

30 September 2018
Interim Consolidated
Financial Statements
TeamSystem Groups





**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE NINE MONTHS
ENDED
30 SEPTEMBER 2018**

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TeamSystem Holding S.p.A. and its Subsidiaries
TeamSystem Group

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NINE MONTHS ENDED 30 SEPTEMBER 2018**

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**DIRECTORS’
REPORT**

► RESULTS OF OPERATIONS

Euro thousands										
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	YTD		Restated YTD		Change	% Change	Quarter 3Q2018	Quarter 3Q2017	Change	% Change
	30 Sep 2018	30 Sep 2017	30 Sep 2017	30 Sep 2017						
Revenue	229,781	219,560	219,560	219,560	10,221	4.7%	72,949	67,505	5,444	8.1%
Other operating income	1,731	1,419	1,419	1,419	312	22.0%	1,015	275	740	269.4%
TOTAL REVENUE	231,512	220,979	220,979	220,979	10,534	4.8%	73,964	67,780	6,184	9.1%
Cost of raw and other materials	(19,003)	(20,427)	(20,427)	(20,427)	1,424	-7.0%	(6,048)	(6,705)	657	-9.8%
Cost of services	(61,943)	(54,230)	(54,230)	(54,230)	(7,714)	14.2%	(19,220)	(16,299)	(2,922)	17.9%
Personnel costs	(78,667)	(79,120)	(79,120)	(79,120)	453	-0.6%	(22,973)	(23,354)	381	-1.6%
Other operating costs	(6,642)	(6,039)	(6,039)	(6,039)	(603)	10.0%	(1,735)	(2,627)	893	-34.0%
Depreciation and amortization of non-current assets	(56,035)	(48,705)	(48,705)	(48,705)	(7,330)	15.0%	(19,372)	(16,631)	(2,740)	16.5%
Allowance for bad debts	(3,829)	(4,435)	(4,435)	(4,435)	606	-13.7%	(1,242)	(1,430)	188	-13.2%
Other provisions for risks and charges	0	(2)	(2)	(2)	2	-100.0%	0	499	(499)	-100.0%
OPERATING RESULT	5,393	8,021	8,021	8,021	(2,628)	-32.8%	3,375	1,233	2,142	173.8%
Finance income	772	1,002	1,002	1,002	(230)	-23.0%	(65)	402	(467)	-116.2%
Finance cost	(82,436)	(48,543)	(48,543)	(48,543)	(33,894)	69.8%	(10,008)	(15,379)	5,371	-34.9%
PROFIT (LOSS) BEFORE INCOME TAXES	(76,272)	(39,520)	(39,520)	(39,520)	(36,752)	93.0%	(6,698)	(13,744)	7,046	-51.3%
Current income tax	(10,929)	(9,547)	(9,547)	(9,547)	(1,382)	14.5%	(3,590)	(2,574)	(1,016)	39.5%
Deferred income tax	11,538	10,465	10,465	10,465	1,073	10.3%	3,308	3,503	(195)	-5.6%
TOTAL INCOME TAX	609	918	918	918	(309)	-33.6%	(282)	930	(1,211)	-130.3%
PROFIT (LOSS) FOR THE PERIOD	(75,663)	(38,602)	(38,602)	(38,602)	(37,061)	96.0%	(6,980)	(12,815)	5,835	-45.5%
(Profit) Loss for the period	(48)	(208)	(208)	(208)	160	-76.9%	149	(57)	206	-360.3%
Non-controlling interests	(48)	(208)	(208)	(208)	160	-76.9%	149	(57)	206	-360.3%
PROFIT (LOSS) FOR THE PERIOD OWNERS OF THE COMPANY	(75,711)	(38,810)	(38,810)	(38,810)	(36,901)	95.1%	(6,831)	(12,872)	6,041	-46.9%
ADJUSTED EBITDA	74,358	74,400	74,400	74,400	(43)	-0.1%	26,174	23,856	2,317	9.7%

In the above table and elsewhere in these interim consolidated financial statements, the following performance indicator is used, with particular regard to the Group's earnings:

Adjusted EBITDA = This is calculated as follows:

Profit (Loss) for the period plus (i)Income tax; (ii)Financial income and expenses; (iii)Other provisions for risks and charges; (ii)Depreciation and amortization of non-current assets; (iii)Impairment of non-current assets; (iv)Allowance for bad debts; (v)Certain costs deemed by Management to be non-core for the measurement of the Group's performance, such as: Strategic marketing expenses; Costs for changing and closing locations; Advisory expenses related to reorganization and cost saving projects; Personnel redundancy; IT costs for system integration and transformation; Acquisitions and mergers costs; Cost for international project; Costs for change management program; Cost for credit collection project; Tax optimization costs; Settlements with clients and agents; Other minor items.

Set out below is a reconciliation of **Adjusted EBITDA**.

Euro thousands										
ADJUSTED EBITDA RECONCILIATION	YTD		Restated YTD		Change	% Change				
	30 Sep 2018	30 Sep 2017					Quarter 3Q 2018	Restated Quarter 3Q 2017	Change	% Change
PROFIT (LOSS) FOR THE YEAR	(75,663)	(38,602)			(37,061)	96.0%	(6,981)	(12,815)	5,834	-45.5%
Income tax	(609)	(918)			309	-33.6%	282	(929)	1,211	-130.3%
Financial income and expenses	81,665	47,541			34,124	71.8%	10,073	14,977	(4,904)	-32.7%
Other provisions for risks and charges	0	2			(2)	-100.0%	0	(500)	500	-100.0%
Depreciation and amortization of non-current assets	56,035	48,705			7,330	15.0%	19,371	16,631	2,740	16.5%
Allowance for bad debts	3,829	4,435			(606)	-13.7%	1,242	1,430	(189)	-13.2%
Strategic marketing expenses	0	1,608			(1,608)	-100.0%	0	203	(203)	-100.0%
Costs for changing and closing locations	876	1,021			(145)	-14.2%	149	748	(599)	-80.1%
Advisory expenses related to reorganization and cost saving projects	3,360	3,253			107	3.3%	341	1,080	(739)	-68.4%
Personnel redundancy	973	370			603	163.0%	386	(143)	529	-369.9%
IT Costs for system integration and transformation	0	950			(950)	-100.0%	0	413	(413)	-100.0%
Acquisitions and mergers costs	358	1,286			(928)	-72.2%	129	130	(1)	-0.8%
Cost for international project	0	236			(236)	-100.0%	0	105	(105)	-100.0%
Cost for change management program	1,232	1,900			(668)	-35.2%	432	971	(539)	-55.5%
Cost for credit collection project	123	124			(1)	-0.8%	105	17	88	517.6%
Tax optimization costs	244	156			88	56.4%	115	148	(33)	-22.0%
Settlements with clients and agents	1,002	1,920			(918)	-47.8%	27	1,569	(1,542)	-98.3%
Other minor items	933	414			519	125.4%	502	(180)	682	-379.1%
ADJUSTED EBITDA	74,358	74,400			(43)	-0.1%	26,174	23,856	2,318	9.7%

It should be noted that the **Adjusted EBITDA** financial parameter is not governed by IFRS and, accordingly, the criteria adopted by TeamSystem Group for its computation may not be comparable with those adopted by other companies or groups.

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The following comments refer to the changes between the Consolidated Statement of Profit or Loss as at 30 September 2018 and the corresponding figures for the period ended 30 September 2017, which have been restated to reflect the reclassification of certain non-recurring items impacting Cost of services and Other operating costs.

The results as at 30 September 2018 are affected by the consolidation of:

- the results of the companies acquired in 2017 (and not yet consolidated at 30 September 2017), which are: Evols S.r.l., Netlex S.r.l., Cassanova S.r.l., Evolution Fit S.r.l. and Software Time S.r.l.(merged by absorption by TeamSystem S.p.A. in 2017).
- the results of MMData S.r.l. (also defined in the Offering Memorandum as main Var of the Software XP carve-out business), which have been included for the first time in the Consolidated financial statements as at 30 September 2018. MMData S.r.l. was acquired by Danea Soft S.r.l. in February 2018 (see “Significant events during the first nine months of 2018” section).

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TOTAL REVENUE: Total Revenue for the period ended 30 September 2018 amounts to € 231,512 thousand, up by € 10,534 thousand compared to the corresponding figure for the period ended 30 September 2017 (€ 220,979 thousand). The increase is attributable to the change in the consolidation area and to the organic growth experienced by the Group in the first nine months of 2018.

Within TeamSystem Group the following three operating segments have been identified, characterised by the autonomous nature of their products/services and production processes that have the aforementioned features:

- **Software Solutions:** includes the Group's core, historical activities, such as sales of software licences to professionals and small and medium businesses, support and maintenance, which are sold via the traditional sales networks pertaining to the direct, indirect and vertical channels;
- **Cloud Software Solutions:** relates to software solutions and related subscriptions handled by the new cloud channel;
- **Hardware:** includes the activities, revenue and costs pertaining to sales of hardware systems and related components.

Below, the allocation of Total Revenue to the operating segments.

Euro thousands								
OPERATING SEGMENTS	YTD 30 Sep 2018	YTD 30 Sep 2017	Change	% Change	Quarter 3Q 2018	Quarter 3Q 2017	Change	% Change
Software Solutions	195,971	197,082	(1,111)	-0.6%	61,784	59,706	2,078	3.5%
Cloud Software Solutions	33,222	19,881	13,341	67.1%	11,498	6,777	4,720	69.6%
Hardware	2,319	4,016	(1,696)	-42.2%	682	1,296	(614)	-47.4%
TOTAL REVENUE	231,512	220,979	10,534	4.8%	73,964	67,780	6,184	9.1%

ADJUSTED EBITDA: Adjusted Ebitda for the period ended 30 September 2018 amounts to € 74,358 thousand and it substantially unchanged, compared to the amount at 30 September 2017 (€ 74,400 thousand).

COST OF RAW AND OTHER MATERIALS: Cost of raw and other materials amounts to € 19,008 thousand for the period ended 30 September 2018, down by € 1,424 thousand compared to the amount at 30 September 2017 (€ 20,427 thousand). The decrease is mainly due to the outsourcing of the business segment that handles hardware and systems (see “Significant events during the first nine months of 2018” section).

COST OF SERVICES: Cost of services amounts to € 61,943 thousand for the period ended 30 September 2018, up by € 7,714 thousand from the amount of the period ended 30 September 2017 (€ 54,230 thousand). This is mainly due to the change in the consolidation area and to the growth of the business experienced by the Group in the first nine months of 2018.

PERSONNEL COSTS: Personnel costs for the period ended 30 September 2018 (€ 78,667 thousand) decreased by € 453 thousand, compared to the amount at 30 September 2017 (€ 79,120 thousand).

OTHER OPERATING COSTS: Other operating costs amount to € 6,642 thousand, up by € 603 thousand compared to the period ended 30 September 2017 (€ 6,039 thousand).

FINANCE COST: Financial charges for the period ended 30 September 2018 amount to € 82,436 thousand with an increase of € 33,894 thousand, compared to the corresponding amount at 30 September 2017 (€ 48,543 thousand). This increase is mainly due to one-off financial costs (financing fees write-off and redemption premia) arising from the refinancing of TeamSystem Group’s financial structure occurred in April 2018 (see also Note 14 Net Financial Indebtedness).

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CONSOLIDATED STATEMENT OF CASH FLOWS

Euro thousands								
CONSOLIDATED STATEMENT OF CASH FLOWS	YTD 30 Sep 2018	YTD 30 Sep 2017	Change	% Change	Quarter 3Q 2018	Quarter 3Q 2017	Change	% Change
CASH FLOWS FROM OPERATING ACTIVITIES	68,216	62,509	5,707	9.1%	15,178	18,283	(3,105)	-17.0%
Capital Expenditure	(21,355)	(17,166)	(4,189)	24.4%	(5,561)	(7,442)	1,881	-25.3%
Acquisition / dismissal of investments	(4,129)	(5,534)	1,405	-25.4%	(2,230)	(563)	(1,667)	295.9%
CASH FLOWS FROM INVESTING ACTIVITIES	(25,484)	(22,700)	(2,784)	12.3%	(7,791)	(8,006)	214	-2.7%
Financial balance paid / cashed-in	(17,361)	(6,778)	(10,583)	156.1%	(8,415)	(11,870)	3,455	-29.1%
Financing Fees paid	(15,444)	(2,026)	(13,418)	662.3%	(20)	(692)	672	-97.2%
Contingent liabilities to non-controlling shareholders of subsidiaries paid	(10,822)	(11,149)	327	-2.9%	(994)	(2,102)	1,108	-52.7%
Dividends paid	(58)	(226)	168	-74.4%	(58)	(28)	(30)	104.9%
CASH FLOWS FROM FINANCING ACTIVITIES	(43,684)	(20,180)	(23,505)	116.5%	(9,486)	(14,693)	5,206	-35.4%
CONSOLIDATION OF NEW SUBSIDIARIES	13	0	13	0.0%	(0)	0	(0)	0.0%
INCREASE (DECREASE) IN CASH AND BANK BALANCES	(940)	19,630	(20,569)	-104.8%	(2,100)	(4,415)	2,315	-52.4%

Cash flows from operating activities amount to € 68,216 thousand for the period ended 30 September 2018, increasing by € 5,707 thousand, compared to the corresponding flows for the period ended 30 September 2017 (€ 62,509 thousand).

The balances are impacted by the fact that 30 September 2018, 31 December 2017, 30 September 2017 and 31 December 2016 were not business day (“week-end effect”), therefore the collection of trade receivables due at the end of those months was postponed to the beginning of the next months. The cash flows from operating activities

normalized for the week-end effect would amount to € 72,507 thousand at 30 September 2018 and € 65,479 thousand at 30 September 2017, with an increase of € 7,028 thousand.

Cash flows from investing activities changed from negative € 22,700 thousand in the period ended 30 September 2017 to negative € 25,484 thousand for the corresponding period of 2018. The main investment activities for the first nine months of 2018 are related to:

- capitalized development costs and capital expenditures on tangible and intangible assets;
- equity investment in MMData S.r.l. (also defined in the Offering Memorandum as main Var of the Software XP carve-out business), acquired by Danae Soft S.r.l.;
- the residual stake of Nuovamacut Centro Sud S.r.l.;
- the residual stake of Nuovamacut Nord Ovest S.r.l..

Cash flows from financing activities amount to negative € 43,684 thousand for the period ended 30 September 2018, down by € 23,505 thousand compared to negative € 20,180 thousand for the period ended 30 September 2017. The main cash items occurred in the first nine months of 2018 are attributable to:

- the refinancing of TeamSystem Group debt structure, occurred in April 2018, that consisted of the issuance of 2023 and 2025 Floating Rate Notes (see Note 14 Net Financial Indebtedness) and the subsequent payment of Notes Coupons;
- the acquisition of further equity interests in Metodo S.p.A. and Euresys S.r.l. and the payment of a price adjustment for the acquisition of equity interests mainly in Cassanova S.r.l., Evolution Fit S.r.l., Inforyou S.r.l. and Aliaslab S.p.A..

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► **WORKING CAPITAL**

Euro thousands				
	30 Sep 2018	31 Dec 2017	Change	% Change
Trade receivables	134,856	122,755	12,101	9.9%
Inventories	1,149	1,552	(403)	-26.0%
Other receivables	21,641	17,464	4,176	23.9%
Trade payables	(30,420)	(38,743)	8,324	-21.5%
Other liabilities	(105,278)	(63,445)	(41,833)	65.9%
WORKING CAPITAL	21,949	39,583	(17,634)	-44.6%

At 30 September 2018 Working capital amounts to € 21,949 thousand, down by € 17,634 thousand compared to the balance at 31 December 2017 (€ 39,583 thousand)

The movement is primarily attributable to Trade receivables (which balance is € 134,856 thousand at 30 September 2018 compared to € 122,755 thousand at 31 December 2017) and to Other liabilities (which balance is € 105,278 thousand at 30 September 2018 compared to € 63,445 thousand at 31 December 2017).

The increase in Trade receivables is also due to the week-end effect: 30 September 2018 and 31 December 2017 were not business day, therefore the collection of trade receivables due at the end of those months was postponed to the beginning of the next months². If Trade receivables balances were normalized for the week-end effect, they would amount to € 126,685 thousand at 30 September 2018 and € 118,875 thousand at 31 December 2017; therefore the normalized Working capital would amount to € 13,778 thousand at 30 September 2018 and to € 35,703 thousand at 31 December 2017, with a decrease of € 21,925 thousand.

This movement in Working capital balance can be mainly explained by the seasonality of billings for subscription fees, that characterises the companies of TeamSystem Group (see also Note 16 relating Trade receivables and Note 22 about Other current and non current liabilities both in the section of Notes to the Consolidated Financial Statements).

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¹ The amounts of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: €8,171 thousand for the period ended 30 September 2018, €3,880 thousand for the period ended 31 December 2017, € 6,964 thousand for the period ended 30 September 2017 and € 3,994 thousand for the period ended 31 December 2016.

² The amount of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: € 8171 thousand for the period ended 30 September 2018 and € 3,880 thousand for the period ended 31 December 2017.

► **CAPITAL EXPENDITURE**

Euro thousand

CAPEX EXPENDITURE	YTD		Change	% Change	Quarter	Quarter	Change	% Change
	30 Sep 2018	30 Sep 2017			3Q 2018	3Q 2017		
Tangible assets	2,804	4,979	(2,175)	-43.7%	622	3,054	(2,432)	-79.6%
Intangible assets	8,574	3,248	5,326	164.0%	1,554	1,368	186	13.6%
Capitalized development costs - personnel costs	8,254	7,240	1,014	14.0%	2,905	2,595	310	12.0%
Capitalized development costs - service costs	1,722	1,699	23	1.4%	480	425	54	12.8%
CAPEX EXPENDITURE - TOTAL	21,355	17,166	4,189	24.4%	5,560	7,442	(1,882)	-25.3%

In the period ended 30 September 2018 the capital expenditure amounts to € 21,355 thousand with an increase of € 4,189 thousand compared to 30 September 2017 balance (€ 17,166 thousand).

This increase is mainly attributable to:

- the purchase of the software named “MynPrivacy” and all the rights connected, by TeamSystem S.p.A.. The software allows the compliance with new European regulation about the protection of personal data, which came into force in 2018;
- the purchase, made by the subsidiary Reviso International ApS, the software “PIGC” and “Rent Manager” and the related rights and assets (also defined as Software XP carve-out business in the Offering Memorandum for the issuing of Floating Rate Notes – see “Significant events during the first nine months of 2018” paragraph), for a consideration of approximately € 2.0 million (of which € 1.0 million paid in the first nine months of 2018). The software mainly facilitates compliance with regulations applicable to condominium and property management.
- investments in Group IT system, which allow the compliance with new European regulation about the protection of personal data (GDPR).

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► **SIGNIFICANT EVENTS DURING THE FIRST NINE MONTHS OF 2018**

● **OUTSOURCING OF BUSINESS DIVISION**

Outsourcing of hardware and systems business division

To be able to meet new market challenges, to respond effectively to customer requests and to guarantee an even more effective and efficient Hardware and Systems service, TeamSystem Group (effective 1 January 2018) has decided to outsource the business segment that handles hardware and systems to a market leader in this sector, with a long history behind it and the core-business of which is the sale and installation of hardware. This partner will handle (on behalf of TeamSystem Group) the total continuity of the operations of the Hardware and Systems business segment as regards the customer base and territorial coverage.

Outsourcing of delivery division – TeamSystem S.p.A.

To be able to meet new market challenges, to respond effectively to customer requests and to guarantee an even more effective and efficient delivery service, in mid June 2018 TeamSystem S.p.A. has outsourced the Delivery business division (that handles the installation, maintenance and assistance services) to different System Integrator/Delivery VAR. The agreements between TeamSystem S.p.A. and the System Integrator/Delivery VAR guarantee the total continuity of the operations of the delivery division as regards the customer base and territorial coverage.

Outsourcing of delivery division – Esa Napoli S.r.l.

In July 2018 Esa Napoli S.r.l. has outsourced the business division that handles the installation, maintenance and assistance services to a historical partner of TeamSystem Group.

● **INVESTMENTS IN INTANGIBLE ASSETS**

Definitive purchase of “MynPrivacy” software and related rights

In January 2018, TeamSystem S.p.A. definitively purchased the software and all rights pertaining to the application named “MynPrivacy”. The aim of the application is to facilitate compliance with regulations

applicable to the protection of natural persons in connection with the processing of personal data inclusive of the requirements of EU Regulation 2016/679 (GDPR).

Definitive purchase of “PIGC” and “Rent Manager” software, related rights and assets

In February 2018, TeamSystem Group, through the subsidiary Reviso International ApS, definitively purchased the software, rights and assets pertaining to the applications named “PIGC” and “Rent Manager” (also defined as Software XP carve-out business in the Offering Memorandum for the issuing of Floating Rate Notes– see “Significant subsequent events” paragraph). The aim of the applications is to facilitate compliance with regulations applicable to condominium and property management, as well as facilitate the organisation and conduct of activities typical thereof.

• ACQUISITION AND DISPOSAL OF INVESTMENT

Disposal of the investment in Mondoesa Milano Nordovest S.r.l.

In February 2018, TeamSystem S.p.A. disposed of its investment in Mondoesa Milano Nordovest S.r.l..

Acquisition of MMData S.r.l.(or main Var of the Software XP carve-out business)

In February 2018, TeamSystem Group, through the subsidiary Danea Soft S.r.l., completed the acquisition of 100% of the capital of MMData S.r.l. (also defined in the Offering Memorandum as main Var of the Software XP carve-out business). MMData S.r.l. is a leading company in Italy in the provision of services and the distribution of software for condominium and property managers.

Acquisition of residual 40% stake of Euresys S.r.l.

In April 2018, TeamSystem S.p.A. acquired the residual 40% stake in Euresys S.r.l and now is the fully owner of Euresys S.r.l.. The company operates in the HR management software market and develops software solutions for the complete management of human resources.

Acquisition of residual 10% stake of Metodo S.p.A.

In June 2018, TeamSystem S.p.A. acquired the residual 10% stake in Metodo S.p.A. and now is the fully owner of Metodo S.p.A.. The company develops and markets, through a network of distributors in Italy, management softwares for businesses.

Acquisition of residual stake of Nuovamacut Centro Sud S.r.l. and Nuovamacut Nord Ovest S.r.l.

In August 2018 Nuovamacut Automazione S.p.A. acquired the residual 30% stake in Nuovamacut Centro Sud S.r.l. and the residual 13,67% stake in Nuovamacut Nord Ovest S.r.l., and now they are the fully owned.

• NEW INCORPORATIONS

Incorporation of Betoo S.r.l.

On 27 March 2018, TeamSystem S.p.A. incorporated the subsidiary Betoo S.r.l., to improve the operations management. The 80% of the capital of Betoo S.r.l. is owned by TeamSystem S.p.A. and the residual stake is owned by Metodo S.p.A..

• REFINANCING OF TEAMSYSTEM GROUP’S FINANCIAL STRUCTURE

Floating Rate Notes and RCF – Refinancing

In order to optimize the costs of the Group financial debt and adjust the financial resources to the new Group’s business necessities, TeamSystem Group revised its financial structure.

On 4 April 2018, TeamSystem S.p.A. concurrently issued:

- € 550 million in aggregate principal amount of senior secured floating rate notes due April 15, 2023 (the “2023 Floating Rate Notes”), with an interest rate equal to three month Euribor (subject to a 0% floor) plus 4.000% per annum, reset quarterly (ISIN XS1799538464 and XS1799537904); and
- € 200 million in aggregate principal amount of senior secured floating rate notes due April 15, 2025 (the “2025 Floating Rate Notes” and, together with the 2023 Floating Rate Notes, the “Floating Rate Notes”), having an identical interest rate and practically identical terms and conditions to the 2023 Floating Rate Notes (ISIN XS1799545089 and XS1799545675).

The net proceeds of the offering were used to redeem TeamSystem S.p.A.'s senior secured floating rate notes due 2022, in an aggregate principal amount of € 570 million, and TeamSystem Holding S.p.A.'s senior floating rate notes due 2023, in an aggregate principal amount of € 150 million, and to pay accrued interest and redemption premia relating thereto.

The Floating Rate Notes are listed on the Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF Market thereof. In addition, the Floating Rate Notes are listed on the Vienna Stock Exchange and have been admitted to trading on the Third Market (MTF) thereof.

In order to hedge the exposure to the three month Euribor changes, TeamSystem S.p.A. entered into an interest rate swap with a principal amount of € 500 million and a maturity date of 15 April 2020.

Furthermore, in connection with the issuance of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. (as the Parent), entered into a new € 90 million revolving credit facility agreement with a final maturity date of October 15, 2022. The interest rate payable on loans under the new revolving credit facility is based on the applicable Euribor or Libor, as the case may be and in either case subject to a 0% floor, plus an initial spread of 3.500% per annum.

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►SIGNIFICANT SUBSEQUENTS EVENTS

Merger by absorption of Euresys S.r.l. and TeamSystem C&D S.r.l. in TeamSystem S.p.A.

In October 2018 TeamSystem S.p.A., with the aim of simplifying the Group structure, merged by absorption two companies of the Group, Euresys S.r.l. and TeamSystem C&D S.r.l. by means of a deed of merger dated 29 October 2018, effective for legal purposes as at the close of business on 31 October 2018.

Acquisition of residual stake of Mondora S.r.l.

In October 2018 TeamSystem S.p.A. acquired the residual 49% stake in Mondora S.r.l. and now it is fully owned.

Change of the company name of Betoo S.r.l.

In November 2018, Betoo changed its company name in TeamSystem Active S.r.l..

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►ONGOING DEVELOPMENTS

Acquisitions, Joint Ventures and Other Business Combinations

We believe that we have demonstrated the ability to successfully integrate acquisitions. As a result, our business strategy includes acquiring businesses and entering into joint ventures and other business combinations if there is a strategic product fit or an activity that would complement our product offering.

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►RELATED PARTY TRANSACTIONS

In the first nine months of 2018, transactions with subsidiaries and the parent company Barolo Lux 1 S.à.r.l. formed part of the Group's normal operations and were entered into at arm's length. TeamSystem Group has not been party to any transactions with related companies that merit disclosure, other than those previously commented upon.

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**BOARD OF DIRECTORS, STATUTORY AUDITORS
and OTHER INFORMATION**

BOARD OF DIRECTORS		TITLE
30 Sept 2018		
VINCENZO MORELLI		CHAIRMAN
FEDERICO LEPROUX		CHIEF EXECUTIVE OFFICER
PATRICK JOHN HEALY		DIRECTOR
VINCENZO FERRARI		DIRECTOR
SERGIO AMODEO		DIRECTOR
BLAKE CHRISTOPHER KLEINMAN		DIRECTOR
PHILIP RICHARD STERNHEIMER		DIRECTOR
LUCA VELUSSI		DIRECTOR
JEAN BAPTISTE BRIAN		DIRECTOR

BOARD OF STATUTORY AUDITORS		TITLE
30 Sept 2018		
CLAUDIO SANCHIONI		CHAIRMAN
FABIO LANDUZZI		STATUTORY AUDITOR
NICOLE MAGNIFICO		STATUTORY AUDITOR
ROBERTO PIERLEONI		ALTERNATIVE AUDITOR
CRISTINA AMADORI		ALTERNATIVE AUDITOR

REGISTERED OFFICE and OTHER INFORMATION		
TEAMSYSTEM HOLDING S.p.A.		
REGISTERED OFFICE	PESARO - Via Sandro Pertini, 88	
SHARE CAPITAL	Euro	5.450.000
ITALIAN TAX CODE		09290340968
REA - PESARO		196739
INDEPENDENT AUDITORS	DELOITTE & TOUCHE S.p.A.	

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UNAUDITED
INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE NINE MONTHS
ENDED
30 SEPTEMBER 2018

TeamSystem Holding S.p.A. and its Subsidiaries TeamSystem Group

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	30 Sep 2018	Restated 30 Sep 2017	NOTES
Revenue	229,781	219,560	1
Other operating income	1,731	1,419	1
TOTAL REVENUE	231,512	220,979	1
Cost of raw and other materials	(19,003)	(20,427)	2
Cost of services	(61,943)	(54,230)	3
Personnel costs	(78,667)	(79,120)	4
Other operating costs	(6,642)	(6,039)	5
Depreciation and amortization of non-current assets	(56,035)	(48,705)	
Allowance for bad debts	(3,829)	(4,435)	
Other provisions for risks and charges	0	(2)	
OPERATING RESULT	5,393	8,021	
Finance income	772	1,002	6
Finance cost	(82,436)	(48,543)	7
PROFIT (LOSS) BEFORE INCOME TAXES	(76,272)	(39,520)	
Current income tax	(10,929)	(9,547)	
Deferred income tax	11,538	10,465	
TOTAL INCOME TAX	609	918	
PROFIT (LOSS) FOR THE PERIOD	(75,663)	(38,602)	
(Profit) Loss for the period - Non-controlling interests	(48)	(208)	
PROFIT (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY	(75,711)	(38,810)	
ADJUSTED EBITDA	74,358	74,400	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30 Sep 2018	30 Sep 2017	NOTES
PROFIT (LOSS) FOR THE PERIOD	(75,663)	(38,602)	19
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX	0	0	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(75,663)	(38,602)	19
Total comprehensive (income) loss for the period attributable to Non-controlling interests	(48)	(208)	19
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY	(75,711)	(38,810)	19

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	30 Sep 2018	31 Dec 2017	NOTES
Tangible assets	15,816	15,371	9
Intangible assets	694,581	728,699	10
Goodwill	707,680	705,849	11
Other Investments	449	447	12
Investments in associates	82	147	12
Deferred tax assets	14,086	17,066	13
Other financial assets - non-current	2,989	493	14
TOTAL NON-CURRENT ASSETS	1,435,683	1,468,071	
Inventories	1,149	1,552	15
Trade receivables	134,856	122,755	16
Tax receivables	1,657	5,330	17
Other receivables - current	21,641	17,464	18
Other financial assets - current	50	386	14
Cash and bank balances	15,319	16,259	14
TOTAL CURRENT ASSETS	174,673	163,748	
TOTAL ASSETS	1,610,356	1,631,819	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	30 Sep 2018	31 Dec 2017	NOTES
Share capital	5,450	5,450	19
Other reserves	500,012	558,928	19
Profit (Loss) attributable to Owners of the Company	(75,711)	(57,134)	19
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	429,751	507,245	
Non-controlling interests - Capital and reserves	394	678	19
Non-controlling interests - Profit (Loss)	48	346	19
TOTAL NON-CONTROLLING INTERESTS	442	1,023	
TOTAL EQUITY	430,194	508,268	
Financial liabilities with banks and other institutions - non-current	750,000	720,130	14
Financing Fees - non-current	(11,282)	(23,512)	14
Other financial liabilities - non-current	84,952	94,042	14
Staff leaving indemnity	15,836	18,280	20
Provisions for risks and charges	4,280	10,355	21
Deferred tax liabilities	186,080	200,604	13
Other liabilities - non-current	589	636	22
TOTAL NON-CURRENT LIABILITIES	1,030,455	1,020,535	
Financial liabilities with banks and other institutions - current	1,429	703	14
Financing Fees - current	(2,787)	(7,001)	14
Other financial liabilities - current	10,001	7,501	14
Trade payables	30,420	38,743	
Tax liabilities - current	5,955	258	23
Other liabilities - current	104,688	62,810	22
TOTAL CURRENT LIABILITIES	149,708	103,016	
TOTAL LIABILITIES	1,180,162	1,123,551	
TOTAL EQUITY AND LIABILITIES	1,610,356	1,631,819	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	30 Sep 2018	30 Sep 2017	NOTES
Operating Result	5,393	8,021	
Depreciation and amortization of non-current assets	56,035	48,705	
Amortization, Depreciation, Write-off, Impairment	56,035	48,705	
Trade receivables	(12,099)	(15,157)	8
Inventories	357	(35)	
Other receivables - current	(3,774)	(2,179)	
Trade payables	(9,328)	(1,087)	
Other liabilities - current	40,590	38,414	
Other liabilities - non-current	(46)	(47)	
Change in Working capital	15,700	19,909	8
Staff leaving indemnity	(1,277)	(195)	
Provisions for risks and charges	(5,280)	(598)	
Change in provisions	(6,557)	(793)	
Income tax	(2,355)	(13,333)	
CASH FLOWS FROM OPERATING ACTIVITIES	68,216	62,509	8
Tangible assets	(2,804)	(4,979)	
Intangible assets	(8,574)	(3,248)	
Capitalized development costs - personnel costs	(8,254)	(7,240)	
Capitalized development costs - service costs	(1,722)	(1,699)	
Capital Expenditure	(21,355)	(17,166)	
Acquisition / dismissal of investments	(4,129)	(5,534)	8
CASH FLOWS FROM INVESTING ACTIVITIES	(25,484)	(22,700)	
Financial balance paid / cashed-in and change in financial assets / liabilities	(17,361)	(6,778)	8
Financing Fees paid	(15,444)	(2,026)	8
Contingent liabilities to non-controlling shareholders of subsidiaries paid	(10,822)	(11,149)	8
Dividends paid	(58)	(226)	
CASH FLOWS FROM FINANCING ACTIVITIES	(43,684)	(20,180)	
CASH AND BANK BALANCES FROM CONSOLIDATION OF SUBSIDIARIES	13	0	
INCREASE (DECREASE) IN CASH AND BANK BALANCES	(940)	19,630	
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	16,259	19,406	
CASH AND BANK BALANCES - END OF THE PERIOD	15,319	39,036	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Euro thousands

	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2016	5,450	636,717	(75,771)	566,396	1,060	567,456
Loss allocation		(75,771)	75,771	(0)		(0)
Other movements		(679)		(679)		(679)
Change in Non-controlling interests IFRS 3		(823)		(823)	(157)	(980)
Dividends				0	(226)	(226)
Total Comprehensive Income (Loss) for the period			(38,810)	(38,810)	208	(38,602)
30 Sep 2017	5,450	559,444	(38,810)	526,084	885	526,969

Euro thousands

	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2017	5,450	558,928	(57,134)	507,245	1,023	508,268
Loss allocation		(57,134)	57,134	(0)		(0)
Change in Non-controlling interests IFRS 3		(1,783)		(1,783)	(570)	(2,353)
Dividends				0	(59)	(59)
Total Comprehensive Income (Loss) for the period			(75,711)	(75,711)	48	(75,663)
30 Sep 2018	5,450	500,012	(75,711)	429,751	442	430,194

TeamSystem Group

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

►COMPANY BACKGROUND

TeamSystem Holding S.p.A. is a company registered with the Pesaro business register and it is domiciled in Italy with its registered office located in Pesaro. TeamSystem Holding S.p.A. (the “Parent Company”) is the parent company of TeamSystem Group (the “Group”), leader in Italy in the production and marketing of management software and in the provision of training targeted at Associations, small and medium-sized enterprises and Professionals (accountants, labour consultants, lawyers, condominium managers and self-employed professionals).

The company is a 100% directly held subsidiary of Barolo Lux 1 S.à.r.l., which, in its turn, is an approximately 87.9% indirectly held subsidiary of the private equity firm Hellman & Friedman (“H&F”), with the remainder equity interest held by the private equity firm HG Capital (8.5%) and by TeamSystem's senior and middle managers (3.6%).

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►BASIS OF PREPARATION

The Group's annual consolidated financial statements are prepared in accordance with international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union pursuant to Regulation No. 1606/2002.

The accounting standards adopted for the preparation of the TeamSystem Holding S.p.A. consolidated financial statements for the period ended 30 September 2018 are the same used for the preparation of TeamSystem Holding S.p.A. consolidated financial statements for the period ended 31 December 2017 (to which reference should be made).

These interim consolidated financial statements have not been prepared in compliance with IAS 34 “Interim financial reporting”. These financial statements do not include all the information required for annual financial statements.

The interim consolidated financial documents for the period ended 30 September 2018 show comparative figures as at 30 September 2017 for the components of the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and show comparative figures as at 31 December 2017 for the components of consolidated statement of financial position.

The interim consolidated financial statements for the period ended 30 September 2018 consist of a consolidated statement of profit or loss, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of cash flows, a consolidated statement of changes in equity and notes to the interim consolidated financial statements components.

The format used for the financial statements is the same as the one used for the preparation of the TeamSystem Holding S.p.A. consolidated financial statements for the year ended 31 December 2017.

This interim consolidated financial report for the first nine months ended 30 September 2018 is presented in Euros

and all amounts have been rounded to Euro thousands, unless otherwise specified.

The consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries (TeamSystem Group) for the period ended 30 September 2018 and for the period ended 30 September 2017 have not been audited.

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►RESTATEMENT OF CONSOLIDATED COMPARATIVES FOR THE YEAR ENDED 30 SEPTEMBER 2017

The Group adopted a new accounting policy with respect to the classification of costs in the consolidated statement of profit or loss, in order to take account of best practice in use and, specifically, of ESMA recommendations on Alternative Performance Measures. Consequently, certain costs previously classified as “non-recurring”, relating to components deemed by Management to be non-core with respect to ordinary business operations, have been eliminated and have been classified within the corresponding cost category by nature. The new accounting policy has given rise to the reclassification of 30 September 2017 comparative figures due to costs previously classed as “non-recurring”, as described below:

- a) Of the costs specifically classed as “non-recurring” in the 30 September 2017 Consolidated financial statements, amounting to € 11,746 thousand, € 9,44 thousand has been allocated to cost of services and € 2,305 thousand has been allocated to other operating costs;
- b) The “non-recurring” components of personnel costs, finance costs and income tax have been eliminated.

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►SCOPE OF CONSOLIDATION

A listing of businesses consolidated on a line-by-line basis (or with equity method) is provided in the following table and it should be noted that the consolidation percentage takes account of any put and call options stipulated during the course of acquisitions:

Amounts in Euro								
CONSOLIDATED COMPANIES								
LINE BY LINE	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Pesaro	5,450,000	643,265,131	590,128	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	412,926,265	(79,507,362)	EUR	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	7,843,917	1,737,730	EUR	100.00	100.00	
Inforyou S.r.l.	Castello di Godego (TV)	31,250	4,657,759	446,357	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	4,261,887	1,862,417	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	45,676	(60,800)	EUR	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	8,627,340	2,005,692	EUR	70.00	100.00	1
H-Umus S.r.l.	Roncade (TV)	50,000	1,332,077	132,339	EUR	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	1,134,061	725,487	EUR	51.00	100.00	1 / 4
Esa Napoli S.r.l.	Naples	10,000	81,022	58,870	EUR	100.00	100.00	
Euresys S.r.l.	Turin	99,000	873,965	107,481	EUR	100.00	100.00	
Mondora S.r.l.	Milan	105,000	1,687,754	614,309	EUR	51.00	100.00	1
Voispeed Limited	Saint Albans - UK	1,000	127,438	29,752	GBP	85.00	85.00	5
TeamSystem C&D S.r.l.	Naples	10,000	(60,169)	(175,313)	EUR	100.00	100.00	
Aliaslab S.p.A.	Milan	156,000	16,137,385	2,871,756	EUR	51.00	100.00	1
Reviso International ApS	Copenhagen	50,011	4,240,697	(3,442,220)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	13,668	4,438	GBP	100.00	100.00	6
Reviso Soluciones Cloud S.L.	Madrid	3,000	4,188	(4,180)	EUR	100.00	100.00	6
Reviso Deutschland GmbH	Berlin	25,000	29,215	(721)	EUR	100.00	100.00	6
Evolis S.r.l.	Catania	887,000	1,012,499	(135,333)	EUR	51.00	100.00	1
Netlex S.r.l.	Velletri (RM)	12,500	253,849	7,292	EUR	51.00	100.00	1
Cassanova S.r.l.	Santarcangelo di Romagna (RN)	10,000	684,219	(126,923)	EUR	51.00	100.00	1
Evolution Fit S.r.l.	Turin	10,000	(11,503)	(43,289)	EUR	51.00	100.00	1 / 7
MMData S.r.l.	Rome	10,000	122,110	109,785	EUR	100.00	100.00	4
Betoo S.r.l.	Pesaro	10,000	(1,113,442)	(1,123,442)	EUR	100.00	100.00	
Gruppo Euroconference S.p.A.	Verona	300,000	12,322,042	1,469,468	EUR	96.87	96.87	2
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	10,754,534	1,679,538	EUR	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	4,350,226	1,280,770	EUR	100.00	100.00	3
Nuovamacut Centro Sud S.r.l.	Rome	10,000	457,032	199,130	EUR	100.00	100.00	3

Amounts in Euro								
CONSOLIDATED COMPANIES								
EQUITY METHOD	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	105,603	3,141	EUR	40.00	40.00	8
INTIT S.r.l.	Frosinone	20,800	369,119	75,289	EUR	35.00	35.00	8
Cesaco S.r.l.	Vicenza	90,000	151,545	(24,441)	EUR	48.00	48.00	8
Comsyst S.r.l.	Pesaro	10,000			EUR	49.00	49.00	9

- (1) = holding would be 100% should put/call option be exercised;
(2) = takes account of treasury shares held by Gruppo Euroconference;
(3) = investments held by Nuovamacut Automazione S.p.A.;
(4) = investments held by Danae Soft S.r.l.;
(5) = investments held by TeamSystem Communication S.r.l.;
(6) = investments held by Reviso International ApS;
(7) = investments held by Inforyou S.r.l.;
(8) = Equity and Profit (Loss) figures updated to 31 December 2016;
(9) = the company was set up in 2017.

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► CHANGES TO THE SCOPE OF CONSOLIDATION DURING THE FIRST NINE MONTHS OF 2018

The 30 September 2018 scope of consolidation has changed, compared to the Consolidated financial statements for the year ended 31 December 2017, because of the consolidation of MMData S.r.l. results in the 30 September 2018 Consolidated Financial Statements.

The percentage of consolidation of Nuovamacut Nord Ovest S.r.l. and Nuovamacut Centro Sud S.r.l. changed after the acquisition of their residual stakes by Nuovamacut Automazione S.p.A.. The current percentages are 100%.

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► TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

Assets and liabilities of consolidated foreign entities that are denominated in foreign currencies other than the Euro are translated at the rates of exchange prevailing at the reporting date; income and costs are translated at the average rates of exchange for the period. Any resulting translation differences are recognised in the foreign currency translation reserve included in equity.

The foreign companies included in the scope of consolidation at 30 September 2018 that use a currency other than the Euro are: Voispeed Limited and Reviso Cloud Accounting Limited, which use the British Pound (GBP), and Reviso International ApS, which uses the Danish Krone (DKK).

The exchange rates applied for the translation are set out in the following table:

EXCHANGE RATES	Average exchange rate for the first nine months of 2018	Exchange rate as at 30 September 2018	Average exchange rate for the first nine months of 2017	Exchange rate as at 31 December 2017
GBP	0.88405	0.8873	0.873182	0.88723
DKK	7.4503	7.4564	7.437292	7.4449

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► SEGMENT INFORMATION

Within TeamSystem Group the following three operating segments have been identified, characterised by the autonomous nature of their products/services and production processes that have the aforementioned features:

- **Software Solutions:** includes the Group's core, historical activities, such as sales of software licences to professionals and small and medium businesses, support and maintenance, which are sold via the traditional sales networks pertaining to the direct, indirect and vertical channels;
- **Cloud Software Solutions:** relates to software solutions and related subscriptions handled by the new cloud channel;
- **Hardware:** includes the activities, revenue and costs pertaining to sales of hardware systems and related components.

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►USE OF ESTIMATES

The preparation of consolidated financial statements requires the Management to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments, that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity as well as the disclosures provided. The actual amounts of the financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based.

Set out below is a listing of consolidated financial statement components that require greater subjectivity, on the part of the Management, in the application of estimates and, for which, a change in the conditions of underlying assumptions used may have a significant impact on the consolidated financial statements:

- Business combinations (IFRS 3) and measurement of intangible assets;
- Goodwill and other intangible assets;
- Capitalised development costs;
- Deferred tax assets and liabilities;
- The measurement of Provisions for risks and charges and the Allowance for bad debts;
- Employee benefits;
- Contingent liabilities to non-controlling shareholders of subsidiaries.

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►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, APPLICABLE AND NOT ADOPTED BY THE GROUP AT 30 SEPTEMBER 2018

The Group has not applied the following new accounting standards and other amendments, which have been published:

- **IFRS 15 – Revenue from Contracts with Customers** (published on 28 May 2014 and supplemented by further clarifications published on 12 April 2016) which replaces IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue - Barter Transactions Involving Advertising Services. The standard provides a new revenue recognition model to be applied to all contracts with customers except for those that fall within the scope of application of other IAS/IFRS, such as leasing, insurance contracts and financial instruments. The fundamental steps for revenue recognition according to the model are as follows:
 - o identification of the contract with the customer;
 - o identification of the performance obligations in the contract;
 - o determination of the transaction price;
 - o allocation of the transaction price to the performance obligations in the contracts;
 - o revenue recognition criteria when the entity satisfies a performance obligation.

The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017.

The new standard is effective for annual periods beginning on or after 1 January 2018, but it wasn't applied in 30 September 2018 figures.

Besides, based on analysis performed and on assessments conducted during the year, the Directors do not believe that the application of IFRS 15 will have a significant impact on revenue recognition in the Group's consolidated financial statements. The Directors are currently assessing whether to use, at the date of initial application, the fully retrospective or modified retrospective approach, bearing in mind the expected insignificant impact of both on the opening equity balance and on the Group's revenue and result for the year.

- **Final version of IFRS 9 – Financial Instruments** (published on 24 July 2014). The document contains the results of the IAS 39 replacement project:
 - o it introduces new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of non-substantial modifications of financial liabilities);
 - o with reference to the impairment model, the new standard requires credit losses to be estimated based on an expected loss model (and not on an incurred loss model used by IAS 39) using supportable information, which is available without undue cost or effort that includes historical, current and prospective figures;
 - o it introduces a new hedge accounting model (an increase in the types of transactions eligible for hedge accounting, a change in accounting for forwards and options included in a hedging relationship and replacement of the effectiveness test).

The new standard is effective for annual periods beginning on or after 1 January 2018, but it wasn't applied in 30 September 2018 figures.

Based on analysis performed, the Directors believe that the application of IFRS 9 will primarily have an impact on related disclosures in the Group's consolidated financial statements, with particular reference to the new classification criteria and categories applicable to financial assets and liabilities.

- **IFRS 16 – Leases** (published on 13 January 2016) which replaces 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 a lease and introduces a criterion based on control (right of use) over an asset in order to differentiate lease contracts from service contracts, identifying the following features: identification of the asset, the right to replacement thereof, the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the underlying asset. The standard sets out a single model for the recognition and measurement of lease contracts for a lessee that requires the recognition of assets held under leases, inclusive of operating leases, as balance sheet assets with an opposite entry to financial liabilities and it also makes it possible not to recognise as leases contracts for low-value assets and leases with a contractual duration equal to or less than 12 months. On the other hand, the standard does not include any significant amendments for lessors.

The standard is applicable as from 1 January 2019, although early application is permitted, but only for companies that have already adopted IFRS 15 - Revenue from Contracts with Customers. The Directors believe that the application of IFRS 16 may have a significant impact on the amounts recognised and on the related disclosures provided in the Group's consolidated financial statements; in particular, on account of the various open rent and operating leases, the Directors believe that the application of the standard will give rise to the recognition of a right of use asset and a lease liability and a significant improvement in operating income. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis of the related contracts.

The standard wasn't applied in 30 September 2018 figures.

► ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

As of the accounting reference date of these consolidated financial statements, the European Union's delegated bodies had not yet concluded the endorsement process required for the adoption of the amendments and standards described below that could impact the Group:

- On 7 June 2017 the IASB issued the interpretation document IFRIC 23 – Uncertainty over Income tax Treatments. The interpretation addresses uncertainty over income tax treatments.

The interpretation envisages that uncertainties in the determination of tax liabilities or assets should be reflected in the financial statements only when it is probable that the entity will settle or recover the amount in question. Moreover, the interpretation does not contain any new disclosure obligation, but it emphasises that the entity must establish if there will be a need to provide information on considerations made by management and relating to the inherent uncertainty in accounting for taxation, in accordance with the requirements of IAS 1.

The new interpretation is applicable as from 1 January 2019, although early application is permitted. The Directors are currently assessing the potential effect of the introduction of this interpretation on the Group's consolidated financial statements.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (published on 12 October 2017). The document clarifies that instruments that provide for early repayment may meet the SPPI test even in the event that the reasonable additional compensation payable upon early repayment would constitute negative compensation for the lender. The amendments are applicable as from 1 January 2019, although early application is permitted. The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.

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Notes to Interim Unaudited Consolidated Financial Statement Components

(All amounts are expressed in thousands of Euro except where otherwise indicated)

1. TOTAL REVENUE AND OPERATING SEGMENTS

Euro Millions

OPERATING SEGMENTS	30 Sep 2018	30 Sep 2017	Change	% Change
Assistance and Maintenance	48.3	46.4	1.9	4.1%
Licences	10.9	16.3	(5.4)	-33.4%
Services and Other	15.9	16.9	(1.1)	-6.3%
Direct Channel	75.0	79.6	(4.6)	-5.8%
Assistance and Maintenance and Licences	66.5	65.6	0.9	1.4%
Services and Other	2.0	2.0	0.1	4.4%
Indirect Channel	68.5	67.5	1.0	1.5%
ERP AND BUSINESS MANAGEMENT SOFTWARE	143.5	147.2	(3.6)	-2.5%
Assistance and Maintenance	21.8	19.3	2.4	12.6%
Licences	11.9	11.2	0.7	6.2%
Services and Other	23.7	21.7	1.9	8.9%
VERTICAL SOLUTIONS	57.3	52.2	5.1	9.7%
SOFTWARE SOLUTION RECONCILIATION	(4.9)	(2.3)	(2.5)	109.4%
SOFTWARE SOLUTIONS	196.0	197.1	(1.1)	-0.6%
CLOUD SOFTWARE SOLUTIONS	33.2	19.9	13.3	67.1%
HARDWARE	2.3	4.0	(1.7)	-42.2%
TOTAL REVENUE	231.5	221.0	10.5	4.8%

Total Revenue for the period ended 30 September 2018 amounts to € 231.5 millions, up by € 10.5 million compared to the corresponding figure for the period ended 30 September 2017 (€ 221 millions).

This movement (attributable to the change in the consolidation area and to the organic growth experienced by the Group in the first nine months of 2018) is due to the increase in Cloud Software Solutions revenue (€ 13.3 millions), that is partially offset by:

- Software Solutions revenue, which decreases by € 11 millions. This mainly because since January 2018, a new billing method has been adopted by the Group (especially for professional customers) and it consists in invoicing software subscriptions instead of software licences;
- Hardware revenue, which decreases by € 1.7 millions following the outsourcing operation of the Hardware Division.

2. COST OF RAW AND OTHER MATERIALS

	30 Sep 2018	Restated 30 Sep 2017	Change	% Change
Hardware purchases	2,320	4,617	(2,297)	-49.7%
Third parties' software	13,994	13,508	486	3.6%
Handbooks and forms	43	37	6	16.6%
Materials for education	110	100	10	9.8%
Fuel	1,748	1,565	184	11.8%
Other materials	495	627	(132)	-21.1%
Change in inventory of raw materials	291	(27)	319	-1170.2%
Total	19,003	20,427	(1,424)	-7.0%

Cost of raw and other materials amounts to € 19,003 thousand for the period ended 30 September 2018, down by € 1,424 thousand compared to the amount at 30 September 2017 (€ 20,427 thousand). The decrease is mainly due to the outsourcing of the business segment that handles hardware business.

3. COST OF SERVICES

	30 Sep 2018	Restated 30 Sep 2017	Change	% Change
Agent commissions and other costs	9,595	9,340	255	2.7%
Consulting and third parties services	9,315	8,599	716	8.3%
Software and Hardware maintenance costs	7,114	4,491	2,624	58.4%
Customer support service costs	1,543		1,543	
Administrative tax and legal	1,706	1,814	(108)	-6.0%
Education - consulting and copyrights	2,557	1,858	700	37.7%
Magazines - consulting and copyrights	1,160	1,040	120	11.5%
Other costs for education services	973	655	318	48.6%
Advertising and marketing	6,166	3,698	2,468	66.7%
Car rentals	3,428	3,554	(125)	-3.5%
Utilities	2,907	2,753	154	5.6%
Costs for mergers and acquisitions	358	1,286	(928)	-72.2%
Tax optimization costs	244	156	88	56.4%
Strategic marketing expenses		1,608	(1,608)	-100.0%
Other minor items	920	380	540	142.1%
Costs for strategic projects and reorganizations	5,953	6,011	(58)	-1.0%
Other services	9,726	8,687	1,039	12.0%
Cost of services - Gross of capitalisation	63,665	55,929	7,736	13.8%
Services capitalized development costs	(1,722)	(1,699)	(23)	1.3%
Total	61,943	54,230	7,714	14.2%

Cost of services for the period ended 30 September 2018 amounts to € 61,943 thousand, up by € 7,714 thousand from the amount of the period ended 30 September 2017 (€ 54,230 thousand), mainly related to the change in the consolidation area and to the organic growth experienced by the Group in the first nine months of 2018.

Compared to the corresponding period ended 30 September 2017, the main increases have been registered in Software and Hardware maintenance costs, Advertising and Marketing (both as a consequence of the the growth in Cloud Software Solutions Revenue) and Customer support service costs (the latter due to the outsourcing operations undertaken by the Group in 2018).

As regards the capitalisation of cost of services recognised in the nine months of 2018, reference should be made to the Note 10 Intangible Assets.

4. PERSONNEL COSTS

	30 Sep 2018	Restated 30 Sep 2017	Change	% Change
Wages, salaries and social contributions	79,710	78,974	736	0.9%
Staff leaving indemnities	3,853	3,713	140	3.8%
Other personnel costs	167	9	158	1743.9%
Personnel costs for redundancy and reorganizations	612	1,492	(879)	-59.0%
Employee costs	84,341	84,187	154	0.2%
Freelancers and collaborators fees	515	180	335	185.4%
Directors' fees and related costs	2,065	1,992	73	3.7%
Directors and Collaborators	2,580	2,173	407	18.8%
Personnel - Gross of capitalisation	86,922	86,360	562	0.7%
Personnel capitalized development costs	(8,254)	(7,240)	(1,014)	14.0%
Total	78,667	79,120	(453)	-0.6%

Personnel costs for the period ended 30 September 2018 (€ 78,667 thousand) have decreased by € 453 thousand, compared to the corresponding amount for the period ended 30 September 2017 (€ 79,120 thousand).

As regards the capitalisation of personnel costs recognised in the first nine months of 2018, reference should be made to the Note 10 Intangible Assets.

5. OTHER OPERATING COSTS

	30 Sep 2018	Restated 30 Sep 2017	Change	% Change
Rents	3,600	2,961	639	21.6%
Rentals	289	349	(61)	-17.4%
Other expenses for use of third parties assets	388	572	(184)	-32.2%
Other tax	226	281	(55)	-19.5%
Losses from assets disposals	32	6	26	412.9%
Other expenses and settlement costs	2,107	1,870	237	12.7%
Total	6,642	6,039	603	10.0%

Other operating costs for the period ended 30 September 2018 (€ 6,642 thousand) increase by € 603 thousand compared to the corresponding amount for the period ended 30 September 2017 (€ 6,039 thousand).

6. FINANCE INCOME

	30 Sep 2018	Restated 30 Sep 2017	Change	% Change
Interest and other finance income	(7)	63	(70)	-110.5%
Gains on foreign exchange	3	17	(14)	-82.7%
Interest from cash pooling and other loans	(0)	4	(4)	-101.3%
Interest from banks	0	1	(0)	-40.5%
Depreciation - Contingent liab. non-controll. shareholders	764	891	(127)	-14.3%
Dividends	7	24	(17)	-71.5%
Revaluations of investments	4	2	2	142.6%
Total	772	1,002	(230)	-23.0%

Finance income for the period ended 30 September 2018 (€ 772 thousand) have decreased for an amount of € 230 thousand compared to the corresponding amount at 30 September 2017 (€ 1,002 thousand).

The movement concerns the “Depreciation related to Contingent liabilities to non-controlling shareholders of subsidiaries” line item, which decreases by € 127 thousand.

7. FINANCE COST

	30 Sep 2018	Restated 30 Sep 2017	Change	% Change
Interest on bank loans	86	498	(412)	-82.7%
Interest on Notes	43,974	37,265	6,709	18.0%
Interest on shareholders loan		280	(280)	-100.0%
Interest on derivative instruments	91		91	
Interest on financing fees	31,887	5,088	26,799	526.7%
Revaluation - Contingent liab. non-controll. shareholders	668	615	53	8.7%
Bank commissions	1,289	1,036	253	24.4%
MTM valuation of derivative instruments	271		271	
Interests on actuarial valuation of employees benefit	95	322	(227)	-70.5%
Other IFRS financial charges	3,965	3,328	636	19.1%
Interests on cash pooling and other loans	18		18	
Other financial charges	84	95	(11)	-11.8%
Losses on foreign exchange	7	16	(8)	-53.3%
Total	82,436	48,543	33,894	69.8%

Finance cost for the period ended 30 September 2018 amount to € 82,436 thousand with an increase of €33,894 thousand, compared to the corresponding amount at 30 September 2017 (€ 48,543 thousand).

The increase is mainly due to one-off financial costs arising from the operation of refinancing of TeamSystem

Group's financial structure (see Note 14 Net Financial Indebtedness). These costs amount to € 17,400 thousand and € 30,513 thousand and they impact on the line items "Interest on Notes" and "Interest on financing fees", respectively.

Normalizing the one-off financial costs:

- the interests on notes would amount to 26,574 thousand, down by € 10,691 thousand compared to the amount for the period ending at 30 September 2017 (€ 37,265 thousand);
- the interests on financing fees would amount to 1,374 thousand, down by € 3,714 thousand compared to the amount for the period ending at 30 September 2017 (€ 5,088 thousand).

8. CONSOLIDATED STATEMENT OF CASH FLOWS

As regards the more significant components of the statement of cash flow, below a description of the main factors impacting the Group's cash flows in the course of the first nine months of 2018.

Cash flows from operating activities = They amount to € 68,216 thousand for the period ended 30 September 2018 and are impacted by the fact that 30 September 2018, 30 September 2017, 31 December 2017 and 31 December 2016 were not business day ("week-end effect"), therefore the collection of trade receivables due at the end of those months was postponed to the beginning of the next months.

The cash flows from operating activities normalized for the week-end effect would amount to € 72,507 thousand at 30 September 2018 and € 65,479 thousand at 30 September 2017, with an increase of € 7,028 thousand³ (see "Consolidated statement of cash flows" paragraph in "Operating and Financial review" section for further details).

Acquisition of investments = The balance refers to the acquisition of:

- the 100% stake of MMData S.r.l. by the subsidiary Danea Soft S.r.l.;
- the residual stake of Nuovamacut Centro Sud S.r.l.;
- the residual stake of Nuovamacut Nord Ovest S.r.l.

Financial balance paid /cashed-in and change in financial assets/liabilities = The main items included in the balance in question relate to the refinancing of TeamSystem Group debt structure, occurred in April 2018, that consisted of the issuance of 2023 and 2025 Floating Rate Notes (see Note 14 Net Financial Indebtedness) and the subsequent payment of Notes Coupons.

Financing fees paid = The main items included in the balance in question relate to the payment of financing fees related to the Floating Rate Notes and to the Revolving Credit Facility (see Note 14 "Net Financial Indebtedness").

Contingent liabilities to non-controlling shareholders of subsidiaries paid = The main cash items occurred in the first nine months of 2018 are attributable to:

- the acquisition of further equity interests in Metodo S.p.A. and Euresys S.r.l.;
- the payment of a price adjustment for the acquisition of equity interests mainly in Cassanova S.r.l., Evolution Fit S.r.l., Inforyou S.r.l. and Aliaslab S.p.A..

9. TANGIBLE ASSETS

NET BOOK VALUE	30 Sep 2018	31 Dec 2017	Change	% Change
Land	948	948		
Buildings	3,406	3,605	(200)	-5.5%
Plant and machinery	3,670	3,049	621	20.4%
Equipment	1,032	972	60	6.1%
Other assets	6,761	6,796	(35)	-0.5%
Total	15,816	15,371	445	2.9%

At 30 September 2018 Tangible fixed assets amount to € 15,816 thousand, up by € 445 thousand compared with the balance recorded at 31 December 2017 (€ 15,371 thousand). The increase results from the sum of disposals, additions and depreciation charge for the period (the latter amounts to € 2,367 thousand).

³ The amounts of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: €8,171 thousand for the period ended 30 September 2018, €3,880 thousand for the period ended 31 December 2017, € 6,964 thousand for the period ended 30 September 2017 and € 3,994 thousand for the period ended 31 December 2016.

10. INTANGIBLE ASSETS

NET BOOK VALUE				
	30 Sep 2018	31 Dec 2017	Change	% Change
Capitalised development	27,649	26,196	1,453	5.5%
IFRS Assets	648,066	687,518	(39,452)	-5.7%
Other intangible assets	18,866	14,985	3,881	25.9%
Total	694,581	728,699	(34,118)	-4.7%

Intangible assets have gone from € 728,699 thousand at 31 December 2017 to € 694,581 thousand at 30 September 2018, with a decrease of € 34,118 thousand resulting from the aggregate of disposals, additions, capitalised development costs (€ 9,976 thousand) and amortisation (€ 53,668 thousand) for the period ended 30 September 2018.

IFRS assets include intangible assets identified on allocation of the price paid for the acquisition of TeamSystem Group (Software, Brands, Customer relationships and other IFRS assets). Their decrease is due to the amortisation for the first nine months of 2018.

This increase in Other Intangible Assets is mainly attributable to:

- the purchase of the software named “MynPrivacy” and all the rights connected. The software allows the compliance with new European regulation about the protection of personal data, which came into force in 2018;
- the purchase of the software “PIGC” and “Rent Manager” and the related rights and assets (also defined as Software XP carve-out business in the Offering Memorandum for the issuing of Floating Rate Notes – see “Significant events during first nine months of 2018” paragraph), by the subsidiary Reviso International ApS for a consideration of approximately € 2.0 million. The software mainly facilitates compliance with regulations applicable to condominium and property management;
- investments in Group IT system, which allow the compliance with new European regulation about the protection of personal data (GDPR).

11. GOODWILL

At 30 September 2018 Goodwill amounts to € 707,680 thousand, up by € 1,831 thousand compared with the balance recorded at 31 December 2017 (€ 705,849 thousand); the increase relates to the first time consolidation of MMDData S.r.l. results.

Goodwill consists mainly of the excess of the consideration paid by the new shareholders over the fair value of the assets acquired and the liabilities assumed.

In terms of Impairment test, the line-item Goodwill is subjected annually (or more frequently if certain events or circumstances indicate potential impairment) to impairment testing and TeamSystem Group will postpone a more thorough analysis with impairment testing to 31 December 2018.

12. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

	30 Sep 2018	31 Dec 2017	Change	% Change
Investments in Associates	82	147	(65)	-44.1%
Other Investments	449	447	2	0.4%
Total	531	594	(63)	-10.6%

The balance of Investments in Associates and Other investments has gone from € 594 thousand at 31 December 2017 to € 531 thousand at 30 September 2018, with a decrease of € 63 thousand.

In February 2018, TeamSystem S.p.A. disposed of its investment in the associate Mondoesa Milano Nordovest S.r.l.

13. DEFERRED TAX ASSETS AND LIABILITIES

	30 Sep 2018	31 Dec 2017	Change	% Change
Deferred tax assets	14,086	17,066	(2,981)	-17.5%
Deferred tax liabilities	186,080	200,604	(14,524)	-7.2%

At 30 September 2018 Deferred tax assets amount to € 14,086 thousand, down by € 2,981 thousand compared to the balance at 31 December 2017 (€ 17,066 thousand)

The main components for which the Group companies have recognised deferred tax assets relate to: the allowance for bad debts, the provision for agents' indemnity, the other provisions for risks and charges, the step-up for tax purposes of the goodwill recognized by TSS S.p.A. (merged by absorption into TeamSystem S.p.A. in 2016).

At 30 September 2018 Deferred tax liabilities amount to € 186,080 thousand with a decrease of € 14,524 thousand compared to the balance at 31 December 2017 (€ 200,604 thousand), primarily due to the reversal of the deferred tax component pertaining to the amortisation of intangible assets identified on allocation of the price paid for the acquisition of TeamSystem Group (Software, Brands, Customer relationships and other IFRS assets).

14. NET FINANCIAL INDEBTEDNESS

	30 Sep 2018			31 Dec 2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Bank accounts and post office	15,226		15,226	16,197		16,197
Cash and bank balances	93		93	62		62
Total Cash and bank balances	15,319		15,319	16,259		16,259
Loans	0		0	7	343	350
Derivative instruments - assets		2,751	2,751			
Other financial assets	50	238	288	380	150	530
Total Other financial assets	50	2,989	3,039	386	493	880
Loans with banks	(223)		(223)	(547)	(130)	(676)
Overdrafts with banks				(117)		(117)
Notes	(1,167)	(750,000)	(751,167)		(720,000)	(720,000)
Dividends to be settled	(40)		(40)	(40)		(40)
Total Financial liabilities	(1,429)	(750,000)	(751,429)	(703)	(720,130)	(720,833)
Financing Fees - bond	2,484	10,385	12,869	5,911	20,608	26,519
Financing Fees - banks	303	897	1,200	1,089	2,904	3,993
Total Financing Fees	2,787	11,282	14,069	7,001	23,512	30,513
Contingent liabilities to non-controlling shareholders	(9,735)	(84,760)	(94,495)	(7,406)	(94,042)	(101,448)
Derivative instruments - liabilities		(191)	(191)			
Commission financial liabilities	(267)		(267)	(90)		(90)
Other financial accruals				(5)		(5)
Total Other financial liabilities	(10,001)	(84,952)	(94,953)	(7,501)	(94,042)	(101,543)
Total	6,725	(820,681)	(813,956)	15,442	(790,166)	(774,725)

Net financial indebtedness as at 30 September 2018 amounts to negative € 813,956 thousand.

Cash and bank balances

The amount of cash and bank balances stands at € 15,319 thousand as at 30 September 2018 and at € 16,259 thousand as at 31 December 2017. In consideration of the fact that both 30 September 2018 and 31 December 2017 were not working days, if the cash and bank balances were normalized for the week-end effect, they would amount to € 23,490 thousand as at 30 September 2018 and to € 20,139 thousand as at 31 December 2017⁴.

Floating Rate Notes

In order to optimize the costs of the Group financial debt and adjust the financial resources to the new Group's business necessities, the Group revised its financial structure.

On 4 April 2018, TeamSystem S.p.A. concurrently issued:

- € 550 million in aggregate principal amount of senior secured floating rate notes due 15 April 2023 (the "2023 Floating Rate Notes"), with an interest rate equal to three month Euribor (subject to a 0% floor) plus 4.000% per annum, reset quarterly (ISIN XS1799538464 and XS1799537904); and
- € 200 million in aggregate principal amount of senior secured floating rate notes due 15 April 2025 (the "2025 Floating Rate Notes" and, together with the 2023 Floating Rate Notes, the "Floating Rate

⁴ The amount of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: € 8171 thousand for the period ended 30 September 2018 and € 3,880 thousand for the period ended 31 December 2017.

Notes”), having an identical interest rate and practically identical terms and conditions to the 2023 Floating Rate Notes (ISIN XS1799545089 and XS1799545675).

The net proceeds of the offering of the Floating Rate Notes were used to:

- redeem TeamSystem S.p.A.’s senior secured floating rate notes due 2022, in an aggregate principal amount of € 570 million, which had an interest rate equal to three-month Euribor (subject to a 1.000% floor) plus 5.000% per annum;
- entirely repay and discharge the intercompany loan previously existing between TeamSystem Holding S.p.A., as lender, and TeamSystem S.p.A., as borrower. TeamSystem Holding S.p.A. used the proceeds from the repayment and discharge of such intercompany loan to redeem TeamSystem Holding S.p.A.’s senior floating rate notes due 2023, in an aggregate principal amount of € 150 million, which had an interest rate equal to three-month Euribor (subject to a 1.000% floor) plus 8.000% per annum; and
- pay accrued interest and redemption premia relating thereto.

The Floating Rate Notes are guaranteed on a senior basis by TeamSystem Holding S.p.A. and are secured by first-ranking security interests over (i) the entire issued share capital of TeamSystem S.p.A., (ii) the receivables in respect of certain intercompany loans by TeamSystem S.p.A. to certain of its subsidiaries and (iii) certain material operating bank accounts of TeamSystem S.p.A..

The Floating Rate Notes are listed on the Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF Market thereof. In addition, the Floating Rate Notes are listed on the Vienna Stock Exchange and have been admitted to trading on the Third Market (MTF) thereof.

The fees and costs incurred for the issue of the Floating Rate Notes have been recognised as financing fees and are being amortised on a straight line basis over the contractual term of the Floating Rate Notes, the maturity dates of which are, as stated above, 15 April 2023 (for the 2023 Floating Rate Notes) and 15 April 2025 (for the 2025 Floating Rate Notes).

Interest Rate Swaps – Derivative instrument liabilities

In order to hedge the exposure to the three month Euribor changes, in the month of April 2018 TeamSystem S.p.A. entered into some interest rate swaps with a principal amount of € 500 million and a maturity date of 15 April 2020. The mark-to-market value of the Interest Rate Swap has been accrued in the profit and loss accounts in the 30 September 2018 consolidated accounts.

Loans with banks – Revolving Credit Facility (RCF)

In connection with the issuance of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. (as the Parent), entered into a new € 90 million revolving credit facility agreement with a final maturity date of 15 October 2022, and the previously existing € 65 million revolving credit facility, which had been entered into on 13 February 2016, was cancelled and discharged in full.

The interest rate payable on loans under the new RCF is based on the applicable Euribor or Libor, as the case may be and in either case subject to a 0% floor, plus an initial spread of 3.500% per annum.

The new RCF is secured, on a super-priority basis, by the same collateral securing the Floating Rate Notes (see paragraph “Floating Rate Notes” above).

The fees and costs incurred to obtain the new RCF have been recognised as financing fees and are being amortised on a straight line basis over its contractual term.

Derivative Instruments - Assets

The amount reported in the line Derivatives Instruments – Assets mainly refers to the amount paid by the subsidiary TeamSystem S.p.A., in connection with the outsourcing operations of the Hardware and Delivery divisions, to acquire the option to sell these divisions at the end of the outsourcing contracts.

Contingent liabilities to non-controlling shareholders of subsidiaries

The Contingent liabilities to non-controlling shareholders of subsidiaries (€ 94,495 thousand at 30 September 2018) relates to put and call options and/or earn-outs due to non-controlling interest holders of certain consolidated subsidiaries. The main ones are: Danea Soft S.r.l., Madbit Entertainment S.r.l., Aliaslab S.p.A., Mondora S.r.l., Evols S.r.l., Netlex S.r.l. and Cassanova S.r.l..

15. INVENTORIES

	30 Sep 2018	31 Dec 2017	Change	% Change
Raw and ancillary materials	364	419	(55)	-13.1%
Finished products and goods	1,216	1,570	(353)	-22.5%
Advances	5		5	
(Allowance for slow-moving inventory)	(437)	(437)		
Total	1,149	1,552	(403)	-26.0%

At 30 September 2018 Inventories amount to € 1,149 thousand, down by € 403 thousand compared to the balance at 31 December 2017 (€ 1,552 thousand), following the outsource of the business segment that handles hardware and systems occurred at the beginning of 2018 (see “Significant events during the first nine months of 2018” paragraph).

16. TRADE RECEIVABLES

	30 Sep 2018	31 Dec 2017	Change	% Change
Trade receivables	152,692	139,316	13,376	9.6%
(Allowance for bad debts)	(17,836)	(16,561)	(1,275)	7.7%
Total	134,856	122,755	12,101	9.9%

At 30 September 2018 Trade receivables amount to € 134,856 thousand. The increase of € 12,101 thousand is basically due to the seasonality of billings for subscription fees that characterises the business of the Group. Furthermore, the balance of this line item also affected by the week-end effect (see “Working capital” section).

Trade receivables are recorded net of an allowance for doubtful debts of € 17,836 thousand, that was recorded in the accounts after having analysed the specific risk associated with doubtful balances. The balance of Allowance for bad debts is the aggregate of utilisations, accruals and any other movements.

17. TAX RECEIVABLES

	30 Sep 2018	31 Dec 2017	Change	% Change
Tax credits	39	39	(0)	-0.9%
Other tax receivables	96	118	(22)	-18.8%
Withholding tax credit	54		54	
Advances and income tax credits	1,469	5,173	(3,704)	-71.6%
Total	1,657	5,330	(3,673)	-68.9%

At 30 September 2018 Tax receivables amount to € 1,657 thousand, down by € 3,673 thousand compared to the balance at 31 December 2017 (€ 5,330 thousand).

The decrease in Advances and income tax credits is mainly due to the calculation of “IRES” income tax for the period ending at 30 September 2018.

18. OTHER CURRENT RECEIVABLES

	30 Sep 2018	31 Dec 2017	Change	% Change
Deposits	482	491	(9)	-1.8%
Receivables from employees	279	189	90	47.7%
Other receivables	3,186	2,055	1,132	55.1%
Accrued income	35	108	(73)	-67.5%
Prepayments	17,567	14,333	3,234	22.6%
VAT receivables	91	290	(198)	-68.4%
Total	21,641	17,464	4,374	25.0%

At 30 September 2018 the Other receivables balance amounts to € 21,641 thousand, up by € 4,374 thousand

compared to the 31 December 2017 balance (€ 17,464 thousand). The increase is mainly due to Prepayments (€ 3,234 thousand), following the seasonality of the business of the Group.

19. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Euro thousands						
	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2016	5,450	636,717	(75,771)	566,396	1,060	567,456
Loss allocation		(75,771)	75,771	(0)		(0)
Other movements		(679)		(679)		(679)
Change in Non-controlling interests IFRS 3		(823)		(823)	(157)	(980)
Dividends				0	(226)	(226)
Total Comprehensive Income (Loss) for the period			(38,810)	(38,810)	208	(38,602)
30 Sep 2017	5,450	559,444	(38,810)	526,084	885	526,969

Euro thousands						
	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2017	5,450	558,928	(57,134)	507,245	1,023	508,268
Loss allocation		(57,134)	57,134	(0)		(0)
Change in Non-controlling interests IFRS 3		(1,783)		(1,783)	(570)	(2,353)
Dividends				0	(59)	(59)
Total Comprehensive Income (Loss) for the period			(75,711)	(75,711)	48	(75,663)
30 Sep 2018	5,450	500,012	(75,711)	429,751	442	430,194

At 30 September 2018 the Group's equity amounts to € 429,751 thousand.

Change in Non controlling interests mainly refers to:

- the acquisition of residual stakes of Nuovamacut Nord Ovest S.r.l. and Nuovamacut Centro Sud S.r.l.;
- the dividends declared in favour of minority interests.

20. STAFF LEAVING INDEMNITY

	30 Sep 2018	31 Dec 2017	Change	% Change
Staff leaving indemnity	15,836	18,280	(2,444)	-13.4%
Total	15,836	18,280	(2,444)	-13.4%

At 30 September 2018 Staff leaving indemnity amounts to € 15,836 thousand, down by € 2,444 thousand compared to the balance at 31 December 2017 (€ 18,280 thousand). The balance is the aggregate of utilisations, accruals and any other movements.

21. PROVISIONS FOR RISKS AND CHARGES

	30 Sep 2018	31 Dec 2017	Change	% Change
Provision for pension and similar obligation	1,195	1,261	(67)	-5.3%
Provision for litigations	606	1,504	(897)	-59.7%
Other provision for risks and charges	2,479	7,591	(5,112)	-67.3%
Total	4,280	10,355	(6,076)	-58.7%

At 30 September 2018 Provisions for risks and charges amount to € 4,280 thousand, decreased by € 6,076 thousand compared to the balance at 31 December 2017 (€ 10,355 thousand). The balance is the aggregate of utilisations, accruals and any other movements. The utilisation mainly relates to Group restructuring and reorganization provisions.

Note that the Group companies are not party to any additional litigation or disputes worthy of note (in terms of contingent liabilities) other than those already reflected by the figures in the financial statements.

22. OTHER CURRENT AND NON-CURRENT LIABILITIES

	30 Sep 2018	31 Dec 2017	Change	% Change
VAT liabilities	2,647	1,035	1,799	173.9%
Withholdings liabilities	2,752	4,222	(220)	-5.2%
Employees payables and Social security liabilities	22,786	24,869	(2,083)	-8.4%
Advances	5,750	4,394	1,355	30.8%
Other liabilities	2,380	515	1,865	362.1%
Accrued liabilities	211	176	35	19.9%
Deferred revenues	68,162	27,598	40,565	147.0%
Other current liabilities	104,688	62,810	43,316	69.0%
Due to social securities - non-current	573	609	(36)	-5.9%
Other tax liabilities - non-current	17	27	(10)	-37.9%
Other non-current liabilities	589	636	(46)	-7.3%
Total Other liabilities	105,278	63,445	43,270	68.2%

At 30 September 2018 Other current and non-current liabilities amount to € 105,278 thousand, up by € 43,270 thousand compared to the balance at 31 December 2017 (€ 63,445 thousand).

This increase is substantially due to the seasonality of billings for subscription fees that characterises the business of the Group and results in the increase in deferred revenues (€ 40,565 thousand).

At 30 September 2018 Other non-current liabilities amount to € 589 thousand (€ 636 thousand at 31 December 2017) and relate primarily to balances pertaining to TeamSystem S.p.A..

23. CURRENT TAX LIABILITIES

	30 Sep 2018	31 Dec 2017	Change	% Change
Income tax payables	5,894	245	5,648	2302.0%
Other tax liabilities	61	13	48	365.5%
Total	5,955	258	5,697	2205.3%

At 30 September 2018 Current tax liabilities amount to € 5,955 thousand, up by € 5,697 thousand compared to the balance at 31 December 2017 (€ 258 thousand). The movement is attributable to the increase in income tax payables, mainly due to the income taxes charged in the first nine months of 2018.

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OVERSIGHT AND COORDINATION ACTIVITY

TeamSystem Holding S.p.A. is subject to management and coordination, in accordance with article 2497 et seq. of the Italian Civil Code, by Barolo Lux 1 S.à.r.l..

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On behalf of the Board of Directors of
TeamSystem Holding S.p.A.
Chief Executive Officer
Federico Leproux



