

31 March 2017
Interim Consolidated
Financial Statements
TeamSystem Group





**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTHS
ENDED 31 MARCH 2017**

TABLE OF CONTENTS

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

OPERATING AND FINANCIAL REVIEW

Results of Operations	1
Consolidated Statement of Cash Flows	2
Working Capital	3
Capital Expenditure	3
Significant Events during first three months of 2017	4
Significant Subsequent Events	4
Ongoing Developments	4
Related Party Transactions	5
Alternative non IFRS performance indicators	5
Board of Directors, Board of Statutory Auditors and Other Information	6

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE MONTHS ENDED 31 MARCH 2017**

Consolidated Statement of Profit or Loss	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position - Assets	10
Consolidated Statement of Financial Position - Equity and Liabilities	10
Consolidated Statement of Cash Flows	11
Consolidated Statement of Changes in Equity	12
Notes to Interim Consolidated Financial Statements	13

**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 2017	Consolidated Statement 31 Mar 2016	Change	% Change
Revenue	72,830	64,304	8,526	13.3%
Other operating income	512	707	(195)	-27.5%
TOTAL REVENUE	73,343	65,011	8,331	12.8%
Cost of raw and other materials	(6,867)	(6,410)	(457)	7.1%
Cost of services	(15,865)	(14,604)	(1,261)	8.6%
Personnel	(28,182)	(25,202)	(2,979)	11.8%
-of which non recurring	(306)	(300)	(7)	2.2%
Other operating costs	(1,609)	(1,588)	(21)	1.3%
Non recurring expenses	(3,177)	(2,446)	(730)	29.9%
Depreciation and amortization of non current assets	(15,792)	(8,147)	(7,645)	93.8%
Allowance for bad debts	(1,438)	(1,347)	(92)	6.8%
Other provisions for risks and charges	(1)	(7)	6	-90.8%
Impairment of non current assets	(4)	0	(4)	n.s.
OPERATING RESULT	409	5,261	(4,852)	-92.2%
Finance income	7	6	1	16.4%
Finance cost	(16,088)	(12,263)	(3,824)	31.2%
PROFIT (LOSS) BEFORE INCOME TAXES	(15,672)	(6,997)	(8,675)	n.s.
Current income tax	(3,032)	(3,253)	221	-6.8%
Deferred income tax	3,464	1,825	1,640	89.9%
TOTAL INCOME TAX	433	(1,429)	1,861	n.s.
PROFIT (LOSS) FOR THE PERIOD	(15,240)	(8,425)	(6,814)	80.9%
(Profit) Loss for the period				
Non controlling interests	(52)	(57)	5	-8.6%
PROFIT (LOSS) FOR THE PERIOD OWNERS OF THE COMPANY	(15,292)	(8,483)	(6,809)	80.3%
EBITDA	19,688	16,160	3,528	21.8%
ADJUSTED EBITDA	21,126	17,507	3,619	20.7%

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The following comments refer to the changes between the Consolidated Statement of Profit or Loss as at 31 March 2017 and the corresponding figures for the period ended 31 March 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 31 March 2017 are affected by the consolidation of the results of the companies acquired in 2016 (and not yet consolidated at 31 March 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 31 March 2017 consolidated accounts and not in 31 March 2016 consolidated figures.

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TOTAL REVENUE: Total Revenue for the period ended 31 March 2017 amounts to € 73,343 thousand, up by € 8,331 thousand compared to the corresponding figure for the period ended 31 March 2016 (€ 65,011 thousand); this increase is attributable to the change in consolidation area and to the organic growth experienced by the Group in the first three months of 2017.

As regard the TeamSystem Group' operating segments to be noted that following the acquisition of the Group by Hellman & Friedman is started a deep review of them and of the all associated management reporting.

At the date of these 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:

Total Revenue	Direct Channel	Indirect Channel	CORE	VERTICAL	CLOUD	OTHER (*)	TOTAL
A&M	6,3			6,1			
Licenses	3,3			3,7			
Services and Other	6,1			7,8			
Enterprise	15,8			17,6			
A&M	8,2						
Licenses	1,2						
Services and Other	0,6						
Professionals	10,0						
Total	25,8	22,6	48,4	17,6	4,1	3,2	73,343

ADJUSTED EBITDA: Adjusted Ebitda for the period ended 31 March 2017 amounts to € 21,126 thousand, up by € 3,619 thousand compared to the corresponding amount for the period ended 31 March 2016 (€ 17,507 thousand). This increase is attributable to the change in consolidation area and to the organic growth experienced by the Group in the first three months of 2017.

COST OF RAW AND OTHER MATERIALS: Cost of raw and other materials amounts to € 6,867 thousand for the period ended 31 March 2017, up by € 457 thousand from the amount of the period ended 31 March 2016 (€ 6,410 thousand).

COST OF SERVICES: Cost of services for the period ended 31 March 2017 amounts to € 15,865 thousand, up by € 1,261 thousand from the amount of the period ended 31 March 2016 (€ 14,604 thousand). This is mainly due to the increase in:

- Advertising and marketing costs;
- Other services costs.

PERSONNEL: Personnel costs for the period ended 31 March 2017 (€ 28,182 thousand) have increased by € 2,979 thousand compared to the corresponding amount for the period ended 31 March 2016 (€ 25,202 thousand). The growth is attributable to the following factors:

- the ongoing policy to strengthen the Group's workforce;
- the change in 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's normal operations.

Non-recurring expenses for the period ended 31 March 2017 amount to € 3,177 thousand, compared with € 2,446 thousand for the period ended 31 March 2016, thus with an increase of € 730 thousand mainly related to:

- the start /completion of extraordinary projects relating to the review, strengthening and rationalisation of the Group's organisation;
- marketing campaigns of a non-recurring nature.

FINANCE COST: Financial charges for the period ended 31 March 2017 amount to € 16,088 thousand with an increase with respect to the corresponding amount at 31 March 2016 (€ 12,263 thousand) of € 3,824 thousand mainly due to:

- Interest on Notes;
- Other IFRS Financial charges.

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► CONSOLIDATED STATEMENT OF CASH FLOWS

Euro thousands				
CONSOLIDATED STATEMENT OF CASH FLOWS	31 Mar 2017	31 Mar 2016	Change	% Change
CASH FLOWS FROM OPERATING ACTIVITIES	28,406	20,137	8,269	41.1%
CASH FLOWS FROM INVESTING ACTIVITIES	(6,326)	(777,644)	771,318	-99.2%
CASH FLOWS FROM FINANCING ACTIVITIES	(6,215)	781,197	(787,412)	n.s.
INCREASE (DECREASE) IN CASH AND BANK BALANCES	15,865	23,690	(7,825)	-33.0%
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	19,406	16,534	2,872	17.4%
CASH AND BANK BALANCES - END OF THE YEAR	35,272	40,224	(4,952)	-12.3%

Cash flows from operating activities for the period ended 31 March 2017 amount to € 28,406 thousand, up by € 8,269 thousand, compared to the corresponding flows for the period ended 31 March 2016 (€ 20,137 thousand). This increase is mainly due to the change in consolidation area and to the organic growth of the business during the first three months of 2017.

Cash flows from investing activities changed to minus € 6,326 thousand in the period ended 31 March 2017 from minus € 777,644 thousand for the corresponding period of 2016. The main investment activities for the first three months of 2017 are related to:

- capitalized development costs and investments in tangible and intangible assets;
- equity investments in Elaide S.r.l. and Evols S.r.l..

Cash flows from financing activities for the period ended 31 March 2017 amount to minus € 6,215 thousand down by € 787,412 thousand compared to € 781,197 thousand for the period ended 31 March 2016. The main cash items occurred in the first three months of 2017 are attributable to the:

- payment of financial interest on Notes;
- payment of financial charges and commissions;
- reimbursement of approximately € 12.5 million relating to the RCF, net of new finances;
- funding of € 20 million loan from Barolo Lux 1 S.à.r.l., in order to make more flexible the financial sources available to the Group.

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► WORKING CAPITAL

Euro thousands				
	31 Mar 2017	31 Dec 2016	Change	% Change
Trade receivables	167,715	103,367	64,348	62.25%
Inventories	1,511	1,422	89	6.26%
Other receivables - current and non current	17,908	14,788	3,120	21.09%
Trade payables	(37,810)	(33,710)	(4,100)	12.16%
Other liabilities - current and non current	(133,232)	(57,723)	(75,509)	n.s.
WORKING CAPITAL	16,092	28,144	(12,052)	-42.82%

Working capital at 31 March 2017 amounts to € 16,092 thousand, down by € 12,052 thousand compared to the balance at 31 December 2016 (€ 28,144 thousand). The movement is primarily attributable to Trade receivables (the balance of which is € 167,715 thousand at 31 March 2017 compared to € 103,367 thousand at 31 December 2016) and to Other liabilities (the balance of which is € 133,232 thousand at 31 March 2017 compared to € 57,723 thousand at 31 December 2016). These changes can be explained in particular 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				
	31 Mar 2017	31 Mar 2016	Change	% Change
Capex - Tangible Assets	732	534	198	37.02%
Capex - Intangible Assets	793	335	458	n.s.
Capitalized development costs - Personnel costs	2,098	1,917	181	9.45%
Capitalized development costs - Service costs	654	637	17	2.61%
Capex	4,277	3,423	854	24.94%

In the period ended 31 March 2017 the capital expenditure amounts to € 4,227 thousand with an increase of € 854 thousand compared to 31 March 2016 balance (€ 3,423 thousand) substantially due to a growth in:

- intangible capital expenditures, particularly in the subsidiary TeamSystem S.p.A.’s softwares;
- tangible capital expenditures, particularly in tangible assets in progress, such as furnitures and plants, relating to the new Group’s headquarters situated in Pesaro.

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► SIGNIFICANT EVENTS DURING THE FIRST THREE MONTHS OF 2017

Shareholders’ loan

On 21 February 2017, TeamSystem Holding S.p.A. borrowed € 20.0 million (the “Shareholder Loan”) from Barolo Lux 1 S.à.r.l. for working capital purposes. The Shareholder 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. Part of the proceeds from the issuance of the Second Additional Senior Secured Notes were used to repay the Shareholder Loan on 16 May 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, with revenue for 2016 of approximately € 3.6 million. 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.

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► SIGNIFICANT SUBSEQUENTS EVENTS

Acquisition of Netlex S.r.l.

On 27 April 2017, Lexteam S.r.l. acquired an interest of 51% in Netlex S.r.l., a company that develops and commercializes advanced cloud solutions for legal professional.

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 n.15 Net Financial Position). The applicable interest rate on Senior Secured Notes will be reduced to Euribor (with 1 % floor) plus 5% spread starting from 1 July 2017.

Repayment of Shareholders’ loan

On 16 May 2017 TeamSystem Holding S.p.A. repayed the Shareholder Loan using part of the proceeds from the issuance of the Second Additional Senior Secured Notes (see note n. 15 Net Financial Position).

►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 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 INDEBTNESS) = 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) (vi) Shareholders' Loan current and non current.

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

BOARD OF DIRECTORS	
31 Mar 2017	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	
31 Mar 2017	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
INDEPENDENT AUDITORS	DELOITTE & TOUCHE S.p.A.

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UNAUDITED
INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE MONTHS
ENDED 31 MARCH 2017

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	31 Mar 2017	31 Mar 2016	NOTES
Revenue	72,830	64,304	1
Other operating income	512	707	1
TOTAL REVENUE	73,343	65,011	1
Cost of raw and other materials	(6,867)	(6,410)	2
Cost of services	(15,865)	(14,604)	3
Personnel	(28,182)	(25,202)	4
-of which non recurring	(306)	(300)	
Other operating costs	(1,609)	(1,588)	5
Non recurring expenses	(3,177)	(2,446)	6
Depreciation and amortization of non current assets	(15,792)	(8,147)	
Allowance for bad debts	(1,438)	(1,347)	
Other provisions for risks and charges	(1)	(7)	
Impairment of non current assets	(4)	0	
OPERATING RESULT	409	5,261	
Finance income	7	6	7
Finance cost	(16,088)	(12,263)	8
PROFIT (LOSS) BEFORE INCOME TAXES	(15,672)	(6,997)	
Current income tax	(3,032)	(3,253)	
Deferred income tax	3,464	1,825	
TOTAL INCOME TAX	433	(1,429)	
PROFIT (LOSS) FOR THE PERIOD	(15,240)	(8,425)	
(Profit) Loss for the period - Non controlling interests	(52)	(57)	
PROFIT (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY	(15,292)	(8,483)	
EBITDA	19,688	16,160	
ADJUSTED EBITDA	21,126	17,507	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31 Mar 2017	31 Mar 2016	NOTES
PROFIT (LOSS) FOR THE PERIOD	(15,240)	(8,425)	20
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX	0	0	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(15,240)	(8,425)	20
Total comprehensive (income) loss for the period Non controlling interests	(52)	(57)	20
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY	(15,292)	(8,483)	20

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS	31 Mar 2017	31 Dec 2016	NOTES
Tangible assets	13,591	13,385	10
Intangible assets	723,871	735,596	11
Goodwill	725,340	725,340	12
Other Investments	1,525	335	13
Investments in associates	331	331	13
Deferred tax assets	13,668	13,732	14
Other financial assets - non current	250	250	15
TOTAL NON CURRENT ASSETS	1,478,577	1,488,969	
Inventories	1,511	1,422	16
Trade receivables	167,715	103,367	17
Tax receivables	1,437	1,752	18
Other receivables	17,908	14,788	19
Other financial assets - current	475	1,145	15
Cash and bank balances	35,272	19,406	15
TOTAL CURRENT ASSETS	224,317	141,879	
TOTAL ASSETS	1,702,893	1,630,848	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
EQUITY AND LIABILITIES	31 Mar 2017	31 Dec 2016	NOTES
Share capital	5,450	5,450	20
Other reserves	559,397	636,717	20
Retained earnings (accumulated losses)	48	0	20
Profit (Loss) attributable to Owners of the Company	(15,292)	(75,771)	20
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	549,603	566,396	
Non controlling interests - Capital and reserves	903	764	20
Non controlling interests - Profit (Loss)	52	296	20
TOTAL NON CONTROLLING INTERESTS	955	1,060	
TOTAL EQUITY	550,558	567,456	
Financial liabilities with banks and other institutions - non current	640,000	640,000	15
Financing Fees - non current	(27,217)	(24,828)	15
Other financial liabilities - non current	81,498	81,497	15
Staff leaving indemnity	18,578	18,478	21
Provisions for risks and charges	4,004	3,906	22
Deferred tax liabilities	195,497	198,874	14
Other liabilities - non current	682	698	23
TOTAL NON CURRENT LIABILITIES	913,043	918,625	
Shareholders' Loan - current	20,093	(0)	15
Financial liabilities with banks and other institutions - current	34,959	47,945	15
Financing Fees - current	(6,618)	(10,640)	15
Other financial liabilities - current	11,886	10,893	15
Trade payables	37,810	33,710	
Tax liabilities - current	8,613	5,834	24
Other liabilities - current	132,549	57,025	23
TOTAL CURRENT LIABILITIES	239,292	144,767	
TOTAL EQUITY AND LIABILITIES	1,702,893	1,630,848	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	31 Mar 2017	31 Mar 2016	NOTES
Operating Result	409	5,261	
Depreciation and amortization of non-current assets	15,792	8,147	
Write-off of non current assets	4	0	
Amortization, Depreciation, Write-off, Impairment	15,795	8,147	
Trade receivables	(64,348)	(53,426)	
Inventories	(89)	(100)	
Other receivables - current	(3,240)	(1,337)	
Trade payables	4,100	(2,944)	
Other liabilities - current	75,469	64,740	
Other liabilities - non current	(16)	(16)	
Change in Working capital	11,877	6,917	
Staff leaving indemnity	(43)	(155)	
Provisions for risks and charges	98	(33)	
Change in provisions	56	(188)	
Income tax	270	0	
CASH FLOWS FROM OPERATING ACTIVITIES	28,406	20,137	
Tangible assets	(732)	(534)	
Intangible assets	(793)	(335)	
Capitalized development costs - personnel costs	(2,098)	(1,917)	
Capitalized development costs - service costs	(654)	(637)	
Capital Expenditure	(4,277)	(3,423)	
Acquisition / dismissal of investments	(2,050)	(774,220)	9
CASH FLOWS FROM INVESTING ACTIVITIES	(6,326)	(777,644)	
Financial balance paid / cashed-in and change in financial assets / liabilities	(6,081)	151,553	9
Financing Fees paid	0	(12,581)	
Vendor loan paid	(133)	(26)	
Dividends paid	0	(500)	
Other changes in Equity	(0)	642,751	
CASH FLOWS FROM FINANCING ACTIVITIES	(6,215)	781,197	
INCREASE (DECREASE) IN CASH AND BANK BALANCES	15,865	23,690	
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	19,406	16,534	
CASH AND BANK BALANCES - END OF THE YEAR	35,272	40,224	

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 2015	3,214	179,401	(11,389)	(18,415)	152,810	799	153,609
Loss allocation		(18,415)		18,415	0		0
Other movements	2,236	476,316	11,389		489,941		489,941
Total Comprehensive Income (Loss) for the period				(8,483)	(8,483)	57	(8,425)
31 Mar 2016	5,450	637,302	0	(8,483)	634,269	856	635,125

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

TeamSystem Group

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 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., it is a 87.89% indirectly held subsidiary of the private equity firm Hellman & Friedman and is for 8.54% held by the private investment firm HG Capital, with the remainder held by TeamSystem’s senior and middle managers (3.57%).

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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 2017 are the same of that 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 31 March 2017 show comparative figures relating to the prior period Barolo Midco S.p.A. (now TeamSystem Holding S.p.A.) financial statements as at 31 March 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 31 March 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 three months ended 31 March 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 31 March 2017 and the consolidated financial statements of Barolo Midco S.p.A. (now TeamSystem Holding S.p.A.) for the period ended 31 March 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	641,970,943	(148,278)	EUR				
TeamSystem S.p.A.	Pesaro	24,000,000	553,843,437	(18,779,318)	EUR	100.00	100.00		
Lexteam S.r.l.	Pesaro	20,000	2,467,200	(2,307)	EUR	100.00	100.00		
Metodo S.p.A.	Bassano (VI)	100,000	6,395,883	369,117	EUR	90.00	100.00		1
Inforyou S.r.l.	Castello di Godego (TV)	31,250	3,368,888	230,353	EUR	85.00	100.00		1
TeamSystem Service S.r.l.	Campobasso	200,000	1,473,065	95,932	EUR	100.00	100.00		
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	18,819	(4,400)	EUR	60.00	100.00		1
Danea Soft S.r.l.	Vigonza (PD)	100,000	4,636,658	739,322	EUR	51.00	100.00		1
Digita S.r.l.	Asolo (TV)	10,000	1,188,137	100,630	EUR	100.00	100.00		
H-Umus S.r.l.	Roncade (TV)	50,000	1,031,003	60,810	EUR	100.00	100.00		
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	315,859	111,754	EUR	51.00	100.00		1 / 4
ACG S.r.l.	Pesaro	100,000	2,467,772	630,757	EUR	100.00	100.00		
TSS S.p.A.	Milan	7,232,000	78,681,470	421,038	EUR	100.00	100.00		
Esa Napoli S.r.l.	Naples	10,000	(59,305)	(94,027)	EUR	100.00	100.00		5
Lira S.r.l.	Turin	18,000	796,350	110,049	EUR	100.00	100.00		
Euresys S.r.l.	Turin	99,000	534,302	126,545	EUR	60.00	100.00		1
Mondora S.r.l.	Milan	105,000	1,348,666	141,706	EUR	51.00	100.00		1
Cidienne Informatica S.r.l.	Verona	10,000	815,784	37,598	EUR	100.00	100.00		
Voispeed Limited	Saint Albans - UK	1,000	118,681	7,130	GBP	85.00	85.00		6
TeamSystem C&D S.r.l.	Naples	10,000	106,689	(7,580)	EUR	100.00	100.00		
Aliaslab S.p.A.	Milan	156,000	7,484,571	1,032,054	EUR	51.00	100.00		1
Elaide S.r.l.	Padua	12,000	353,307	31,885	EUR	100.00	100.00		7
Reviso International ApS	Copenhagen	50,011	1,730,462	(1,570,477)	DKK	100.00	100.00		
Reviso Cloud Accounting Limited	Reading	1	6,417	1,510	GBP	100.00	100.00		8
Reviso Soluciones Cloud S.L.	Madrid	3,000	2,239	0	EUR	100.00	100.00		8
Reviso Deutschland GmbH	Berlin	25,000	28,327	675	EUR	100.00	100.00		8
Gruppo Euroconference S.p.A.	Verona	300,000	9,869,195	694,349	EUR	96.87	96.87		2
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	6,206,066	326,010	EUR	100.00	100.00		
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	2,899,375	258,878	EUR	86.34	86.34		3
Nuovamacut Centro Sud S.r.l.	Rome	10,000	475,310	76,487	EUR	70.00	70.00		3

Amounts in Euro									
CONSOLIDATED COMPANIES									
EQUITY METHOD	Registered office	Share capital	(*) Equity	(*) Profit (Loss)	Currency	Operating Segments	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	105,461	(44,578)	EUR	n.a.	40.00	40.00	5
Mondoesa Lazio S.r.l.	Frosinone	20,800	293,828	19,181	EUR	n.a.	35.00	35.00	5
Mondoesa Milano Nordovert S.r.l.	Milan	50,000	42,246	(7,754)	EUR	n.a.	49.00	49.00	5
Cesaco S.r.l.	Vicenza	90,000	175,692	9,112	EUR	n.a.	48.00	48.00	5
Aldebra S.p.A.	Trento	1,398,800	1,441,778	(183,435)	EUR	n.a.	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) = investment held by Nuovamacut Automazione S.p.A.;
(4) = investments held by Danea Soft S.r.l.;
(5) = investments held by TSS 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 THREE 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 investment in Evols S.r.l. occurred in March 2017, taking account of the non-materiality of the acquisition in question and considering the fact that the acquisition took place at the end of the first quarter of 2017, its results and its net financial position have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the three months ended 31 March 2017.

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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 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:

EXCHANGE RATES	Average exchange rate for the first three months of 2017	Exchange rate as at 31 March 2017
GBP	0.860085	0.85553
DKK	7.435298	7.4379

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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 INDEBTNESS) =

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) (vi) Shareholders' Loan 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.

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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

	31 Mar 2017	31 Mar 2016	Change	% Change
Hardware	2,059	1,620	439	27.1%
Software	12,272	12,191	81	0.7%
Hardware subscriptions	485	434	51	11.7%
Software subscriptions	42,580	38,284	4,296	11.2%
Other products	483	316	167	53.0%
Other services	11,688	8,321	3,368	40.5%
Education	3,280	3,141	138	4.4%
Discounts paid	(17)	(3)	(15)	n.s.
Revenue	72,830	64,304	8,526	13.3%
Recovery of expenses	535	631	(96)	-15.1%
Operating grants	80	79	1	1.2%
Other income	(103)	(3)	(100)	n.s.
Other operating income	512	707	(195)	-27.5%
Total Revenue	73,343	65,011	8,331	12.8%

Total Revenue for the period ended 31 March 2017 amounts to € 73,343 thousand, up by € 8,331 thousand compared to the corresponding figure for the period ended 31 March 2016 (€ 65,011 thousand); this increase is attributable to the change in consolidation area and to the organic growth experienced by the Group in the first three months of 2017.

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

- Hardware revenue (€ 439 thousand);
- Software subscription revenue (€ 4,296 thousand);
- Other services revenue (€ 3,368 thousand).

2. COST OF RAW AND OTHER MATERIALS

	31 Mar 2017	31 Mar 2016	Change	% Change
Hardware purchases	1,684	1,453	231	15.9%
Third parties' software	4,464	4,369	95	2.2%
Handbooks and forms	12	11	1	5.0%
Materials for education	75	68	7	9.7%
Fuel	494	459	35	7.6%
Other materials	212	150	62	41.0%
Change in inventory of raw materials	(73)	(100)	28	-27.6%
Total	6,867	6,410	457	7.1%

Cost of raw and other materials amounts to € 6,867 thousand for the period ended 31 March 2017, up by € 457 thousand from the amount of the period ended 31 March 2016 (€ 6,410 thousand). This increase is primarily due to the higher costs of hardware (€ 231 thousand).

3. COST OF SERVICES

	31 Mar 2017	31 Mar 2016	Change	% Change
Agent commissions and other costs	3,029	3,145	(116)	-3.7%
Consulting and third parties services	4,381	4,267	114	2.7%
Administrative tax and legal	555	555	(1)	-0.1%
Education - consulting and copyrights	994	895	99	11.0%
Magazines - consulting and copyrights	336	334	2	0.5%
Other costs for education services	310	908	(599)	-65.9%
Web recall services		(2)	2	-100.0%
Advertising and marketing	2,144	1,018	1,126	n.s.
Car rentals	1,191	929	262	28.2%
Utilities	909	834	76	9.1%
Other services	2,671	2,358	314	13.3%
Cost of services - Gross of capitalisation	16,519	15,241	1,278	8.4%
Services capitalized development costs	(654)	(637)	(16)	2.6%
Total	15,865	14,604	1,261	8.6%

Cost of services for the period ended 31 March 2017 amounts to € 15,865 thousand, up by € 1,261 thousand from the amount of the period ended 31 March 2016 (€ 14,604 thousand). This is mainly due to the increase in Advertising and marketing costs (for an amount of € 1,126 thousand) and Other services costs (for an amount of € 314 thousand).

As regards the capitalisation of cost of services recognised in the three months of 2017 (€ 654 thousand) reference should be made to Note 11 on Intangible Assets.

4. PERSONNEL

	31 Mar 2017	31 Mar 2016	Change	% Change
Wages, salaries and social contributions	27,995	24,923	3,073	12.3%
Staff leaving indemnities	1,198	1,017	181	17.8%
Other personnel costs	4	24	(20)	-82.7%
Employee costs	29,198	25,964	3,234	12.5%
Freelancers and collaborators fees	44	47	(3)	-6.7%
Directors' fees and related costs	732	809	(77)	-9.5%
Directors and Collaborators	776	856	(80)	-9.4%
Non recurring personnel costs	306	300	7	2.2%
Non recurring	306	300	7	2.2%
Personnel - Gross of capitalisation	30,280	27,119	3,160	11.65%
Personnel capitalized development costs	(2,098)	(1,917)	(181)	9.4%
Total	28,182	25,202	2,979	11.8%

Personnel costs for the period ended 31 March 2017 (€ 28,182 thousand) have increased by € 2,979 thousand, compared to the corresponding amount for the period ended 31 March 2016 (€ 25,202 thousand). The growth is attributable to the following factors:

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

As regards the capitalisation of personnel costs recognised in the three months of 2017 (€ 2,098 thousand) reference should be made to Note 11 on Intangible Assets.

5. OTHER OPERATING COSTS

	31 Mar 2017	31 Mar 2016	Change	% Change
Rents	999	844	155	18.3%
Rentals	108	172	(65)	-37.5%
Other expenses for use of third parties assets	186	203	(17)	-8.4%
Other tax	44	50	(6)	-12.5%
Losses from assets disposals	3	0	3	n.s.
Other expenses	270	319	(48)	-15.2%
Total	1,609	1,588	21	1.3%

Other operating costs for the period ended 31 March 2017 (€ 1,609 thousand) remain substantially unchanged compared to the corresponding amount for the period ended 31 March 2016 (€ 1,588 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's normal operations.

Non-recurring expenses for the period ended 31 March 2017 amount to € 3,177 thousand, compared with € 2,446 thousand for the period ended 31 March 2016, thus with an increase of € 730 thousand mainly related to:

- the start /completion of extraordinary projects relating to the review, strengthening and rationalisation of the Group's organisation;
- marketing campaigns of a non-recurring nature.

7. FINANCE INCOME

	31 Mar 2017	31 Mar 2016	Change	% Change
Interest and other finance income	0	4	(4)	-94.2%
Interest from cash pooling and other loans	5	0	5	n.s.
Interest from banks	0	1	(1)	-61.5%
Revaluations of investments	1	1	1	n.s.
Total	7	6	1	16.4%

Finance income for the period ended 31 March 2017 (€ 7 thousand) remains substantially unchanged compared to the corresponding amount for the period ended 31 March 2016 (€ 6 thousand).

8. FINANCE COST

	31 Mar 2017	31 Mar 2016	Change	% Change
Interest on bank loans	407	66	341	n.s.
Interest on Notes	12,356	9,053	3,303	36.5%
Interest on Notes Premium	-	(308)	308	-100.0%
Interest on financing fees	1,632	2,883	(1,251)	-43.4%
Bank commissions	311	247	64	26.0%
Interests on actuarial valuation of employees benefit	143	57	86	n.s.
Other IFRS financial charges	1,105	234	871	n.s.
Interests on cash pooling and other loans	93	(0)	93	n.s.
Other financial charges	40	31	8	26.4%
Losses on foreign exchange	0	1	(1)	-71.3%
Total	16,088	12,263	3,824	31.2%

Financial charges for the period ended 31 March 2017 amount to € 16,088 thousand with an increase with respect to the corresponding amount at 31 March 2016 (€ 12,263 thousand) of € 3,824 thousand mainly due to:

- Interest on Notes (whose balance increases by € 3,303 thousand with respect to 31 March 2016 balance);
- Other IFRS Financial charges which increases by € 871 thousand compared to the 31 March 2016.

Interest on bank loans mainly consists of the interests on RCF obtained by TeamSystem S.p.A..

9. CONSOLIDATED STATEMENT OF CASH FLOWS

As regards the more significant components of the statement of cash flow, a description is provided below of the main factors impacting the Group's cash flows in the course of the first three months of 2017:

Acquisition of investments = In the first three 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..

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

- the payment of financial interest on Notes;
- the payment of financial charges and commissions;
- the reimbursement of approximately € 12.5 million relating to the RCF, net of new finances;
- the funding of € 20 million loan from Barolo Lux 1 S.à.r.l., in order to make more flexible the financial sources available to the Group.

10. TANGIBLE ASSETS

NET BOOK VALUE	31 Mar 2017	31 Dec 2016	Change	% Change
Land	1,073	1,073		
Buildings	5,469	5,554	(85)	-1.5%
Plant and machinery	1,672	1,743	(71)	-4.1%
Equipment	592	596	(4)	-0.7%
Other assets	4,232	4,418	(186)	-4.2%
Tangible assets - in progress	554		554	
Total	13,591	13,385	206	1.5%

At 31 March 2017 Tangible fixed assets amount to € 13,591 thousand, substantially in line with the figure recorded at 31 December 2016 (€ 13,385 thousand). The increase of € 206 thousand results from the sum of disposals, additions and depreciation charge for the period.

Tangible assets in progress include expenditures for furnitures and plants, relating to the new Group's headquarters situated in Pesaro.

11. INTANGIBLE ASSETS

NET BOOK VALUE	31 Mar 2017	31 Dec 2016	Change	% Change
Capitalised development	23,684	22,722	963	4.2%
IFRS Assets	687,871	700,042	(12,171)	-1.7%
Other intangible assets	12,316	12,833	(517)	-4.0%
Total	723,871	735,596	(11,725)	-1.6%

Intangible assets have gone from € 735,596 thousand at 31 December 2016 to € 723,871 thousand at 31 March 2017, with a decrease of € 11,725 thousand resulting from the aggregate of disposals, additions, capitalised development costs (for an amount of € 2,752 thousand for the period ended 31 March 2017), and amortisation for the period (€ 15,267 thousand).

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 three months of 2017.

12. GOODWILL

At 31 March 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

	31 Mar 2017	31 Dec 2016	Change	% Change
Investments in Associates	331	331		
Other Investments	1,525	335	1,190	n.s.
Total	1,856	666	1,190	n.s.

The balance of Investments in Associates and other investments has gone from € 666 thousand at 31 December 2016 to € 1,856 thousand at 31 March 2017, with an increase of € 1,190 thousand.

The increase of Other investments is explained by the acquisition of 51% stake in Evols S.r.l. by the subsidiary TeamSystem S.p.A.. Its results and its net financial position have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the three months ended 31 March 2017, taking account of the non-materiality of the acquisition in question and considering the fact that it took place at the end of the first quarter of 2017.

The balance of Investments in Associates relates to the investments owned by TSS S.p.A..

14. DEFERRED TAX ASSETS AND LIABILITIES

	31 Mar 2017	31 Dec 2016	Change	% Change
Deferred tax assets	13,668	13,732	(63)	-0.5%
Deferred tax liabilities	195,497	198,874	(3,377)	-1.7%

At 31 March 2017 Deferred tax assets amount to € 13,668 thousand, substantially in line with the balance at 31 December 2016 (€ 13,732 thousand). The balance includes approximately € 8.7 million relating to the step-up for tax purposes of goodwill enacted by the subsidiary TSS S.p.A. The other main components for which the Group companies have recognised deferred tax assets relate to the allowance for bad debts, to the provision for agents' indemnity and other provisions for risks and charges which are disallowed for tax purposes. These deferred tax assets are not subject to any maturity or expiration.

At 31 March 2017 Deferred tax liabilities amount to € 195,497 thousand with a decrease of € 3,377 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 POSITION (NET FINANCIAL INDEBTEDNESS)

	31 Mar 2017			31 Dec 2016		
	Current	Non Current	Total	Current	Non Current	Total
Bank accounts and post office	35,199		35,199	19,031		19,031
Cash and bank balances	73		73	375		375
Total Cash and bank balances	35,272		35,272	19,406		19,406
Loans	197		197	769		769
Other financial assets	278	250	528	375	250	625
Total Other financial assets	475	250	725	1,145	250	1,395
Loans with banks	(34,921)		(34,921)	(47,703)		(47,703)
Overdrafts with banks				(202)		(202)
Notes		(640,000)	(640,000)		(640,000)	(640,000)
Financial liabilities with other institutions	2		2			
Dividends to be settled	(40)		(40)	(40)		(40)
Total Financial liabilities	(34,959)	(640,000)	(674,959)	(47,945)	(640,000)	(687,945)
Financing Fees - bond	5,531	23,491	29,022	9,551	20,834	30,386
Financing Fees - banks	1,088	3,726	4,814	1,089	3,993	5,082
Total Financing Fees	6,618	27,217	33,835	10,640	24,828	35,468
Vendor loan	(11,829)	(81,498)	(93,328)	(10,858)	(81,497)	(92,356)
Commission financial liabilities	(54)		(54)	(32)		(32)
Other financial liabilities	(2)		(2)	(2)		(2)
Total Other financial liabilities	(11,886)	(81,498)	(93,384)	(10,893)	(81,497)	(92,390)
Shareholders' loan	(20,093)		(20,093)	0		0
Total	(24,573)	(694,031)	(718,604)	(27,647)	(696,420)	(724,067)

Net financial indebtedness as at 31 March 2017 amounts to € 718,604 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”) (ISIN: XS1408420443).

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 31 March 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 100% of the shares of TSS S.p.A. held by TeamSystem S.p.A.;
- 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 31 March 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 31 March 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 31 March 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 31 March 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 31 March 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 (€ 93,328 thousand at 31 March 2017) relates to put and call options and/or earn-outs due to non-controlling interest holders 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., Aliaslab S.p.A. and Mondora S.r.l.).

Shareholders' loan

On 21 February 2017, TeamSystem Holding S.p.A. borrowed € 20.0 million (the "Shareholder Loan") from Barolo Lux 1 S.à.r.l. for working capital purposes. The Shareholder 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. Part of the proceeds from the issuance of the Second Additional Senior Secured Notes were used to repay the Shareholder Loan on 16 May 2017.

16. INVENTORIES

	31 Mar 2017	31 Dec 2016	Change	% Change
Raw and ancillary materials	400	381	19	4.9%
Finished products and goods	1,628	1,558	70	4.5%
(Allowance for slow-moving inventory)	(517)	(517)		
Total	1,511	1,422	89	6.3%

At 31 March 2017 Inventories amount to € 1,511 thousand and, therefore, are substantially flat compared to the balance at 31 December 2016 (€ 1,422 thousand).

17. TRADE RECEIVABLES

	31 Mar 2017	31 Dec 2016	Change	% Change
Trade receivables	184,709	119,256	65,452	54.9%
(Allowance for bad debts)	(16,994)	(15,889)	(1,104)	6.9%
Total	167,715	103,367	64,348	62.3%

At 31 March 2017 Trade receivables amount to € 167,715 thousand. The increase of € 64,348 thousand, compared to the balance at 31 December 2016 (€ 103,367 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 € 16,994 thousand, that was recorded in the accounts after having analysed the specific risk associated with doubtful balances.

18. TAX RECEIVABLES

	31 Mar 2017	31 Dec 2016	Change	% Change
Tax credits	13	13	0	1.1%
Other tax receivables	262	277	(15)	-5.4%
Withholding tax credit	25	(0)	25	n.s.
Advances and income tax credits	1,137	1,462	(325)	-22.2%
Total	1,437	1,752	(315)	-18.0%

At 31 March 2017 Tax receivables amount to € 1,437 thousand, down by € 315 thousand compared to the balance at 31 December 2016 (€ 1,752 thousand). The decrease is mainly due by the collection of a credit (€ 270 thousand) arising from an IRES refund attributable to the non-deduction of IRAP, which was acknowledged in 2012.

19. OTHER RECEIVABLES

	31 Mar 2017	31 Dec 2016	Change	% Change
Deposits	474	606	(132)	-21.7%
Receivables from employees	293	211	83	39.3%
Other receivables	2,826	2,410	416	17.3%
Accrued income	122	147	(25)	-17.0%
Prepayments	14,191	10,761	3,429	31.9%
VAT receivables	1	653	(652)	-99.8%
Total	17,908	14,788	3,772	25.5%

At 31 March 2017 the Other receivables balance amount at € 17,908 thousand, up by € 3,772 thousand compared to the 31 December 2016 balance (€ 14,788 thousand). The increase is mainly due to Prepayments for € 3,429, 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 2015	3,214	179,401	(11,389)	(18,415)	152,810	799	153,609
Loss allocation		(18,415)		18,415	0		0
Other movements	2,236	476,316	11,389		489,941		489,941
Total Comprehensive Income (Loss) for the period				(8,483)	(8,483)	57	(8,425)
31 Mar 2016	5,450	637,302	0	(8,483)	634,269	856	635,125

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

At 31 March 2017 the Group's equity amounts to € 549,603 thousand.

Change in Non controlling interests IFRS 3 refers to the acquisition of residual 49% stake in Elaide S.r.l. by AliasLas S.p.A.:

21. STAFF LEAVING INDEMNITY

	31 Mar 2017	31 Dec 2016	Change	% Change
Staff leaving indemnity	18,578	18,478	100	0.5%
Total	18,578	18,478	100	0.5%

At 31 March 2017 Staff leaving indemnity amounts to € 18,578 thousand, up by € 100 thousand compared to the balance at 31 December 2016 (€ 18,478 thousand), being the aggregate of utilisations, accruals and any other movements.

22. PROVISIONS FOR RISKS AND CHARGES

	31 Mar 2017	31 Dec 2016	Change	% Change
Provision for pension and similar obligation	1,545	1,516	29	1.9%
Provision for litigations	1,574	1,331	243	18.3%
Other provision for risks and charges	884	1,058	(174)	-16.4%
Total	4,004	3,906	98	2.5%

At 31 March 2017 provisions for risks and charges amount to € 4,004 thousand, essentially unchanged on the balance at 31 December 2016 (€ 3,906 thousand).

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 2017	31 Dec 2016	Change	% Change
Employees payables and Social security liabilities	16,991	21,360	(4,369)	-20.5%
Advances	3,040	3,453	(413)	-12.0%
Other liabilities	166	467	(301)	-64.4%
Accrued liabilities	203	301	(98)	-32.7%
Deferred revenues	105,292	26,165	79,127	n.s.
VAT liabilities	3,252	1,453	1,799	n.s.
Withholdings liabilities	3,605	3,825	(220)	-5.76%
Other current liabilities	132,549	57,025	75,524	n.s.
Due to social securities - non current	645	658	(12)	-1.8%
Other tax liabilities - non current	37	40	(3)	-8.4%
Other non current liabilities	682	698	(16)	-2.23%
Total Other liabilities	133,232	57,723	75,509	n.s.

At 31 March 2017 Other current and non current liabilities amount to € 133,232 thousand, up by € 75,509 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 characterise the business of the Group, that results in an increase in deferred revenues (€ 79,127 thousand).

At 31 March 2017 Other non current liabilities amount to € 682 thousand (€ 698 thousand at 31 December 2016) and relate primarily to balances pertaining to TeamSystem S.p.A..

24. CURRENT TAX LIABILITIES

	31 Mar 2017	31 Dec 2016	Change	% Change
Income tax payables	8,641	5,723	2,918	51.00%
Other tax liabilities	(28)	111	(139)	n.s.
Total	8,613	5,834	2,780	47.7%

At 31 March 2017 Current tax liabilities amount to € 8,613 thousand, up by € 2,780 thousand compared to the balance at 31 December 2016 (€ 5,834 thousand). The movement is attributable to the increase in income tax payables (€ 2,918 thousand), due to the balance of IRAP and IRES charged in the first three months of 2017.

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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.

Pesaro, 30 May 2017

On behalf of the Board of Directors of
TeamSystem Holding S.p.A.
Managing Director
Federico Leproux



