developed the standard to eliminate accounting mismatches, providing only one principle based to recognize all types of insurance contracts, even re-insurance contracts held by insurer. In addition, the new standard establishes presentation and disclosure requirements to improve comparability between entities that work in this business sector.
The new standard measures an insurance contract based on General Model or a simplified version of this, called Premium Allocation Approach (“PAA”).
The principle characteristics of General Model are:
 - the estimates and hypotheses of future cash flows are always the current ones;
 - the measurement reflects the time value of money;
 - the estimates provide for an extensive use of information that can be observed in the market;
 - there is a current and explicit measurement of the risk;
 - the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and
 - the expected profit is recorded in the contractual coverage period taking into account the adjustments deriving from changes in the assumptions relating to the cash flows relating to each group of contracts.

Use of Estimates

The preparation of financial statements in conformity with IFRS generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The results which shall be realized could prove to be different from the estimates. The estimates and assumptions are periodically reviewed and the effects of each variation are promptly reflected in the financial statements.

Significant items subject to such estimates and assumptions include:

- carrying amount of property and equipment, intangibles and goodwill;
- valuation allowances for receivables, inventories and deferred tax assets;
- reserves for litigation and claims, warranties and self-insurance costs.

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3. Trade Notes Receivable

Notes receivables of \$2,973 and \$2,090 are included with trade accounts receivable as of December 31, 2019 and December 31, 2018, respectively, and consist of the following:

	December 31, 2019	December 31, 2018
Short-term	1,550	1,063
Long-term	1,423	1,027
Total notes receivable	2,973	2,090

The notes receivable allowance recorded against the long-term portion at December 31, 2019 and December 31, 2018 was \$172 and \$0, respectively.

4. Inventories, net

Inventories, net of obsolescence reserves of \$1,723 and \$1,531 as of December 31, 2019 and December 31, 2018, respectively, consist of the following:

	December 31, 2019	December 31, 2017
Raw materials	4,283	4,517
Work in process	4,017	4,406
Finished goods and spare parts	19,109	16,077
Total Inventories	27,409	25,001

- (a) Work in process also includes certain inventory shipments in-transit to customers.

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5. Property and Equipment

Property and equipment, net, consist of the following as of December 31, 2019 and December 31, 2018, respectively:

	December 31, 2019	December 31, 2018
Land	3,088	2,725
Buildings and improvements	15,729	16,022
Right of use IFRS 16	899	
Equipment, furniture and fixtures	25,612	25,126
Right of use IFRS 16	254	
Other	151	171
Total	45,733	44,045
Less accumulated depreciation	(32,351)	(31,184)
Less accumulated depreciation IFRS16	(339)	
Property and equipment, net	13,043	12,861
Depreciation expense related to property and equipment	1,675	1,656
Depreciation expense IFRS 16	339	

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Intangible assets and other long-term assets

Intangible assets and other long-term assets consist of the following items, at December 31, 2019 and December 31, 2018:

2019	Historical cost	Average depreciation period	Depreciation fund	Net Book Value
Goodwill	868			868
Patents and trademarks	1,539	120 months	1,123	416
Software	6,302	120 months	5,652	650
Other assets	2,763	120 months	96	2,667
Development costs capitalized	2,004	60 months	280	1,723
Total	13,476		7,151	6,324

2018	Historical cost	Average depreciation period	Depreciation fund	Net Book Value
Goodwill	870			870
Patents and trademarks	2,106	120 months	1,718	388
Software	6,271	120 months	5,464	807
Other assets	148	120 months	15	133
Total	9,395		7,197	2,198

Total amortization expenses for intangible assets were \$ 598 and \$ 116 respectively at December 31, 2019 and December 31, 2018.

At 31/12/2019 the Company capitalized the development costs relating to three projects for innovative products which will generate incremental revenues for the Group in future years.

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The total development costs capitalized in the year 2019 totaled \$ 2,003 with related depreciation costs for the year of \$ 281.

Research and development costs for external consultants incurred in the years 2019 and 2018 amount to \$ 428 and \$ 709 respectively.

6. Accrued Expenses

Accrued expenses consist of the following as of December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Accrued compensation	5,864	5,523
Warranty	853	853
Accrued installation expenses	89	73
Other	2,774	1,399
Total accrued compensation, warranty and other accrued liabilities	9,581	7,849
Customer deposits	5,410	4,752
Deferred revenue	3,774	2,642
Total Accrued Expenses	18,766	15,243

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7. Long-Term Debt

Long-term debt consisted of the following at December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Term loans	13,924	3,528
Lease liabilities IFRS 16	813	
Revolving loan facility	-	
Less current maturities of term loans	(3,033)	(790)
Less current maturities of Lease liabilities IFRS 16	(372)	
Long-term debt, excluding current maturities	10,890	2,738
Long-term lease liability IFRS 16	442	
TOTAL	11,332	2,738

The Group has an agreement, dated as of September 14, 2018, for a Revolving Credit Facility and Loan Agreement with UniCredit S.p.a. Bank, New York branch. The Group has Term Loans in Italy, two with UniCredit S.p.a and two with Banco BPM. Availability under the revolver is subject to certain borrowing limits based on the carrying amounts of the Group's U.S. accounts receivable and inventory assets. There were no balances outstanding under the revolver at December 31, 2019 or December 31, 2018. Debt outstanding under the first term loan with UniCredit S.p.a. in Italy for total of \$1,685 matures March 30, 2023 with quarterly principal payments (plus interest at a fixed rate) of \$85 until maturity. Debt outstanding under the second term loan with UniCredit S.p.a. in Italy for total of \$5,617 matures December 31, 2024 with quarterly principal payments (plus interest at a fixed rate) of \$285 until. Debt outstanding under the first term loan with Banco BPM in Italy for a total of \$2,247 matures June 30, 2023 with quarterly principal payments (plus interest at a fixed rate) of \$115 until maturity. Debt outstanding under the second term loan with

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Banco BPM in Italy for a total of \$5,617 matures December 31, 2024 with quarterly principal payments (plus interest at a fixed rate) of \$285 until maturity .

The Revolving Credit Facility is secured by the inventory and account receivables of the U.S. entity. There are certain financial covenants that are required to be met by the Revolving Credit Facility, and the Group was in compliance at December 31, 2019.

Additionally, the Group's Italian subsidiary maintains an unsecured line of credit with two banks. This line has a limit of 916 Euros, or \$1,029 at December 31, 2019. There were no borrowings at December 31, 2019 and 2018 and the line of credit has no expiration.

Following the adoption of the IFRS accounting principle the liability related to leasing contracts is included in the current and long term debt of the company Balance sheet.

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9. Guarantees and Warranties

The Group guarantees borrowing from third party lenders for certain customers that purchase bowling equipment. In the event of a customer's default under the borrowing agreement, the Group may be required to repurchase the equipment from the lender at pre-determined prices. The Group's contractual repurchase obligation generally does not exceed 50% of the borrowed amount, and declines to \$0 over the three-year period of the guarantee. The Group maintains the liabilities until the guarantee expires. When necessary, management estimates and records an additional liability based on the difference between the contingent repurchase price and the estimated fair value of the used equipment.

Generally, warranty for all new products is one year. Charges are made to expense for an estimated amount for future warranty obligations, and customers have the option to purchase extended warranties on certain products. The Group, on a limited number of products, provides extended warranty contracts for one year durations, after the end of the Group's normal warranty period. Revenue received on these contracts is deferred and amortized over the one-year contract period.

The warranty reserve is included in accrued expenses.

10. Income Taxes

The Group's income tax provision for the periods ended December 31, 2019 and December 31, 2018 consisted of a foreign current income tax expense of \$2,297 and \$2,083 and a foreign deferred income tax (benefit) of \$(568) and \$(2,486), respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2018 and December 31, 2017 consist mainly of net operating losses, fixed asset and intangible asset basis differences and nondeductible accruals.

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10. Income Taxes (continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income reversals of deferred tax liabilities and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of its future deductible temporary differences, net of the existing valuation allowance at December 31, 2019. A full valuation allowance has been applied to deferred tax assets in certain countries where management believes utilization of the deferred tax assets does not meet the “more likely than not” realization criteria of ASC 740, *Income Taxes*.

Income tax expense recognized in the consolidated statement of operations includes:

<i>Period Ended</i>	December 31, 2019	December 31, 2018
Current tax expense	3,411	2,297
Deferred tax (benefit) expense	204	(568)
Total income tax (benefit) expense	3,615	1,729

Deferred tax assets and liabilities are attributable to the following at December 31, 2019 and December 31, 2018, respectively:

<i>Period Ended</i>	December 31, 2019	December 31, 2018
Long- term deferred tax liabilities	(922)	(866)
Current deferred tax assets	523	2,613
Long- term deferred tax assets	608	443
Net deferred tax assets	209	2,190

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The Group has operations in many areas of the world and is subject, at times, to tax audits in these jurisdictions. These tax audits by their nature are complex and can require several years to resolve. The final resolution of any such tax audits could result in either a reduction in the Group's accruals or an increase in its income tax provision, both of which could have an impact on the results of operations in any given period. The Group regularly evaluates, assesses and adjusts these accruals in light of changing facts and circumstances, which could cause the effective tax rate to fluctuate from period to period. The Group records penalties and interest in income taxes related to any tax assessments when the amounts are probable of occurrence and reasonably estimable.

11. IFRS 16 Leases

As of January 1, 2019, the group adopted the new IFRS 16 - Leases for all contracts which, in exchange for a fee, confer the right to control the use of a specified activity for a period of time - with the exception of leases with a duration of less than 12 months and leases in which the underlying activity is of modest value - according to the provisions of paragraphs 5, B3-B8 of the standard.

The duration of the lease was defined on the basis of the contractually established duration and, where envisaged, by the reasonable certainty of exercising or not the options for extending and suspending the contract, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option.

The Group applied the principle by applying the simplified retrospective method, evaluating for leasing previously classified as operating leases, the liability of the lease at the present value of the remaining payments due, discounted using the lessee's marginal financing rate on the date of the initial application, and booking the activity consisting of the right of use for an amount equal to the liabilities. Therefore, there are no cumulative effects to adjust the opening balance of shareholders' equity.

It should be noted that the Group has chosen to adopt IFRS 16 without restating the 2018 comparative year, which is allowed by the new accounting principle.

The leasing contracts entered into by the Group are essentially attributable to office leasing contracts and cars.

The following table shows the effects of the application of IFRS 16 on the consolidated financials as of 31 December 2019, resulting in a reduction of the income before taxes of \$7.

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	12/31/2019 without IFRS 16	IFRS 16	12/31/2019 with IFRS 16
Balance sheet (extract)			
ASSETS			
LAND	3,088		3,088
BUILDING	15,729	899	16,628
MACHINERY & EQUIPMENT	25,612	254	25,865
CONSTRUCTION IN PROCESS	151		151
LESS: ACCUMULATED DEPRECIATION	(32,351)	(339)	(32,690)
EFFECT ON ASSETS		813	
LIABILITIES			
CURRENT PORTION OF LT DEBT	3,033	372	3,405
LONG TERM DEBT	10,883	448	11,332
EFFECT ON LIABILITIES		820	
	12/31/2019 without IFRS 16	IFRS 16	12/31/2019 with IFRS 16
P&L (extract)			
SELLING, G&A EXPENSES	31,250	(350)	30,901
DEPRECIATION	1,675	339	2,013
INTEREST EXPENSES	357	17	374
EFFECT ON INCOME/(LOSS) BEFORE TAXES		(7)	

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12. Retirement Plans

The Group has a 401-K retirement plan covering substantially all US employees. The Group matches 100% of the employees first 3% of contributions and 50% of the next 2%, subject to certain length of service and vesting requirements. Vesting is immediate. The Group contributed \$522 and \$463 for the periods ended December 31, 2019 and December 31, 2018, respectively.

13. Commitments and Contingencies

The Group is occasionally a party to legal proceedings and disputes which arise in the ordinary course of business. However, in the opinion of management, resolution of such matters will not have a material adverse effect on the financial position of the Group or its operations.

14. Subsequent Events

As explained in the first paragraph of the notes to financial statements the Group has been impacted by the epidemiological emergency resulting from the spread of the COVID-19 virus. As a result of this emergency, the Italy national and regional authorities have been forced to issue a series of emergency measures, increasingly stringent, which have had a major impact on the possibility of movement within the national territory and on the performance of economic activities, which have in fact affected the entire Italian business system. This pandemic has now seriously impacted the economic activities in the majority of the Group's trading markets, including the United States and Europe, and this general economic slowdown of the global economy is expected to continue throughout 2020.

This exceptional, unforeseeable and unavoidable circumstance will have an impact on the Group as it is likely that the turnover of direct and indirect subsidiaries will decrease. In fact, in the main markets where these subsidiaries operate (Europe and North America) bowling centres remain closed and the possibility of selling aftermarket products and installing new equipment is very limited. The Group's directors are taking the appropriate measures to reduce operating costs and realign them as much as possible to the expected reduction in turnover. Management has initiated cost reduction measures to significantly lower operating expenses at all of its worldwide locations. Production levels were reduced and the company temporarily furloughed employees worldwide, taking advantage of government programs designed to save payroll expenses while preserving jobs. Expense reduction initiatives have been implemented in almost all areas, to include advertising and promotion, travel and entertainment, freight, capital investments and services.

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These measures, as well as other initiatives aimed at reducing operating costs in proportion to the expected lower turnover in 2020, will be continuously evaluated and, if necessary, adjusted as the year progresses.

Despite the negative effects the pandemic will have on the Group's turnover and results throughout 2020, the continuation of the business as it currently stands does not appear to be at risk. The Group's strong capital structure and available liquidity today are not at present elements of concern for the Group as a going concern.

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<u>Profit and Loss Statement by Nature</u>	December 31, 2019	December 31, 2018
Revenues	157,415	147,548
Other operating income	1,424	1,997
Changes in inventories of finished goods/WIP	148	(64)
Total Operating Income	158,987	149,481
Raw materials and consumables used	76,569	75,333
Employee expenses	37,356	37,729
Depreciation and amortization expenses	2,612	2,729
Other operating expenses	27,721	24,634
Changes in inventories of raw material	530	(622)
Total Operating Expenses	144,788	139,804
Operating Margin	14,199	9,677
Other revenues/expenses	1,443	(193)
Financial management	154	1,044
Taxes	3,615	1,729
Net Profit	8,987	7,097

15. Restructuring, Refinancing and Other Charges

In 2019, the Group incurred various one-time charges related to legal, professional fees and employee's severance expenses for \$1,118; these charges were considered one-time expenses.

16. Risk management

The Group has processes aimed at managing financial risks, set out on the basis of the specificity of the business in which it operates and the strategic guidelines pursued. As regards financial risk, the Group has defined a specific risk management policy aimed at identifying, assessing and mitigating financial risks.

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(In thousands Usd)

The Group's risk management policy is structured on basic presumptions as listed below:

- the Group manages risks with the purpose of preserving the expected value of corporate activities;
- risk management policies operate for the purpose of fully benefitting the so-called "natural hedging conditions", thus minimizing the net exposure to financial risks without sustaining further charges from derivative hedging contracts;
- the derivative hedging contracts were subscribed exclusively against effective exposure to financial risk which have been specifically identified;
- all the Group's risk management operations observe the principle of prudence;
- the risk management policy was conceived for the purpose of rapid identification of managerial events and market developments potentially capable of having an impact on the profit and loss account;
- all financial risk management activities are brought about within the limits approved by the corporate Management;
- Personnel assigned with developing the risk management policy are equipped with the necessary professional qualifications and authorization to operate exclusively within the limits defined by such risk management policy (and by any other specific delegations).

When carrying out its activity, the Group is exposed to the following risks of a financial nature:

- liquidity risk;
- credit risk;
- exchange rate risk (Euro/USD);
- interest rate risk.

Liquidity risk

The Group is exposed, when defining ordinary business transactions, to a liquidity risk such as temporal misalignment in incoming and outgoing cash flows. In order to ensure its ability to deal with its financial obligations at any time and grasp possible business opportunities which cannot be planned or unforeseeable cash outlays, the Group keeps a surplus of available credit lines.

The Group has a liquidity plan, using it as an instrument for measuring and managing liquidity risk which allows liquidity demand to be constantly planned.

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Credit Risk

Also for the purpose of mitigating risk related to recovering trade receivables, the Group operates, de facto, exclusively with business partners of renowned standing and high grade of solvency, both at national and international level.

For these reasons, situations of particular difficulty in credit recovery traceable to the clientele of reference have not been historically recognized.

Exchange rate (Euro/USD)

The Group operates in the international environment and is exposed to translation and transaction exchange risk.

The most part of ordinary trade transactions are regulated in foreign currency (USD). On the other hand part of the structure costs, costs for the staff and part of the maintenance are given in Euros. Consequently, the financial/cash flow results for the Group are partly affected by fluctuations in the exchange rate between Euro and USD.

As far as the company's sensitivity to exchange rate risk is concerned, instead, with reference to the impact such exchange rate produces on financial instruments, the following table represents the effects on the profit and loss account and shareholder's equity (presuming that the other variables, especially interest rates, are constant). The tables were drawn up to include balances in USD of the financial assets and liabilities at the end of the financial year, denominated in Euros. No transactions of a relevant amount exist in currencies other than the Euro.

<i>(in thousands)</i>	+10 figure			-10 figure	
	Book value	P&L Effect	Equity effect	P&L Effect	Equity effect
Trade receivables ('000)	7,553	672		(672)	
Trade payables ('000)	(7,578)	(674)		674	
Total	(25)	(2)	0	2	0

Qubica Holdings S.r.l.

Notes to Consolidated Financial Statements

(In thousands Usd)

Interest rate risk

The Group is exposed to interest rate risk associated both with the availability of cash and with outstanding loans. The aim of interest rate risk management is to limit and stabilize payable flows caused by interest paid mainly on medium-term debt.

Employee's data

The table below show the number of employees at the balance sheet date, by category:

Category	31/12/2019	Average in the period	31/12/2018
Salaried	312	309	306
Hourly	277	271	265
TOTAL	589	580	571

Subsidiary and associated companies

All transactions are executed as part of the ordinary operations and at arm's length conditions.

Information pursuant to art. 1, paragraph 125, of the law of 4 August 2017 n. 124

In relation to the provisions of art. 1, paragraph 125, of law 124/2017, regarding the obligation to disclose in the explanatory notes the sums of money possibly received during the year by way of grants, contributions, paid assignments and in any case economic benefits of any kind from public administrations and by the subjects referred to in paragraph 125 of the same article, the Group certifies that for the year in question it has not received contributions or subsidies.

Qubica Holdings S.r.l.

Notes to Consolidated Financial Statements

(In thousands Usd)

It should also be remembered, with reference to State aid and the aid of the minimis for which there is an obligation to publish, that their transparency is protected by publication in the Registro nazionale degli aiuti di Stato, referred to in article no. 52 of the law 24 December 2012 n. 234, as required by art. 125 quinquies of law 124/2017.

Auditing Firm's Fees

These consolidated financial statements are subject to statutory audit. For the period from 2019 to 2021, the assignment for this audit was assigned to Deloitte & Touche S.p.A for an annual fee of 12,000 Euros. This company was also entrusted with the statutory audit of the financial statements, including the accounting control pursuant to art. 2409 bis of the civil code for an annual fee of 13,000 Euros.

May 13, 2020

QUBICA HOLDINGS SRL



INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Quotaholders of
Qubica Holdings S.r.l.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Qubica Holdings S.r.l. and its subsidiaries (the "Group" or "Qubica Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Qubica Holdings S.r.l. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of Qubica Group for the year ended as at December 31, 2018 has been audited by other auditors that on April 11, 2019 expressed an unmodified opinion on those consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Alcune Emendamenti: Bologna, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Treviso, Udine, Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.326.220,00 i.v.
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In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Qubica Holdings S.r.l. are responsible for the preparation of the report on operations of Qubica Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Qubica Group as at December 31, 2019, and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Qubica Group as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Alberto Guerzoni
Partner

Bologna, Italy
May 20, 2020

This report has been translated into the English language solely for the convenience of international readers.