

30 September 2017  
Interim Consolidated  
Financial Statements  
TeamSystem Group





**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE NINE MONTHS  
ENDED 30 SEPTEMBER 2017**

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**TeamSystem Group**

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NINE MONTHS ENDED 30 SEPTEMBER 2017**

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**OPERATING AND  
FINANCIAL REVIEW**



**► RESULTS OF OPERATIONS**

Euro thousands	( 1 )	( 2 )	( 1 ) - ( 2 ) = ( 3 )	( 3 ) / ( 2 )
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>	<b>Consolidated Statement 30 Sep 2017</b>	<b>Consolidated Statement 30 Sep 2016</b>	<b>Change</b>	<b>% Change</b>
Revenue	219,560	191,140	28,420	14.9%
Other operating income	1,419	1,840	(421)	-22.9%
<b>TOTAL REVENUE</b>	<b>220,979</b>	<b>192,980</b>	<b>27,998</b>	<b>14.5%</b>
Cost of raw and other materials	(20,427)	(18,586)	(1,841)	9.9%
Cost of services	(44,789)	(41,045)	(3,744)	9.1%
Personnel	(79,120)	(70,377)	(8,743)	12.4%
-of which non recurring	(1,492)	(919)	(573)	62.3%
Other operating costs	(3,734)	(4,853)	1,120	-23.1%
Non recurring expenses	(11,746)	(16,065)	4,319	-26.9%
Depreciation and amortization of non current assets	(48,705)	(25,686)	(23,020)	89.6%
Allowance for bad debts	(4,435)	(3,796)	(638)	16.8%
Other provisions for risks and charges	(2)	(20)	19	-91.0%
<b>OPERATING RESULT</b>	<b>8,021</b>	<b>12,552</b>	<b>(4,531)</b>	<b>-36.1%</b>
Finance income	1,002	68	933	n.s.
Finance cost	(48,543)	(62,850)	14,307	-22.8%
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(39,520)</b>	<b>(50,230)</b>	<b>10,710</b>	<b>-21.3%</b>
Current income tax	(9,547)	(10,746)	1,200	-11.2%
Deferred income tax	10,465	7,966	2,499	31.4%
<b>TOTAL INCOME TAX</b>	<b>918</b>	<b>(2,780)</b>	<b>3,698</b>	<b>n.s.</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(38,602)</b>	<b>(53,010)</b>	<b>14,408</b>	<b>-27.2%</b>
(Profit) Loss for the period				
Non controlling interests	(208)	(201)	(7)	3.5%
<b>PROFIT (LOSS) FOR THE PERIOD OWNERS OF THE COMPANY</b>	<b>(38,810)</b>	<b>(53,211)</b>	<b>14,401</b>	<b>-27.1%</b>
<b>EBITDA</b>	<b>69,966</b>	<b>55,242</b>	<b>14,724</b>	<b>26.7%</b>
<b>ADJUSTED EBITDA</b>	<b>74,400</b>	<b>59,038</b>	<b>15,362</b>	<b>26.0%</b>

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The following comments refer to the changes between the Consolidated Statement of Profit or Loss as at 30 September 2017 and the corresponding figures for the period ended 30 September 2016, which have been restated to reflect the reclassification of certain non-recurring items impacting Other operating income and Other operating costs. Furthermore, the results as at 30 September 2017 are affected by the consolidation of the results of the companies acquired in 2016 (and not yet consolidated at 30 September 2016) which are: Lira S.r.l., Euresys S.r.l., Mondora S.r.l., Informatica Veneta S.r.l., EasyFatt Dev S.r.l., Cidiemme Informatica S.r.l., Reviso International Aps Group, AliasLab S.r.l., Elaide S.r.l., TeamSystem C&D S.r.l. In addition to that, Voispeed Limited accounts have been included in the 30 September 2017 consolidated accounts and not in 30 September 2016 consolidated figures.

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**TOTAL REVENUE:** Total Revenue for the period ended 30 September 2017 amounts to € 220,979 thousand, up by € 27,998 thousand compared to the corresponding figure for the period ended 30 September 2016 (€ 192,980 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 2017.

As regards the TeamSystem Group's operating segments, following the acquisition by the private equity firm Hellman & Friedman, a review of them and of the all associated management reporting is started.

At the date of this Financial Statement, the economic and financial data is still being prepared and reporting is still to be fully defined. However, below Total Revenue allocated to future operating segments:

Euro millions

Revenue			
A&M	19,5	A&M	24,7
Licenses	11,1	Licenses	4,6
Services and Other	15,4	Services and Other	1,4
<b>Enterprise</b>	<b>46,0</b>	<b>Professionals</b>	<b>30,7</b>
<b>Direct Channel</b>	<b>76,7</b>		
<b>Indirect Channel</b>	<b>69,5</b>		
<b>Total CORE</b>	<b>146,2</b>		
A&M	19,3		
Licenses	11,2		
Services and Other	19,2		
<b>Total VERTICAL</b>	<b>49,7</b>		
<b>CLOUD</b>	<b>13,4</b>		
<b>OTHER</b>	<b>11,7</b>		
<b>TOTAL</b>	<b>221,0</b>		

**ADJUSTED EBITDA:** Adjusted Ebitda for the period ended 30 September 2017 amounts to € 74,400 thousand, up by € 15,362 thousand compared to the amount at 30 September 2016 (€ 59,038 thousand).

This 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 2017.

**COST OF RAW AND OTHER MATERIALS:** Cost of raw and other materials amounts to € 20,427 thousand for the period ended 30 September 2017, up by € 1,841 thousand compared to the amount at 30 September 2016 (€ 18,586 thousand).

**COST OF SERVICES:** Cost of services amounts to € 44,789 thousand for the period ended 30 September 2017, up by € 3,744 thousand from the amount of the period ended 30 September 2016 (€ 41,045 thousand). This is mainly due to the change in the consolidation area and to the organic growth experienced by the Group in the first nine months of 2017.

**PERSONNEL:** Personnel costs for the period ended 30 September 2017 (€ 79,120 thousand) have increased by € 8,743 thousand, compared to the amount at 30 September 2016 (€ 70,377 thousand). The growth is attributable to the ongoing policy to strengthen the Group's workforce and to the change in the consolidation area.

**NON-RECURRING EXPENSES:** Non-recurring expenses relate to tax, legal advice and other expenses the nature of which is deemed to be non-recurring with respect to the business normal operations.

Non-recurring expenses for the period ended 30 September 2017 amount to € 11,746 thousand, compared to € 16,065 thousand for the period ended 30 September 2016, thus with a decrease of € 4,319 thousand mainly due to one-off due diligence costs occurred in the first nine months of 2016 related to the acquisition of TeamSystem Group made by the private equity firm Hellman & Friedman.

**FINANCE COST:** Financial charges for the period ended 30 September 2017 amount to € 48,543 thousand with a decrease of € 14,307 thousand, compared to the corresponding amount at 30 September 2016 (€ 62,850 thousand). The reduction is mainly explained by the non recurring finance costs occurred in the first half of 2016, as a consequence of the re-shaping of the TeamSystem Group financial structure following the acquisition of the Group by private equity firm Hellman & Friedman.

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**► CONSOLIDATED STATEMENT OF CASH FLOWS**

Euro thousands				
CONSOLIDATED STATEMENT OF CASH FLOWS	30 Sep 2017	30 Sep 2016	Change	% Change
CASH FLOWS FROM OPERATING ACTIVITIES	62,509	43,399	19,110	44.0%
CASH FLOWS FROM INVESTING ACTIVITIES	(22,700)	(797,650)	774,950	-97.2%
CASH FLOWS FROM FINANCING ACTIVITIES	(20,180)	753,596	(773,776)	n.s.
<b>INCREASE (DECREASE) IN CASH AND BANK BALANCES</b>	<b>19,630</b>	<b>(654)</b>	<b>20,284</b>	<b>n.s.</b>
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	19,406	16,534	2,872	17.4%
<b>CASH AND BANK BALANCES - END OF THE PERIOD</b>	<b>39,036</b>	<b>15,880</b>	<b>23,156</b>	<b>n.s.</b>

**Cash flows from operating activities** amount to € 62,509 thousand for the period ended 30 September 2017, up by € 19,110 thousand, compared to the corresponding flows for the period ended 30 September 2016 (€ 43,399 thousand). This increase is mainly due to:

- the change in the consolidation area;
- the organic growth of the business during the first nine months of 2017.

**Cash flows from investing activities** changed from minus € 797,650 thousand in the period ended 30 September 2016 to minus € 22,700 thousand for the corresponding period of 2017. The main investment activities for the first nine months of 2017 are related to:

- capitalized development costs and capital expenditures on tangible and intangible assets;
- equity investments in: Elaide S.r.l., Evols S.r.l., Netlex S.r.l., Software Time S.r.l., EvolutionFit S.r.l. and Cassanova S.r.l.;
- the acquisition of the Multimedia IT S.n.c.'s business unit.

**Cash flows from financing activities** amount to minus € 20,180 thousand for the period ended 30 September 2017, down by € 773,776 thousand compared to € 753,596 thousand for the period ended 30 September 2016. The main cash items occurred in the first nine months of 2017 are attributable to:

- the payment of financial interests on Notes;
- the payment of financial charges and commissions;
- the total reimbursement of the RCF;
- the funding and the repayment of the Shareholders' Loan from Barolo Lux 1 S.à.r.l.;
- the issuance of Senior Secured Notes for an amount of € 80 million by TeamSystem S.p.A., in aggregate principal amount of senior secured floating rate notes due 2022 (see also Note 15 Net Financial Indebtedness);
- the payment of some earn-outs or the exercise of put/call options (Danea Soft S.r.l. and Inforyou S.r.l.) occurred in the first nine months of 2017

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**► WORKING CAPITAL**

Euro thousands				
	30 Sep 2017	31 Dec 2016	Change	% Change
Trade receivables	119,524	103,367	16,157	15.63%
Inventories	1,457	1,422	35	2.50%
Other receivables - current and non current	16,848	14,788	2,059	13.93%
Trade payables	(32,412)	(33,710)	1,299	-3.85%
Other liabilities - current and non current	(95,864)	(57,723)	(38,141)	66.08%
<b>WORKING CAPITAL</b>	<b>9,554</b>	<b>28,144</b>	<b>(18,590)</b>	<b>-66.05%</b>

At 30 September 2017 Working capital amounts to € 9,554 thousand, down by € 18,590 thousand compared to the balance at 31 December 2016 (€ 28,144 thousand).

The movement is primarily attributable to Trade receivables (which balance is € 119,524 thousand at 30 September 2017 compared to € 103,367 thousand at 31 December 2016) and to Other liabilities (which balance is € 95,864 thousand at 30 September 2017 compared to € 57,723 thousand at 31 December 2016).

These changes can be explained by the seasonality of billings for subscription fees, that characterises the companies of TeamSystem Group (see also Note 17 regarding 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	30 Sep 2017	30 Sep 2016	Change	% Change
Capex - Tangible Assets	4,979	2,467	2,512	n.s.
Capex - Intangible Assets	3,248	2,618	630	24.05%
Capitalized development costs - Personnel costs	7,240	5,944	1,296	21.80%
Capitalized development costs - Service costs	1,699	1,970	(271)	-13.76%
<b>Capex</b>	<b>17,166</b>	<b>13,000</b>	<b>4,166</b>	<b>32.05%</b>

In the period ended 30 September 2017 the capital expenditure amounts to € 17,166 thousand with an increase of € 4,166 thousand compared to 30 September 2016 balance (€ 13,000 thousand) substantially due to:

- the growth in personnel capitalized development costs related to the change in the consolidation area and to the organic growth experienced by the Group in the first nine months of 2017;
- the increase in tangible capital expenditures relating to the new Group's headquarters.

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### **►SIGNIFICANT EVENTS DURING THE FIRST NINE MONTHS OF 2017**

#### **Shareholders' loan – funding and repayment**

On 21 February 2017, TeamSystem Holding S.p.A. borrowed € 20.0 million (the "Shareholders' Loan") from Barolo Lux 1 S.à.r.l. for working capital purposes and repayed it in full using part of the proceeds from the issuance of the Second Additional Senior Secured Notes on 16 May 2017 (see paragraph below).

#### **Second Additional Senior Secured Notes**

On 16 May 2017, TeamSystem S.p.A. issued a further € 80 million in aggregate principal amount of senior secured floating rate notes due 2022 (the "Second Additional Senior Secured Notes" and, together with the Original Senior Secured Notes and the First Additional Senior Secured Notes, the "Senior Secured Notes" – see Note 15 Net Financial Indebtedness). The applicable interest rate on Senior Secured Notes has been reduced to Euribor (with 1 % floor) plus 5% spread since 1 July 2017.

#### **Acquisition of Evols S.r.l.**

On 9 March 2017, TeamSystem S.p.A. acquired a controlling interest of 51% in Evols S.r.l., a company specialised in management software solutions for hotels and tourism operators. The transaction has made it possible to enter into the hospitality software segment by leveraging state of the art Evols solutions, already integrated into some TeamSystem's softwares. The acquisition of the residual interest of 49% is regulated by a put and call option agreement.

#### **Acquisition of Netlex S.r.l.**

On 30 April 2017, Lexteam S.r.l. acquired a controlling interest of 51% in Netlex S.r.l., a company that develops and commercializes advanced cloud solutions for legal professional. The acquisition of the residual interest of 49% is regulated by a put and call option agreement.

#### **Acquisition of Software Time S.r.l.**

On 31 May 2017, TeamSystem S.p.A. acquired a majority stake of 100% in Software Time S.r.l., a company that develops and commercializes softwares for the management of logistic operation and warehouse.

**Acquisition of EvolutionFit S.r.l.**

On 29 June 2017, InforYou S.r.l. acquired a controlling interest of 51% in EvolutionFit S.r.l., a company specialised in management software and cloud solutions for wellness operators, as gyms, personal trainers, etc... The acquisition of the residual interest of 49% is regulated by a put and call option agreement.

**Acquisition of the Multimedia IT S.n.c.'s business unit**

On 30 June 2017, TeamSystem S.p.A. acquired the Multimedia IT S.n.c.'s business unit, which develops softwares of digital preservation of documents.

**Merger by absorption of TSS S.p.A. and Cidiemme Informatica S.r.l. in TeamSystem S.p.A.**

On 30 June 2017 TeamSystem S.p.A., with the aim of simplifying the Group structure, merged by absorption TSS S.p.A. and Cidiemme Informatica S.r.l. by means of a deed of merger dated 20 June 2017, effective for legal purposes as at the close of business on 30 June 2017.

**Acquisition of Cassanova S.r.l.**

On 25 July 2017, TeamSystem S.p.A. acquired a controlling interest of 51% in Cassanova S.r.l., a company that develops and commercializes softwares for the management of shops, stores and restaurants. The acquisition of the residual interest of 49% is regulated by a put and call option agreement.

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**► SIGNIFICANT SUBSEQUENTS EVENTS**

**Merger by absorption of Digita S.r.l and Lira S.r.l in TeamSystem S.p.A.**

On October 2017 TeamSystem S.p.A., going on with the aim of simplifying the Group structure, merged by absorption two more companies of the Group, Digita S.r.l. and Lira S.r.l. by means of a deed of merger dated 24 October 2017, effective for legal purposes as at the close of business on 31 October 2017.

**Merger by absorption of Elaide S.r.l. in AliasLab S.p.A.**

On October 2017 AliasLab S.p.A. merged by absorption Elaide S.r.l. by means of a deed of merger dated 20 October 2017, effective for legal purposes as at the close of business on 24 October 2017.

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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 2017, 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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**► ALTERNATIVE NON IFRS PERFORMANCE INDICATORS**

In addition to the financial performance measures established by IFRSs, TeamSystem Holding Group presents in these explanatory notes certain measures that are derived therefrom, although not required by IFRSs.

These performance measures are presented to facilitate the understanding of the Group's operating performance and should not be considered as substitutes for the information required by IFRSs. Specifically, the alternative performance measures used are the following:

**EBITDA** = calculated as Operating Result plus (i) impairment of non-current assets, (ii) other provisions for risks and charges (iii) depreciation and amortisation of non-current assets and (iv) non-recurring personnel costs and other non-recurring costs.

**ADJUSTED EBITDA** = calculated as EBITDA (as defined above) without taking account of the allowance for bad debts.

**NET WORKING CAPITAL** = calculated as the aggregate of (i) trade receivables, (ii) inventories, (iii) other current and non-current assets, net of the aggregate of (iv) trade payables and (v) other current and non-current liabilities.

**CAPEX** = **Tangible and Intangible Capex** = this is calculated as additions (to tangible and intangible assets) net of disposals and other movements;  
**Capitalised development costs** = this equals the cost of services and personnel costs capitalised as development costs.

**NET FINANCIAL POSITION**  
**(NET FINANCIAL INDEBTEDNESS)** = calculated as the aggregate of (i) other financial assets (current and non-current) (ii) cash and bank balances and (iii) financing fees (current and non-current), net of the aggregate of (iv) financial liabilities with banks and other institutions (current and non-current) (v) other financial liabilities (current and non-current).

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

<b>BOARD OF DIRECTORS</b>	
<b>30 Sep 2017</b>	<b>TITLE</b>
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

<b>BOARD OF STATUTORY AUDITORS</b>	
<b>30 Sep 2017</b>	<b>TITLE</b>
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 NINE MONTHS**  
**ENDED 30 SEPTEMBER 2017**

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

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	30 Sep 2017	30 Sep 2016	NOTES
Revenue	219,560	191,140	1
Other operating income	1,419	1,840	1
<b>TOTAL REVENUE</b>	<b>220,979</b>	<b>192,980</b>	<b>1</b>
Cost of raw and other materials	(20,427)	(18,586)	2
Cost of services	(44,789)	(41,045)	3
Personnel	(79,120)	(70,377)	4
-of which non recurring	(1,492)	(919)	
Other operating costs	(3,734)	(4,853)	5
Non recurring expenses	(11,746)	(16,065)	6
Depreciation and amortization of non current assets	(48,705)	(25,686)	
Allowance for bad debts	(4,435)	(3,796)	
Other provisions for risks and charges	(2)	(20)	
<b>OPERATING RESULT</b>	<b>8,021</b>	<b>12,552</b>	
Finance income	1,002	68	7
Finance cost	(48,543)	(62,850)	8
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(39,520)</b>	<b>(50,230)</b>	
Current income tax	(9,547)	(10,746)	
Deferred income tax	10,465	7,966	
<b>TOTAL INCOME TAX</b>	<b>918</b>	<b>(2,780)</b>	
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(38,602)</b>	<b>(53,010)</b>	
(Profit) Loss for the period - Non controlling interests	(208)	(201)	
<b>PROFIT (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY</b>	<b>(38,810)</b>	<b>(53,211)</b>	
<b>EBITDA</b>	<b>69,966</b>	<b>55,242</b>	
<b>ADJUSTED EBITDA</b>	<b>74,400</b>	<b>59,038</b>	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30 Sep 2017	30 Sep 2016	NOTES
PROFIT (LOSS) FOR THE PERIOD	(38,602)	(53,010)	20
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX	0	0	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(38,602)	(53,010)	20
Total comprehensive (income) loss for the period Non controlling interests	(208)	(201)	20
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY	(38,810)	(53,211)	20



Euro thousands

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>	<b>NOTES</b>
Tangible assets	14,877	13,385	10
Intangible assets	702,071	735,596	11
Goodwill	725,340	725,340	12
Other Investments	4,125	335	13
Investments in associates	378	331	13
Deferred tax assets	14,132	13,732	14
Other financial assets - non current	509	250	15
<b>TOTAL NON CURRENT ASSETS</b>	<b>1,461,433</b>	<b>1,488,969</b>	
Inventories	1,457	1,422	16
Trade receivables	119,524	103,367	17
Tax receivables	2,583	1,752	18
Other receivables	16,848	14,788	19
Other financial assets - current	429	1,145	15
Cash and bank balances	39,036	19,406	15
<b>TOTAL CURRENT ASSETS</b>	<b>179,877</b>	<b>141,879</b>	
<b>TOTAL ASSETS</b>	<b>1,641,309</b>	<b>1,630,848</b>	

Euro thousands

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>EQUITY AND LIABILITIES</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>	<b>NOTES</b>
Share capital	5,450	5,450	20
Other reserves	559,444	636,717	20
Profit (Loss) attributable to Owners of the Company	(38,810)	(75,771)	20
<b>TOTAL EQUITY attributable to OWNERS OF THE COMPANY</b>	<b>526,084</b>	<b>566,396</b>	
Non controlling interests - Capital and reserves	677	764	20
Non controlling interests - Profit (Loss)	208	296	20
<b>TOTAL NON CONTROLLING INTERESTS</b>	<b>885</b>	<b>1,060</b>	
<b>TOTAL EQUITY</b>	<b>526,969</b>	<b>567,456</b>	
Financial liabilities with banks and other institutions - non current	720,000	640,000	15
Financing Fees - non current	(25,212)	(24,828)	15
Other financial liabilities - non current	77,837	81,497	15
Staff leaving indemnity	18,639	18,478	21
Provisions for risks and charges	3,307	3,906	22
Deferred tax liabilities	188,306	198,874	14
Other liabilities - non current	651	698	23
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>983,529</b>	<b>918,625</b>	
Financial liabilities with banks and other institutions - current	92	47,945	15
Financing Fees - current	(6,981)	(10,640)	15
Other financial liabilities - current	6,677	10,893	15
Trade payables	32,412	33,710	
Tax liabilities - current	3,400	5,834	24
Other liabilities - current	95,212	57,025	23
<b>TOTAL CURRENT LIABILITIES</b>	<b>130,812</b>	<b>144,767</b>	
<b>TOTAL LIABILITIES</b>	<b>1,114,341</b>	<b>1,063,392</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,641,309</b>	<b>1,630,848</b>	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	30 Sep 2017	30 Sep 2016	NOTES
<b>Operating Result</b>	<b>8.021</b>	<b>12.552</b>	
Depreciation and amortization of non-current assets	48.705	25.686	
<b>Amortization, Depreciation, Write-off, Impairment</b>	<b>48.705</b>	<b>25.686</b>	
Trade receivables	(15.157)	(8.762)	
Inventories	(35)	(220)	
Other receivables - current	(2.179)	843	
Trade payables	(1.087)	(9.637)	
Other liabilities - current	38.414	29.934	
Other liabilities - non current	(47)	(47)	
<b>Change in Working capital</b>	<b>19.909</b>	<b>12.112</b>	
Staff leaving indemnity	(195)	(174)	
Provisions for risks and charges	(598)	(470)	
<b>Change in provisions</b>	<b>(793)</b>	<b>(644)</b>	
<b>Income tax</b>	<b>(13.333)</b>	<b>(6.305)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>62.509</b>	<b>43.399</b>	
Tangible assets	(4.979)	(2.467)	
Intangible assets	(3.248)	(2.618)	
Capitalized development costs - personnel costs	(7.240)	(5.944)	
Capitalized development costs - service costs	(1.699)	(1.970)	
<b>Capital Expenditure</b>	<b>(17.166)</b>	<b>(13.000)</b>	
<b>Acquisition / dismissal of investments</b>	<b>(5.534)</b>	<b>(784.650)</b>	9
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(22.700)</b>	<b>(797.650)</b>	
<b>Financial balance paid / cashed-in and change in financial assets / liabilities</b>	<b>(6.778)</b>	<b>157.223</b>	9
<b>Financing Fees paid</b>	<b>(2.026)</b>	<b>(39.111)</b>	
<b>Vendor loan paid</b>	<b>(11.149)</b>	<b>(6.602)</b>	9
<b>Dividends paid</b>	<b>(226)</b>	<b>(663)</b>	
<b>Other changes in Equity</b>	<b>(0)</b>	<b>642.750</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(20.180)</b>	<b>753.596</b>	
<b>INCREASE (DECREASE) IN CASH AND BANK BALANCES</b>	<b>19.630</b>	<b>(654)</b>	
<b>CASH AND BANK BALANCES - BEGINNING OF THE YEAR</b>	<b>19.406</b>	<b>16.534</b>	
<b>CASH AND BANK BALANCES - END OF THE PERIOD</b>	<b>39.036</b>	<b>15.880</b>	

## 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
<b>31 Dec 2015</b>	<b>3,214</b>	<b>179,401</b>	<b>(11,389)</b>	<b>(18,415)</b>	<b>152,810</b>	<b>799</b>	<b>153,609</b>
Loss allocation		(18,415)		18,415	0		0
Other movements	2,236	476,463	11,389		490,088		490,088
Change in Non controlling interests IFRS 3		(26)			(26)		(26)
Dividends					0	(162)	(162)
Total Comprehensive Income (Loss) for the period				(53,211)	(53,211)	201	(53,010)
<b>30 Sep 2016</b>	<b>5,450</b>	<b>637,423</b>	<b>0</b>	<b>(53,211)</b>	<b>589,662</b>	<b>838</b>	<b>590,500</b>

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
<b>31 Dec 2016</b>	<b>5,450</b>	<b>636,717</b>	<b>0</b>	<b>(75,771)</b>	<b>566,396</b>	<b>1,060</b>	<b>567,456</b>
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)
<b>30 Sep 2017</b>	<b>5,450</b>	<b>559,444</b>	<b>0</b>	<b>(38,810)</b>	<b>526,084</b>	<b>885</b>	<b>526,969</b>

# TeamSystem Group

## NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

### **►COMPANY BACKGROUND**

TeamSystem Holding S.p.A. (formerly Barolo Midco S.p.A.) is a company registered with the Pesaro Business Register, it is domiciled in Italy and its registered office is 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 is majority held subsidiary of the private equity firm Hellman & Friedman; the residual stake is held by the private investment firm HG Capital and by TeamSystem's senior and middle managers.

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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 2017 are the same used for the preparation of TeamSystem Holding S.p.A. consolidated financial statements for the period ended 31 December 2016 (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 statements for the period ended 30 September 2017 show comparative figures relating to the prior period Barolo Midco S.p.A. (now TeamSystem Holding S.p.A.) consolidated financial statements as at 30 September 2016 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.

The components of consolidated financial position show comparative figures relating to the consolidated statement of financial position of TeamSystem Holding S.p.A. at 31 December 2016.

The interim consolidated financial statements for the period ended 30 September 2017 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 2016.

This interim consolidated financial report for the first nine months ended 30 September 2017 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 2017 and the consolidated financial statements of Barolo Midco S.p.A. (now TeamSystem Holding S.p.A.) for the period ended 30 September 2016 have not been audited.

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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	641,828,168	(291,054)	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	521,412,779	(49,299,362)	EUR	100.00	100.00	
Lexteam S.r.l.	Pesaro	20,000	2,875,050	405,300	EUR	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	5,619,046	1,392,280	EUR	90.00	100.00	1
Inforyou S.r.l.	Castello di Godego (TV)	31,250	3,647,137	508,602	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	1,874,789	497,656	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	66,449	43,230	EUR	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	5,946,779	2,050,681	EUR	70.00	100.00	1
Digita S.r.l.	Asolo (TV)	10,000	1,427,007	339,501	EUR	100.00	100.00	
H-Umus S.r.l.	Roncade (TV)	50,000	1,136,235	166,042	EUR	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	700,036	495,930	EUR	51.00	100.00	1 / 4
ACG S.r.l.	Pesaro	100,000	4,614,666	2,777,651	EUR	100.00	100.00	
Esa Napoli S.r.l.	Naples	10,000	(129,409)	(164,131)	EUR	100.00	100.00	
Lira S.r.l.	Turin	18,000	987,473	301,172	EUR	100.00	100.00	
Euresys S.r.l.	Turin	99,000	675,808	268,051	EUR	60.00	100.00	1
Mondora S.r.l.	Milan	105,000	895,177	435,982	EUR	51.00	100.00	1
Voispeed Limited	Saint Albans - UK	1,000	97,578	19,694	GBP	85.00	85.00	6
TeamSystem C&D S.r.l.	Naples	10,000	(102,918)	(217,185)	EUR	100.00	100.00	
AliasLab S.p.A.	Milan	156,000	10,195,296	3,742,779	EUR	51.00	100.00	1
Elaide S.r.l.	Padua	12,000	623,150	301,728	EUR	100.00	100.00	7
Reviso International ApS	Copenhagen	50,011	(1,676,861)	(5,720,170)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	8,987	4,550	GBP	100.00	100.00	8
Reviso Soluciones Cloud S.L.	Madrid	3,000	11,245	8,361	EUR	100.00	100.00	8
Reviso Deutschland GmbH	Berlin	25,000	29,660	2,007	EUR	100.00	100.00	8
Gruppo Euroconference S.p.A.	Verona	300,000	10,306,388	1,131,543	EUR	96.87	96.87	2
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	7,834,440	1,954,384	EUR	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	2,509,405	1,058,907	EUR	86.34	86.34	3
Nuovamacut Centro Sud S.r.l.	Rome	10,000	387,312	178,489	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	105,461	(44,578)	EUR	40.00	40.00	5
Mondoesa Lazio S.r.l.	Frosinone	20,800	293,828	19,181	EUR	35.00	35.00	5
Mondoesa Milano Nordovert S.r.l.	Milan	50,000	42,246	(7,754)	EUR	49.00	49.00	5
Cesaco S.r.l.	Vicenza	90,000	175,692	9,112	EUR	48.00	48.00	5
Aldebra S.p.A.	Trento	1,398,800	1,441,778	(183,435)	EUR	17.65	17.65	5

- (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 S.p.A.;  
(6) = investments held by TeamSystem Communication S.r.l.;  
(7) = investments held by AliasLab S.p.A.;  
(8) = investments held by Reviso International ApS;  
(\*) = Equity and Profit (Loss) figures updated to 31 December 2015.

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**► CHANGES TO THE SCOPE OF CONSOLIDATION DURING THE FIRST NINE MONTHS OF 2017**

The scope of consolidation has not changed compared to the Consolidated financial statements for the year ended 31 December 2016.

The percentage of consolidation of Elaide S.r.l. has changed after the acquisition of residual 49% stake by AliasLab S.p.A. The current percentage is 100%.

As regards the investments in Evols S.r.l., Netlex S.r.l., Software Time S.r.l., EvolutionFit S.r.l. and Cassanova S.r.l. (see section Significant events during the first nine months of 2017), their results and their net financial positions have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the nine months ended 30 September 2017, taking into account the non-materiality of the acquisitions in question and considering the fact that the acquisitions took place in the first half of 2017. According to that, vendor loans arising by put and call option agreements have not been determined in the 30 September 2017 Consolidated financial statements.

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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 2017 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:

<b>EXCHANGE RATES</b>	<b>Average exchange rate for the first nine months of 2017</b>	<b>Exchange rate as at 30 September 2017</b>
<b>GBP</b>	<b>0.873182</b>	<b>0.88178</b>
<b>DKK</b>	<b>7.437292</b>	<b>7.4423</b>

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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;
- Capitalised development costs;

- Deferred tax assets and liabilities;
- The measurement of Provisions for risks and charges and the Allowance for bad debts;
- Employee benefits;
- Vendor loan.

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**►ALTERNATIVE NON IFRS PERFORMANCE INDICATORS**

In addition to the financial performance measures established by IFRSs, TeamSystem Holding Group presents in these explanatory notes certain measures that are derived therefrom, although not required by IFRSs.

These performance measures are presented to facilitate the understanding of the Group's operating performance and should not be considered as substitutes for the information required by IFRSs. Specifically, the alternative performance measures used are the following:

**EBITDA** = calculated as Operating Result plus (i) impairment of non-current assets, (ii) other provisions for risks and charges (iii) depreciation and amortisation of non-current assets and (iv) non-recurring personnel costs and other non-recurring costs.

**ADJUSTED EBITDA** = calculated as EBITDA (as defined above) without taking account of the allowance for bad debts.

**NET WORKING CAPITAL** = calculated as the aggregate of (i) trade receivables, (ii) inventories, (iii) other current and non-current assets, net of the aggregate of (iv) trade payables and (v) other current and non-current liabilities.

**CAPEX** = **Tangible and Intangible Capex** = this is calculated as additions (to tangible and intangible assets) net of disposals and other movements;  
**Capitalised development costs** = this equals the cost of services and personnel costs capitalised as development costs.

**NET FINANCIAL POSITION**

**(NET FINANCIAL INDEBTEDNESS)** = calculated as the aggregate of (i) other financial assets (current and non-current) (ii) cash and bank balances and (iii) financing fees (current and non-current), net of the aggregate of (iv) financial liabilities with banks and other institutions (current and non-current) (v) other financial liabilities (current and non-current).

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**►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2016**

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 standard is applicable as from 1 January 2018, although early application is permitted. The amendments to IFRS 15 and Clarifications to IFRS 15 – Revenue from Contracts with Customers, which were published by the IASB on 12 April 2016, have not yet been endorsed by the European Union. The Directors believe that the application of IFRS 15 may have an impact on revenue recognition and on related disclosures in the Company's financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Company has completed a detailed analysis of contracts with customers, which is ongoing, although an initial assessment phase has been completed.

- **Finalised 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;
  - 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.

The Directors believe that the application of IFRS 9 may have an impact on the amounts recognised and on the disclosures provided in the financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Company has completed a detailed analysis.

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

As of the reporting date, the European Union's delegated bodies had not yet concluded the endorsement process required for the adoption of the amendment and standard described below.

- **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 were early adopters of IFRS 15 - Revenue from Contracts with Customers. The directors believe that the application of IFRS 16 will have an impact on the recognition of lease arrangements and on related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis.

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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

	30 Sep 2017	30 Sep 2016	Change	% Change
Hardware	5.799	4.929	869	17,6%
Software	38.984	34.153	4.831	14,1%
Hardware subscriptions	1.478	1.308	170	13,0%
Software subscriptions	131.695	116.667	15.028	12,9%
Other products	1.238	951	287	30,2%
Other services	33.719	27.033	6.686	24,7%
Education	6.655	6.117	538	8,8%
Discounts paid	(7)	(18)	10	-58,7%
<b>Revenue</b>	<b>219.560</b>	<b>191.140</b>	<b>28.420</b>	<b>14,9%</b>
Recovery of expenses	1.331	1.278	53	4,2%
Operating grants	190	383	(194)	-50,5%
Other income and out of period	(102)	179	(281)	n.s.
<b>Other operating income</b>	<b>1.419</b>	<b>1.840</b>	<b>(421)</b>	<b>-22,9%</b>
<b>Total Revenue</b>	<b>220.979</b>	<b>192.980</b>	<b>27.998</b>	<b>14,5%</b>

Total Revenue for the period ended 30 September 2017 amounts to € 220,979 thousand, up by € 27,998 thousand compared to the corresponding figure for the period ended 30 September 2016 (€ 192,980 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 2017.

In terms of line items, this increase mainly refers to:

- Software revenue (€ 4,831 thousand);
- Software subscription revenue (€ 15,028 thousand);
- Other services revenue (€ 6,686 thousand).

### 2. COST OF RAW AND OTHER MATERIALS

	30 Sep 2017	30 Sep 2016	Change	% Change
Hardware purchases	4,617	4,117	500	12.2%
Third parties' software	13,508	12,891	618	4.8%
Handbooks and forms	37	41	(4)	-9.4%
Materials for education	100	108	(8)	-7.6%
Fuel	1,565	1,308	257	19.6%
Other materials	627	484	143	29.5%
Change in inventory of raw materials	(27)	(363)	336	-92.5%
<b>Total</b>	<b>20,427</b>	<b>18,586</b>	<b>1,841</b>	<b>9.9%</b>

Cost of raw and other materials amounts to € 20,427 thousand for the period ended 30 September 2017, up by € 1,841 thousand compared to the amount at 30 September 2016 (€ 18,586 thousand). This increase is primarily due to the higher costs of hardware (€ 500 thousand) and third parties' software (€ 618 thousand).

### 3. COST OF SERVICES

	30 Sep 2017	30 Sep 2016	Change	% Change
Agent commissions and other costs	9,340	9,537	(196)	-2.1%
Consulting and third parties services	13,090	12,070	1,020	8.5%
Administrative tax and legal	1,814	1,739	75	4.3%
Education - consulting and copyrights	1,858	1,741	117	6.7%
Magazines - consulting and copyrights	1,040	1,024	16	1.6%
Other costs for education services	655	1,285	(630)	-49.0%
Advertising and marketing	3,698	2,748	950	34.6%
Car rentals	3,554	3,116	438	14.0%
Utilities	2,753	2,330	423	18.1%
Other services	8,687	7,425	1,261	17.0%
<b>Cost of services - Gross of capitalisation</b>	<b>46,488</b>	<b>43,015</b>	<b>3,473</b>	<b>8.1%</b>
Services capitalized development costs	(1,699)	(1,970)	271	-13.8%
<b>Total</b>	<b>44,789</b>	<b>41,045</b>	<b>3,744</b>	<b>9.1%</b>

Cost of services for the period ended 30 September 2017 amounts to € 44,789 thousand, up by € 3,744 thousand from the amount of the period ended 30 September 2016 (€ 41,045 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 2017.

Compared to the corresponding period ended 30 September 2016, the main increases have been registered in Consulting and third parties services (up by € 1,020 thousand) and in Other services (up by € 1,261 thousand). The change in Other cost for education services and Advertising and marketing is related to some costs that have been reclassified from one line item to the other.

As regards the capitalisation of cost of services recognised in the nine months of 2017 (€ 1,699 thousand) reference should be made to the Note 11 Intangible Assets.

### 4. PERSONNEL

	30 Sep 2017	30 Sep 2016	Change	% Change
Wages, salaries and social contributions	78,974	69,854	9,121	13.1%
Staff leaving indemnities	3,713	3,218	494	15.4%
Other personnel costs	9	10	(1)	-6.9%
<b>Employee costs</b>	<b>82,696</b>	<b>73,082</b>	<b>9,614</b>	<b>13.2%</b>
Freelancers and collaborators fees	180	114	67	58.6%
Directors' fees and related costs	1,992	2,207	(215)	-9.7%
<b>Directors and Collaborators</b>	<b>2,173</b>	<b>2,321</b>	<b>(148)</b>	<b>-6.4%</b>
Non recurring personnel costs	1,492	919	573	62.3%
<b>Non recurring</b>	<b>1,492</b>	<b>919</b>	<b>573</b>	<b>62.3%</b>
<b>Personnel - Gross of capitalisation</b>	<b>86,360</b>	<b>76,321</b>	<b>10,039</b>	<b>13.15%</b>
Personnel capitalized development costs	(7,240)	(5,944)	(1,296)	21.8%
<b>Total</b>	<b>79,120</b>	<b>70,377</b>	<b>8,743</b>	<b>12.4%</b>

Personnel costs for the period ended 30 September 2017 (€ 79,120 thousand) have increased by € 8,743 thousand, compared to the corresponding amount for the period ended 30 September 2016 (€ 70,377 thousand). The growth is attributable to the following factors:

- the ongoing policy to strengthen the Group's workforce;
- the change in the consolidation area.

As regards the capitalisation of personnel costs recognised in the first nine months of 2017 (€ 7,240 thousand) reference should be made to the Note 11 Intangible Assets.

## 5. OTHER OPERATING COSTS

	30 Sep 2017	30 Sep 2016	Change	% Change
Rents	2.961	2.625	335	12,8%
Rentals	349	423	(73)	-17,4%
Other expenses for use of third parties assets	572	656	(83)	-12,7%
Other tax	281	202	79	39,0%
Losses from assets disposals	6	13	(7)	-53,5%
Other expenses and out of period	(436)	934	(1.370)	n.s.
<b>Total</b>	<b>3.734</b>	<b>4.853</b>	<b>(1.120)</b>	<b>-23,1%</b>

Other operating costs for the period ended 30 September 2017 (€ 3,734 thousand) decrease by € 1,120 thousand compared to the corresponding amount for the period ended 30 September 2016 (€ 4,853 thousand).

## 6. NON RECURRING EXPENSES

Non-recurring expenses relate to tax, legal advice and other expenses the nature of which is deemed to be non-recurring with respect to the business normal operations.

Non-recurring expenses for the period ended 30 September 2017 amount to € 11,746 thousand, compared to € 16,065 thousand for the period ended 30 September 2016, thus with a decrease of € 4,319 thousand mainly due to one-off due diligence costs occurred in the first nine months of 2016 related to the acquisition of TeamSystem Group made by the private equity firm Hellman & Friedman.

## 7. FINANCE INCOME

	30 Sep 2017	30 Sep 2016	Change	% Change
Interest and other finance income	63	26	37	n.s.
Gains on foreign exchange	17	36	(20)	-53,8%
Interest from cash pooling and other loans	4	0	4	n.s.
Interest from banks	1	3	(2)	-76,6%
Vendor Loan depreciation	891	3	889	n.s.
Dividends	24	0	24	n.s.
Revaluations of investments	2	0	2	n.s.
<b>Total</b>	<b>1,002</b>	<b>68</b>	<b>933</b>	<b>n.s.</b>

Finance income for the period ended 30 September 2017 (€ 1,002 thousand) have increased for an amount of € 933 thousand compared to the corresponding amount at 30 September 2016 (€ 68 thousand). The increase is mainly due to Vendor Loan depreciation (€ 889 thousand) realized at the time of the payments of the vendor loans occurred in the first nine months of 2017.

## 8. FINANCE COST

	30 Sep 2017	30 Sep 2016	Change	% Change
Interest on bank loans	498	539	(41)	-7.6%
Interest on Notes	37,265	47,813	(10,548)	-22.1%
Interest on Notes Premium		(5,409)	5,409	-100.0%
Interest on shareholders loan	280		280	
Interest on financing fees	5,088	16,617	(11,529)	-69.4%
Vendor Loan revaluation	615	1,469	(854)	-58.1%
Bank commissions	1,036	865	171	19.7%
Interests on actuarial valuation of employees benefit	322	198	124	62.8%
Other IFRS financial charges	3,328	699	2,629	n.s.
Interests on cash pooling and other loans	0	3	(3)	-100.0%
Other financial charges	95	37	58	n.s.
Losses on foreign exchange	16	17	(2)	-9.7%
<b>Total</b>	<b>48,543</b>	<b>62,850</b>	<b>(14,307)</b>	<b>-22.8%</b>

Financial charges for the period ended 30 September 2017 amount to € 48,543 thousand with a decrease of € 14,307 thousand, compared to the corresponding amount at 30 September 2016 (€ 62,850 thousand).

The reduction is mainly explained by the non recurring finance costs occurred in the first half of 2016, as a consequence of the re-shaping of the TeamSystem Group financial structure following the acquisition of the Group by private equity firm Hellman & Friedman.

Other IFRS Financial charges include interests accrued on vendor loans and increased by € 2,629 thousand, compared to the 30 September 2016 balance, due to the change in consolidation area.

## 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 nine months of 2017.

**Acquisition of investments** = The balance mainly refers to the following acquisitions occurred in the first nine months of 2017:

- the subsidiary AliasLab S.p.A. acquired the residual 49% stake in Elaide S.r.l.;
- the subsidiary TeamSystem S.p.A. acquired a controlling interest of 51% in Evols S.r.l.;
- the subsidiary Lexteam S.r.l. acquired a controlling interest of 51% in Netlex S.r.l.;
- the subsidiary TeamSystem S.p.A. acquired a majority stake of 100% in Software Time S.r.l.;
- the subsidiary Inforyou S.r.l. acquired a controlling interest of 51% in Evolution Fit S.r.l.;
- the subsidiary TeamSystem S.p.A. acquired the Multimedia IT S.n.c.'s business unit;
- the subsidiary TeamSystem S.p.A. acquired a controlling interest of 51% in Cassanova 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 payment of financial interests on Notes;
- the payment of financial charges and commissions;
- the total reimbursement of the RCF;
- the funding and the repayment of the shareholders' loan from Barolo Lux 1 S.à.r.l.;
- the issuance of Senior Secured Notes for an amount of € 80 million by TeamSystem S.p.A., in aggregate principal amount of senior secured floating rate notes due 2022 (see also Note 15 Net Financial Indebtedness).

**Vendor Loan** = The main items included in the balance in question relate to the payment of some earn-outs or the exercise of put/call options (Danea Soft S.r.l. and Inforyou S.r.l.) occurred in the first nine months of 2017

## 10. TANGIBLE ASSETS

NET BOOK VALUE	30 Sep 2017	31 Dec 2016	Change	% Change
Land	948	1,073	(125)	-11.6%
Buildings	3,671	5,554	(1,883)	-33.9%
Plant and machinery	1,990	1,743	246	14.1%
Equipment	819	596	223	37.5%
Other assets	4,782	4,418	364	8.2%
Tangible assets - in progress	2,666		2,666	
<b>Total</b>	<b>14,877</b>	<b>13,385</b>	<b>1,492</b>	<b>11.1%</b>

At 30 September 2017 Tangible fixed assets amount to € 14,877 thousand, up by € 1,492 thousand compared with the balance recorded at 31 December 2016 (€ 13,385 thousand). The increase results from the sum of disposals, additions and depreciation charge for the period (€ 1,606 thousand). In particular the increase in Tangible assets in progress is due to the opening of new offices.

## 11. INTANGIBLE ASSETS

NET BOOK VALUE	30 Sep 2017	31 Dec 2016	Change	% Change
Capitalised development	25,604	22,722	2,882	12.7%
IFRS Assets	663,226	700,042	(36,815)	-5.3%
Other intangible assets	13,241	12,833	408	3.2%
<b>Total</b>	<b>702,071</b>	<b>735,596</b>	<b>(33,525)</b>	<b>-4.6%</b>

Intangible assets have gone from € 735,596 thousand at 31 December 2016 to € 702,071 thousand at 30 September 2017, with a decrease of € 33,525 thousand resulting from the aggregate of disposals, additions, capitalised development costs (€ 8,939 thousand) and amortisation (€ 47,099 thousand) for the period ended 30 September 2017.

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 amortization for the first nine months of 2017.

The increase in Other intangible assets is mainly due to the acquisition of softwares included in the Multimedia IT S.n.c.'s business unit.

## 12. GOODWILL

At 30 September 2017 Goodwill amounts to € 725,340 thousand, equal to the balance at 31 December 2016.

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 2017.

## 13. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

	30 Sep 2017	31 Dec 2016	Change	% Change
Investments in Associates	378	331	47	14.2%
Other Investments	4,125	335	3,790	n.s.
<b>Total</b>	<b>4,503</b>	<b>666</b>	<b>3,837</b>	<b>n.s.</b>

The balance of Investments in Associates and other investments has gone from € 666 thousand at 31 December 2016 to € 4,503 thousand at 30 September 2017, with an increase of € 3,837 thousand.

The increase of Other investments (€ 3,790 thousand) is explained by the acquisition of:

- 51% stake in Evols S.r.l. by the subsidiary TeamSystem S.p.A;
- 51% stake in Netlex S.r.l. by the subsidiary Lexteam S.r.l.;
- 100% stake in Software Time S.r.l. by the subsidiary TeamSystem S.p.A;
- 51% stake in Evolution Fit S.r.l. by the subsidiary Inforyou S.r.l.;
- 51% stake in Cassanova S.r.l. by the subsidiary TeamSystem S.p.A.

The result and the net financial position of Evols S.r.l., Netlex S.r.l., Software Time S.r.l., Evolution Fit S.r.l. and Cassanova S.r.l. have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the nine months ended 30 September 2017, taking account of the non-materiality of the acquisitions in question. According to that, vendor loans arising by put and call option agreements have not been determined.

#### 14. DEFERRED TAX ASSETS AND LIABILITIES

	30 Sep 2017	31 Dec 2016	Change	% Change
Deferred tax assets	14,132	13,732	401	2.9%
Deferred tax liabilities	188,306	198,874	(10,568)	-5.3%

At 30 September 2017 Deferred tax assets amount to € 14,132 thousand, up by € 401 thousand compared to the balance at 31 December 2016 (€ 13,732 thousand).

The main components for which the Group companies have recognised deferred tax assets relate to: the allowance for bad debts, the other provisions for risks and charges, the fiscal step-up of the goodwill recognized by some subsidiaries.

At 30 September 2017 Deferred tax liabilities amount to € 188,306 thousand with a decrease of € 10,568 thousand compared to the balance at 31 December 2016 (€ 198,874 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

	30 Sep 2017			31 Dec 2016		
	Current	Non Current	Total	Current	Non Current	Total
Bank accounts and post office	38,902		38,902	19,031		19,031
Cash and bank balances	134		134	375		375
<b>Total Cash and bank balances</b>	<b>39,036</b>		<b>39,036</b>	<b>19,406</b>		<b>19,406</b>
Loans	25	259	284	769		769
Other financial assets	404	250	654	375	250	625
<b>Total Other financial assets</b>	<b>429</b>	<b>509</b>	<b>938</b>	<b>1,145</b>	<b>250</b>	<b>1,395</b>
Loans with banks	(48)		(48)	(47,703)		(47,703)
Overdrafts with banks	(7)		(7)	(202)		(202)
Notes		(720,000)	(720,000)		(640,000)	(640,000)
Financial liabilities with other institutions	3		3			
Dividends to be settled	(40)		(40)	(40)		(40)
<b>Total Financial liabilities</b>	<b>(92)</b>	<b>(720,000)</b>	<b>(720,092)</b>	<b>(47,945)</b>	<b>(640,000)</b>	<b>(687,945)</b>
Financing Fees - bond	5,893	22,033	27,926	9,551	20,834	30,386
Financing Fees - banks	1,089	3,179	4,268	1,089	3,993	5,082
<b>Total Financing Fees</b>	<b>6,981</b>	<b>25,212</b>	<b>32,194</b>	<b>10,640</b>	<b>24,828</b>	<b>35,468</b>
Vendor loan	(6,421)	(77,837)	(84,258)	(10,858)	(81,497)	(92,356)
Commission financial liabilities	(90)		(90)	(32)		(32)
Cash pooling liabilities	(165)		(165)			
Other financial liabilities				(2)		(2)
<b>Total Other financial liabilities</b>	<b>(6,677)</b>	<b>(77,837)</b>	<b>(84,514)</b>	<b>(10,893)</b>	<b>(81,497)</b>	<b>(92,390)</b>
<b>Total</b>	<b>39,677</b>	<b>(772,116)</b>	<b>(732,439)</b>	<b>(27,647)</b>	<b>(696,420)</b>	<b>(724,067)</b>

Net financial indebtedness as at 30 September 2017 amounts to € 732,439 thousand.

### **Senior Notes**

On 1 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 Stock Exchange.

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);
- at any time prior to 1 March 2018, up to 40% of the aggregate principal amount of the Senior Notes may also be redeemed with funds in an aggregate amount not exceeding the cash proceeds of one or more Equity Offerings at a redemption price equal to the lesser of (i) 109.000% of the principal amount of the Senior Notes, plus accrued and unpaid interest and any Additional Amounts (each term as defined in the Indenture), and (ii) the Applicable Premium, to, but not including, the applicable redemption date, according to the terms and conditions of the Senior Notes Indenture; and
- at any time on or after 1 March 2018 and up to the maturity date, the Senior 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.

Upon the occurrence of certain events constituting a “change of control”, TeamSystem Holding S.p.A. may be required to offer to repurchase the Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase.

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 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 € 450 million in aggregate principal amount of senior secured floating rate notes due 2022 (the “Original Senior Secured Notes”) (ISIN: XS1408420443). On 22 December 2016, TeamSystem S.p.A. issued € 40 million in aggregate principal amount of senior secured floating rate notes due 2022 (the “First Additional Senior Secured Notes”) and on 16 May 2017, TeamSystem S.p.A. issued a further € 80 million in aggregate principal amount of senior secured floating rate notes due 2022 (the “Second Additional Senior Secured Notes”) and, together with the Original Senior Secured Notes and the First Additional Senior Secured Notes, the “Senior Secured Notes”).

The Senior Secured 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 6.25%. Effective from 1 July 2017, the Senior Secured Notes will bear interest payable quarterly (1 April, 1 July, 1 October and 1 January, commencing 1 July 2016) at an interest rate equal to the three-month EURIBOR rate with a 1% floor plus a spread of 5.00%.

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 of the Senior Secured Notes:

- at any time prior to 1 March 2018, in whole or in part, at a redemption price equal to the 100% of the principal amount of the notes plus the relevant Applicable Premium, as defined in the indenture governing the Senior Secured Notes as supplemented from time to time (the “Senior Secured Notes 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 Secured Notes Indenture for each relevant twelve month period.

Upon the occurrence of certain events constituting a “change of control”, the issuer of the Senior Secured Notes may be required to offer to repurchase the Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase.

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.

#### **Revolving credit facility (RCF)**

On 1 March 2016, TeamSystem S.p.A. negotiated a new 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 at 30 September 2017:

- Pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.;
- Assignment as collateral of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.;
- Pledge over 100% of the shares of Gruppo Euroconference S.p.A. held by TeamSystem S.p.A. (subject to the consent of the non-controlling interest holders that could be requested prior to or on the Reimbursement Date);
- Pledge over industrial property rights of TeamSystem S.p.A.;
- Special lien granted by TeamSystem S.p.A.;
- Assignment as collateral of the intercompany receivables due to TeamSystem S.p.A. by its subsidiaries;
- Pledge over the quotas of ACG S.r.l. held by TeamSystem S.p.A.;

At 30 September 2017, collateral had been granted for the revolving credit facility by TeamSystem Holding S.p.A. and TeamSystem S.p.A.

The main elements of the collateral provided in connection with the Senior Secured Notes at 30 September 2017 are:

- Pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.;
- Assignment as collateral of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.;
- Assignment as collateral of TeamSystem S.p.A.'s rights arising from the purchase agreement dated 7 December 2015 in connection with the Acquisition.

At 30 September 2017, collateral had been granted for the Senior Secured Notes by TeamSystem Holding S.p.A. and TeamSystem S.p.A.

The main elements of the collateral provided in connection with the Senior Notes at 30 September 2017 are:

- Pledge over the shares of TeamSystem Holding S.p.A.;
- Pledge over the shares of TeamSystem S.p.A.;
- TeamSystem Holding S.p.A.'s rights in connection with certain intercompany receivables due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.

At 30 September 2017, collateral had been granted for the Senior Notes by H&F Barolo Lux 1 S.à.r.l. and TeamSystem S.p.A.

#### **Vendor loan**

The vendor loan (€ 84,258 thousand at 30 September 2017) relates to put and call options and/or earn-outs due to non-controlling interest holders (or former shareholders) of certain consolidated subsidiaries (Metodo S.p.A., Inforyou S.r.l., TeamSystem Communication S.r.l., Danae Soft S.r.l., Madbit Entertainment S.r.l., Euresys S.r.l., TeamSystem C&D S.r.l., AliasLab S.p.A., Mondora S.r.l., Lira S.r.l., Cidiemme Informatica S.r.l., Informatica Veneta S.r.l., EasyFatt Dev S.r.l. and Reviso International Aps Group). In 2016 Informatica Veneta S.r.l. and EasyFatt Dev S.r.l. were respectively merged by absorption in Inforyou S.r.l. and Danae Soft S.r.l.

#### **Shareholders' loan – funding and repayment**

On 21 February 2017, TeamSystem Holding S.p.A. borrowed € 20.0 million (the “Shareholders' Loan”) from Barolo Lux 1 S.à.r.l. for working capital purposes. The Shareholders' Loan had a stated maturity on 21 May 2017



and bears interest at 4.00% plus the Eurocurrency Rate as defined in the revolving credit agreement dated 17 December 2012 (as amended from time to time) between certain Hellman & Friedman entities and Bank of America, N.A., as administrative agent and collateral agent.

On 16 May 2017 TeamSystem Holding S.p.A. repayed the Shareholders' Loan in full using part of the proceeds from the issuance of the Second Additional Senior Secured Notes.

## 16. INVENTORIES

	30 Sep 2017	31 Dec 2016	Change	% Change
Raw and ancillary materials	375	381	(6)	-1.6%
Finished products and goods	1,514	1,558	(43)	-2.8%
Advances	5	0	5	n.s.
(Allowance for slow-moving inventory)	(437)	(517)	80	-15.5%
<b>Total</b>	<b>1,457</b>	<b>1,422</b>	<b>35</b>	<b>2.5%</b>

At 30 September 2017 Inventories amount to € 1,457 thousand and, therefore, are substantially flat compared to the balance at 31 December 2016 (€ 1,422 thousand).

## 17. TRADE RECEIVABLES

	30 Sep 2017	31 Dec 2016	Change	% Change
Trade receivables	137,595	119,256	18,338	15.4%
(Allowance for bad debts)	(18,071)	(15,889)	(2,181)	13.7%
<b>Total</b>	<b>119,524</b>	<b>103,367</b>	<b>16,157</b>	<b>15.6%</b>

At 30 September 2017 Trade receivables amount to € 119,524 thousand. The increase of € 16,157 thousand is basically due to the seasonality of billings for subscription fees that characterises the business of the Group.

Trade receivables are recorded net of an allowance for doubtful debts of € 18,071 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

	30 Sep 2017	31 Dec 2016	Change	% Change
Tax credits	13	13		
Other tax receivables	103	277	(174)	-62.9%
Withholding tax credit	49	(0)	49	n.s.
Advances and income tax credits	2,418	1,462	956	65.4%
<b>Total</b>	<b>2,583</b>	<b>1,752</b>	<b>831</b>	<b>47.4%</b>

At 30 September 2017 Tax receivables amount to € 2,583 thousand, up by € 831 thousand compared to the balance at 31 December 2016 (€ 1,752 thousand).

The increase in Advances and income tax credits is mainly due to the 2017 income taxes advances.

## 19. OTHER RECEIVABLES

	30 Sep 2017	31 Dec 2016	Change	% Change
Deposits	503	606	(103)	-17.0%
Receivables from employees	321	211	110	52.4%
Other receivables	1,687	2,410	(723)	-30.0%
Accrued income	110	147	(37)	-25.3%
Prepayments	14,121	10,761	3,360	31.2%
VAT receivables	105	653	(548)	-83.8%
<b>Total</b>	<b>16,848</b>	<b>14,788</b>	<b>2,607</b>	<b>17.6%</b>

At 30 September 2017 the Other receivables balance amounts to € 16,848 thousand, up by € 2,607 thousand compared to the 31 December 2016 balance (€ 14,788 thousand). The increase is mainly due to Prepayments (€ 3,360 thousand), following the seasonality of the business of the Group.

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

	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
<b>31 Dec 2015</b>	<b>3,214</b>	<b>179,401</b>	<b>(11,389)</b>	<b>(18,415)</b>	<b>152,810</b>	<b>799</b>	<b>153,609</b>
Loss allocation		(18,415)		18,415	0		0
Other movements	2,236	476,463	11,389		490,088		490,088
Change in Non controlling interests IFRS 3		(26)			(26)		(26)
Dividends					0	(162)	(162)
Total Comprehensive Income (Loss) for the period				(53,211)	(53,211)	201	(53,010)
<b>30 Sep 2016</b>	<b>5,450</b>	<b>637,423</b>	<b>0</b>	<b>(53,211)</b>	<b>589,662</b>	<b>838</b>	<b>590,500</b>

	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
<b>31 Dec 2016</b>	<b>5,450</b>	<b>636,717</b>	<b>0</b>	<b>(75,771)</b>	<b>566,396</b>	<b>1,060</b>	<b>567,456</b>
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)
<b>30 Sep 2017</b>	<b>5,450</b>	<b>559,444</b>	<b>0</b>	<b>(38,810)</b>	<b>526,084</b>	<b>885</b>	<b>526,969</b>

At 30 September 2017 the Group's equity amounts to € 526,084 thousand.

Change in Non controlling interests mainly refers to:

- the acquisition of residual 49% stake in Elaide S.r.l. by AliasLas S.p.A;
- the dividends declared in favour of the minority interests.

## 21. STAFF LEAVING INDEMNITY

	30 Sep 2017	31 Dec 2016	Change	% Change
Staff leaving indemnity	18,639	18,478	161	0.9%
<b>Total</b>	<b>18,639</b>	<b>18,478</b>	<b>161</b>	<b>0.9%</b>

At 30 September 2017 Staff leaving indemnity amounts to € 18,639 thousand, up by € 161 thousand compared to the balance at 31 December 2016 (€ 18,478 thousand). The balance is the aggregate of utilisations, accruals and any other movements.

## 22. PROVISIONS FOR RISKS AND CHARGES

	30 Sep 2017	31 Dec 2016	Change	% Change
Provision for pension and similar obligation	1,257	1,516	(260)	-17.1%
Provision for litigations	1,416	1,331	85	6.4%
Other provision for risks and charges	635	1,058	(423)	-40.0%
<b>Total</b>	<b>3,307</b>	<b>3,906</b>	<b>(598)</b>	<b>-15.3%</b>

At 30 September 2017 Provisions for risks and charges amount to € 3,307 thousand, decreased by € 598 thousand compared to the balance at 31 December 2016 (€ 3,906 thousand). The balance is the aggregate of utilisations, accruals and any other movements.

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

	30 Sep 2017	31 Dec 2016	Change	% Change
Employees payables and Social security liabilities	22,391	21,360	1,031	4.8%
Advances	5,627	3,453	2,173	62.9%
Other liabilities	109	467	(358)	-76.6%
Accrued liabilities	156	301	(145)	-48.3%
Deferred revenues	61,115	26,165	34,951	n.s.
VAT liabilities	2,921	1,453	1,799	n.s.
Withholdings liabilities	2,894	3,825	(220)	-5.76%
<b>Other current liabilities</b>	<b>95,212</b>	<b>57,025</b>	<b>39,230</b>	<b>68.80%</b>
Due to social securities - non current	621	658	(36)	-5.5%
Other tax liabilities - non current	30	40	(10)	-25.2%
<b>Other non current liabilities</b>	<b>651</b>	<b>698</b>	<b>(47)</b>	<b>-6.67%</b>
<b>Total Other liabilities</b>	<b>95,864</b>	<b>57,723</b>	<b>39,184</b>	<b>67.88%</b>

At 30 September 2017 Other current and non current liabilities amount to € 95,864 thousand, up by € 39,184 thousand compared to the balance at 31 December 2016 (€ 57,723 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 (€ 34,951 thousand) and in advances (€ 2,173 thousand).

At 30 September 2017 Other non current liabilities amount to € 651 thousand (€ 698 thousand at 31 December 2016) and relate primarily to balances pertaining to TeamSystem S.p.A.

## 24. CURRENT TAX LIABILITIES

	30 Sep 2017	31 Dec 2016	Change	% Change
Income tax payables	3,347	5,723	(2,376)	-41.52%
Other tax liabilities	53	111	(57)	-51.79%
<b>Total</b>	<b>3,400</b>	<b>5,834</b>	<b>(2,434)</b>	<b>-41.7%</b>

At 30 September 2017 Current tax liabilities amount to € 3,400 thousand, down by € 2,434 thousand compared to the balance at 31 December 2016 (€ 5,834 thousand). The movement is attributable to the payment of the 2016 income taxes.

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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



