# 31 March 2018
# Interim Consolidated Financial Statements
# TeamSystem Group

TeamSystem®

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018

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## TeamSystem Group

### OPERATING AND FINANCIAL REVIEW



### UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018

# OPERATING AND FINANCIAL REVIEW

## ►RESULTS OF OPERATIONS

| Euro thousands | ( 1 ) | ( 2 ) | ( 1 ) - ( 2 ) = ( 3 ) | ( 3 ) / ( 2 ) |
|---|---|---|---|---|
| **CONSOLIDATED STATEMENT OF PROFIT OR LOSS** | **Consolidated Statement 31 Mar 2018** | **Restated Consolidated Statement 31 Mar 2017** | **Change** | **% Change** |
| Revenue | 74,083 | 72,830 | 1,252 | 1.7% |
| Other operating income | 616 | 512 | 103 | 20.2% |
| **TOTAL REVENUE** | **74,698** | **73,343** | **1,356** | **1.8%** |
| Cost of raw and other materials | (5,971) | (6,867) | 896 | -13.0% |
| Cost of services | (20,441) | (18,950) | (1,491) | 7.9% |
| Personnel costs | (27,072) | (28,182) | 1,109 | -3.9% |
| Other operating costs | (2,275) | (1,701) | (574) | 33.7% |
| Depreciation and amortization of non-current assets | (18,037) | (15,792) | (2,245) | 14.2% |
| Allowance for bad debts | (983) | (1,438) | 456 | -31.7% |
| Other provisions for risks and charges | 0 | (1) | 1 | -100.0% |
| Impairment of non-current assets | 0 | (4) | 4 | -100.0% |
| **OPERATING RESULT** | **(80)** | **409** | **(489)** | **n.s.** |
| Finance income | 84 | 7 | 77 | n.s. |
| Finance cost | (17,767) | (16,088) | (1,679) | 10.4% |
| **PROFIT (LOSS) BEFORE INCOME TAXES** | **(17,764)** | **(15,672)** | **(2,091)** | **13.3%** |
| Current income tax | (2,946) | (3,032) | 86 | -2.8% |
| Deferred income tax | 3,134 | 3,464 | (331) | -9.5% |
| **TOTAL INCOME TAX** | **188** | **433** | **(245)** | -56.7% |
| **PROFIT (LOSS) FOR THE PERIOD** | **(17,576)** | **(15,240)** | **(2,337)** | **15.3%** |
| **(Profit) Loss for the period Non-controlling interests** | **(80)** | **(52)** | **(28)** | **53.6%** |
| **PROFIT (LOSS) FOR THE PERIOD OWNERS OF THE COMPANY** | **(17,657)** | **(15,292)** | **(2,365)** | **15.5%** |
| **ADJUSTED EBITDA** | **21,228** | **21,126** | **102** | **0.5%** |

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** as at 31 March 2018 and 31 March 2017

| | 31 Mar 2018 | Restated 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| **PROFIT (LOSS) FOR THE YEAR** | (17,576) | (15,240) | (2,337) | 15.3% |
| Income tax | (188) | (433) | 245 | -56.7% |
| Financial income and expenses | 17,683 | 16,081 | 1,602 | 10.0% |
| Other provisions for risks and charges | | 1 | (1) | -100.0% |
| Depreciation and amortization of non-current assets | 18,037 | 15,792 | 2,245 | 14.2% |
| Impairment of non-current assets | | 4 | (4) | -100.0% |
| Allowance for bad debts | 983 | 1,438 | (456) | -31.7% |
| Strategic marketing expenses | | 757 | (757) | -100.0% |
| Costs for changing and closing locations | 37 | 122 | (85) | -69.6% |
| Advisory expenses related to reorganization and cost saving projects | 1,508 | 1,486 | 22 | 1.5% |
| Personnel redundancy | 143 | 147 | (4) | -2.7% |
| IT Costs for system integration and transformation | | 246 | (246) | -100.0% |
| Acquisitions and mergers costs | 65 | 367 | (302) | -82.3% |
| Cost for international project | | 52 | (52) | -100.0% |
| Cost for change management program | 167 | 170 | (3) | -1.8% |
| Cost for credit collection project | 18 | | 18 | |
| Tax optimization costs | 81 | | 81 | |
| Settlements with clients and agents | 120 | 102 | 18 | 17.3% |
| Other minor items | 151 | 35 | 116 | n.s. |
| **ADJUSTED EBITDA** | **21,228** | **21,126** | **101** | **0%** |

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 31 March 2018 and the corresponding figures for the period ended 31 March 2017, which have been restated to reflect the reclassification of certain non-recurring items impacting Cost of services and Other operating costs. Furthermore, the results as at 31 March 2018 are affected by the consolidation of the results of the companies acquired in 2017 (and not yet consolidated at 31 March 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).
As regards MMData S.r.l. (also defined in the Offering Memorandum as main Var of the Software XP carve-out business), the new subsidiary acquired by Danea Soft S.r.l. in February 2018 (see "Significant events during the first three months of 2018" section), its results and its financial position have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the three months ended 31 March 2018, taking into account the non-materiality of the acquisition in question and considering the fact that the acquisition took place in the first three months of 2018.

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**TOTAL REVENUE:** Total Revenue for the period ended 31 March 2018 amounts to € 74,698 thousand, up by € 1,356 thousand compared to the corresponding figure for the period ended 31 March 2017 (€ 73,343 thousand). The increase is attributable to the change in the consolidation area and to the organic growth experienced by the Group in the first three 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 as at 31 March 2018 and 31 March 2017:

**Euro thousands**

| OPERATING SEGMENTS | 31 Mar 2018 | 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Software Solutions | 65,944 | 65,327 | 617 | 0.9% |
| Cloud Software Solutions | 7,732 | 6,661 | 1,071 | 16.1% |
| Hardware | 1,022 | 1,355 | (333) | -24.6% |
| **TOTAL REVENUE** | **74,698** | **73,343** | **1,356** | **1.8%** |

**ADJUSTED EBITDA:** Adjusted Ebitda for the period ended 31 March 2018 amounts to € 21,228 thousand, up by € 102 thousand compared to the amount at 31 March 2017 (€ 21,126 thousand).

**COST OF RAW AND OTHER MATERIALS:** Cost of raw and other materials amounts to € 5,971 thousand for the period ended 31 March 2018, down by € 896 thousand compared to the amount at 31 March 2017 (€ 6,867 thousand). The decrease is mainly due to the outsourcing of the business segment that handles hardware and systems (see "Significant events during the first three months of 2018" section).

**COST OF SERVICES:** Cost of services amounts to € 20,441 thousand for the period ended 31 March 2018, up by € 1,491 thousand from the amount of the period ended 31 March 2017 (€ 18,950 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 three months of 2018.

**PERSONNEL COSTS:** Personnel costs for the period ended 31 March 2018 (€ 27,072 thousand) decreased by € 1,109 thousand, compared to the amount at 31 March 2017 (€ 28,182 thousand).

**FINANCE COST:** Financial charges for the period ended 31 March 2018 amount to € 17,767 thousand with an increase of € 1,679 thousand, compared to the corresponding amount at 31 March 2017 (€ 16,088 thousand).

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## CONSOLIDATED STATEMENT OF CASH FLOWS

**Euro thousands**

| CONSOLIDATED STATEMENT OF CASH FLOWS | 31 Mar 2018 | 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **6,590** | **28,406** | **(21,816)** | **-76.8%** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(10,515)** | **(6,326)** | **(4,188)** | **66.2%** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(1,724)** | **(6,215)** | **4,490** | **-72.3%** |
| **INCREASE (DECREASE) IN CASH AND BANK BALANCES** | **(5,649)** | **15,865** | **(21,514)** | **n.s.** |
| **CASH AND BANK BALANCES - BEGINNING OF THE YEAR** | **16,259** | **19,406** | **(3,147)** | **-16.2%** |
| **CASH AND BANK BALANCES - END OF THE PERIOD** | **10,611** | **35,272** | **(24,661)** | **-69.9%** |

**Cash flows from operating activities** amount to € 6,590 thousand for the period ended 31 March 2018, declining by € 21,816 thousand, compared to the corresponding flows for the period ended 31 March 2017 (€ 28,406 thousand).

The decrease is mainly due to the fact that 31 March 2018, 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 € 23,751 thousand at 31 March 2018 and € 24,412 thousand at 31 March 2017, with a decrease of € 661 thousand[1].

[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: € 21,041 thousand for the period ended 31 March 2018 , € 3,880 thousand for the period ended 31 December 2017 and € 3,994 thousand for the period ended 31 December 2016.

**Cash flows from investing activities** changed from negative € 6,326 thousand in the period ended 31 March 2017 to negative € 10,515 thousand for the corresponding period of 2017. The main investment activities for the first three 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 Danea Soft S.r.l. for a paid consideration of € 2.0 million.

**Cash flows from financing activities** amount to negative € 1,724 thousand for the period ended 31 March 2018, up by € 4,490 thousand compared to negative € 6,215 thousand for the period ended 31 March 2017. The main cash items occurred in the first three months of 2018 are attributable to:

- the payment of financial interests on Notes;
- the draw-down of the facility line RCF.

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## ►WORKING CAPITAL

| Euro thousands | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Trade receivables | 207,909 | 122,755 | 85,154 | 69.37% |
| Inventories | 1,415 | 1,552 | (137) | -8.86% |
| Other receivables | 19,292 | 17,464 | 1,828 | 10.47% |
| Trade payables | (38,483) | (38,743) | 260 | -0.67% |
| Other liabilities | (144,077) | (63,445) | (80,631) | n.s. |
| **WORKING CAPITAL** | **46,056** | **39,583** | **6,473** | **16.35%** |

At 31 March 2018 Working capital amounts to € 46,056 thousand, up by € 6,473 thousand compared to the balance at 31 December 2017 (€ 39,583 thousand).
The movement is primarily attributable to Trade receivables (which balance is € 207,909 thousand at 31 March 2018 compared to € 122,755 thousand at 31 December 2017) and to Other liabilities (which balance is € 144,077 thousand at 31 March 2018 compared to € 63,445 thousand at 31 December 2017).
The increase in Trade receivables is mainly due to the week-end effect: 31 March 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 months[2]. If Trade receivables balances were normalized for the week-end effect, they would amount to € 186,868 thousand at 31 March 2018 and € 118,875 thousand at 31 December 2017; therefore the normalized Working capital would amount to € 25,015 thousand at 31 March 2018 and to € 35,703 thousand at 31 December 2017, with a decrease of € 10,688 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 17 relating Trade receivables and Note 23 about Other current and non current liabilities both in the section of Notes to the Consolidated Financial Statements).

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## ►CAPITAL EXPENDITURE

| Euro thousands | 31 Mar 2018 | 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Capex - Tangible Assets | 1,077 | 732 | 345 | 47.06% |
| Capex - Intangible Assets | 4,167 | 793 | 3,374 | n.s. |
| Capitalized development costs - Personnel costs | 2,724 | 2,098 | 626 | 29.83% |
| Capitalized development costs - Service costs | 644 | 654 | (9) | -1.42% |
| **Capex** | **8,611** | **4,277** | **4,335** | **n.s.** |

[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: € 21,041 thousand for the period ended 31 March 2018 and € 3,880 thousand for the period ended 31 December 2017.

In the period ended 31 March 2018 the capital expenditure amounts to € 8,611 thousand with an increase of € 4,335 thousand compared to 31 March 2017 balance (€ 4,277 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 will 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 senior secured notes – see "Significant subsequent events" paragraph), for a paid consideration of € 1.0 million. The software mainly facilitates compliance with regulations applicable to condominium and property management.

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## ►SIGNIFICANT EVENTS DURING THE FIRST THREE MONTHS OF 2018

**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.

**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).

**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.

**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 senior secured 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.

**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 100% of the capital of Betoo S.r.l. is owned by TeamSystem S.p.A..

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## ►SIGNIFICANT SUBSEQUENTS EVENTS

**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. The company operates in the HR management software market and develops software solutions for the complete management of human resources.

**Senior Secured 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 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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## ►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 three 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<br>31 Mar 2018 | TITLE |
|---|---|
| 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<br>31 Mar 2018 | TITLE |
|---|---|
| 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 |
| INDIPENDENT AUDITORS | | DELOITTE & TOUCHE S.p.A. |

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# UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018

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

## UNAUDITED
## INTERIM CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE THREE MONTHS ENDED 31 MARCH 2018

**Euro thousands**

| CONSOLIDATED STATEMENT OF PROFIT OR LOSS | 31 Mar 2018 | Restated 31 Mar 2017 | NOTES |
|---|---|---|---|
| Revenue | 74,083 | 72,830 | 1 |
| Other operating income | 616 | 512 | 1 |
| **TOTAL REVENUE** | **74,698** | **73,343** | 1 |
| Cost of raw and other materials | (5,971) | (6,867) | 2 |
| Cost of services | (20,441) | (18,950) | 3 |
| Personnel costs | (27,072) | (28,182) | 4 |
| Other operating costs | (2,275) | (1,701) | 5 |
| Depreciation and amortization of non-current assets | (18,037) | (15,792) | |
| Allowance for bad debts | (983) | (1,438) | |
| Other provisions for risks and charges | 0 | (1) | |
| Impairment of non-current assets | 0 | (4) | |
| **OPERATING RESULT** | **(80)** | **409** | |
| Finance income | 84 | 7 | 7 |
| Finance cost | (17,767) | (16,088) | 8 |
| **PROFIT (LOSS) BEFORE INCOME TAXES** | **(17,764)** | **(15,672)** | |
| Current income tax | (2,946) | (3,032) | |
| Deferred income tax | 3,134 | 3,464 | |
| **TOTAL INCOME TAX** | **188** | **433** | |
| **PROFIT (LOSS) FOR THE PERIOD** | **(17,576)** | **(15,240)** | |
| **(Profit) Loss for the period – Non-controlling interests** | **(80)** | **(52)** | |
| **PROFIT (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY** | **(17,657)** | **(15,292)** | |
| **ADJUSTED EBITDA** | **21,228** | **21,126** | |

Euro thousands

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 31 Mar 2018 | 31 Mar 2017 | NOTES |
|---|---|---|---|
| **PROFIT (LOSS) FOR THE PERIOD** | **(17,576)** | **(15,240)** | **20** |
| **OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX** | **0** | **0** | |
| **TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD** | **(17,576)** | **(15,240)** | **20** |
| **Total comprehensive (income) loss for the period attributable to Non-controlling interests** | (80) | (52) | **20** |
| **TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY** | **(17,657)** | **(15,292)** | **20** |

**Euro thousands**

| **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** | | | |
|---|---|---|---|
| **ASSETS** | **31 Mar 2018** | **31 Dec 2017** | **NOTES** |
| Tangible assets | 15,682 | 15,371 | **10** |
| Intangible assets | 719,962 | 728,699 | **11** |
| Goodwill | 705,849 | 705,849 | **12** |
| Other Investments | 2,414 | 447 | **13** |
| Investments in associates | 82 | 147 | **13** |
| Deferred tax assets | 16,169 | 17,066 | **14** |
| Other financial assets – non-current | 631 | 493 | **15** |
| **TOTAL NON-CURRENT ASSETS** | **1,460,790** | **1,468,071** | |
| Inventories | 1,415 | 1,552 | **16** |
| Trade receivables | 207,909 | 122,755 | **17** |
| Tax receivables | 4,351 | 5,330 | **18** |
| Other receivables - current | 19,292 | 17,464 | **19** |
| Other financial assets - current | 292 | 386 | **15** |
| Cash and bank balances | 10,611 | 16,259 | **15** |
| **TOTAL CURRENT ASSETS** | **243,869** | **163,748** | |
| **TOTAL ASSETS** | **1,704,659** | **1,631,819** | |

**Euro thousands**

| **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** | | | |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | **31 Mar 2018** | **31 Dec 2017** | **NOTES** |
| Share capital | 5,450 | 5,450 | **20** |
| Other reserves | 500,639 | 558,928 | **20** |
| Retained earnings (accumulated losses) | 1,156 | 0 | **20** |
| Profit (Loss) attributable to Owners of the Company | (17,657) | (57,134) | **20** |
| **TOTAL EQUITY attributable to OWNERS OF THE COMPANY** | **489,588** | **507,245** | |
| Non-controlling interests - Capital and reserves | 965 | 678 | **20** |
| Non-controlling interests - Profit (Loss) | 80 | 346 | **20** |
| **TOTAL NON-CONTROLLING INTERESTS** | **1,045** | **1,023** | |
| **TOTAL EQUITY** | **490,634** | **508,268** | |
| Financial liabilities with banks and other institutions – non-current | 300 | 720,130 | **15** |
| Financing Fees – non-current | 0 | (23,512) | **15** |
| Other financial liabilities – non-current | 93,663 | 94,042 | **15** |
| Staff leaving indemnity | 17,525 | 18,280 | **21** |
| Provisions for risks and charges | 7,722 | 10,355 | **22** |
| Deferred tax liabilities | 196,556 | 200,604 | **14** |
| Other liabilities – non-current | 620 | 636 | **23** |
| **TOTAL NON-CURRENT LIABILITIES** | **316,387** | **1,020,535** | |
| Financial liabilities with banks and other institutions - current | 733,426 | 703 | **15** |
| Financing Fees - current | (28,787) | (7,001) | **15** |
| Other financial liabilities - current | 9,225 | 7,501 | **15** |
| Trade payables | 38,483 | 38,743 | |
| Tax liabilities - current | 1,834 | 258 | **24** |
| Other liabilities - current | 143,456 | 62,810 | **23** |
| **TOTAL CURRENT LIABILITIES** | **897,639** | **103,016** | |
| **TOTAL LIABILITIES** | **1,214,025** | **1,123,551** | |
| **TOTAL EQUITY AND LIABILITIES** | **1,704,659** | **1,631,819** | |

**Euro thousands**

| CONSOLIDATED STATEMENT OF CASH FLOWS | 31 Mar 2018 | 31 Mar 2017 | NOTES |
|---|---|---|---|
| **Operating Result** | **(80)** | **409** | |
| Depreciation and amortization of non-current assets | 18,037 | 15,792 | |
| Write-off of non-current assets | 0 | 4 | |
| **Amortization, Depreciation, Write-off, Impairment** | **18,037** | **15,795** | |
| Trade receivables | (85,154) | (64,348) | **9** |
| Inventories | (163) | (89) | |
| Other receivables - current | (1,528) | (3,240) | |
| Trade payables | (1,260) | 4,100 | |
| Other liabilities - current | 80,169 | 75,469 | |
| Other liabilities - non-current | (15) | (16) | |
| **Change in Working capital** | **(7,951)** | **11,877** | **9** |
| Staff leaving indemnity | (412) | (43) | |
| Provisions for risks and charges | (2,633) | 98 | |
| **Change in provisions** | **(3,046)** | **56** | |
| **Income tax** | **(371)** | **270** | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **6,590** | **28,406** | **9** |
| Tangible assets | (1,077) | (732) | |
| Intangible assets | (4,167) | (793) | |
| Capitalized development costs - personnel costs | (2,724) | (2,098) | |
| Capitalized development costs - service costs | (644) | (654) | |
| **Capital Expenditure** | **(8,611)** | **(4,277)** | |
| **Acquisition / dismissal of investments** | **(1,903)** | **(2,050)** | **9** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(10,515)** | **(6,326)** | |
| **Financial balance paid / cashed-in and change in financial assets / liabilities** | **(1,586)** | **(6,081)** | **9** |
| **Contingent liabities to non-controlling shareholders of subsidiaries paid** | **(138)** | **(133)** | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(1,724)** | **(6,215)** | |
| **INCREASE (DECREASE) IN CASH AND BANK BALANCES** | **(5,649)** | **15,865** | |
| **INCREASE (DECREASE) IN CASH AND BANK BALANCES DUE TO EXCHANGE RATE MOVEMENTS** | **1** | **0** | |
| **CASH AND BANK BALANCES - BEGINNING OF THE YEAR** | **16,259** | **19,406** | |
| **CASH AND BANK BALANCES - END OF THE PERIOD** | **10,611** | **35,272** | |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**Euro thousands**

| | Share capital | Other reserves | Retained earnings (accumulated losses) | 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** | **0** | **(75,771)** | **566,396** | **1,060** | **567,456** |
| Loss allocation | | (75,819) | 48 | 75,771 | **0** | | **0** |
| Other movements | | (679) | | | **(679)** | | **(679)** |
| Change in Non-controlling interests IFRS 3 | | (823) | | | **(822)** | (157) | **(979)** |
| Total Comprehensive Income (Loss) for the period | | | | (15,292) | **(15,292)** | 52 | **(15,240)** |
| **31 Mar 2017** | **5,450** | **559,397** | **48** | **(15,292)** | **549,603** | **955** | **550,558** |

**Euro thousands**

| | Share capital | Other reserves | Retained earnings (accumulated losses) | 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** | **0** | **(57,134)** | **507,245** | **1,023** | **508,268** |
| Loss allocation | | (58,290) | 1,156 | 57,134 | **0** | | **0** |
| Dividends | | | | | **0** | (59) | **(59)** |
| Total Comprehensive Income (Loss) for the period | | | | (17,657) | **(17,657)** | 80 | **(17,576)** |
| **31 Mar 2018** | **5,450** | **500,639** | **1,156** | **(17,657)** | **489,588** | **1,045** | **490,634** |

# TeamSystem Group

## NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 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., it is an approximately 87.9% indirectly held subsidiary of the private equity firm Hellman & Friedman ("H&F") and is approximately 8.5% held by the private equity firm HG Capital, with the remainder held 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 31 March 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 31 March 2018 show comparative figures as at 31 March 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 31 March 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 three months ended 31 March 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 31 March 2018 and for the period ended 31 March 2017 have not been audited.

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## ►RESTATEMENT OF CONSOLIDATED COMPARATIVES FOR THE YEAR ENDED 31 MARCH 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 31 March 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 31 March 2017 Consolidated financial statements, amounting to Euro 3,177 thousand, Euro 3,085 thousand has been allocated to cost of services and Euro 92 thousand has been allocated to other operating costs;
b) The "non-recurring" components of personnel costs, finance costs and income tax have been eliminated.

The notes to the "Results of operations" section disclose details of the above reallocations.

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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 | 642,625,058 | (49,946) | EUR | | | |
| TeamSystem S.p.A. | Pesaro | 24,000,000 | 479,645,486 | (19,788,141) | EUR | 100.00 | 100.00 | |
| Metodo S.p.A. | Bassano (VI) | 100,000 | 6,493,791 | 387,604 | EUR | 90.00 | 100.00 | 1 |
| Inforyou S.r.l. | Castello di Godego (TV) | 31,250 | 4,352,068 | 140,666 | EUR | 100.00 | 100.00 | |
| TeamSystem Service S.r.l. | Campobasso | 200,000 | 2,588,421 | 188,950 | EUR | 100.00 | 100.00 | |
| TeamSystem Communication S.r.l. | Civitanova Marche (MC) | 23,300 | 86,232 | (20,545) | EUR | 60.00 | 100.00 | 1 |
| Danea Soft S.r.l. | Vigonza (PD) | 100,000 | 7,104,119 | 482,471 | EUR | 70.00 | 100.00 | 1 |
| H-Umus S.r.l. | Roncade (TV) | 50,000 | 1,248,055 | 48,317 | EUR | 100.00 | 100.00 | |
| Madbit Entertainment S.r.l. | Treviolo (BG) | 10,000 | 644,674 | 236,100 | EUR | 51.00 | 100.00 | 1 / 4 |
| Esa Napoli S.r.l. | Naples | 10,000 | 39,743 | 17,591 | EUR | 100.00 | 100.00 | |
| Euresys S.r.l. | Turin | 99,000 | 866,076 | 99,592 | EUR | 60.00 | 100.00 | 1 |
| Mondora S.r.l. | Milan | 105,000 | 1,241,723 | 168,279 | EUR | 51.00 | 100.00 | 1 |
| Voispeed Limited | Saint Albans - UK | 1,000 | 101,760 | 4,074 | GBP | 85.00 | 85.00 | 5 |
| TeamSystem C&D S.r.l. | Naples | 10,000 | 127,455 | 12,312 | EUR | 100.00 | 100.00 | |
| Aliaslab S.p.A. | Milan | 156,000 | 13,813,960 | 548,331 | EUR | 51.00 | 100.00 | 1 |
| Reviso International ApS | Copenhagen | 50,011 | (6,711,444) | (3,238,429) | DKK | 100.00 | 100.00 | |
| Reviso Cloud Accounting Limited | Reading | 1 | 10,761 | 1,531 | GBP | 100.00 | 100.00 | 6 |
| Reviso Soluciones Cloud S.L. | Madrid | 3,000 | 2,433 | 0 | EUR | 100.00 | 100.00 | 6 |
| Reviso Deutschland GmbH | Berlin | 25,000 | 30,607 | 671 | EUR | 100.00 | 100.00 | 6 |
| Evols S.r.l. | Catania | 887,000 | 960,254 | (187,578) | EUR | 51.00 | 100.00 | 1 |
| Netlex S.r.l. | Velletri (RM) | 12,500 | 201,162 | (45,395) | EUR | 51.00 | 100.00 | 1 |
| Cassanova S.r.l. | Santarcangelo di Romagna (RN) | 10,000 | 715,455 | (95,687) | EUR | 51.00 | 100.00 | 1 |
| Evolution Fit S.r.l. | Turin | 10,000 | 69 | (31,716) | EUR | 51.00 | 100.00 | 1 / 7 |
| Gruppo Euroconference S.p.A. | Verona | 300,000 | 11,665,747 | 812,903 | EUR | 96.87 | 96.87 | 2 |
| Nuovamacut Automazione S.p.A. | Reggio Emilia | 108,000 | 9,656,271 | 581,275 | EUR | 100.00 | 100.00 | |
| Nuovamacut Nord Ovest S.r.l. | Reggio Emilia | 89,957 | 3,379,650 | 310,194 | EUR | 86.34 | 86.34 | 3 |
| Nuovamacut Centro Sud S.r.l. | Rome | 10,000 | 301,205 | 43,303 | EUR | 70.00 | 70.00 | 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 Danea 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 THREE MONTHS OF 2018

The scope of consolidation has not changed compared to the Consolidated financial statements for the year ended 31 December 2017.

As regards the investment in MMData S.r.l. (see "Significant events during the first three months of 2018" section), its results and its financial position have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the three months ended 31 March 2018, taking into account the non-materiality of the acquisition in question and considering the fact that the acquisition took place in the first three months of 2018.

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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 31 March 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 three months of 2018 | Exchange rate as at 31 March 2018 | Average exchange rate for the first three months of 2017 | Exchange rate as at 31 December 2017 |
|---|---|---|---|---|
| GBP | 0.878 | 0.8794 | 0.860085 | 0.85553 |
| DKK | 7.4467 | 7.453 | 7.435298 | 7.4379 |

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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 liabities 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 31 MARCH 2018**

The Group has not applied the following new accounting standards and other amendments, which have been published, but the application of which is not yet mandatory:

- **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:
  - identification of the contract with the customer;
  - identification of the performance obligations in the contract;
  - determination of the transaction price;
  - allocation of the transaction price to the performance obligations in the contracts;
  - 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 31 March 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:
  - 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);
  - 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;
  - 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 31 March 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. No significant impact is expected on results and financial position, on account of the fact that the Group is not party to any derivatives and that the model used for the computation of credit losses already takes account of expected losses, based on historical trends, past analysis and updated information.

- **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 31 March 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

| OPERATING SEGMENTS | 31 Mar 2018 | 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Software Solutions | 65,944 | 65,327 | 617 | 0.9% |
| Cloud Software Solutions | 7,732 | 6,661 | 1,071 | 16.1% |
| Hardware | 1,022 | 1,355 | (333) | -24.6% |
| **TOTAL REVENUE** | **74,698** | **73,343** | **1,356** | **1.8%** |

Total Revenue for the period ended 31 March 2018 amounts to € 74,698 thousand, up by € 1,356 thousand compared to the corresponding figure for the period ended 31 March 2017 (€ 73,343 thousand). The increase is attributable to the change in the consolidation area and to the organic growth experienced by the Group in the first three months of 2018.

The increase mainly refers to Cloud Software Solutions revenue and to Software Solutions revenue, partially offset by the reduction of Hardware revenue, which is a consequence of the outsourcing process.

## 2. COST OF RAW AND OTHER MATERIALS

| | 31 Mar 2018 | Restated 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Hardware purchases | 884 | 1,684 | (800) | -47.5% |
| Third parties' software | 4,526 | 4,464 | 62 | 1.4% |
| Handbooks and forms | | 12 | (12) | -100.0% |
| Materials for education | 76 | 75 | 1 | 1.1% |
| Fuel | 499 | 494 | 5 | 1.0% |
| Other materials | 164 | 212 | (48) | -22.6% |
| Change in inventory of raw materials | (177) | (73) | (104) | n.s. |
| **Total** | **5,971** | **6,867** | **(896)** | **-13.0%** |

Cost of raw and other materials amounts to € 5,971 thousand for the period ended 31 March 2018, down by € 896 thousand compared to the amount at 31 March 2017 (€ 6,867 thousand). The decrease is mainly due to the outsourcing of the business segment that handles hardware and systems.

## 3. COST OF SERVICES

| | 31 Mar 2018 | Restated 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Agent commissions and other costs | 3,073 | 3,029 | 44 | 1.4% |
| Consulting and third parties services | 2,877 | 2,752 | 125 | 4.6% |
| Software and Hardware maintenance costs | 2,131 | 1,629 | 502 | 30.8% |
| Web recall costs | 450 | | 450 | |
| Administrative tax and legal | 545 | 555 | (10) | -1.8% |
| Education - consulting and copyrights | 1,430 | 994 | 436 | 43.9% |
| Magazines - consulting and copyrights | 372 | 336 | 36 | 10.7% |
| Other costs for education services | 489 | 310 | 180 | 58.1% |
| Advertising and marketing | 2,312 | 2,144 | 168 | 7.8% |
| Car rentals | 1,172 | 1,191 | (18) | -1.6% |
| Utilities | 983 | 909 | 74 | 8.1% |
| Costs for mergers and acquisitions | 65 | 367 | (302) | -82.3% |
| Tax optimization costs | 81 | | 81 | |
| Strategic marketing expenses | | 757 | (757) | -100.0% |
| Other minor items | 99 | 35 | 64 | n.s. |
| Costs for strategic projects and reorganizations | 1,788 | 1,925 | (137) | -7.1% |
| Other services | 3,218 | 2,671 | 547 | 20.5% |
| **Cost of services - Gross of capitalisation** | **21,085** | **19,603** | **1,482** | **7.6%** |
| Services capitalized development costs | (644) | (654) | 9 | -1.4% |
| **Total** | **20,441** | **18,950** | **1,491** | **7.9%** |

Cost of services for the period ended 31 March 2018 amounts to € 20,441 thousand, up by € 1,491 thousand from the amount of the period ended 31 March 2017 (€ 18,950 thousand), mainly related to the change in the consolidation area and to the organic growth experienced by the Group in the first three months of 2018.

Compared to the corresponding period ended 31 March 2017, the main increases have been registered in Software and Hardware maintenance costs, Web-recall costs and Other services.

As regards the capitalisation of cost of services recognised in the three months of 2018, reference should be made to the Note 11 Intangible Assets.

## 4. PERSONNEL COSTS

| | 31 Mar 2018 | Restated 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Wages, salaries and social contributions | 27,584 | 27,995 | (411) | -1.5% |
| Staff leaving indemnities | 1,192 | 1,198 | (7) | -0.6% |
| Other personnel costs | 13 | 4 | 9 | n.s. |
| Personnel costs for redundancy and reorganizations | 127 | 306 | (179) | -58.5% |
| **Employee costs** | **28,916** | **29,504** | **(588)** | **-2.0%** |
| Freelancers and collaborators fees | 214 | 44 | 170 | n.s. |
| Directors' fees and related costs | 666 | 732 | (65) | -8.9% |
| **Directors and Collaborators** | **880** | **776** | **104** | **13.5%** |
| **Personnel - Gross of capitalisation** | **29,796** | **30,280** | **(484)** | **-1.60%** |
| Personnel capitalized development costs | **(2,724)** | **(2,098)** | **(626)** | **29.8%** |
| **Total** | **27,072** | **28,182** | **(1,109)** | **-3.9%** |

Personnel costs for the period ended 31 March 2018 (€ 27,072 thousand) have decreased by € 1,109 thousand, compared to the corresponding amount for the period ended 31 March 2017 (€ 28,182 thousand).

As regards the capitalisation of personnel costs recognised in the first three months of 2018, reference should be made to the Note 11 Intangible Assets.

## 5. OTHER OPERATING COSTS

| | 31 Mar 2018 | Restated 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Rents | 1,192 | 999 | 194 | 19.4% |
| Rentals | 117 | 108 | 9 | 8.4% |
| Other expenses for use of third parties assets | 122 | 186 | (64) | -34.6% |
| Other tax | 38 | 44 | (6) | -13.2% |
| Losses from assets disposals | 1 | 3 | (2) | -67.9% |
| Other expenses and settlement costs | 806 | 363 | 443 | n.s. |
| **Total** | **2,275** | **1,701** | **574** | **33.7%** |

Other operating costs for the period ended 31 March 2018 (€ 2,275 thousand) increase by € 574 thousand compared to the corresponding amount for the period ended 31 March 2017 (€ 4,853 thousand).

## 7. FINANCE INCOME

| | 31 Mar 2018 | Restated 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Interest and other finance income | 78 | 0 | 78 | n.s. |
| Gains on foreign exchange | 1 | 0 | 1 | n.s. |
| Interest from cash pooling and other loans | | 5 | (5) | -100.0% |
| Depreciation - Contingent liab. non-controll. shareholders | 5 | | 5 | |
| Revaluations of investments | | 1 | (1) | -100.0% |
| **Total** | **84** | **7** | **77** | **n.s.** |

Finance income for the period ended 31 March 2018 (€ 84 thousand) have increased for an amount of € 77 thousand compared to the corresponding amount at 31 March 2017 (€ 7 thousand).

## 8. FINANCE COST

| | 31 Mar 2018 | Restated 31 Mar 2017 | Change | % Change |
|---|---|---|---|---|
| Interest on bank loans | 81 | 407 | (327) | -80.2% |
| Interest on Notes | 11,925 | 12,356 | (431) | -3.5% |
| Interest on financing fees | 1,726 | 1,632 | 93 | 5.7% |
| Bank commissions | 352 | 311 | 41 | 13.3% |
| Interests on actuarial valuation of employees benefit | 97 | 143 | (46) | -32.0% |
| Other IFRS financial charges | 1,472 | 1,105 | 367 | 33.2% |
| Interests on cash pooling and other loans | | 93 | (93) | -100.0% |
| Other financial charges | 2,113 | 40 | 2,073 | n.s. |
| Losses on foreign  exchange | 2 | | 2 | |
| **Total** | **17,767** | **16,088** | **1,679** | **10.4%** |

Financial cost for the period ended 31 March 2018 amount to € 17,767 thousand with an increase of € 1,679 thousand, compared to the corresponding amount at 31 March 2017 (€ 16,088 thousand).

## 9. 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 three months of 2018.

**Cash flows from operating activities** = They amount to € 6,590 thousand for the period ended 31 March 2018 and are impacted by the fact that 31 March 2018, 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 € 23,751 thousand at 31 March 2018 and € 24,412 thousand at 31 March 2017 (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 100% stake of MMData S.r.l. by the subsidiary Danea Soft S.r.l., for a paid consideration of € 2.0 million.

**Financial balance paid /cashed-in and change in financial assets/liabilities** = The main items included in the balance in question relate to:

- the payment of financial interests on Notes;
- the draw-down of the RCF (see Notes 15 Net Financial Indebtness).

## 10. TANGIBLE ASSETS

| NET BOOK VALUE | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Land | 948 | 948 | | |
| Buildings | 3,540 | 3,605 | (66) | -1.8% |
| Plant and machinery | 3,194 | 3,049 | 145 | 4.8% |
| Equipment | 974 | 972 | 2 | 0.2% |
| Other assets | 7,026 | 6,796 | 230 | 3.4% |
| **Total** | **15,682** | **15,371** | **311** | **2.0%** |

At 31 March 2018 Tangible fixed assets amount to € 15,682 thousand, up by € 311 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 (€ 765 thousand). In particular the increase in Other assets is due to the opening of new offices.

## 11. INTANGIBLE ASSETS

| NET BOOK VALUE | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| **Capitalised development** | **26,958** | **26,195** | **763** | **2.9%** |
| **IFRS Assets** | **674,497** | **687,518** | **(13,021)** | **-1.9%** |
| **Other intangible assets** | **18,507** | **14,984** | **3,523** | **23.5%** |
| **Total** | **719,962** | **728,699** | **(8,736)** | **-1.2%** |

Intangible assets have gone from € 728,699 thousand at 31 December 2017 to € 719,962 thousand at 31 March 2018, with a decrease of € 8,736 thousand resulting from the aggregate of disposals, additions, capitalised development costs (€ 3,368 thousand) and amortisation (€ 17,272 thousand) for the period ended 31 March 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 descrease is due to the amortisation for the first three 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, by TeamSystem S.p.A. The software allows the compliance with new European regulation about the protection of personal data, which will 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 senior secured notes – see "Significant subsequent events" paragraph), by the subsidiary Reviso International ApS for a consideration of € 2.0 million. The software mainly facilitates compliance with regulations applicable to condominium and property management

## 12. GOODWILL

At 31 March 2018 Goodwill amounts to € 705,849 thousand, equal to the balance at 31 December 2017.

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.

## 13. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Investments in Associates | 82 | 147 | (65) | -44.1% |
| Other Investments | 2,414 | 447 | 1,967 | n.s. |
| **Total** | **2,496** | **594** | **1,902** | **n.s.** |

The balance of Investments in Associates and Other investments has gone from € 594 thousand at 31 December 2017 to € 2,496 thousand at 31 March 2018, with an increase of € 1,902 thousand.

The increase of Other investments (€ 1,967 thousand) is mainly explained by the acquisition of 100% stake in MMData S.r.l., by the subsidiary Danea Soft S.r.l.. The results and the financial position of MMData S.r.l. have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the three months ended 31 March 2018, taking account of the non-materiality of the acquisition in question.

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

## 14. DEFERRED TAX ASSETS AND LIABILITIES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Deferred tax assets | 16,169 | 17,066 | (897) | -5.3% |
| Deferred tax liabilities | 196,556 | 200,604 | (4,048) | -2.0% |

At 31 March 2018 Deferred tax assets amount to € 16,169 thousand, down by € 897 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 31 March 2018 Deferred tax liabilities amount to € 196,556 thousand with a decrease of € 4,048 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).

## 15. NET FINANCIAL INDEBTEDNESS

| | Current | Non-Current | 31 Mar 2018 Total | Current | Non-Current | 31 Dec 2017 Total |
|---|---|---|---|---|---|---|
| Bank accounts and post office | 10,493 | | 10,493 | 16,197 | | 16,197 |
| Cash and bank balances | 117 | | 117 | 62 | | 62 |
| **Total Cash and bank balances** | **10,611** | | **10,611** | **16,259** | | **16,259** |
| Loans | | 393 | 393 | 7 | 343 | 350 |
| Other financial assets | 292 | 238 | 530 | 380 | 150 | 530 |
| **Total Other financial assets** | **292** | **631** | **923** | **386** | **493** | **880** |
| Loans with banks | (13,156) | (300) | (13,456) | (547) | (130) | (676) |
| Overdrafts with banks | (166) | | (166) | (117) | | (117) |
| Notes | (720,000) | | (720,000) | | (720,000) | (720,000) |
| Financial liabilities with other institutions | (5) | | (5) | | | |
| Dividends to be settled | (99) | | (99) | (40) | | (40) |
| **Total Financial liabilities** | **(733,426)** | **(300)** | **(733,726)** | **(703)** | **(720,130)** | **(720,833)** |
| Financing Fees - bond | 25,062 | | 25,062 | 5,911 | 20,608 | 26,519 |
| Financing Fees - banks | 3,725 | | 3,725 | 1,089 | 2,904 | 3,993 |
| **Total Financing Fees** | **28,787** | | **28,787** | **7,001** | **23,512** | **30,513** |
| Contingent liabilities to non-controlling shareholders | (9,114) | (93,663) | (102,777) | (7,406) | (94,042) | (101,448) |
| Commission financial liabilities | (83) | | (83) | (90) | | (90) |
| Other financial accruals | | | | (5) | | (5) |
| Other financial liabilities | (28) | | (28) | | | |
| **Total Other financial liabilities** | **(9,225)** | **(93,663)** | **(102,888)** | **(7,501)** | **(94,042)** | **(101,543)** |
| **Total** | **(702,962)** | **(93,332)** | **(796,294)** | **15,442** | **(790,166)** | **(774,725)** |

Net financial indebtedness as at 31 March 2018 amounts to € 796,294 thousand.

**Senior Notes**

In March 2016, TeamSystem Holding S.p.A. (formerly Barolo Midco S.p.A.) issued Senior Floating Rate Notes (the “Senior Notes” - ISIN: XS1372159266, XS1372160603) with a principal amount of € 150 million, with a maturity date in 2023. The Senior Notes bear interest payable quarterly (1 April, 1 July, 1 October and 1 January, commencing 1 July 2016) at an interest rate equating to the three-month Euribor rate - with a floor of 1% - plus a spread of 8%.

The Senior Notes are listed on the Third Market of the Vienna Stockmarket.

The Senior Notes may be redeemed at the option of the issuer:

- at any time prior to 1 March 2018, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes plus an Applicable Premium (as provided for by the Indenture governing the Senior Notes);
- on any date prior to 1 March 2018, an amount equating to 40% of the principal amount of the Senior Notes may be redeemed via sums that, in total, do not exceed the proceeds from one or more Equity Offerings with a redemption price equating to (i) 109% of the principal amount of the Senior Notes, plus accrued and unpaid interest and Additional Amounts (all terms as defined in the indenture) and (ii) the Applicable Premium at, but not including, the redemption date, based on the terms and conditions laid down in the indenture; and
- at any time on or after 1 March 2018 and up to the maturity date, the Senior Secured Notes may be redeemed at a redemption price equal to the percentage of principal set out in the Senior Notes Indenture for each relevant twelve month period.

On the occurrence of certain events that qualify as a “change of control”, a request may be made to the issuer of the Senior Secured Notes, TeamSystem Holding S.p.A., to offer a purchase price for the repurchase of the notes equating to 101% of the principal at the repurchase date, plus accrued and unpaid interest and any Additional Amounts due at that date.

The costs incurred for the issue of the above Senior Notes have been recognised as financing fees and are being amortised on a straight line basis over the contractual term of the Senior Notes, the natural maturity date of which, as stated above, is 1 March 2023.

**Senior Secured Notes**

On 20 May 2016, TeamSystem S.p.A. (formerly Barolo Bidco S.p.A.) issued a principal amount of € 450 million of senior secured floating rate notes due 2022 (the “Original Senior Secured Notes”) (ISIN: XS1408420443). On the same day, TeamSystem Holding S.p.A. proceeded with the early redemption of the previous Notes (principal amount of € 430 million, interest rate of 7.375% and original maturity of 2020), using the proceeds from the issue of the Senior Secured Notes. Accordingly, the Group has satisfied and discharged the previous Indenture, which governed the cancelled Notes.

On 22 December 2016, TeamSystem S.p.A. issued a principal amount of € 40 million of senior secured floating rate notes due 2022 (the “First Additional Senior Secured Notes ”).

On 19 April 2017, TeamSystem S.p.A. issued a further € 80 million of senior secured floating rate notes due 2022 (the “Second Additional Senior Secured Notes”, which, together with the Original Senior Secured Notes are hereinafter referred to as the “Senior Secured Notes”) (ISIN: XS1408420443).

The Senior Secured Notes are listed on the Third Market of the Vienna Stockmarket.

The Senior Secured Notes may be redeemed at the option of the issuer:

- on any date prior to 1 March 2018, in whole or in part, at a redemption price equating to 100% of the principal amount of the notes, plus any Applicable Premium (as defined in the Indenture governing the Senior Secured Notes – “the Senior Secured Notes Indenture”)
- on any date prior to 31 December 2018, but subsequent to 1 March 2018, in whole or in part, at a redemption price equating to 102% of the principal amount of the notes;
- on any date prior to 31 December 2019 and subsequent to 31 December 2018, in whole or in part, at a redemption price equating to 101% of the principal amount of the notes;
- on any date subsequent to 31 December 2019 and up to the maturity date, in whole or in part, at a redemption price equating to 100% of the principal amount of the notes;

On the occurrence of certain events that qualify as a “change of control”, a request may be made to the issuer of the Senior Secured Notes to offer a purchase price for the repurchase of the notes equating to 101% of the principal at the repurchase date, plus accrued and unpaid interest and any Additional Amounts due at that date.

The costs incurred for the issue of the above Senior Secured Notes have been recognised as financing fees and are being amortised on a straight line basis over the contractual term of the Senior Notes, the maturity date of which, as stated above, is 20 May 2022.

**Loans with bank - Revolving credit facility (RCF)**

On 1 March 2016, TeamSystem S.p.A. negotiated a revolving credit facility (the “New RCF”) totalling € 65 million, with a maturity date of 1 September 2021. The interest rate payable on the new facility is based on Libor or Euribor, plus an initial spread of 4%, which may vary based on the achievement of certain financial parameters (consolidated leverage ratio) as set out in the credit facility agreement.
The costs incurred to obtain the New RCF have been recognised as financing fees and are being amortised on a straight line basis over the contractual term of the credit facility.

**Collateral provided**

Set out below are details of the collateral provided in connection with the revolving credit facility and the Senior Secured Notes at 31 March 2018:

- pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.;
- assignment by way of security of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.;
- assignment by way of security of TeamSystem S.p.A.'s receivables arising from the purchase agreement dated 7 December 2015 in connection with the acquisition of TeamSystem Group completed in 2016;
- pledge over 100% of the shares of Gruppo Euroconference S.p.A. held by TeamSystem S.p.A.;
- pledge over industrial property rights of TeamSystem S.p.A.; and
- special lien pursuant to Art. 46 of Legislative Decree 385/1993 over movable assets owned by TeamSystem S.p.A.

Unsecured guarantees have also been provided by TeamSystem Holding S.p.A. and TeamSystem S.p.A. in connection with the revolving credit facility.

In addition, unsecured guarantees have also been provided by TeamSystem Holding S.p.A. in connection with the Senior Secured Notes.

The main elements of the collateral provided in connection with the Senior Notes at 31 March 2018 are:

- pledge over 100% of the shares of TeamSystem Holding S.p.A. held by Barolo Lux 1 S.à.r.l.;
- pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.; and

- assignment by way of security of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.

Unsecured guarantees had been provided at 31 March 2018 by Barolo Lux 1 S.à r.l. and TeamSystem S.p.A. in connection with the Senior Notes.

**Contingent liabities to non-controlling shareholders of subsidiaries**

The Contingent liabities to non-controlling shareholders of subsidiaries (€ 102,777 thousand at 31 March 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: Metodo S.p.A., 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.

## 16. INVENTORIES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Raw and ancillary materials | 311 | 419 | (108) | -25.7% |
| Finished products and goods | 1,540 | 1,570 | (29) | -1.9% |
| (Allowance for slow-moving inventory) | (437) | (437) | | |
| **Total** | **1,415** | **1,552** | **(137)** | **-8.9%** |

At 31 March 2018 Inventories amount to € 1,415 thousand and, therefore, are substantially flat compared to the balance at 31 December 2017 (€ 1,552 thousand).

## 17. TRADE RECEIVABLES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Trade receivables | 224,608 | 139,316 | 85,292 | 61.2% |
| (Allowance for bad debts) | (16,699) | (16,561) | (139) | 0.8% |
| **Total** | **207,909** | **122,755** | **85,154** | **69.4%** |

At 31 March 2018 Trade receivables amount to € 207,909 thousand. The increase of € 85,154 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 € 16,699 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.

## 18. TAX RECEIVABLES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Tax credits | 39 | 39 | (0) | -0.1% |
| Other tax receivables | 206 | 118 | 87 | 73.9% |
| Withholding tax credit | 11 | 0 | 11 | n.s. |
| Advances and income tax credits | 4,095 | 5,173 | (1,078) | -20.8% |
| **Total** | **4,351** | **5,330** | **(979)** | **-18.4%** |

At 31 March 2018 Tax receivables amount to € 4,351 thousand, down by € 979 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 31 March 2018.

## 19. OTHER CURRENT RECEIVABLES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Deposits | 487 | 491 | (3) | -0.7% |
| Receivables from employees | 307 | 189 | 118 | 62.4% |
| Other receivables | 2,223 | 2,055 | 168 | 8.2% |
| Accrued income | 143 | 108 | 36 | 33.2% |
| Prepayments | 16,097 | 14,333 | 1,764 | 12.3% |
| VAT receivables | 35 | 290 | (254) | -87.9% |
| **Total** | **19,292** | **17,464** | **2,082** | **11.9%** |

At 31 March 2018 the Other receivables balance amounts to € 19,292 thousand, up by € 2,082 thousand compared to the 31 Dicember 2017 balance (€ 17,464 thousand). The increase is mainly due to Prepayments (€ 1,764 thousand), following the seasonality of the business of the Group.

## 20. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Euro thousands

| | Share capital | Other reserves | Retained earnings (accumulated losses) | 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** | **0** | **(75,771)** | **566,396** | **1,060** | **567,456** |
| Loss allocation | | (75,819) | 48 | 75,771 | **0** | | **0** |
| Other movements | | (679) | | | **(679)** | | **(679)** |
| Change in Non-controlling interests IFRS 3 | | (823) | | | **(822)** | (157) | **(979)** |
| Total Comprehensive Income (Loss) for the period | | | | (15,292) | **(15,292)** | 52 | **(15,240)** |
| **31 Mar 2017** | **5,450** | **559,397** | **48** | **(15,292)** | **549,603** | **955** | **550,558** |

Euro thousands

| | Share capital | Other reserves | Retained earnings (accumulated losses) | 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** | **0** | **(57,134)** | **507,245** | **1,023** | **508,268** |
| Loss allocation | | (58,290) | 1,156 | 57,134 | **0** | | **0** |
| Dividends | | | | | **0** | (59) | **(59)** |
| Total Comprehensive Income (Loss) for the period | | | | (17,657) | **(17,657)** | 80 | **(17,576)** |
| **31 Mar 2018** | **5,450** | **500,639** | **1,156** | **(17,657)** | **489,588** | **1,045** | **490,634** |

At 31 March 2018 the Group's equity amounts to € 489,588 thousand.

## 21. STAFF LEAVING INDEMNITY

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Staff leaving indemnity | 17,525 | 18,280 | (755) | -4.1% |
| **Total** | **17,525** | **18,280** | **(755)** | **-4.1%** |

At 31 March 2018 Staff leaving indemnity amounts to € 17,525 thousand, down by € 755 thousand compared to the balance at 31 December 2017 (€ 18,280 thousand). The balance is the aggregate of utilisations, accruals and any other movements.

## 22. PROVISIONS FOR RISKS AND CHARGES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Provision for pension and similar obligation | 1,174 | 1,261 | (87) | -6.9% |
| Provision for litigations | 1,502 | 1,504 | (1) | -0.1% |
| Other provision for risks and charges | 5,046 | 7,591 | (2,545) | -33.5% |
| **Total** | **7,722** | **10,355** | **(2,633)** | **-25.4%** |

At 31 March 2018 Provisions for risks and charges amount to € 7,722 thousand, decreased by € 2,633 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.

## 23. OTHER CURRENT AND NON-CURRENT LIABILITIES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| VAT liabilities | 1,842 | 1,035 | 1,799 | n.s. |
| Withholdings liabilities | 4,960 | 4,222 | (220) | -5.76% |
| Employees payables and Social security liabilities | 18,385 | 24,869 | (6,484) | -26.1% |
| Advances | 3,996 | 4,394 | (399) | -9.1% |
| Other liabilities | 990 | 515 | 475 | 92.3% |
| Accrued liabilities | 234 | 176 | 58 | 32.9% |
| Deferred revenues | 113,049 | 27,598 | 85,451 | n.s. |
| **Other current liabilities** | **143,456** | **62,810** | **80,681** | **n.s.** |
| Due to social securities – non-current | 597 | 609 | (12) | -2.0% |
| Other tax liabilities – non-current | 23 | 27 | (3) | -12.6% |
| **Other non-current liabilities** | **620** | **636** | **(15)** | **-2.43%** |
| **Total Other liabilities** | **144,077** | **63,445** | **80,665** | **n.s.** |

At 31 March 2018 Other current and non-current liabilities amount to € 144,077 thousand, up by € 80,665 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 (€ 85,451 thousand).

At 31 March 2018 Other non-current liabilities amount to € 620 thousand (€ 636 thousand at 31 December 2017) and relate primarly to balances pertaining to TeamSystem S.p.A.

## 24. CURRENT TAX LIABILITIES

| | 31 Mar 2018 | 31 Dec 2017 | Change | % Change |
|---|---|---|---|---|
| Income tax payables | 1,832 | 245 | 1,587 | n.s. |
| Other tax liabilities | 2 | 13 | (11) | -81.53% |
| **Total** | **1,834** | **258** | **1,576** | **n.s.** |

At 31 March 2018 Current tax liabilities amount to € 1,834 thousand, up by € 1,576 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 balance of IRAP charged in the first three months of 2018.

□ □ □

**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.

□ □ □

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