31 December 2017 Consolidated Financial Statements TeamSystem Group

TeamSystem®

CONTENTS

TEAMSYSTEM HOLDING S.p.A.
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2017

DIRECTORS' REPORT

TeamSystem Holding S.p.A.

DIRECTORS' REPORT
ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2017

Dear Sole Shareholder,

Presented below are the results for the year ended 31 December 2017 of TeamSystem Holding S.p.A. and its subsidiaries (“TeamSystem Group” or “Group”) together with comments on the operations thereof.
This directors' report accompanies the disclosures pertaining to TeamSystem Holding S.p.A.'s consolidated financial statements and illustrates the main features of TeamSystem Group's financial position at 31 December 2017 and its results for the year then ended.

All monetary amounts in this report are expressed in Euro thousands unless otherwise indicated.

□ □ □

CORPORATE BODIES AND OTHER CORPORATE INFORMATION

BOARD OF DIRECTORS 31 Dec 2017	
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 Dec 2017	
CLAUDIO SANCHIONI	CHAIRMAN
FABIO LANDUZZI	STATUTORY AUDITOR
NICOLE MAGNIFICO	STATUTORY AUDITOR
ROBERTO PIERLEONI	ALTERNATE AUDITOR
CRISTINA AMADORI	ALTERNATE AUDITOR

REGISTERED OFFICE and OTHER INFORMATION TEAMSYSTEM HOLDING S.P.A.		
REGISTERED OFFICE	Via Sandro Pertini 88, Pesaro	
SHARE CAPITAL	Euro	5,450,000
TAX CODE		09290340968
PESARO CHAMBER OF COMMERCE REGISTRATION NO.		196739
INDEPENDENT AUDITORS		DELOITTE & TOUCHE S.p.A.

□ □ □

GROUP OPERATIONS AND RESULTS FOR THE YEAR

►MACROECONOMIC, SECTOR AND LEGISLATIVE CONTEXT

In the fourth quarter of 2017, the gross domestic product (GDP) increased by 0.3% compared with the previous quarter and by 1.6% compared with the fourth quarter of 2016, thus consolidating the upturn in the economic cycle. The Italian economy's growth rate has been lower than that of the euro area although the difference has been gradually decreasing.

The overall growth rate in GDP in 2017 was 1.5%. There has been an acceleration of the growth rate compared to that reported for 2016. The improvement in GDP has been projected to continue at a similar rate in 2018 (+1.4%). Household consumption is expected to be a significant contributor to growth in gross domestic product in both years, whereas a stronger contribution is expected from capital investment from 2018 onwards. Growth in economic activity is expected to be accompanied by a continued improvement in job market dynamics, with a consequent increase in employment and a decrease in the unemployment rate. The inflation rate has been confirmed to be moderate and has been falling (Source: ISTAT).

According to figures released by Assintel, in 2017 the IT market reached an estimated value of € 23 billion, representing growth of 3.1%, compared to the previous period. There has been growth in all component sectors of the IT market: IT Services +1.5% (€ 11 billion), Software +3% (€ 6 billion) and Hardware +6.2% (€ 6 billion). (Source: Assintel Report 2018).

□ □ □

►SIGNIFICANT EVENTS THAT OCCURRED DURING THE YEAR

■Mergers by absorption completed in 2017 – simplification of Group structure

With the aim of simplifying and rationalising its organisational and corporate structure, TeamSystem Group completed a series of further mergers in 2017, in addition to the several already completed in 2016, as follows listed:

a) on 30 June 2017, TSS S.p.A. and Cidiemme S.r.l. were merged by absorption into TeamSystem S.p.A. under the terms of a merger deed dated 20 June 2017, effective for legal purposes as of 30 June 2017;

b) on 24 October 2017, Elaide S.r.l. was merged by absorption into Aliaslab S.p.A. under the terms of a merger deed dated 20 October 2017, effective for legal purposes as of 24 October 2017;

c) on 31 October 2017, Digita S.r.l. and Lira S.r.l. were merged by absorption into TeamSystem S.p.A. under the terms of a merger deed dated 24 October 2017, effective for legal purposes as of 31 October 2017;

d) on 31 December 2017, ACG S.r.l., Lexteam S.r.l. and Software Time S.r.l. (with this latter company having been acquired in May 2017) were then merged by absorption into TeamSystem S.p.A. under the terms of merger deeds dated 22 November 2017, 21 December 2017 and 24 October 2017, respectively, all of which were effective for legal purposes as of 31 December 2017.

■Acquisitions completed in 2017

TeamSystem Group completed the following corporate acquisitions/incorporations in 2017:

a) **Acquisition of Evols S.r.l.** In March 2017, the subsidiary TeamSystem S.p.A. acquired a controlling interest of 51% in Evols S.r.l. (a company specialised in software for hotels and tourist facilities). A put and call option agreement was entered into with respect to the remaining 49% interest. This transaction has facilitated TeamSystem Group's entry into the tourism operator sector.

b) **Acquisition of Netlex S.r.l.** In April 2017, Lexteam S.r.l. (merged by absorption into TeamSystem S.p.A. in 2017) acquired a controlling interest in Netlex S.r.l. (of 51%). Netlex S.r.l. develops and markets advanced cloud solutions for legal and professional practices. The acquisition of the remaining 49% interest in Netlex S.r.l. is governed by put and call option agreements.

c) **Acquisition of Software Time S.r.l.** In 2017, the subsidiary TeamSystem S.p.A. acquired the entire capital of Software Time S.r.l. (which was then merged by absorption into TeamSystem S.p.A. in December 2017). Software Time develops and markets logistics management and inventory management software.

d) **Acquisition of EvolutionFit S.r.l.** In July 2017, Inforyou S.r.l. acquired a controlling interest (of 51%) in Evolution Fit S.r.l., a company specialised in the development and marketing of cloud software for wellness operators (gyms, personal trainers etc.). The acquisition of the remaining 49% interest is governed by put/call option agreements.

e) **Acquisition of Cassanova S.r.l.** In July 2017, the subsidiary TeamSystem S.p.A. acquired a controlling interest (of 51%) in Cassanova S.r.l., a company specialised in the development and marketing of retail and restaurant management software. The acquisition of the remaining 49% interest is governed by put/call option agreements.

f) **Acquisition of Multimedia IT S.n.c. business segment** In June 2017, TeamSystem S.p.A. acquired a business segment of Multimedia S.n.c. that develops document preservation software.

g) **Incorporation of ComSyst - customer service co-sourcing.** With the objective of developing customer support based on a highly flexible operating model, TeamSystem S.p.A. had sought a leading company in the contact centre services market that gave rise to the incorporation of a company named ComSyst S.r.l. (in which TeamSystem S.p.A. holds an equity interest of 49%). The foregoing forms part of TeamSystem Group's long-term strategy to develop customer support via significant investment in people and technologies.

■Other significant transactions

a) **Shareholders' loan – disbursement and settlement** In February 2017, the parent Barolo Lux 1 S.a.r.l. granted a loan of € 20 million to the Group's holding company, TeamSystem Holding S.p.A., aimed at adding some flexibility to the financing sources available to the Group. The loan was fully settled in May 2017 following the issue (by TeamSystem S.p.A.) of a further € 80 million of **Senior Secured Notes** (see paragraph below).

b) **Senior Secured Notes – further issue of € 80 million** On 16 May 2017, TeamSystem S.p.A. issued a further €80 million in principal amount of secured floating rate notes due 2022. The interest rate applied to the Senior Secured Notes, effective 1 July 2017, was thus reduced to the Euribor rate (with a floor of 1%) plus a spread of 5%.

c) **New operational premises of TeamSystem Group** With the aim of rationalising and simplifying the Group's organisational and functional structure, the following new premises were opened in 2017: Pesaro, Milan, Campobasso, Bologna and Jesi with most of the previously existing operational premises having been merged or rationalised.

►SUMMARY OF TEAMSYSTEM GROUP'S RESULTS

As previously stated in the directors' report on the financial statements for the year ended 31 December 2016, in 2016 TeamSystem Group was subjected to a change of control; for this reason, as permitted by International Financial Reporting Standards as adopted by the Group for its consolidated financial statements, the 2016 statement of profit or loss solely comprises the results of operations from the acquisition date of TeamSystem Group (1 March 2016) up to 31 December 2016.
Accordingly, for the purpose of a comprehensive presentation of the results for the year, a pro-forma statement of profit or loss has been prepared for the 2016 financial year that includes the results of operations for the entire 2016 financial year as though the acquisition of TeamSystem Group by private equity funds advised by Hellman & Friedman had occurred on 1 January 2016.
For similar disclosure purposes and, thus, in order to present the Group's results in a stable and complete manner, pro-forma statements of profit or loss have been prepared for the various companies that were acquired by the Group in 2016, thus simulating the results that would have been reported if the companies in question had been controlled by the Group as of 1 January 2016. The pro-forma consolidated statement of profit or loss was then adjusted to reflect the amortisation of intangible assets (and the deferred tax effect thereon) possibly arising from the finalisation of the allocation of the purchase price paid for the several subsidiaries acquired.

As a consequence of the foregoing, the comments below mainly refer to changes between the pro-forma statement of profit or loss for the 12 months ended 31 December 2016 and the results presented by the consolidated statement of profit or loss of the Group for the year ended 31 December 2017; this analysis is in fact deemed to be more explanatory and capable of providing more elements in order to comment on the performance of the Group and its various activity sectors in the 2017 financial year versus its performance for the 2016 financial year.

It should also be noted that, as detailed in the notes to the financial statements, in 2017 the Directors adopted a new accounting policy in relation to the “non-recurring” caption previously presented on the face of the consolidated statement of profit or loss; specifically, in line with the best accounting practice and the recommendations issued by ESMA (European Securities and Markets Authority), the “non-recurring” line item has been eliminated and the components thereof have been allocated to the corresponding individual cost categories by nature. In order to provide a complete and consistent presentation, the comparative figures for the 2016 financial year (including those relating to the pro-forma) have also been reclassified in accordance with the new policy.

Euro Migliaia RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT	31 Dec 2017	%	PRO -FORMA 31 Dec 2016	%	Change	% Change
TOTAL REVENUE	**315,977**	**100.0%**	**290,143**	**100.0%**	**25,834**	**8.9%**
Cost of raw and other materials	(29,584)	-9.4%	(27,752)	-9.6%	(1,832)	6.6%
Cost of services	(62,867)	-19.9%	(58,589)	-20.2%	(4,278)	7.3%
Personnel costs	(106,244)	-33.6%	(98,655)	-34.0%	(7,589)	7.7%
Other operating costs	(4,272)	-1.4%	(6,367)	-2.2%	2,095	-32.9%
ADJUSTED EBITDA	**113,010**	**35.8%**	**98,780**	**34.0%**	**14,229**	**14.4%**
Allowance for bad debts	(3,896)	-1.2%	(5,326)	-1.8%	1,430	-26.9%
Depreciation and amortization of non current assets	(72,459)	-22.9%	(68,349)	-23.6%	(4,110)	6.0%
Other provisions for risks and charges	(7,028)	-2.2%	(461)	-0.2%	(6,566)	1423.0%
Impairment of non current assets	(150)	0.0%	(14)	0.0%	(136)	941.7%
Strategic marketing expenses	(1,720)	-0.5%	(385)	-0.1%	(1,335)	346.5%
Costs for changing and closing locations	(1,376)	-0.4%	(754)	-0.3%	(622)	82.5%
Advisory expenses related to reorganization and cost saving projects	(5,937)	-1.9%	(1,997)	-0.7%	(3,940)	197.3%
Personnel redundancy	(2,826)	-0.9%	(1,352)	-0.5%	(1,474)	109.1%
IT costs for system integration and transformation	(1,866)	-0.6%	(874)	-0.3%	(992)	113.5%
Acquisitions and mergers costs	(1,282)	-0.4%	(1,565)	-0.5%	283	-18.1%
Cost for international project	(306)	-0.1%	0	0.0%	(306)	n.a
Cost for change management program	(1,696)	-0.5%	(281)	-0.1%	(1,415)	504.0%
Cost for credit collection project	(405)	-0.1%	(117)	0.0%	(288)	245.3%
Tax optimization costs	(258)	-0.1%	(169)	-0.1%	(89)	52.4%
Settlements with clients and agents	(2,416)	-0.8%	(29)	0.0%	(2,387)	8288.9%
Other minor items	(254)	-0.1%	(459)	-0.2%	205	-44.6%
OPERATING RESULT	**9,137**	**2.9%**	**16,648**	**5.7%**	**(7,511)**	**-45.1%**
Net Finance Income (Cost)	(72,039)	-22.8%	(68,944)	-23.8%	(3,096)	4.5%
PROFIT (LOSS) BEFORE INCOME TAXES	**(62,903)**	**-19.9%**	**(52,295)**	**-18.0%**	**(10,607)**	**20.3%**
Current income tax	(5,971)	-1.9%	(18,651)	-6.4%	12,680	-68.0%
Deferred income tax	12,086	3.8%	16,059	5.5%	(3,973)	-24.7%
PROFIT (LOSS) FOR THE YEAR	**(56,788)**	**-18.0%**	**(54,888)**	**-18.9%**	**(1,900)**	**3.5%**
(Profit) Loss for the year - Non controlling interests	(346)	-0.1%	(392)	-0.1%	47	-11.9%
PROFIT (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(57,134)**	**-18.1%**	**(55,280)**	**-19.1%**	**(1,854)**	**3.4%**

In the above table and elsewhere in this directors' report, the following performance indicator is used, with particular regard to the Group's earnings:

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

Set out below is a reconciliation of 2017 and 2016 pro–forma **Adjusted EBITDA**.

	31 Dec 2017	PRO-FORMA 31 Dec 2016	Change	% Change
PROFIT (LOSS) FOR THE YEAR	(56,788)	(54,888)	(1,900)	3.5%
Income tax	(6,115)	2,592	(8,707)	n.s.
Financial income and expenses	72,039	68,944	3,096	4.5%
Other provisions for risks and charges	7,028	461	6,566	n.s.
Depreciation and amortization of non current assets	72,459	68,349	4,110	6.0%
Impairment of non current assets	150	14	136	n.s.
Allowance for bad debts	3,896	5,326	(1,430)	-26.9%
Strategic marketing expenses	1,720	385	1,335	n.s.
Costs for changing and closing locations	1,376	754	622	82.5%
Advisory expenses related to reorganization and cost saving projects	5,937	1,997	3,940	n.s.
Personnel redundancy	2,826	1,352	1,474	n.s.
IT costs for system integration and transformation	1,866	874	992	n.s.
Acquisitions and mergers costs	1,282	1,565	(283)	-18.1%
Cost for international project	306		306	
Cost for change management program	1,696	281	1,415	n.s.
Cost for credit collection project	405	117	288	n.s.
Tax optimization costs	258	169	89	52.4%
Settlements with clients and agents	2,416	29	2,387	n.s.
Other minor items	254	459	(205)	-44.6%
ADJUSTED EBITDA	**113,010**	**98,780**	**14,229**	**14%**

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

□ □ □

As previously indicated, TeamSystem Group closed 2017 with Total Revenue of € 315,977 thousand (€ 290,143 thousand in 2016), Adjusted EBITDA of € 113,010 thousand (€ 98,780 thousand in 2016) and a loss for the year attributable to the Group of € 57,134 thousand (€ 55,279 thousand in 2016).

As regards the robust growth in Total Revenue (which has increased by € 25,834 thousand compared to the Pro-forma figure for the year ended 31 December 2016), this change is mainly due to the impact of the following factors:

- the first-time consolidation of the results of Evols S.r.l., Netlex S.r.l., Software Time S.r.l., Evolution Fit S.r.l. and Cassanova S.r.l.;
- while the remainder of the growth in the Group's Total Revenue is attributable to organic growth reported by the Group in 2017.

The loss reported for 2017 was mainly attributable to the impact of the amortization of intangible assets arising from new, higher amounts allocated thereto as a result of the allocation of the purchase price paid for the acquisition of TeamSystem Group and its principal subsidiaries (such as Aliaslab S.p.A.,), as well as to the significant impact of finance costs payable on a higher level of debt, both of which were a consequence of the change of control of the Group in 2016; moreover, the loss does not reflect the Group's results of operations, which, as will be described in the forthcoming paragraphs, have again this year shown a substantial improvement on the prior year's result.

Lastly, as regards the operating margin, note that Adjusted EBITDA for 2017 (of € 113,010 thousand) has grown compared to the 2016 pro-forma figure (€ 98,780 thousand) both in absolute value terms by approximately € 14,230 thousand and in percentage terms (as a percentage of Total Revenue), having gone from 34% for the year ended 31 December 2016 to 35.8% for the year ended 31 December 2017; this is primarily due to lower personnel costs and other operating costs in percentage terms, which have decreased from 34% (in 2016) to 33.6% in 2017 (personnel costs) and from 2.2% in 2016 to 1.4% (other operating costs), respectively.

□ □ □

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

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

SETTORI OPERATIVI 31 Dic 2017	Software Solutions	Cloud Software Solutions	Hardware	Bilancio Consolidato
RICAVI TOTALI	276,320	34,000	5,657	315,977
ADJUSTED EBITDA	95,965	15,903	1,141	113,010

►TEAMSYSTEM GROUP'S FINANCIAL POSITION

The tables which follow present the Group's financial position at 31 December 2017 and 2016 and highlight the Group's net invested capital and working capital, meausures used as non gaap parameters adopted by the Group.
It should also be noted that the consolidated statement of financial position at 31 December 2016 has been restated, as also disclosed in the notes to these financial statements, to reflect the impact of the final allocation of the purchase price paid for the acquisition of Aliaslab at the end of December 2016.

Euro thousands

CONSOLIDATED NET INVESTED CAPITAL	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Trade receivables	122,755	103,367	19,388	18.8%
Inventories	1,552	1,422	130	9.2%
Other receivables - current and non current	17,464	14,788	2,676	18.1%
Trade payables	(38,743)	(33,710)	(5,033)	14.9%
Other liabilities - current and non current	(63,445)	(57,723)	(5,723)	9.9%
Working Capital	**39,583**	**28,144**	**11,439**	**5.0%**
Tax assets net of Tax liabilities	**5,072**	**(4,082)**	**9,154**	**-224.3%**
Tangible assets	15,371	13,385	1,986	14.8%
Intangible assets	41,181	35,554	5,627	15.8%
Asset IFRS	687,518	740,250	(52,732)	-7.1%
Goodwill	705,849	696,350	9,499	1.4%
Investments	593	667	(73)	-11.0%
Non Current Assets	**1,450,513**	**1,486,205**	**(35,693)**	**-2.4%**
Invested Capital	**1,495,167**	**1,510,267**	**(15,100)**	**-1.0%**
Staff leaving indemnity	(18,280)	(18,478)	198	-1.1%
Provisions for risks and charges	(10,355)	(3,906)	(6,450)	165.1%
Deferred tax assets (liabilities) - net	(183,538)	(196,361)	12,823	-6.5%
Provision for contingencies and other liabilities	**(212,173)**	**(218,744)**	**6,571**	**-3.0%**
NET INVESTED CAPITAL	**1,282,994**	**1,291,523**	**(8,529)**	**-0.7%**

Euro thousands

CONSOLIDATED FINANCIAL SOURCES	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Financial liabilities with banks and other institutions	720,833	687,945	32,887	4.8%
Other financial liabilities	101,543	92,390	9,153	9.9%
Financing Fees	(30,513)	(35,468)	4,955	-14.0%
Other financial assets	(880)	(1,395)	515	-36.9%
Cash and bank balances	(16,259)	(19,406)	3,147	-16.2%
Net Financial Indebtedness	**774,726**	**724,067**	**50,659**	**7.0%**
Share capital and reserves	564,378	642,167	(77,789)	-12.1%
Profit (Loss) attributable to Owners of the Company	(57,134)	(75,771)	18,637	-24.6%
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**507,245**	**566,396**	**(59,151)**	**-10.4%**
Non controlling interests - Capital and reserves	678	764	(87)	-11.4%
Non controlling interests - Profit (Loss)	346	296	50	16.9%
TOTAL NON CONTROLLING INTERESTS	**1,024**	**1,060**	**(36)**	**-3.4%**
FINANCIAL SOURCES	**1,282,994**	**1,291,523**	**(8,529)**	**-0.7%**

The amounts shown above have been taken from the financial statements and some components have been modified and/or aggregated as follows:

Working Capital = the sum of the consolidated financial statement components Inventories, Trade receivables, Other receivables - current and non current less Other liabilities - current and non current and Trade payables

Intangible assets as presented in the consolidated financial statements have been broken down between:

IFRS assets = mainly include amounts allocated to intangible assets: Brand, Customer relationship, Software and Other assets that were recognised upon the allocation of the price paid for the acquisition of TeamSystem Group and the other TeamSystem Group companies

Intangible assets = consist mainly of capitalised development costs.

The Group's net financial indebtedness at 31 December 2017 amounts to approximately € 774,726 thousand, representing an increase of € 50,659 thousand compared to € 724,067 thousand at 31 December 2016; this increase is essentially due to the issue of a further € 80 million of Senior Secured Notes in May 2017 in order to finance the Group's operations and to reduce the interest rate applied to the Senior Notes.

The Group's consolidated equity at 31 December 2017 amounts to € 507,245 thousand, representing a decrease compared to the balance at 31 December 2016 (€ 566,396 thousand) of € 59,151 thousand essentially due to the loss reported by the Group in 2017; the leverage ratio (net financial indebtedness/equity) was thus 1.5 at 31 December 2017 (1.3 at 31 December 2016).

□ □ □

►WORKING CAPITAL

The following table shows the components of working capital at 31 December 2017 and 2016:

Euro thousands WORKING CAPITAL	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Trade receivables	122,755	103,367	19,388	18.8%
Inventories	1,552	1,422	130	9.2%
Other receivables - current and non current	17,464	14,788	2,676	18.1%
Trade payables	(38,743)	(33,710)	(5,033)	14.9%
Other liabilities - current and non current	(63,445)	(57,723)	(5,723)	9.9%
WORKING CAPITAL - TOTAL	**39,583**	**28,144**	**11,439**	**40.6%**

TeamSystem Group's working capital is influenced by seasonal factors. This is mainly due to the timing of billings relating to support contracts that are particularly concentrated (for both the Direct channel and the Indirect channel) in the first quarter of the year. Because of this seasonality, working capital is generally at its maximum in the first quarter. Deferred income, which is included in Other current liabilities, has the same seasonality as sales invoicing, with an inverse correlation to trade receivables and is released to income over the course of the year.

Working capital has increased by approximately € 11,439 thousand from € 28,144 thousand at 31 December 2016 to € 39,583 thousand at 31 December 2017, mainly due to an increase in Trade receivables (by an amount of € 19,388 thousand) only partially offset by an increase in Other liabilities - current and non current (by an amount of € 5,723 thousand).
The increase in Trade receivables is a consequence of significant growth in Group turnover achieved in 2017, as well as the entry into the scope of consolidation of the new companies.

□ □ □

►CAPITAL EXPENDITURE

The following table shows the capital expenditure incurred by the Group in the years ended 31 December 2017 and 2016:

Euro thousands CAPITAL EXPENDITURE	31 Dec 2017	31 Dec 2016	Change	% Change
Capex - Tangible Assets	6,563	3,118	3,445	110.5%
Capex - Intangible Assets	5,369	3,607	1,763	48.9%
Capitalized development costs - personnel costs	11,078	8,080	2,998	37.1%
Capitalized development costs - service costs	2,307	2,414	(108)	-4.5%
CAPITAL EXPENDITURE	**25,317**	**17,219**	**8,098**	**47.0%**

Capital expenditure encompasses expenditure on tangible and intangible non-current assets as well as research and development costs capitalised by Group companies in the year. With respect to capital expenditure on tangible and intangible assets, the Group has historically been characterised by a low level of capital expenditure, in line with the sector in which it operates.

The increase in Capex reported in the 2017 financial year compared to the 2016 figure is essentially due to the fact that:

- due to the fact that the 2016 capex figures are not perfectly comparable with those for 2017, since the 2016 figures are not pro-forma and, consequently, relate to only ten months of operations (from 1 March 2016 to 31 December 2016);

- the increase in capex on tangible fixed assets in 2017 reflects the expenditure incurred by the Group in 2017 for the opening/completion of new operational premises in Pesaro, Milan, Campobasso, Bologna and Jesi.

□ □ □

►RESEARCH AND DEVELOPMENT

Again, during the course of 2017, as previously indicated, product research and development activity was particularly intense, having been concentrated on the introduction of new software products, new functionalities or new modules compared to existing products/ modules.
The total amount of development costs capitalised in 2017 amounts to € 13,385 thousand (compared to € 10,494 thousand in 2016). This growth is due to the Group's continuous commitment to seek new solutions and products responding to market needs with particular reference to the cloud sector, in relation to which, there has been strong investment and Management commitment. It should also be noted that the 2016 figure is not perfectly comparable with that for 2017, since the 2016 figure is not pro-forma and, consequently, relates to only ten months of operations.

□ □ □

►FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of risks of a financial nature that are managed and monitored centrally and which can be categorised as follows:

Foreign exchange risks

The Group is not exposed to foreign exchange risks, since the Group companies operate mainly in Italy and, for the time being, the impact of international transactions is insignificant. The Group's efforts to develop new business abroad have been very recent and, consequently, its foreign exchange risks are almost non-existent.

Credit risk

The credit risk is mitigated by the high fragmentation of the customer base and the high degree of customer loyalty. In any case, the customer credit policy, by customer category (resellers and end-users), envisages:
a) the control and assessment of credit standing;
b) the control of the flow of payment collection;
c) taking appropriate action by issuing reminders and by the use of credit collection procedures, including recourse to companies specialised in debt recovery.

The maximum theoretical exposure to credit risk for the Group is represented by the carrying value of trade receivables as presented in the consolidated financial statements, as well as residual financial receivables recorded in current and non-current financial assets.

As at 31 December 2017, the Group did not have any insurance cover for trade receivables.

The tool used by the Group for the classification and control of trade receivables consists of an Ageing List, in which amounts of overdue receivables are summarised by ageing category, from the most recent (0-30 days) to the oldest (over 180 days).

With respect to overdue receivables, the allowance recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts, plus a general provision to take account of probable further losses on balances not yet overdue, based on historical data and experience of losses recorded by the Group.

Interest rate risk

TeamSystem Group's finance structure mainly consists of floating rate debt, given that the notes issued by TeamSystem Holding S.p.A. (principal amount of € 150 million at 31 December 2017) and by TeamSystem S.p.A. (principal amount of € 570 million at 31 December 2017) are linked to the Euribor rate plus a spread established contractually. Conditions applied to the RCF also provide for floating interest rates (based on Libor or Euribor plus a spread established contractually).

Despite the Group's finance structure being a floating rate structure, sensitivity analysis (to changes in interest rates) conducted has not indicated any significant change in the amounts involved given that:

- interest rate risk on the Senior Notes and on the Senior Secured Notes has been deemed to be nil due to the fact that an interest rate floor of 1% has been provided for contractually for both categories of notes;
- no interest rate risk on the RCF has arisen, since none of the facility had been drawn down as at the reporting date and, in any case, there are no meaningful average amounts relating thereto with respect to the 2017 financial year.

Liquidity risk

The two main factors that determine the dynamics of the Group's liquidity are, on one hand, the resources generated/absorbed by operating and investment activities and, on the other hand, the maturity of financial liabilities.

Of the procedures adopted with the intention of optimising cash flow management and of reducing the liquidity risk, the following should be noted:

-the maintenance of an adequate level of available liquidity;
-the adoption of Cash-pooling at Group level;
-the obtainment of adequate borrowing facilities;
-the control of prospective liquidity conditions, in relation to the corporate planning process.

►HUMAN RESOURCES

The average number of TeamSystem Group's employees in the year ended 31 December 2017 was 1,992 persons, broken down as follows:

	Average 2017	Average 2016	Change	31 Dec 2017	31 Dec 2016	Change
Managers	55	49	6	57	53	4
Middle managers / white collars / workers	1,937	1,793	144	1,957	1,916	41
Total	**1,992**	**1,842**	**150**	**2,014**	**1,969**	**45**

The human resources employed by TeamSystem Group are an asset to be enhanced via attentive professional development paths. The Group constantly pursues the goal of improving the overall effectiveness of management, through attendance at training courses held by in-house personnel and by external collaboration.

►INFORMATION PERTAINING TO THE ENVIRONMENT

Environmental issues are not crucial, considering the sector the Group operates. However, it should be noted that the parent company and other Group companies operate in a responsible and respectful manner with regard to the environment, in order to reduce the external impact of its activities. Moreover, the sector in which the Group operates is characterised by a low environmental risk in comparison to other manufacturing and production activities.

►SIGNIFICANT SUBSEQUENT EVENTS

Outsourcing of standard hardware and systems

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

Definitive purchase of "MynPrivacy" software and related rights

In January 2018, TeamSystem S.p.A. definitively purchased the software and all rights pertaining to the application named "MynPrivacy". The aim of the application is to facilitate compliance with regulations applicable to the protection of natural persons in connection with the processing of personal data inclusive of the requirements of EU Regulation 2016/679 (GDPR).

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

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

Acquisition of MMdata Informatica S.r.l.:
In February 2018, TeamSystem Group, through the subsidiary Danea Soft S.r.l., completed the acquisition of 100% of the capital of MMData Informatica S.r.l., a leading company in Italy in the provision of services and the distribution of software for condominium and property managers.

Definitive purchase of "PIGC" and "Rent Manager" software, related rights and assets
In February 2018, TeamSystem Group, through the subsidiary Reviso International ApS, definitively purchased the software, rights and assets pertaining to the applications named "PIGC" and "Rent Manager". The aim of the applications is to facilitate compliance with regulations applicable to condominium and property management, as well as facilitate the organisation and conduct of activities typical thereof.

□ □ □

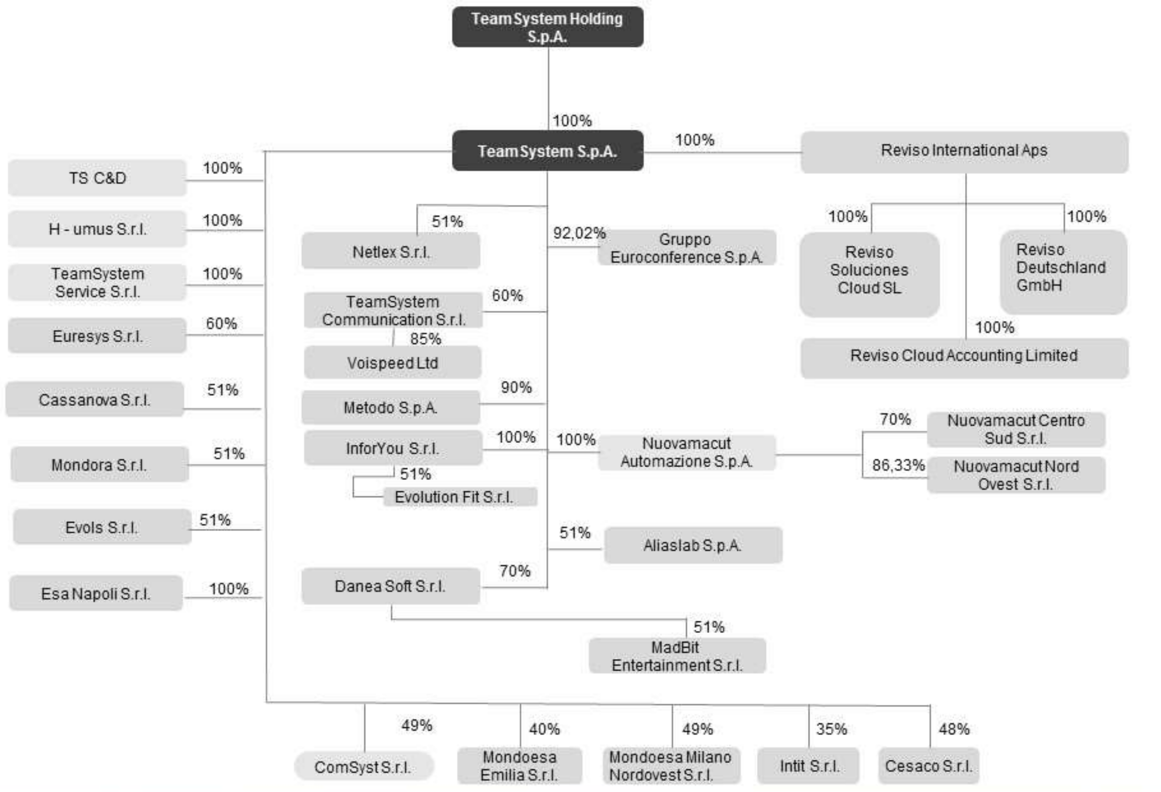
►BUSINESS OUTLOOK

Revenue figures for the initial months of 2018 show, despite an unfavourable macroeconomic context characterised by factors that will prove to be challenging, an increase in consolidated turnover, above all, due to significant growth in revenue from support contracts (that provide ongoing revenue with particularly high margins).

In 2018, the Group will continue, on one hand, to pursue its strategy of organic growth, by focusing on activities aimed at increasing its operating income and, on the other hand, at strengthening its leadership of the software market, inclusive of through the acquisition of other players in the sector.
Further growth is expected in operating results, despite a macroeconomic scenario, which, although gradually improving, remains fairly challenging.

TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND PARENT COMPANIES

►STRUCTURE OF TEAMSYSTEM GROUP AT 31 DECEMBER 2017



Notes:
The percentage holdings shown do not comprise put and call option agreements;

□ □ □

►PARENT COMPANIES AND MANAGEMENT AND COORDINATION

As at 31 December 2017, TeamSystem Holding S.p.A. is controlled pursuant to Art. 2359 of the Italian Civil Code by Barolo Lux 1 S.a.r.l. (sole shareholder), which manages and coordinates the former. We remind you that, on 1 March 2016, private equity funds advised by Hellman & Friedman acquired a controlling interest in TeamSystem Group from the previous shareholders (inclusive of HG Capital, the majority shareholder).

TeamSystem Holding S.p.A. did not hold at 31 December 2017, nor did it acquire or dispose of during the 2017 financial year, not even through trusts or nominees, any shares or quotas relating to parent companies.

With respect to transactions between the Group and parent companies, the following should be noted:

PARENT COMPANY	Cost of raw materials	Cost of services	Other operating costs	Financial costs	31 Dec 2017
Barolo Lux 1 S.à.r.l.				280	280
Total				**280**	**280**

PARENT COMPANY	Total Revenues	Finance income	31 Dec 2017
Barolo Lux 1 S.à.r.l.		4	4
Total		**4**	**4**

►SUBSIDIARIES

Listed below are key figures relating to and a brief description of the Group companies.

Amounts in Euro

CONSOLIDATED COMPANIES LINE BY LINE	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Pesaro	5,450,000	642,674,477	1,155,255	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	499,433,628	(62,378,360)	EUR	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	6,106,185	1,879,419	EUR	90.00	100.00	1
Inforyou S.r.l.	Castello di Godego (TV)	31,250	4,215,852	1,077,317	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	2,399,471	1,022,338	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	106,158	82,939	EUR	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	6,620,726	2,724,628	EUR	70.00	100.00	1
H-Umus S.r.l.	Roncade (TV)	50,000	1,199,580	229,387	EUR	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	408,659	204,553	EUR	51.00	100.00	1 / 2
Esa Napoli S.r.l.	Naples	10,000	22,150	(12,572)	EUR	100.00	100.00	
Euresys S.r.l.	Turin	99,000	766,486	358,729	EUR	60.00	100.00	1
Mondora S.r.l.	Milan	105,000	1,073,445	614,249	EUR	51.00	100.00	1
Voispeed Limited	Saint Albans - UK	1,000	98,570	25,998	GBP	85.00	85.00	3
TeamSystem C&D S.r.l.	Naples	10,000	(4,360)	(118,627)	EUR	100.00	100.00	
Aliaslab S.p.A.	Milan	156,000	13,267,200	6,814,683	EUR	51.00	100.00	1
Reviso International ApS	Copenhagen	50,011	(3,472,951)	(7,516,287)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	9,368	4,827	GBP	100.00	100.00	4
Reviso Soluciones Cloud S.L.	Madrid	3,000	2,433	(451)	EUR	100.00	100.00	4
Reviso Deutschland GmbH	Berlin	25,000	29,930	2,278	EUR	100.00	100.00	4
Evols S.r.l.	Catania	887,000	1,147,834	(12,905)	EUR	51.00	100.00	1
Netlex S.r.l.	Velletri (RM)	12,500	251,338	10,870	EUR	51.00	100.00	1
Cassanova S.r.l	Santarcangelo di Romagna (RN)	10,000	796,708	(113,292)	EUR	51.00	100.00	1
Evolution Fit S.r.l.	Turin	10,000	33,426	(81,315)	EUR	51.00	100.00	1 / 9
Gruppo Euroconference S.p.A.	Verona	300,000	10,852,577	1,677,732	EUR	96.87	96.87	5
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	9,074,988	3,194,932	EUR	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	3,069,457	1,618,959	EUR	86.34	86.34	6
Nuovamacut Centro Sud S.r.l.	Rome	10,000	453,859	245,036	EUR	70.00	70.00	6

(1) = equity interest would be 100% should put and call options be exercised;
(2) = investment held by Danea Soft S.r.l.;
(3) = investment held by TeamSystem Communication S.r.l.;
(4) = investment held by Reviso International Aps.;
(5) = takes account of treasury shares held by Gruppo Euroconference S.p.A.;
(6) = investment held by Nuovamacut Automazione S.p.A.;
(9) = investment held by Inforyou S.r.l.;

As described in the basis of consolidation section relating to the consolidated financial statements, equity investments in subsidiaries are consolidated, attributing to the Group a pertinent stake that takes account of existing put and call options on account of the nature of the agreements, which, in substance, represent a deferred acquisition of equity interests.

TeamSystem S.p.A.

The company, which was set up in 1979, is the operating Parent Company of TeamSystem Group; it is located in Pesaro and is currently a 100% held subsidiary of TeamSystem Holding S.p.A.
The company develops and distributes, both through its direct branches and through its network of more than 300 specialised dealers, management software solutions for the professional and business market.

Gruppo Euroconference S.p.A.

The company is located in Verona and at 31 December 2017 was approximately 96.87% held (of which 5% was held through treasury shares) by TeamSystem S.p.A. The main activities of this investee are the provision of training and professional updates (both in training rooms and on-line) for accountants, lawyers, labour consultants, tax advisers and corporate administration managers.

Metodo S.p.A.

The company, which has its registered office in Bassano del Grappa (VI), was acquired in 2007 by TeamSystem S.p.A. in 2007. Metodo develops and markets, through a network of distributors in Italy, management software for businesses.

Inforyou S.r.l.

The company, which has its registered office in Castello di Godego (TV), was acquired in 2010 and is specialised in the development of management software and access control systems for the sport, wellness and leisure sector.

Nuovamacut Automazione S.p.A. and Nuovamacut Group companies

The company, which has its registered office in Reggio Emilia, was acquired in 2010 by TeamSystem S.p.A. (which, as of the reporting date, held a 100% stake therein). The company's main activities are the resale of and support, training and consulting for CAD/PLM software solutions and it also acts as an authorised representative for the sale of machine tools. As of the reporting date, Nuovamacut Automazione S.p.A. had controlling interests in two companies (Nuovamacut Nord Ovest S.r.l. and Nuovamacut Centro Sud S.r.l.) operating in Italy as distributors in the same sector.

TeamSystem Service S.r.l.

TeamSystem Service S.r.l., which was set up by TeamSystem S.p.A. in 2010, provides payroll processing services exclusively to labour consultants, who are already TeamSystem Group customers, in order to offer them the chance to outsource lower value-added activities. In 2014, TeamSystem Service started marketing services consisting of electronically invoicing the Public Administration and the digital storage of invoices.

TeamSystem Communication S.r.l. and Voispeed Limited

The company, which has its registered office in Civitanova Marche (MC), was acquired in 2011 by TeamSystem S.p.A. The company offers computerised telephony and communications solutions, integrated with management software, databases and CRM. TeamSystem Communication S.r.l. holds an 85% equity interest in Voispeed Ltd, through which its products are sold in the United Kingdom.

Danea Soft S.r.l.

The company, which has its registered office in Vigonza (PD), was acquired in 2011 by TeamSystem S.p.A. and it develops and markets management software for small businesses, artisans and professionals.

H-Umus S.r.l.

The company, which has its registered office in Roncade (TV), was acquired in 2012 by TeamSystem S.p.A. H-umus S.r.l. develops Nuxie software, a marketing and sales platform (to support commercial networks) based on iOS (Apple) technology.

Madbit Entertainment S.r.l.

In July 2015, Danea Soft S.r.l. acquired a controlling interest in Madbit Entertainment S.r.l. TeamSystem Group Management believes that the acquisition of Madbit Entertainment S.r.l. represents a fundamental step in the Group's growth strategy for the cloud sector, by adding a SaaS solution that is extremely important for the Group in the micro-business segment.

Esa Napoli S.r.l.

Esa Napoli S.r.l. was set up by TSS S.p.A. (merged by absorption into TeamSystem S.p.A. in 2017) in November 2014. The company acts as a software dealer for its assigned territory.

Euresys S.r.l.

In March 2016, TeamSystem S.p.A. completed the acquisition of a controlling interest in Euresys, a company that had operated in the HR management software market for more than twenty years. The software solutions offered by Euresys permit the complete management of human resources within any Italian business thanks to the advanced capabilities integrated into the software management.

ECI Denmark ApS (Reviso) and subsidiaries

In May 2016, TeamSystem S.p.A. completed the acquisition of the entire capital of ECI Denmark ApS (which changed its name to Reviso International ApS in June 2016), a Danish software house that has developed Cloud-SaaS-native accounting and invoicing software designed mainly for small and medium-sized enterprises. The acquisition of ECI Denmark APS (Reviso) represents a fundamental pillar of the Group's cloud strategy.

Mondora S.r.l.

In June 2016, TeamSystem S.p.A. acquired a controlling interest in Mondora S.r.l. Mondora will contribute to the development of TeamSystem Group by bringing new capabilities for the development of advanced Cloud/Saas solutions together with strategic expertise needed to achieve Cloud/Core Software growth targets and will play a key role in the implementation of HUB B2B and other SaaS/Cloud solutions.

Aliaslab S.p.A.

On 22 December 2016, TeamSystem S.p.A. acquired a controlling interest in Aliaslab S.p.A. Aliaslab is a company specialised in electronic signature and authentication services, with distinctive market positioning in Italy. The transaction has made it possible for TeamSystem Group to leverage a series of solutions and state-of-the-art skills and to immediately become a significant player in the digital signatures software solutions market.

TeamSystem C&D S.r.l.

In December 2016, TeamSystem S.p.A. completed the acquisition of the entire capital of TeamSystem C&D S.r.l., an established partner that operates in the Campania area and which focuses mainly on accounting practices.

Evols S.r.l.

In March 2017, TeamSystem S.p.A. acquired a controlling interest in Evols S.r.l. (a company specialised in software for hotels and tourist facilities). This transaction has facilitated TeamSystem Group's entry into the tourist facilities software sector.

Netlex S.r.l.

In April 2017, Lexteam S.r.l. (merged by absorption into TeamSystem S.p.A. in 2017) acquired a controlling interest in Netlex S.r.l. Netlex S.r.l. develops and markets advanced cloud solutions for legal and professional practices.

EvolutionFit S.r.l.

In July 2017, Inforyou S.r.l. acquired a controlling interest in Evolution Fit S.r.l., a company specialised in the development and marketing of cloud software for wellness operators (gyms, personal trainers etc…).

Cassanova S.r.l.

In July 2017, TeamSystem S.p.A. acquired a controlling interest in Cassanova S.r.l., a company specialised in the development and marketing of retail and restaurant management software.

►ASSOCIATED COMPANIES

Key figures relating to associated companies are set out in the following table.

Amounts in Euro

CONSOLIDATED COMPANIES EQUITY METHOD	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	105,603	3,141	EUR	40.00	40.00	7
INTIT S.r.l.	Frosinone	20,800	369,119	75,289	EUR	35.00	35.00	7
Mondoesa Milano Nordovert S.r.l.	Milan	50,000	(17,342)	(59,588)	EUR	49.00	49.00	7
Cesaco S.r.l.	Vicenza	90,000	151,545	(24,441)	EUR	48.00	48.00	7
Comsyst S.r.l.	Pesaro	10,000			EUR	49.00	49.00	8

(7) =the amounts relate to the financial statements for the year ended 31 December 2016;
(8) =the company was set up in 2017;

A summary is provided below of balances at 31 December 2017 with associated companies and transactions therewith in the year then ended.

	Trade and Other receivables	Financial receivables	31 Dec 2017	Trade and Other payables	Financial liabilities	31 Dec 2017
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	65		**65**	46		**46**
INTIT S.r.l.	73		**73**	(1)		**(1)**
Mondoesa Milano Nordovest S.r.l.	10		**10**	10		**10**
Cesaco S.r.l.	0		**0**	63		**63**
Comsyst S.r.l.			**0**			**0**
Total	**149**	**0**	**149**	**117**	**0**	**117**

	Total Revenues	Finance income	31 Dec 2017
INVESTMENTS IN ASSOCIATES			
Mondoesa Emilia S.r.l.	957		**957**
INTIT S.r.l.	353		**353**
Mondoesa Milano Nordovest S.r.l.	981		**981**
Cesaco S.r.l.	21		**21**
Comsyst S.r.l.			**0**
Total	**2,311**	**0**	**2,311**

	Operating costs	Other provisions	Finance cost	Income taxes	31 Dec 2017
INVESTMENTS IN ASSOCIATES					
Mondoesa Emilia S.r.l.	123				**123**
INTIT S.r.l.	256				**256**
Mondoesa Milano Nordovest S.r.l.	136				**136**
Cesaco S.r.l.	155				**155**
Comsyst S.r.l.					**0**
Total	**670**	**0**	**0**	**0**	**670**

□ □ □

►RELATED COMPANIES

The company and TeamSystem Group have not been party to any transactions with related companies that merit disclosure, other than those previously commented upon.

□ □ □

►REGISTERED OFFICE, ADMINISTRATIVE OFFICES, ANCILLARY ESTABLISHMENTS AND OTHER CORPORATE INFORMATION

Set out below are TeamSystem S.p.A.'s various premises:

- registered and administrative offices: Via Sandro Pertini 88, Pesaro (PU);

TeamSystem Holding S.p.A.'s tax code is as follows: 09290340968.
TeamSystem Holding S.p.A. is registered with the Pesaro Chamber of Commerce (registration No. 196739).

The consolidated and separate financial statements of TeamSystem Holding S.p.A. for the year ended 31 December 2017 have been audited by Deloitte & Touche S.p.A.

□ □ □

Milan, 28 February 2018

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

TeamSystem Holding S.p.A. and subsidiaries TeamSystem Group

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	31 Dec 2017	Restated 31 Dec 2016	NOTES
Revenue	314,076	227,202	1 / 2
Other operating income	1,902	2,193	1 / 2
TOTAL REVENUE	**315,977**	**229,395**	**1 / 2**
Cost of raw and other materials	(29,584)	(22,602)	3
Cost of services	(76,845)	(64,374)	4
Personnel costs	(109,583)	(79,019)	5
Other operating costs	(7,298)	(5,495)	6
Depreciation and amortization of non current assets	(72,459)	(54,247)	11 / 12
Allowance for bad debts	(3,896)	(3,595)	21
Other provisions for risks and charges	(7,028)	(457)	
Impairment of non current assets	(150)	0	
OPERATING RESULT	**9,137**	**(393)**	
Share of Profit (Loss) of associates	16	(114)	
Finance income	7,618	117	7
Finance cost	(79,674)	(76,863)	8
PROFIT (LOSS) BEFORE INCOME TAXES	**(62,903)**	**(77,253)**	
Current income tax	(5,971)	(13,652)	9
Deferred income tax	12,086	15,430	9
TOTAL INCOME TAX	**6,115**	**1,778**	
PROFIT (LOSS) FOR THE YEAR	**(56,788)**	**(75,475)**	
(Profit) Loss for the year - Non controlling interests	**(346)**	**(296)**	
PROFIT (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(57,134)**	**(75,771)**	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31 Dec 2017	31 Dec 2016	NOTES
PROFIT (LOSS) FOR THE YEAR	**(56,788)**	**(75,475)**	
Actuarial evaluation of Staff leaving indemnity	134	(761)	**25**
Tax effect	(38)	183	**25**
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX	**96**	**(579)**	
Exchange rate differences	(11)	(6)	
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX	**(11)**	**(6)**	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(56,702)**	**(76,060)**	
Total comprehensive (income) loss for the year attributable to Non controlling interests	(347)	(290)	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(57,050)**	**(76,351)**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS	**31 Dec 2017**	**Restated 31 Dec 2016**	**NOTES**
Tangible assets	15,371	13,385	**11**
Intangible assets	728,699	775,804	**12**
Goodwill	705,849	696,350	**13**
Other Investments	447	335	**17**
Investments in associates	147	331	**17**
Deferred tax assets	17,066	13,732	**18**
Other financial assets - non current	493	250	**19**
TOTAL NON CURRENT ASSETS	**1,468,071**	**1,500,187**	
Inventories	1,552	1,422	**20**
Trade receivables	122,755	103,367	**21**
Tax receivables	5,330	1,752	**22**
Other receivables - current	17,464	14,788	**23**
Other financial assets - current	386	1,145	**19**
Cash and bank balances	16,259	19,406	**19**
TOTAL CURRENT ASSETS	**163,748**	**141,879**	
TOTAL ASSETS	**1,631,819**	**1,642,067**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
EQUITY AND LIABILITIES	**31 Dec 2017**	**Restated 31 Dec 2016**	**NOTES**
Share capital	5,450	5,450	**24**
Other reserves	558,928	636,717	**24**
Profit (Loss) attributable to Owners of the Company	(57,134)	(75,771)	**24**
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**507,245**	**566,396**	
Non controlling interests - Capital and reserves	678	764	**24**
Non controlling interests - Profit (Loss)	346	296	**24**
TOTAL NON CONTROLLING INTERESTS	**1,023**	**1,060**	
TOTAL EQUITY	**508,268**	**567,456**	
Financial liabilities with banks and other institutions - non current	720,130	640,000	**19**
Financing Fees - non current	(23,512)	(24,828)	**19**
Other financial liabilities - non current	94,042	81,497	**19**
Staff leaving indemnity	18,280	18,478	**25**
Provisions for risks and charges	10,355	3,906	**26**
Deferred tax liabilities	200,604	210,092	**18**
Other liabilities - non current	636	698	**28**
TOTAL NON CURRENT LIABILITIES	**1,020,535**	**929,843**	
Financial liabilities with banks and other institutions - current	703	47,945	**19**
Financing Fees - current	(7,001)	(10,640)	**19**
Other financial liabilities - current	7,501	10,893	**19**
Trade payables	38,743	33,710	
Tax liabilities - current	258	5,834	**27**
Other liabilities - current	62,810	57,025	**28**
TOTAL CURRENT LIABILITIES	**103,016**	**144,767**	
TOTAL LIABILITIES	**1,123,551**	**1,074,610**	
TOTAL EQUITY AND LIABILITIES	**1,631,819**	**1,642,067**	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	**31 Dec 2017**	**Restated 31 Dec 2016**	**NOTES**
Operating Result	**9,137**	**(393)**	
Depreciation and amortisation of non-current assets	72,459	54,247	
Write-off of non current assets	150	0	
(Profit) or Loss on the sale of tangible assets	422	0	
Amortisation, Depreciation, Write-off, Impairment	**73,031**	**54,247**	
Trade receivables	(15,994)	68,112	
Inventories	(104)	50	
Other receivables - current	(2,553)	1,754	
Trade payables	4,632	(143)	
Other liabilities - current	3,716	(67,477)	
Other liabilities - non current	(62)	(52)	
Change in Working capital	**(10,365)**	**2,245**	
Staff leaving indemnity	(726)	(617)	
Provisions for risks and charges	6,351	(39)	
Change in provisions	**5,625**	**(656)**	
Income tax paid	**(15,666)**	**(12,606)**	
CASH FLOWS FROM OPERATING ACTIVITIES	**61,763**	**42,836**	
Investments in tangible assets	(6,763)	(3,118)	
Investments in intangible assets	(5,369)	(3,607)	
Disposal of tangible assets	200	0	
Capitalized development costs - personnel costs	(11,078)	(8,080)	
Capitalized development costs - service costs	(2,307)	(2,414)	
Capital Expenditure	**(25,317)**	**(17,219)**	
Acquisition of investments	(5,563)	(734,529)	**10**
Cash and bank balances at the date of acquisition	370	37,594	**10**
Acquisition of investments	**(5,193)**	**(696,935)**	
CASH FLOWS FROM INVESTING ACTIVITIES	**(30,510)**	**(714,155)**	
Financial balance paid / cashed-in and change in financial assets / liabilities	**(20,393)**	**171,508**	**10**
Financing Fees paid	**(2,026)**	**(39,639)**	
Vendor loan paid	**(11,149)**	**(6,575)**	**10**
Dividends paid	**(227)**	**(163)**	
Other changes in Equity	**(600)**	**565,531**	**10**
CASH FLOWS FROM FINANCING ACTIVITIES	**(34,396)**	**690,662**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES	**(3,143)**	**19,344**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES DUE TO EXCHANGE RATE MOVEMENTS	**(4)**	**13**	
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	**19,406**	**50**	
CASH AND BANK BALANCES - END OF THE YEAR	**16,259**	**19,407**	

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
Opening Balance	**50**					**50**		**50**
Barolo MidCo Capital Increase	5,400	637,300				**642,700**		**642,700**
Acquisition of TeamSystem Group						**0**	800	**800**
Acquisition of AliasLab Group						**0**	157	**157**
Change in Non controlling interests IFRS 3			(3)			**(3)**	(23)	**(26)**
Dividends						**0**	(164)	**(164)**
Profit (Loss) on comprehensive income		(580)			(75,771)	**(76,351)**	290	**(76,060)**
31 Dec 2016 - Restated	**5,450**	**636,720**	**(3)**	**0**	**(75,771)**	**566,396**	**1,060**	**567,456**

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	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 - Restated	**5,450**	**636,720**	**(3)**	**0**	**(75,771)**	**566,396**	**1,060**	**567,456**
Profit (Loss) allocation		(75,771)			75,771	**0**		**0**
TeamSystem Holding S.p.A. distribution of reserves		(1,279)				**(1,279)**		**(1,279)**
Change in Non controlling interests IFRS 3			(823)			**(822)**	(157)	**(980)**
Dividends						**(0)**	(227)	**(227)**
Profit (Loss) on comprehensive income		84			(57,134)	**(57,050)**	347	**(56,702)**
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**

TeamSystem Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

►INTRODUCTION

On 1 March 2016, private equity funds advised by Hellman & Friedman ("H&F") acquired a controlling interest in TeamSystem Group (inclusive of HG Capital, the majority shareholder) from the previous shareholders (the "Acquisition").

More specifically, on that date, 100% of the share capital of TeamSystem Holding S.p.A., TeamSystem Group's holding company, was acquired by Barolo Bidco S.p.A., a special purpose vehicle and an indirect subsidiary of equity funds advised by H&F. Subsequent to the Acquisition, on 6 October 2016, a reverse merger took place involving TeamSystem S.p.A. (surviving company), TeamSystem Holding S.p.A. and Barolo Bidco S.p.A. (the latter two being absorbed companies, which were extinguished as of the merger's effective date for legal purposes). The effective date for accounting purposes was backdated to 1 March 2016, the date on which Barolo Bidco S.p.A. effectively acquired ownership of TeamSystem Group. After the transactions described above, Barolo Midco S.p.A., the new parent and holding company of TeamSystem Group, was renamed TeamSystem Holding S.p.A.

As a consequence of the foregoing, the comparative figures for the year ended 31 December 2016 included in these consolidated financial statements for the year ended 31 December 2017 consist of the results of TeamSystem Group for just 10 months, from the acquisition date (1 March 2016) to the year end date of 31 December 2016.

►COMPANY BACKGROUND

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

The company is a 100% directly held subsidiary of Barolo Lux 1 S.à.r.l., it is an approximately 87.89% indirectly held subsidiary of the private equity firm Hellman & Friedman ("H&F") and is approximately 8.54% held by the private equity firm HG Capital, with the remainder held by TeamSystem's senior and middle managers (3.57%).

The consolidated financial statements were approved by the Board of Directors on 28 February 2018.

□ □ □

►ACCOUNTING STANDARDS ADOPTED

TeamSystem Holding S.p.A. has adopted International Financial Reporting Standards as endorsed by the European Commission (hereinafter "IFRS") for the preparation of its consolidated financial statements pursuant to the provisions of articles 3 and 4 of Legislative Decree 38 of 28 February 2005, which governs in Italy the exercise of options provided for by article 5 of Community regulations 1606/2002 concerning IFRS.

IFRS is intended to mean all "International Financial Reporting Standards", all International Accounting Standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as Standing Interpretations Committee ("SIC") endorsed by the European

Commission at the date of approval of the draft consolidated financial statements by the Parent Company's Board of Directors and covered by EU Regulations published at that date.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and vendor loan liabilities that, if and when present, have been measured at fair value at the end of each reporting period.

□ □ □

►GOING CONCERN BASIS

TeamSystem Group's consolidated financial statements have been prepared on a going concern basis and the Directors are not aware of any material uncertainties or doubts concerning the Group's ability to continue its activities in the foreseeable future.

□ □ □

►CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include:

1. **A consolidated statement of profit or loss** for the year ended 31 December 2017. In particular, it should be noted that the consolidated statement of profit or loss format presents an analysis of costs aggregated by nature, since this classification is considered to be more relevant for the purposes of an understanding of TeamSystem Group's results. Moreover, since no discontinued or similar operations occurred in 2017 or 2016, profit (loss) for the year is derived solely from continuing operations; consequently, the Group has not presented profit (loss) for the year from continuing operations since, as indicated, this coincides with profit (loss) for the year. As detailed in a relevant note below, the consolidated statement of profit or loss for the year ended 31 December 2016, which has been presented for comparative purposes, has been restated to reflect the new accounting policy adopted by the Group in 2017 concerning certain cost components, which had previously been identified in the statement of profit or loss as “non-recurring” and which have been classified within the related cost categories by nature, in line with best practice and as recommended by ESMA (European Securities and Markets Authority) in the communication ESMA/2015/1415 “ESMA Guidelines on Alternative Performance Measures” of 5 October 2015.

2. **A consolidated statement of comprehensive income** for the year ended 31 December 2017. In fact, IAS 1 requires that the statement of changes in equity has to evidence only changes generated by transactions with shareholders along with comprehensive income as defined below. The statement of comprehensive income begins with the profit or loss for the year followed by a section on other components of comprehensive income recognised directly in equity and then comprehensive income for the year, being the total profit (loss) for the year and other components of comprehensive income. The other comprehensive income section presents revenue and expense line items grouped between those items that will not be reclassified to profit and loss in subsequent periods and those that, on the fulfilment of certain predetermined conditions envisaged by the pertinent IAS/IFRS, will be reclassified to profit and loss.

3. **A consolidated statement of financial position** at 31 December 2017. In particular, the statement of financial position has been prepared using a format, in accordance with IAS 1, classified on the basis of the operating cycle, with a distinction between current and non-current components. On the basis of this distinction, assets and liabilities are considered to be current, if it is expected that they will be realised or settled during the normal operating cycle. As detailed later, the consolidated statement of financial position at 31 December 2016, which has been presented for comparative purposes, has been restated to retrospectively reflect the impact of the final purchase price allocations (PPAs) related to acquisitions completed by the Group in 2016 and which had been considered as provisional at 31 December 2016, with particular reference to that related to the acquisition of the subsidiary Aliaslab S.p.A., performed at the end of December 2016.

4. **A consolidated statement of cash flows** for the year ended 31 December 2017. The statement of cash flows is presented using the indirect method starting with the operating result, as permitted by IAS 7, under which profit or loss for the year is adjusted for the effects of non-cash transactions, such as those arising from deferrals or allocations to provisions linked to previous or future costs and payments. We also point out that

the 2016 statement of cash flows, which has been presented for comparative purposes, has been restated to take account of the non-cash portion of the consideration paid by H&F for the acquisition of TeamSystem Group.

5. **A consolidated statement of changes in equity** for the year ended 31 December 2017.

6. **Notes** to the consolidated financial statements.

►RESTATEMENT OF CONSOLIDATED COMPARATIVES FOR THE YEAR ENDED 31 DECEMBER 2016

As indicated above, the figures for the year ended 31 December 2016 presented in the consolidated financial statements for the year ended 31 December 2017 have been restated to take account of a series of factors that impact the comparatives. Specifically:

1. **Consolidated statement of profit or loss for the year ended 31 December 2016**: in 2017 the Group adopted a new accounting policy with respect to the classification of costs in the consolidated statement of profit or loss, in order to take account of best practice in use and, specifically, of ESMA recommendations on Alternative Performance Measures. Consequently, certain costs previously classified as "non-recurring" relating to components deemed by Management to be non-core with respect to ordinary business operations have been eliminated and have been classified within the corresponding cost category by nature. The new accounting policy has given rise to the reclassification of 2016 comparative figures due to costs previously classed as "non-recurring", as described below:

   a) Of the costs specifically classed as "non-recurring" in 2016, amounting to Euro 18,366 thousand, Euro 17,832 thousand has been allocated to cost of services and Euro 534 thousand has been allocated to other operating costs;
   b) The "non-recurring" components of personnel costs, finance costs and income tax have been eliminated.

   The notes to the financial statements disclose details of the above reallocations.

2. **Statement of financial position at 31 December 2016:** as permitted by the relevant accounting standards, in 2017 the Group completed its analysis relating to the provisional PPAs regarding the acquisitions completed in the prior year. As a result of this analysis, a need arose to retroactively adjust the allocation of the purchase price paid for the acquisition of the subsidiary Aliaslab, which was completed in December 2016. The restatement gave rise to a decrease in provisional goodwill at 31 December 2016 (from Euro 64,061 thousand at 31 December 2016 to Euro 35,071 thousand in the restated consolidated financial statements) with an increase, gross of the tax effect, of the components "Software" of 11,074 thousand and "Customer relationship" of 29,134 thousand. The reallocation had no impact on the comparative consolidated statement of profit or loss for the year ended 31 December 2016 nor on equity, due to the acquisition and consolidation date of the subsidiary (31 December 2016).

3. **Consolidated statement of cash flows for the year ended 31 December 2016**: the comparative statement of cash flows for the year ended 31 December 2016 has been adjusted to reflect the non-cash portion of the consideration paid by H&F for the acquisition of TeamSystem Group, part of which consisted of the offset of a receivable. The components impacted are "Acquisition of investments" and "Other changes in equity" with the amount in question being Euro 77,170 thousand.

□ □ □

►SCOPE OF CONSOLIDATION

The consolidated financial statements of TeamSystem Group include the financial statements of the Parent Company, of the main subsidiary TeamSystem S.p.A. and of other companies in which TeamSystem Holding S.p.A. has a controlling interest in accordance with IFRS 10.

A listing of entities consolidated on a line-by-line basis is provided in the following table, whereby the percentage consolidated takes account of any put and call options entered into in connection with acquisitions (the "% held" column indicates the percentage held by the Group in the company in question at the reporting date without taking account of the put and call option agreements):

Amounts in Euro

CONSOLIDATED COMPANIES LINE BY LINE	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Pesaro	5,450,000	642,674,477	1,155,255	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	499,433,628	(62,378,360)	EUR	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	6,106,185	1,879,419	EUR	90.00	100.00	1
Inforyou S.r.l.	Castello di Godego (TV)	31,250	4,215,852	1,077,317	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	2,399,471	1,022,338	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	106,158	82,939	EUR	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	6,620,726	2,724,628	EUR	70.00	100.00	1
H-Umus S.r.l.	Roncade (TV)	50,000	1,199,580	229,387	EUR	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	408,659	204,553	EUR	51.00	100.00	1 / 2
Esa Napoli S.r.l.	Naples	10,000	22,150	(12,572)	EUR	100.00	100.00	
Euresys S.r.l.	Turin	99,000	766,486	358,729	EUR	60.00	100.00	1
Mondora S.r.l.	Milan	105,000	1,073,445	614,249	EUR	51.00	100.00	1
Voispeed Limited	Saint Albans - UK	1,000	98,570	25,998	GBP	85.00	85.00	3
TeamSystem C&D S.r.l.	Naples	10,000	(4,360)	(118,627)	EUR	100.00	100.00	
Aliaslab S.p.A.	Milan	156,000	13,267,200	6,814,683	EUR	51.00	100.00	1
Reviso International ApS	Copenhagen	50,011	(3,472,951)	(7,516,287)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	9,368	4,827	GBP	100.00	100.00	4
Reviso Soluciones Cloud S.L.	Madrid	3,000	2,433	(451)	EUR	100.00	100.00	4
Reviso Deutschland GmbH	Berlin	25,000	29,930	2,278	EUR	100.00	100.00	4
Evols S.r.l.	Catania	887,000	1,147,834	(12,905)	EUR	51.00	100.00	1
Netlex S.r.l.	Velletri (RM)	12,500	251,338	10,870	EUR	51.00	100.00	1
Cassanova S.r.l	Santarcangelo di Romagna (RN)	10,000	796,708	(113,292)	EUR	51.00	100.00	1
Evolution Fit S.r.l.	Turin	10,000	33,426	(81,315)	EUR	51.00	100.00	1 / 9
Gruppo Euroconference S.p.A.	Verona	300,000	10,852,577	1,677,732	EUR	96.87	96.87	5
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	9,074,988	3,194,932	EUR	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	3,069,457	1,618,959	EUR	86.34	86.34	6
Nuovamacut Centro Sud S.r.l.	Rome	10,000	453,859	245,036	EUR	70.00	70.00	6

Amounts in Euro

CONSOLIDATED COMPANIES EQUITY METHOD	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	105,603	3,141	EUR	40.00	40.00	7
INTIT S.r.l.	Frosinone	20,800	369,119	75,289	EUR	35.00	35.00	7
Mondoesa Milano Nordovert S.r.l.	Milan	50,000	(17,342)	(59,588)	EUR	49.00	49.00	7
Cesaco S.r.l.	Vicenza	90,000	151,545	(24,441)	EUR	48.00	48.00	7
Comsyst S.r.l.	Pesaro	10,000			EUR	49.00	49.00	8

1 = equity interest would be 100% should PUT/CALL option be exercised;
2 = investment held by Danea Soft S.r.l.;
3 = investment held by TeamSystem Communication S.r.l.;
4 = investment held by Reviso International ApS;
5 = takes account of treasury shares held by Gruppo Euroconference;
6 = investment held by Nuovamacut Automazione S.p.A.;
7 = the amounts relate to the financial statements for the year ended 31 December 2016;
8 = the company was set up in 2017.
9 = investment held by Inforyou S.r.l.;

Acquisitions completed in 2017

The scope of consolidation changed during the course of 2017 due to the effect of the following transactions:

- In March 2017, TeamSystem S.p.A. acquired a controlling interest of 51% in Evols S.r.l. (a company specialised in software for hotels and tourist facilities). A put and call option agreement was entered into with respect to the remaining 49% interest.
- In April 2017, Lexteam S.r.l. (merged by absorption into TeamSystem S.p.A. in 2017) acquired a controlling interest in Netlex S.r.l. (of 51%). Netlex S.r.l. develops and markets advanced cloud solutions for legal and professional practices. The acquisition of the remaining 49% interest in Netlex S.r.l. is governed by put and call option agreements.
- In May 2017, TeamSystem S.p.A. acquired the entire capital of Software Time S.r.l. (which was then merged by absorption into TeamSystem S.p.A. in December 2017). Software Time develops and markets logistics management and inventory management software.
- In July 2017, Inforyou S.r.l. acquired a controlling interest (of 51%) in Evolution Fit S.r.l., a company specialised in the development and marketing of cloud software for wellness operators (e.g. gyms and personal trainers). The acquisition of the remaining 49% interest is governed by put and call option agreements.
- In July 2017, TeamSystem S.p.A. acquired a controlling interest (of 51%) in Cassanova S.r.l., a company specialised in the development and marketing of retail and restaurant management software. The acquisition of the remaining 49% interest is governed by put and call option agreements.

□ □ □

► REFERENCE DATE

The consolidated financial statements have been prepared based on the financial statements of the subsidiaries included in the scope of consolidation and as already approved by the respective Boards of Directors.

All the financial statements of the TeamSystem Group companies have a 31 December financial year end.

□ □ □

►BASIS OF CONSOLIDATION

The financial statements used for the consolidation are the financial statements of the individual entities, as approved by the respective administrative bodies. These financial statements are reclassified and adjusted in order to comply with IFRS and the accounting policies adopted by the Parent Company.

In the preparation of the consolidated financial statements, assets and liabilities, income and costs and components of other comprehensive income of consolidated entities are consolidated line-by-line. Receivables and payables, income and charges and gains and losses originating from transactions between and among consolidated entities are eliminated. The carrying amount of consolidated equity investments is eliminated against the corresponding portion of equity attributable to the Group (or to non-controlling interest holders). Associated companies are carried under the equity method.

Business combinations

Acquired subsidiaries are accounted for in accordance with the acquisition method as provided for by IFRS 3. The cost of the acquisition is calculated by the sum of acquisition-date fair values of the assets acquired, liabilities incurred or assumed and financial instruments issued by the Group for the change in control of the business acquired.

All other costs associated with a transaction are expensed.

Identifiable assets, liabilities and contingent liabilities of the businesses acquired, which meet the conditions for recognition under IFRS 3, are measured at their acquisition-date fair values, except for non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5 and which are recorded and measured in accordance with applicable accounting standards.

Goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the value of the acquisition-date amounts of the assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest and the fair value of the acquirer's previously-held equity interest in the acquiree, the surplus is recognised immediately in the income statement as income arising from the completed transaction.

In the event that it is only possible to make a preliminary determination of the fair value of the assets and liabilities at the acquisition date, the business combination shall be recognised using these preliminary amounts. Any adjustments arising from the final determination of the foregoing shall be recognised within twelve months of the acquisition and the related comparatives shall be restated.

Non-controlling interests at the acquisition date may be measured at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree. The option is available on a transaction by transaction basis.

TeamSystem Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by minority owners of the acquiree. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated, since the substance of the binding option agreement is that of the payment of deferred consideration for part of the investee's capital, as evidenced by a series of transactions completed in the past. Accordingly, the estimated value of the exercise price of the put / call is included in the cost of acquisition and contributes to the overall determination of goodwill. This accounting method applies only where the Group has acquired majority control of the voting rights of the companies acquired. In view of the recognition of goodwill related to these options, TeamSystem Group accounts for, as financial liabilities, the payable (so-called vendor loan) related to the estimated actual consideration for the exercise of the options. In accordance with this principle, subsequent changes in the fair value of the payable, due to amendments made to the initial assessment of the exercise consideration, are recognised in the consolidated income statement, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. In the absence of clear accounting rules for the recognition of non-controlling interests where put and call agreements exist, as well as on account of ongoing issues being debated by IFRIC and IASB, the Group has decided to use the accounting method described above that complies with the regulatory framework and current doctrine.

Any acquisitions of non-controlling interests subsequent to control having been achieved are accounted for as transactions between shareholders/quotaholders, with recognition of any difference between the amount paid and the carrying value of the non-controlling interest recorded in equity..

□ □ □

►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 December 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) as their functional currencies.

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

EXCHANGE RATES	Average 2017	Average 2016	31 Dec 2017	31 Dec 2016
GBP	0.87667	0.81948	0.88723	0.85618
DKK	7.43860	7.44519	7.44490	7.43440

□ □ □

►ACCOUNTING POLICIES

Set out below are the accounting policies adopted by the Group for the measurement of the components of the financial statements for the year ended 31 December 2017.

Research and development expenses

In accordance with IAS 38, research expenses are charged to income as incurred.

Development costs incurred in relation to a determined project are capitalised only when the Group can demonstrate, by means of appropriate analysis, the technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention to complete the intangible asset and use or sell it, how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition, development costs are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation begins when development is complete and the asset is available for use. It is amortised with reference to the period for which it is envisaged that the associated project will generate revenues for TeamSystem Group. During the period in which an asset is no longer in use, it is assessed annually to ascertain if there has been any impairment.

Other development expenses that do not meet the above requirements are expensed as incurred. Development costs that have previously been expensed are not accounted for as an asset in subsequent periods.

Capitalised development costs are amortised (as from the start of the production or marketing of the product) on a straight line basis over their residual useful life (estimated to be between 3 and 5 years).

Customer relationship
Customer relationship (which arose on accounting for the acquisition of TeamSystem Group that took place on 1 March 2016 by H&F and following the acquisition of Aliaslab in December 2016) represents the sum total of contractual (supply contracts and service contracts etc.) and non contractual customer relationships and has been valued based on discounted income flows (Income Approach). Amortisation is recognised over the estimated useful life of the asset, which is estimated to be twenty years (TeamSystem), fifteen years (Aliaslab) and ten years (TSS and ACG, companies that have been merged into TeamSystem).

Proprietary software
Proprietary software, which arose on recognition of the acquisition of TeamSystem Group that took place on 1 March 2016 and of the acquisition of Aliaslab, is stated at its reproduction cost and is amortised over the length of its expected useful life of five years.

Proprietary software developed internally and destined for internal use is capitalised at cost of production and is amortised over the length of its residual expected useful life of 5 years.

Third party software licenced for internal use
Third party software licenced for internal use is stated at purchase cost and is amortised over the length of its residual estimated useful life of five years.

Brands
The TeamSystem, Euroconference, ESA and Nuovamacut brands, which arose on recognition of the acquisition of TeamSystem Group that took place on 1 March 2016, have been measured in accordance with the relief from royalties method and are amortised over the length of their residual estimated useful life of twenty years (TeamSystem, Euroconference and Nuovamacut) or ten years (ESA).

Goodwill
Goodwill is initially recognised at cost, represented by the excess value of the consideration transferred for the business combination over the fair value of the assets and liabilities acquired.
In accordance with applicable IFRSs, goodwill is not amortised, but is allocated to its respective Cash Generating Unit (hereinafter "CGU") or groups of CGUs and subjected annually (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to impairment testing in accordance with IAS 36 "Impairment of Assets".

Subsequent costs
Costs incurred subsequently on intangible assets are capitalised if they increase the future economic benefit of the specific capitalised asset.

Amortisation
Amortisation is charged systematically on a straight line basis over the asset's estimated useful life, except for intangible assets with an indefinite life (being solely goodwill) that are not amortised and are systematically assessed to verify the absence of impairment. Other intangible assets are amortised as from the time they become usable. The estimated useful life of each main category is shown in the following table:

Goodwill	Indefinite useful life
Brands	10 - 20 years
Customer relationship	10 - 20 years
Proprietary software	5 years
Development costs	3 - 5 years

Tangible fixed assets
Tangible fixed assets, consisting mainly of land, buildings, electronic machines, furniture and fittings and general and specific plant are stated at purchase cost, net of accumulated depreciation and writedowns. Costs incurred

subsequent to acquisition (repairs and maintenance costs and replacement costs) are recorded as part of the carrying value of an asset, or recognised as a separate asset, only when it is believed that it is probable that associated future economic benefits will be generated and that the cost of the asset can be measured in a reliable manner. Repairs and maintenance costs (or costs of replacements that do not have the above characteristics) are expensed in the year in which they are incurred. Tangible fixed assets are systematically depreciated each year at rates determined on the basis of the residual useful life of the asset.

Regardless of the depreciation already accounted for, in the event of impairment, an asset is written down accordingly. Gains and losses arising on disposal are determined by comparing the sales consideration to the net book value. The amount determined is recognised in profit or loss in the pertinent year.

Financial charges incurred for capital expenditure on an asset that necessarily takes a substantial period of time to get it ready for its intended use ("qualifying asset" in accordance with IAS 23 – Borrowing Costs) are capitalised and depreciated over the useful life of the asset class to which they relate. All other financial charges are expensed in the year they are incurred.

Leased assets
In accordance with IAS 17, lease contracts are classified as finance leases where the terms of the contract are such as to transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are considered to be operating leases. Leased assets are recognised at amounts equal to the present value of the minimum lease payments. The corresponding liability towards the lessor is included in the consolidated statement of financial position as a liability for lease obligations. Payments of lease instalments are split between their capital and interest elements in order to produce a constant periodic interest rate on the remaining balance of the liability. Financial charges are expensed in the year.

Investments in other companies
Investments in other entities classified as non-current assets are stated at cost, inclusive of directly attributable charges, net of any impairment adjustments, given that it was not possible to reliably determine their fair value and on account of the small amount involved.

Investments in associates
An associate is an entity over which the Group has significant influence, but not control or joint control, by means of which it participates in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale.

Under the equity method, investments in associates are recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the changes subsequent to acquisition in the net worth of the associate, net of any impairment of individual equity interests. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses, unless the Group has incurred an obligation to cover them.

Inventories
Inventories, which mainly include hardware and software licences purchased for resale, are stated at the lower of specific purchase cost, inclusive of ancillary charges, and estimated realisable value, which can be derived from market prices. Inventories of obsolete or slow moving items are written down by taking account of their potential use or realisation.

Trade receivables
Receivables are recorded at cost (identified by their nominal value), net of a provision recognised to take account of their expected realisable value, which approximates fair value.

Cash and bank balances
Cash and bank balances include cash on hand and bank and post office account balances.

Foreign currency transactions
The functional currency of the Company and the presentation currency of the Group is the Euro. As required by IAS 21, amounts originally denominated in foreign currency are translated at exchange rates ruling at the year end. Exchange differences realised on the collection of foreign currency receivables and on the payment of foreign currency payables are recognised in the consolidated statement of profit of profit or loss.

Writedowns (Impairment)
At each reporting date, the Group verifies the existence of events or circumstances that call into question the recoverability of the carrying amount of tangible assets and intangible assets with a finite useful life and, in the presence of indicators of impairment, estimates the recoverable amount of the assets to determine whether any impairment exists. Intangible assets with an indefinite useful life, such as goodwill and intangible assets in process of formation, are not subject to amortisation, but are assessed annually to determine whether an asset may be impaired.

In accordance with applicable accounting standards, the assessment is performed by comparing the carrying amount to the estimated recoverable amount, represented by the higher of value in use or fair value less costs to sell. For the purposes of the above assessment, assets are grouped into the smallest identifiable unit for which Management is capable of separating the related cash inflows (CGU).

If the recoverable amount of the asset or cash generating unit (CGU) is lower than the net carrying amount, the asset is adjusted to take account of the impairment loss, which is recognised in the consolidated statement of profit as "Depreciation, amortisation and impairment". An impairment loss relating to a CGU is firstly allocated to goodwill and any residual amount is allocated to other assets.

Interest bearing financial liabilities
Interest bearing financial liabilities are initially recorded at fair value, net of ancillary charges. Subsequent to their initial recognition, interest bearing financial liabilities are measured at amortised cost.

Employee benefit plans
1. **Defined contribution plans**

A defined contribution plan is a pension plan for which the Group pays fixed contributions to a separate entity. The Group does not have any obligation, legal or otherwise, to make additional contributions if the fund has insufficient assets to meet the payment of all employee benefits relating to the period of service. The obligations related to contributions for employees' pensions and other benefits are expensed as incurred.

2. **Defined benefit plans**

Net obligations related to defined benefit plans consist mainly of employee termination indemnities and are calculated by estimating, with actuarial techniques, the amount of the future benefit accrued to employees in the current and prior financial years. The benefit thus determined is discounted and recognised net of the fair value of any related assets. The computation is performed by an independent actuary using the projected unit credit method. Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they arise.

Following the introduction of new legislation on supplementary pensions, as per Legislative Decree 252/2005, introduced by the 2007 Finance Act, the possibility has arisen to transfer accruing severance indemnities to supplementary pension funds. Consequently, in the actuarial valuation of the Provision for employee termination indemnities at 31 December 2008, account was taken of the effects deriving from the legislation, recognising, for IAS/IFRS purposes, only the liability relating to accrued severance indemnities remaining as a balance sheet liability, as the amounts accruing are paid over to a separate entity (supplementary pension fund or the state fund INPS).

Provisions for risks and charges
Where the Group has an obligation, legal or otherwise, resulting from a prior event and it is probable that this will lead to the loss of economic benefits to meet the obligation, an appropriate provision for risks and charges is recorded. No provision is made for future operating losses. Provisions are measured at the present value of Management's best estimate of the cost of satisfying the obligation existing at the reporting date. With respect to legal cases, the amount of the provision is determined on the basis of estimates made by the relevant consolidated company, together with its legal advisors, in order to determine the probability, the timing and the amounts involved.

Trade and other payables
Trade and other payables are stated at cost, representing their settlement value.

Revenue
Revenue recognition methods vary on account of the diverse nature of sales (software licences, maintenance and support, other services and hardware) and the different revenue streams generated by our three operating segments. Specifically:

Software Solutions operating segment

ERP and Business Management Software Solutions – Direct Channel

Licences: revenue from sales of software licenses is recognised on the delivery date on account of all contractual obligations typically being fulfilled and the fact that there are no rights of return or acceptance clauses in our software licenses. In the event that a sale agreement provides for more than one revenue component, such as assistance and maintenance, the revenue arising from these components is separately identifiable in the agreement. Regarding sales of additional feature licenses, such as Regulatory LTAs, revenue is recognized on the download date for new licenses and on a straight line basis for renewals which automatically take place at the beginning of each year.

Assistance and Maintenance: maintenance and support agreements, which include customer support, technical assistance and software updates (other than Regulatory LTAs), generally cover a twelve-month period and related revenue is recognised on a straight line basis over the contract term, with recognition of the revenue component pertaining to future years as deferred income, which is accounted for as a liability.

Service and Other: revenue related to training, implementation and software customisation, either covered by the main agreement or by subsequent agreements, is recognised based on the stage of completion of the services at the reporting date. Revenue related to ERP (Enterprise Resource Planning) implementation services that are ongoing at the reporting date is recognised based on the percentage of completion of the services at that date.

ERP and Business Management Software Solutions – Indirect Channel

Assistance and Maintenance and Licenses: this revenue stream consists of (i) VAR agreements (which generally cover a three-year period and include a pre-determined price scheme that grants VARs the right to download an unlimited number of software licenses and to receive software updates and system support services, with revenue arising from these agreements invoiced on a quarterly or annual basis and recognized on a straight line basis over the agreement term), and (ii) software licenses (which consists of revenue from sales of software licenses not covered by VAR agreements, which is recognized on the delivery date on account of all contractual obligations typically being fulfilled and the fact that there are no rights of return or acceptance clauses in our software licenses). With respect to sales of additional feature licenses, such as Regulatory LTAs, revenue is recognized on the download date for new licenses and on a straight line basis for renewals which automatically take place at the beginning of each year.

Services and Other: revenue from additional services and products offered to VARs, including training, marketing and manuals, is normally recognised when the service has been rendered in compliance with IAS 18 or when the product has been delivered

Vertical Solutions

Revenue from sales of Vertical Solutions products and services is recognised in accordance with the same principles described above for our ERP and Business Management Software Solutions business line for sales made through our Direct Channel or Indirect Channel, as applicable. Moreover, Vertical Solutions revenue includes sales related to:

Publishing: revenue from the sale of books and electronic manuals is recognised on the delivery date.

Training: revenue includes that generated by large conferences, masters and specialist training courses. Revenue is recognised based on services rendered in any given period; revenue from training that is ongoing at the reporting date is recognised based on the percentage of completion of the training services in compliance with IAS 18.

Cloud Software Solutions operating segment

Cloud business unit products and services are sold through subscription agreements, which include software use and updates, helplines and direct support. These contracts generally cover a twelve-month period and the related revenue is recognized on a straight line basis over the contract term, with recognition of the revenue component pertaining to future years as deferred income, accounted for as a liability.

Hardware operating segment

Revenue from the sale of hardware components purchased from third parties is recognised on the delivery date on account of all contractual obligations typically being fulfilled and the fact there are no rights of return or acceptance clauses in the relevant contract.

Grants

Government grants are recognised when there is reasonable certainty that they will be received and that all related conditions will be met. Government grants towards cost components are recognised as income, but are

systematically allocated to the financial year, in order to match the costs they are intended to offset. For grants towards the cost of an asset, the asset and the grant are recognised at their nominal value and the release to income takes place gradually, on a straight line basis, over the expected useful life of the asset.
Where a non cash grant is received, the asset and the contribution are recognised at their nominal value and are released to income on a straight line basis over the expected useful life of the asset.

Dividends
The distribution of dividends to shareholders / quotaholders of the Group companies is recognised as a liability in the period in which they are approved by the general meeting of shareholders / quotaholders.

Rent and operating lease charges
Rent and operating lease charges are recognised in profit or loss on an accrual basis.

Finance income and costs
Finance income and costs are recognised in profit or loss on an accrual basis.

Current and deferred taxation
The tax charge for the year comprises current and deferred taxation. Current tax is recognised in the consolidated statement of profit or loss, except for cases where the tax relates to items accounted for as an equity component. Current tax is calculated by applying the tax rate in force at the reporting date to taxable income. Concerning IRES, it should be noted that the Parent Company and its subsidiaries have elected for a consolidated tax regime, with the Parent Company as tax consolidator.

Deferred tax is calculated, using the liability method, on temporary differences between the book and tax bases of assets and liabilities. Deferred tax is calculated as a function of the expected timing of the reversal of the temporary differences, using the tax rate in force at the date of the expected reversal. A deferred tax asset is recognised only where it is probable that sufficient taxable income will be generated in subsequent years for the recovery thereof.

□ □ □

►EARNINGS PER SHARE
The Parent Company does not have any shares listed on regulated markets; accordingly, as permitted by IAS 33, no information on earnings per share has been disclosed in these notes.

□ □ □

►SEGMENT INFORMATION
In accordance with IFRS 8, an operating segment is a component of an entity:
a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
c) for which discrete financial information is available.

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

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

As regards the above operating segments of TeamSystem Group, note that, following the entry of the new majority shareholder, H&F, the operating segments under the previous structure (three segments comprising of Software and Services, Education and CAD/CAM) along with the management reporting related thereto were subjected to an in-depth review. For the purpose of IFRS 8 disclosure requirements, the Group, which has not been able to redetermine the 2016 figures pertaining to the new organisational structure, has also provided in these consolidated financial statements for the year ended 31 December 2017 segment information for the year just ended in accordance with the previous operating segment structure.

□ □ □

►USE OF ESTIMATES

The preparation of consolidated financial statements requires the Group 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 and consolidated statement of cash flows, 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. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.
Set out below is a listing of consolidated financial statement components that, more than others, require greater subjectivity, on the part of the Group, in the application of estimates and, for which, a change in the conditions of underlying assumptions used may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Business combinations (IFRS 3) and measurement of assets acquired and liabilities assumed: the process of allocation of the cost of a transaction to the assets of TeamSystem Group following a business combination is based on estimates and assumptions derived from Management's professional judgement. Professional judgement is also used to determine the most appropriate methodologies for the measurement of assets acquired and liabilities assumed (including contingent assets and liabilities) and in certain cases provisional initial recognition has been opted for, as permitted by the applicable accounting standard.
- Goodwill and other intangible assets: goodwill and other intangible assets with an indefinite useful life (none of the latter existed as at the reporting date) are tested annually for impairment and during the course of the year if there is any indication thereof. Other intangible assets are tested annually for impairment when there are indications that the carrying amount may not be recovered. When value in use needs to be computed, the Directors estimate the cash flows expected from an asset or from the cash generating unit and choose a discount rate in order to calculate the present value of the cash flows. Accordingly, the impairment test for fixed assets is performed using forecasts, which are naturally subject to uncertainty, of cash flow included in business plans approved by the relevant Boards of Directors or in projections prepared by management of the Group companies in periods in which the business plan has not been updated for the insights needed to make strategic choices.
- Allowance for bad debts: the allowance for bad debts reflects management's estimate of the losses pertaining to receivables due from end customers and the sales network. The estimate of the allowance for bad debts is based on losses expected to be incurred by the company, determined on the basis of past experience with similar receivables, on current and historical past due, on losses and payment collection and on careful monitoring of asset quality and forecasts of economic and market conditions.
- Provision for risks and charges: these provisions relate to liabilities that are certain or probable, the amount of which has not been determined at the reporting date, but the cost of which, as required to meet the obligation, is capable of being reliably estimated by Management. They are recognised in the financial statements in the event of an existing legal or implicit obligation resulting from a prior event and it is probable that the Group will be required to meet the obligation. If the impact is significant, the provisions are measured at discounted present value.
- Employee benefits: The cost of employee benefit plans is determined using actuarial assessments. An actuarial assessment requires the application of assumptions with respect to discount rates, the expected yield from investments, future wage increases, mortality rates and future increases in pensions. Due to the long term nature of these plans, the estimates are subject to a significant degree of uncertainty;
- Vendor loan: this represents the estimated liability with respect to put and call options or earn-out agreements relating to non-controlling holdings in the Group. It is accounted for at its estimated fair value, having applied

various assumptions regarding the estimated indicators that form the basis for its computation and the expected timing of disbursements. The nominal value of the exercise price of the vendor loan is then discounted at the reporting date by applying the relevant discount rate which is the same as that adopted for the cost of debt component in impairment tests.

►ROUNDING

The figures included in the consolidated financial statements and in the notes to the consolidated financial statements are expressed in thousands of Euros (except where otherwise indicated) since this is the currency used in the conduct of TeamSystem Group's operations.

Certain amounts reported in these consolidated financial statements, including financial information and certain operating data, have been subject to rounding adjustments due to the presentation of figures in thousands of Euros. Accordingly, in certain cases, the sum of the numbers in a column or a row in tables may not correspond exactly to the total figure given for that column or row.

□ □ □

►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE AS FROM 1 JANUARY 2017

The following accounting standards, amendments and IFRS interpretations are applicable to the Group for the first time as from 1 January 2017:

- **Amendments to IAS 7 – Disclosure Initiative** (published on 29 January 2016). The objective of the amendments is to provide clarifications to improve disclosures concerning financial liabilities. Specifically, the amendments require disclosures to be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments do not require any specific format to be used for the disclosures. However, the amendments introduced require an entity to provide a reconciliation of the opening balance to the closing balance for liabilities arising from financial transactions. There is no requirement to provide comparative information. The Group has presented a reconciliation for the main financial liabilities pertaining to the 2017 financial year in Note 10.

- **Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses** (published on 19 January 2016). The objective of the amendments is to provide clarifications about the recognition of deferred tax assets resulting from unrealised losses arising from the measurement of available for sale financial assets upon the occurrence of certain circumstances and about the estimation of future taxable income. The adoption of the amendments has had no effect on these financial statements.

►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2017

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. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017. Based on analysis performed and on assessments conducted during the year, the Directors do not believe that the application of IFRS 15 will have a significant impact on revenue recognition in the Group's consolidated financial statements. The Directors are currently assessing whether to use, at the date of initial application, the fully retrospective or modified retrospective approach, bearing in mind the expected insignificant impact of both on the opening equity balance and on the Group's revenue and result for the year.

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

  The new standard is effective for annual periods beginning on or after 1 January 2018.
  Based on analysis performed, the Directors believe that the application of IFRS 9 will primarily have an impact on related disclosures in the Group's consolidated financial statements, with particular reference to the new classification criteria and categories applicable to financial assets and liabilities. No significant impact is expected on results and financial position, on account of the fact that the Group is not party to any derivatives and that the model used for the computation of credit losses already takes account of expected losses, based on historical trends, past analysis and updated information.

- **IFRS 16 – Leases** (published on 13 January 2016) which replaces IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases— Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of a lease and introduces a criterion based on control (right of use) over an asset in order to differentiate lease contracts from service contracts, identifying the following features: identification of the asset, the right to replacement thereof, the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the underlying asset. The standard sets out a single model for the recognition and measurement of lease contracts for a lessee that requires the recognition of assets held under leases, inclusive of operating leases, as balance sheet assets with an opposite entry to financial liabilities and it also makes it possible not to recognise as leases contracts for low-value assets and leases with a contractual duration equal to or less than 12 months. On the other hand, the standard does not include any significant amendments for lessors.
  The standard is applicable as from 1 January 2019, although early application is permitted, but only for companies that have already adopted IFRS 15 - Revenue from Contracts with Customers. The Directors believe that the application of IFRS 16 may have a significant impact on the amounts recognised and on the related disclosures provided in the Group's consolidated financial statements; in particular, on account of the various open rent and operating leases, the Directors believe that the application of the standard will give rise to the recognition of a right of use asset and a lease liability and a significant improvement in operating income. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis of the related contracts.

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

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

- Annual Improvements to IFRSs: 2014-2016 Cycle, published on 8 December 2016 (inclusive of IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice and IFRS 12 Disclosure of interests in other entities – Clarification of the scope of the Standard) and which amend existing IFRSs. Most of the amendments are applicable as from 1 January 2018. The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.

- On 7 June 2017 the IASB issued the interpretation document IFRIC 23 – Uncertainty over Income tax Treatments. The interpretation addresses uncertainty over income tax treatments.
  The interpretation envisages that uncertainties in the determination of tax liabilities or assets should be reflected in the financial statements only when it is probable that the entity will settle or recover the amount in question. Moreover, the interpretation does not contain any new disclosure obligation, but it emphasises that the entity must establish if there will be a need to provide information on considerations made by management and relating to the inherent uncertainty in accounting for taxation, in accordance with the requirements of IAS 1.
  The new interpretation is applicable as from 1 January 2019, although early application is permitted. The Directors are currently assessing the potential effect of the introduction of this interpretation on the Group's consolidated financial statements.

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

Notes to the consolidated financial statements

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

1. TOTAL REVENUE

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Hardware	8,897	7,081	1,816	25.6%
Software	61,190	41,757	19,433	46.5%
Hardware subscriptions	2,034	1,570	465	29.6%
Software subscriptions	178,797	133,318	45,479	34.1%
Other products	1,989	1,333	656	49.2%
Other services	50,085	33,943	16,142	47.6%
Education	11,095	8,221	2,874	35.0%
Discount Paid	(12)	(21)	9	-43.4%
Revenue	**314,076**	**227,202**	**86,874**	**38.2%**
Other income	1,686	1,803	(117)	-6.5%
Operating grants	216	390	(174)	-44.7%
Other operating income	**1,902**	**2,193**	**(292)**	**-13.3%**
Total Revenue	**315,977**	**229,395**	**86,582**	**37.7%**

Total revenue for the year ended 31 December 2017 came to € 315,977 thousand. The main components are the following:

- Hardware (€ 8,897 thousand), relating to sales of hardware products;
- Software (€ 61,190 thousand), relating to sales of licences;
- Software subscriptions (€ 178,797 thousand), relating to the provision of maintenance and support, which include software updates, helplines and direct support;
- Other services (€ 50,085 thousand), relating to training, implementation and software customisation;
- Education (€ 11,095 thousand), relating to revenue recognised by companies operating in the professional training sector, namely Gruppo Euroconference S.p.A.

Details of total revenue by operating segment are provided in Note 2 below.

2. OPERATING SEGMENTS

In accordance with IFRS 8, an operating segment is a component of an entity:
a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
c) for which separate financial information is available.

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

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

All costs have been properly allocated to the corresponding operating segments (there are no “unallocated costs”) based on the nature of such costs and their relationship to corresponding revenue.

OPERATING SEGMENTS 31 Dec 2017	Software Solutions	Cloud Software Solutions	Hardware	Consolidated Financial Statement
TOTAL REVENUE	276,320	34,000	5,657	315,977
ADJUSTED EBITDA	95,965	15,903	1,141	113,010
Net invested capital	1,013,168	261,467	8,359	1,282,994

Each of the above operating segments operates based on its own market strategy and related objectives, which are aligned to the guidelines established by the Group. In particular, the Executive Committee (or the Chief Operating Decision Maker -“CODM”-), composed of a limited number of frontline managers who report to the CEO, measures the Group's performance and allocates resources and capital expenditure based on various indicators, the pre-eminent and most significant of which are Adjusted EBITDA (defined as profit (loss) for the year plus (i) income tax (ii) finance income and costs (iii) impairment of non-current assets (iv) other provisions for risks and charges (v) depreciation and amortisation of non-current assets (vi) allocations to the allowance for bad debts and (vii) certain costs deemed by Management to be non-core for the measurement of the Group's performance.

As regards the operating segments of TeamSystem Group note that, following the entry of the new majority shareholder, H&F, the operating segments along with the management reporting related thereto were subjected to an in-depth review. For the purpose of IFRS 8 disclosure requirements the Group, which has not been able to determine the figures pertaining to the new organisational structure for 2016 comparatives, has also provided segment information for the year just ended in accordance with the previous operating segment structure.

OPERATING SEGMENTS - IFRS REPORTED 31 Dec 2016	Software and Services	Education	CAD/CAM	Intercompany Elimination	Consolidated Financial Statement
TOTAL REVENUE	194,410	9,114	27,139	(1,268)	229,395
Total Revenue - external segments	193,956	8,382	27,057		
Total Revenue - internal segments	454	732	82		
ADJUSTED EBITDA	70,492	2,451	4,637	(47)	77,533
Net invested capital	1,252,758	18,787	19,978	0	1,291,523

OPERATING SEGMENTS - IFRS REPORTED 31 Dec 2017	Software and Services	Education	CAD/CAM	Intercompany Elimination	Consolidated Financial Statement
TOTAL REVENUE	269,373	11,950	36,283	(1,629)	315,977
Total Revenue - external segments	268,514	11,258	36,206		
Total Revenue - internal segments	859	693	78		
ADJUSTED EBITDA	104,082	3,298	5,773	(144)	113,010
Net invested capital	1,245,000	17,969	20,023	2	1,282,994

Details are set out below of the Adjusted EBITDA reconciliation for 2017 and 2016:

(€ in thousand)	31 Dec 2017	31 Dec 2016
Profit (Loss) for the year	**(56,788)**	**(75,475)**
Income tax	(6,115)	(1,778)
Financial income and expenses	72,039	76,860
Impairment of non-current assets	150	-
Other provisions for risks and charges	7,028	457
Depreciation and amortization of non-current assets	72,459	54,247
Allowance for bad debts	3,896	3,595
Acquisitions and mergers cost	1,282	13,604
Cost for international project	306	-
Strategic marketing expenses	1,720	372
Settlements with clients and agents	2,416	-
Personnel redundancy	2,826	1,261
Costs for changing and closing locations	1,376	615
Advisory expenses related to reorganization and cost saving projects	5,937	1,922
IT costs for system integration and transformation	1,866	874
Costs for change management program	1,696	266
Tax optimization costs	258	169
Cost for credit collection project	405	117
Other minor items	254	426
Adjusted EBITDA	**113,010**	**77,533**

Lastly, note that there is no concentration of revenue with any specific customer, given the notable segmentation of Group sales, which in the years ended 31 December 2017 and 2016, were almost exclusively realised in Italy.

3. COST OF RAW AND OTHER MATERIALS

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Hardware purchases	6,884	5,071	1,813	35.7%
Third parties' software	19,644	15,103	4,541	30.1%
Handbooks and forms	38	33	5	15.1%
Materials for education	185	133	52	39.0%
Fuel	2,027	1,514	514	33.9%
Other materials	890	703	187	26.6%
Change in inventory of raw materials	(84)	45	(129)	n.s.
Total	**29,584**	**22,602**	**6,982**	**30.9%**

The cost of raw and other materials for the year ended 31 December 2017 came to € 29,584 thousand. This mainly relates to the cost of sales of hardware and third party software

4. COST OF SERVICES

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Agent commissions and other costs	12,289	9,282	3,007	32.4%
Consulting and third parties services	11,883	8,828	3,054	34.6%
Software and Hardware maintenance costs	6,242	4,447	1,795	40.4%
Web recall costs		9	(9)	-100.0%
Administrative tax and legal	2,545	2,026	519	25.6%
Education - consulting and copyrights	3,266	2,443	823	33.7%
Magazines - consulting and copyrights	1,372	1,215	157	12.9%
Other costs for education services	1,122	1,542	(420)	-27.2%
Advertising and marketing	6,110	3,796	2,315	61.0%
Car rentals	4,649	4,105	544	13.3%
Utilities	3,806	2,695	1,111	41.2%
Costs for mergers and acquisitions	1,282	13,070	(11,788)	-90.2%
Tax optimization costs	258	169	89	52.7%
Strategic marketing expenses	1,720	372	1,348	n.s.
Other minor items	254	426	(172)	-40.4%
Costs for strategic projects and reorganizations	10,463	3,795	6,668	n.s.
Other services	11,891	8,569	3,321	38.8%
Cost of services - Gross of capitalization	**79,152**	**66,789**	**12,363**	**18.5%**
Services capitalised development costs	(2,307)	(2,414)	108	-4.5%
Total	**76,845**	**64,374**	**12,470**	**19.4%**

Cost of services came to € 76,845 thousand for the year ended 31 December 2017, net of an amount capitalised in the year pertaining to software projects of € 2,307 thousand, details of which are provided in Note 12 on intangible assets.

The main components are the following:

- Agent commissions and other costs (€ 12,289 thousand) relating to compensation payable to agents, an allocation to the provision for agents' indemnity and other costs attributable to commercial consulting services;
- Consulting and third party services (€ 11,883 thousand) mainly relating to the outsourcing to third parties of on-site customer maintenance and support;
- Hardware and Software subscription charges (€ 6,242 thousand) relating to periodic fees for support services and subscriptions for third party products;
- Strategic marketing costs (€ 1,720 thousand) relating to costs incurred again in 2017 for external consulting services in connection with the three year TeamSystem re-branding project that was launched in 2015;
- Tax optimization costs (€ 258 thousand) relating in particular to tax advice on patent box legislation and on an advance ruling in relation to the deductibility of financing fees associated with the Notes.
- Acquisition and merger costs (€ 1,282 thousand) mainly relating to advisory costs incurred for the acquisition of companies recognised in the year and for the mergers of TSS S.p.A. and ACG S.p.A., which were merged into TeamSystem in 2017;
- Strategic project and reorganization costs (totalling € 10,463 thousand) that include the following categories:
  - Advisory expenses related to reorganization and cost saving projects (€ 5,937 thousand) with particular reference to costs for projects focusing on customer support, to the sole sales channel project, to an analysis of outsourcing projects and a review of the purchase cycle, all of which were incurred within the broader reorganisation framework of the Group's new operating model;
  - Cost for international projects (€ 306 thousand) relating to advisory costs incurred for the Group's expansion into foreign markets;
  - Costs for changing and closing locations (€ 767 thousand);
  - IT costs for system integration and transformation (€ 1,866 thousand) relating, in particular, to consulting costs and information systems interventions to integrate the data of companies merged into TeamSystem S.p.A. in 2017 and for other interventions linked to the new operating model;
  - Costs for change management program (€ 1,184 thousand) relating to HR consulting costs and special training events that took place in 2017 in connection with the broader Group reorganisation process.
  - Costs for credit collection project (€ 405 thousand).
- Other minor items of € 254 thousand that include management costs for bonds issued by the Group and charged by various parties (banks and lawyers).
- Other service costs (€ 11,891 thousand), mainly consisting of:
  - Costs for shipping and transport of € 380 thousand;

- o Costs for reimbursement of expenses of € 5,428 thousand, relating to travel costs and daily allowances for technicians and commercial staff who are involved in installation, support and training at customers' premises;
- o Maintenance costs of € 653 thousand;
- o Insurance costs of € 607 thousand.

As regards the capitalisation of cost of services recognised in 2017 (€ 2,307 thousand) reference should be made to Note 12 on Intangible Assets.

With respect to the 2016 comparatives, following the elimination of the line item Non-recurring costs, the following reclassifications have been made within Cost of services:

- acquisition and merger costs of € 13,070 thousand associated, in particular, with the acquisition of TeamSystem Group by H&F (€ 10,010 thousand), with further acquisitions completed in 2016 (€ 1,800 thousand) and with costs incurred for mergers that took place in the period;
- strategic marketing costs of € 372 thousand relating to costs incurred in 2016 for external consulting services in connection with the three year TeamSystem re-branding project that was launched in 2015;
- tax optimization costs (€ 169 thousand) relating in particular to tax advice mainly concerning new patent box regulations;
- strategic project and reorganization costs totalling € 3,795 thousand that include the following categories:
    - o advisory expenses related to reorganization and cost saving projects (€ 1,922 thousand);
    - o costs for change management program (€ 266 thousand);
    - o costs for credit collection project (€ 117 thousand);
    - o costs for changing and closing locations (€ 615 thousand) incurred by the Group in relation to the project concerning the reduction in and amalgamation of a number of corporate locations;
    - o IT costs for system integration and transformation of € 874 thousand relating, in particular, to external consulting services consisting of information systems interventions in connection with the Group reorganisation process;
- other minor items of € 426 thousand that include management costs for bonds issued by the Group and charged by various parties (banks and lawyers).

5. PERSONNEL COSTS

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Wages, salaries and social contributions	108,985	79,792	29,193	36.6%
Staff leaving indemnities	4,999	3,369	1,630	48.4%
Other personnel costs	76	28	48	n.s.
Personnel costs for redundancy and reorganizations	3,338	1,261	2,077	n.s.
Employees costs	**117,399**	**84,450**	**32,948**	**39.0%**
Freelancers and collaborators fees	313	102	211	n.s.
Directors' fees and related costs	2,949	2,546	403	15.8%
Directors and Collaborators	**3,262**	**2,648**	**614**	**23.2%**
Personnel - Gross of capitalization	**120,661**	**87,099**	**33,562**	**38.53%**
Personnel capitalised development costs	**(11,078)**	**(8,080)**	**(2,998)**	**37.1%**
Total	**109,583**	**79,019**	**30,564**	**38.7%**

Personnel costs came to € 109,583 thousand for the year ended 31 December 2017.

Of the restructuring costs in 2017, € 2,826 thousand relate to personnel downsizing costs attributable to restructuring carried out by TeamSystem Group as part of the operating model project launched in 2017.
Personnel costs also include € 512 thousand of special bonuses awarded to employees under the *Change Management* programme.

With respect to the 2016 financial year, personnel restructuring costs, which had previously been classed as "non-recurring", amounted to € 1,261 thousand and again related to personnel downsizing costs.

As regards the capitalisation of personnel costs recognised in 2017 (€ 11,078 thousand) reference should be made to Note 12 on Intangible Assets.

The following table provides details of employee numbers at 31 December 2017.

	Average 2017	Average 2016	Change	31 Dec 2017	31 Dec 2016	Change
Managers	55	49	6	57	53	4
Middle managers / white collars / workers	1,937	1,793	144	1,957	1,916	41
Total	**1,992**	**1,842**	**150**	**2,014**	**1,969**	**45**

The number of Group employees at 31 December 2017 comprises employees of the companies acquired in 2017; more specifically, employee numbers relating to Evols S.r.l. (30), Evolution Fit S.r.l. (1), Netlex S.r.l. (8), Cassanova S.r.l. (4), Software Time S.r.l. (8).

6. OTHER OPERATING COSTS

Other operating costs came to € 7,298 thousand for the year ended 31 December 2017. The main components are the following:

- Rent (€ 4,174 thousand) mostly incurred for the main premises;
- Costs mainly comprising the cost of agreements with customers and agents and in relation to disputes (€ 2,416 thousand) and a loss recognised by the Group on disposal of the Campobasso facility (€ 609 thousand).

Furthermore, in the 2016 financial year, other operating costs were incurred of € 534 thousand relating to acquisitions in 2016 that have been reclassified from Non-recurring costs to Other operating costs.

7. FINANCE INCOME

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Interest and other finance income	101	25	76	n.s.
Gains on foreign exchange	18	40	(22)	-54.5%
Interest from cash pooling and other loans	6	35	(29)	-83.5%
Interest from banks	1	6	(5)	-78.9%
Vendor Loan depreciation	7,467	11	7,455	n.s.
Dividends	24	(0)	24	n.s.
Revaluations of investments	2	(0)	2	n.s.
Total	**7,618**	**117**	**7,501**	**n.s.**

Finance income came to € 7,618 thousand for the year ended 31 December 2017 and was mainly attributable to the measurement of the vendor loan arising from a change in the fair value thereof due to the remeasurement of the initial exercise price of the options.

8. FINANCE COSTS

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Interest on bank overdrafts and loans	525	963	(438)	-45.5%
Interest on Notes	49,228	54,128	(4,900)	-9.1%
Interest on Notes Premium	0	(5,206)	5,206	n.s.
Interest on shareholders loan	280	0	280	n.s.
Interest on financing fees	6,859	17,723	(10,864)	-61.3%
Vendor Loan revaluation	15,290	6,320	8,969	n.s.
Bank commissions	1,425	879	545	62.0%
Interest on actuarial valuation of employee benefits	327	243	84	34.4%
Other IFRS financial charges	5,376	1,644	3,732	n.s.
Interest on cash pooling and other loans	4	0	4	n.s.
Other financial charges	172	49	123	n.s.
Losses on foreign exchange	24	19	5	28.1%
Write-downs of investment	165	100	65	64.9%
Total	**79,674**	**76,864**	**2,811**	**3.7%**

Finance costs for the year ended 31 December 2017 came to € 79,674 thousand. The main components are the following:

- Interest costs on Notes (€ 49,228 thousand), of which € 13,538 thousand relates to Senior Notes of € 150,000 million issued by TeamSystem Holding and € 35,690 thousand relates to Senior Secured Notes of € 570,000 thousand issued by TeamSystem S.p.A.;

- Interest cost on financing fees (€ 6,859 thousand) relates to financing fees for Senior Notes of € 150,000 thousand (€ 778 thousand), to financing fees for Senior Secured Notes of € 570 million (€ 4,992 thousand) and to financing fees for the RCF (€ 1,089 thousand);
- Cost associated with the remeasurement of the vendor loan (€ 15,290 thousand) arising from a change in the fair value thereof due to the remeasurement of the initial exercise price of the options.
- IFRS finance costs (€ 5,376 thousand), which include finance costs recognised by the Group on having discounted the vendor loan based on the new discount rate for the period.

9. TOTAL INCOME TAX

Current income and deferred tax
Current tax for the 2017 financial year amounted to € 5,971 thousand and consists of the following:

- IRES of € 2,726 thousand;
- IRAP of € 3,174 thousand;
- Taxation relating to prior years of € 71 thousand.

The decrease in current tax compared to the figure for the 2016 financial year is mainly attributable to the following two factors:
(a) the impact arising, in relation to the 2015 financial year, from the option for the patent box regime exercised by TeamSystem S.p.A. (and by the assignors TSS and ACG) for specific software, which is subjected to indirect use. The impact of the above option was computed autonomously by TeamSystem S.p.A. based on clarifications provided by the Revenue Agency under Resolution No. 28 of 9 March 2017;
(b) the impact of the recomputation of finance costs deductible for tax purposes in accordance with Art. 96 of Presidential Decree 917 of 22 December 1986 that was performed based on the response provided by the Revenue Agency to the advance ruling request No. 954-288/2017 submitted by TeamSystem (with this response, in particular, having permitted the company to consider as deductible, in the financial year as incurred and over and above the quantitative limits provided for by the aforementioned Art. 96 of Presidential Decree 917 of 1986, costs incurred in relation to the Notes issue in 2016).

As regards the amount of deferred tax recognised in the consolidated statement of profit or loss, reference should be made to Note 18.

10. CONSOLIDATED STATEMENT OF CASH FLOWS

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

Vendor loan paid = the amount of the Vendor loan paid in 2017 was € 11.2 million in relation to the acquisition of further equity interests in Danea S.r.l. and Inforyou S.r.l., to the payment of a price adjustment for the acquisition of equity interests in Aliaslab S.p.A. and TeamSystem C&D S.r.l. and to the payment of earn-outs relating to investments in Lira S.r.l., Mondora S.r.l., Informativa Veneta S.r.l. and EasyFatt Dev S.r.l. (see also Note 19). The amount of € 11.2 million includes € 0.5 million relating to dividends paid to non-controlling interest holders.

Finance costs/income paid/received and change in Financial Assets / Liabilities = as regards the amount of € 20.4 million reported for the year ended 31 December 2017:

- € 52.1 million relates to finance costs paid by the Group in the course of 2017. Specifically, this amount includes:
    1) € 49.8 million relating to interest of € 13.5 million paid on Senior Notes of € 150 million and to interest of € 36.3 million paid on Senior Secured Notes of € 570 million;
    2) € 1.9 million relating mainly to the payment of interest and bank charges.
- € 31.8 million relating to proceeds from new loans / proceeds from financial assets net of disbursements in connection with financial liabilities as detailed below:
    1) € 47 million relates to the RCF: in particular, the 2017 financial year was characterised by € 34.5million relating to new drawdowns and by € 81.5 million of repayments;
    2) € 80 million relates to the issue of new Senior Secured Notes;
    3) € 1.2 million relates to the settlement of medium-long term debt pertaining mainly to companies that entered the scope of consolidation in the prior year.

<u>Acquisition of investments</u> = as regards the amount of € 5.1 million:

- € 0.4 million consists of cash and bank balances held by subsidiaries that entered the scope of consolidation in 2017 at the dates of the acquisitions thereof;
- The amount of € 5.6 million mainly relates to:
    1) cash-out paid by Lexteam S.r.l. for the acquisition of Netlex S.r.l.;
    2) cash-out paid by TeamSystem S.p.A. for the acquisition of Evols S.r.l.;
    3) cash-out paid for the acquisition of other companies.

<u>Other changes in Equity</u> = Note that the distribution of reserves to shareholders totaling € 1,279 thousand, as approved by general meetings of the shareholders of TeamSystem Holding S.p.A. held on 27 January 2017 (€ 679 thousand) and on 2 October 2017 (€ 600 thousand), has generated a cash outflow solely in relation to the latter amount of € 600 thousand (as presented in the statement of cash flows). The amount of € 679 thousand, which has been offset against a receivable due to TeamSystem Holding by its parent company, constitutes, in fact, a non-cash transaction.

As previously disclosed, the comparative statement of cash flows for the year ended 31 December 2016 has been adjusted to reflect the non-cash portion of the consideration paid by H&F for the acquisition of TeamSystem Group, part of which consisted of the offset of a receivable. The components impacted are "Acquisition of investments" and "Other changes in equity" with the amount in question being Euro 77,170 thousand.

The table below provides details of the change in the year in financial liabilities, with separate disclosure of those that have generated cash flows as opposed to other changes of a non-cash nature.

		Cash flows			Other non - cash movements		
	Restated 31 Dec 2016	Repayments and other financial flows	New financing	Change in cons. area	Accruals and other financial income / cost	Change in cons. area	31 Dec 2017
Loans with banks	47,703	(49,432)		1,880	525		676
Overdrafts with banks	202	(86)					116
Notes	640,000	(49,093)	80,000		49,093		720,000
Vendor loan	92,356	(10,603)			12,652	7,043	101,448
Total	**780,261**	**(109,214)**	**80,000**	**1,880**	**62,270**	**7,043**	**822,240**

11. TANGIBLE FIXED ASSETS

COST	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Additions	Other movements and disposals	Restated 31 Dec 2016
Land		1,073				1,073
Buildings		8,840		45		8,885
Plant and machinery		4,223	110	112	822	5,267
Equipment		1,558	17	150	343	2,068
Other assets		17,421	1,327	1,764	(318)	20,193
Tangible assets under construction		214		1,190	(1,404)	
Total		**33,329**	**1,454**	**3,261**	**(556)**	**37,487**

ACCUMULATED DEPRECIATION	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Depreciation	Other movements and disposals	Restated 31 Dec 2016
Land						
Buildings		3,022		309		3,331
Plant and machinery		3,233	100	221	(31)	3,524
Equipment		1,358	14	90	10	1,473
Other assets		14,190	946	1,033	(394)	15,775
Tangible assets under construction						
Total		**21,803**	**1,061**	**1,653**	**(414)**	**24,103**

NET BOOK VALUE	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Additions	(Depreciation)	Other movements and disposals	Restated 31 Dec 2016
Land		1,073					1,073
Buildings		5,818		45	(309)		5,554
Plant and machinery		990	9	112	(221)	853	1,743
Equipment		200	3	150	(90)	333	596
Other assets		3,231	381	1,764	(1,033)	76	4,418
Tangible assets under construction		214		1,190		(1,404)	
Total		**11,526**	**393**	**3,261**	**(1,653)**	**(142)**	**13,385**

COST	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Additions	Other movements and disposals	31 Dec 2017
Land	1,073				(125)	948
Buildings	8,885				(2,822)	6,063
Plant and machinery	5,267		4	2,106	(932)	6,445
Equipment	2,068			571	(14)	2,625
Other assets	20,193		345	4,089	(2,563)	22,065
Tangible assets under construction						
Total	**37,487**		**349**	**6,766**	**(6,455)**	**38,146**

ACCUMULATED DEPRECIATION	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Depreciation	Other movements and disposals	31 Dec 2017
Land						
Buildings	3,331			266	(1,140)	2,457
Plant and machinery	3,524		1	536	(665)	3,396
Equipment	1,473			194	(14)	1,653
Other assets	15,775		265	1,783	(2,553)	15,269
Tangible assets under construction						
Total	**24,103**		**266**	**2,779**	**(4,372)**	**22,776**

NET BOOK VALUE	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Additions	(Depreciation)	Other movements and disposals	31 Dec 2017
Land	1,073					(125)	948
Buildings	5,554				(266)	(1,683)	3,605
Plant and machinery	1,743		3	2,106	(536)	(267)	3,049
Equipment	596			571	(194)		972
Other assets	4,418		81	4,089	(1,783)	(9)	6,796
Tangible assets under construction							
Total	**13,385**		**83**	**6,766**	**(2,779)**	**(2,084)**	**15,371**

12. INTANGIBLE ASSETS

NET BOOK VALUE	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements and disposals	Capitalization	Additions	(Amortization)	(Write-downs)	Restated 31 Dec 2016
Development costs - completed		16,021	487	1,663	8,284	6	(6,582)		19,880
Development costs - in progress		2,259		(1,545)	2,128				2,842
Capitalized development costs		**18,280**	**487**	**118**	**10,413**	**6**	**(6,582)**		**22,721**
Brand IFRS		134,325					(5,689)		128,636
Software IFRS		66,625	11,074				(11,138)		66,561
Customer relationship IFRS		522,151	29,134				(23,533)		527,751
Other IFRS assets		18,142					(840)		17,302
Asset IFRS		**741,242**	**40,208**				**(41,200)**		**740,250**
Software, trademarks, patents		8,493	324	244	19	2,949	(3,194)		8,836
Other intangible assets		4,348	368	(118)		672	(1,619)		3,652
Intangible assets under construction		256		(463)	62	490			345
Other intangible assets		**13,097**	**693**	**(337)**	**81**	**4,112**	**(4,812)**		**12,832**
Total		**772,619**	**41,388**	**(219)**	**10,494**	**4,118**	**(52,594)**		**775,804**

NET BOOK VALUE	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Other movements and disposals	Capitalization	Additions	(Amortization)	(Write-downs)	31 Dec 2017
Development costs - completed	19,880			2,743	12,950		(10,216)		25,357
Development costs - in progress	2,842			(2,425)	109	366	(53)		839
Capitalized development costs	**22,721**			**318**	**13,059**	**366**	**(10,269)**		**26,195**
Brand IFRS	128,636						(6,791)		121,845
Software IFRS	66,561						(14,898)		51,663
Customer relationship IFRS	527,751						(30,035)		497,716
Other IFRS assets	17,302						(1,008)		16,294
Asset IFRS	**740,250**						**(52,732)**		**687,518**
Software, trademarks, patents	8,836		1,103	781	325	3,985	(4,256)	(150)	10,624
Other intangible assets	3,652		9	215		2,075	(2,422)		3,529
Intangible assets under construction	345		1,471	(1,308)		324			832
Other intangible assets	**12,832**		**2,583**	**(312)**	**325**	**6,384**	**(6,678)**	**(150)**	**14,984**
Total	**775,804**		**2,583**	**6**	**13,385**	**6,750**	**(69,680)**	**(150)**	**728,699**

Development costs in progress relate to costs capitalised for new products and new software modules, which, at 31 December 2017, had not yet been completed or for which the marketing and sales phase had not yet started.

As regards capitalised development costs recognised in 2017 of € 13,059 thousand, the main components relate to development costs capitalised by the subsidiary TeamSystem S.p.A. during the course of 2017.

13. GOODWILL

Of the Goodwill balance of € 705,849 thousand, € 631,292 relates to the amount recognised upon the acquisition of TeamSystem Group by H&F (through the special purpose entity Barolo Bidco S.p.A.) in March 2016, while the remainder relates to other acquisitions completed in 2016 and 2017. Goodwill consists mainly of the excess of the consideration paid for the aforementioned acquisitions over the fair value of the assets acquired and the liabilities assumed and has been allocated to the CGUs or groups of CGUs that were identified based on the Group's operating segments.

As previously disclosed, in 2017, Management reviewed the organisational structure and related internal reporting and identified, in accordance with IFRS 8, the following operating segments:
- Software Solutions;
- Cloud Software Solutions;
- Hardware.

As a consequence of the foregoing, the Group has reallocated the goodwill recognised in the financial statements based on the above new segments. At 31 December 2017, total goodwill has been allocated as set out below:

	Restated 31 Dec 2016	Other movements	Additions	(Impairment)	31 Dec 2017
Software solutions - Goodwill	527,288		3,633		530,921
Cloud software solutions - Goodwill	163,092		5,866		168,958
Hardware - Goodwill	5,971				5,971
Total	696,350		9,499		705,849

At 31 December 2016, goodwill had been allocated to the previous operating segments as indicated below:

	Opening Balance	TeamSystem Group Acquisition	Other movements	Additions	(Impairment)	Restated 31 Dec 2016
Goodwill SWSS CGU		582,921		65,058		647,979
Goodwill Education CGU		24,734				24,734
Goodwill CAD / CAM CGU		23,637				23,637
Total		631,292		65,058		696,350

The increase in goodwill recorded in the 2017 financial year of € 9,499 thousand relates to the companies acquired by the Group during the year, being:
- Evols S.r.l. (€ 2,810 thousand);
- Netlex S.r.l. (€ 2,362 thousand);
- Software Time S.r.l. (€ 823 thousand)
- Evolution Fit S.r.l. (€ 1,404 thousand);
- Cassanova S.r.l. (€ 2,100 thousand).

The purchase price allocations recognised for the acquisition of these companies was still provisional at 31 December 2017 and, consequently, the related goodwill was also provisional. Further details are provided in the paragraph on "Provisional allocation of goodwill".

Note that, during the course of 2017, work was completed on the allocation of the purchase price for companies acquired in the previous year and which had been disclosed as provisional in the consolidated financial statements for the year ended 31 December 2016. This gave rise to a revision of the allocation pertaining to the subsidiary Aliaslab S.p.A., which had been acquired in December 2016; further details are provided in Note 15 below. No differences arose with respect to allocations pertaining to the other companies acquired, comprising H&F's allocation to TeamSystem Group, in relation to which the provisional amounts were confirmed at 31 December 2017.

Impairment Test

The goodwill recognised by the Group is subject to an impairment test at least annually.

For the purpose of the impairment test, steps have been taken to determine the recoverable amount (enterprise value) of each operating segment of TeamSystem Group as a whole that had been identified by Management as the lowest level to which goodwill is allocated for internal management purposes, by means of the application of discounted cash flow methodology. The test was performed by discounting prospective cash flows for 2018-2022 based on amounts included in the 2018-2022 Group Business Plan approved by TeamSystem Holding S.p.A's Board of Directors on 28 February 2018.

A terminal value was determined beyond the explicit forecast horizon based on operating cash flows (net operating profit less adjusted taxes - NOPLAT) appropriately normalised to reflect normal business operations. In the choice of the growth rate to apply to NOPLAT, it was established that, consistent with the development foreseen by the Business Plan and with historical growth, there was a reasonable expectation of growth of 1.90% (so-called g rate).

In addition to the g rate assumption, the main assumptions adopted regarded an estimate of the weighted average cost of capital ("WACC") post-tax of 6.84% (*Software solutions* and *Hardware*) and 7.79% (*Cloud software solutions*).

The results of the impairment tests conducted did not provide any indication of impairment at 31 December 2017.

The Group also performed sensitivity analysis, by applying different assumptions for the determination of WACC and g-rate parameters. The results of this analysis are set out below:

SOFTWARE SOLUTIONS						
Cover Impairment Sensitivity				**WACC**		
Euro million		**5.8%**	**6.3%**	**6.8%**	**7.3%**	**7.8%**
	0.9%	352.4	225.4	119.8	30.7	(45.5)
	1.4%	484.4	331.3	206.5	102.7	15.1
G RATE	**1.9%**	650.0	461.2	**310.8**	188.0	86.0
	2.4%	863.7	624.1	438.5	290.6	169.9
	2.9%	1,150.3	834.4	598.7	416.3	270.8

CLOUD SOFTWARE SOLUTIONS						
Cover Impairment Sensitivity				**WACC**		
Euro million		**6.8%**	**7.3%**	**7.8%**	**8.3%**	**8.8%**
	0.9%	515.5	448.9	392.0	343.0	300.2
	1.4%	581.0	503.3	437.8	381.9	333.6
G RATE	**1.9%**	660.0	567.7	**491.3**	426.9	371.9
	2.4%	756.8	645.4	554.7	479.5	416.2
	2.9%	878.7	740.7	631.1	541.9	468.0

HARDWARE						
Cover Impairment Sensitivity				**WACC**		
Euro million		**5.8%**	**6.3%**	**6.8%**	**7.3%**	**7.8%**
	0.9%	13.5	11.5	9.9	8.5	7.3
	1.4%	15.5	13.2	11.2	9.6	8.3
G RATE	**1.9%**	18.1	15.2	**12.8**	10.9	9.4
	2.4%	21.4	17.7	14.8	12.5	10.7
	2.9%	25.9	21.0	17.3	14.5	12.2

The impairment test models and related results were approved by the Board of Directors of TeamSystem Holding S.p.A. on 28 February 2018, in accordance with the guidelines contained in the joint document No. 4 of March 2010 issued by ISVAP, Bank of Italy and Consob.

4. ALLOCATION OF PROVISIONAL GOODWILL

EVOLS

In March 2017, the subsidiary TeamSystem S.p.A. acquired a controlling interest of 51% in Evols S.r.l. A put and call option agreement was entered into with respect to the remaining 49% interest. This transaction has facilitated TeamSystem Group's entry into the tourist facilities software sector.

Evols S.r.l.'s results have been consolidated in 2017 as from April 2017, which was close to the date of acquisition. The company reported total revenue for the 2017 financial year of € 3,448 thousand and a loss of € 13 thousand.

The purchase price allocation recognised for the acquisition of Evols S.r.l. was still provisional at 31 December 2017 and, consequently, the related goodwill (€ 2,810 thousand) was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands

STATEMENT OF FINANCIAL POSITION EVOLS S.r.l. ASSETS	March 2017 After PPA Provisional Adjustments	NOTES
Tangible assets	63	
Intangible assets	1,930	
Goodwill	(0)	
Other Investments	2	
Deferred tax assets	232	
TOTAL NON CURRENT ASSETS	**2,227**	
Inventories	19	
Trade receivables	2,192	
Tax receivables	51	
Other receivables - current	190	
Other financial assets - current	2	
Cash and bank balances	94	
TOTAL CURRENT ASSETS	**2,548**	
TOTAL ASSETS	**4,775**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION EVOLS S.r.l. LIABILITIES	March 2017 After PPA Provisional Adjustments	NOTES
Staff leaving indemnity	176	
Provisions for risks and charges	99	
TOTAL NON CURRENT LIABILITIES	**274**	
Financial liabilities with banks and other institutions - current	1,876	
Trade payables	518	
Tax liabilities - current	46	
Other liabilities - current	1,320	
TOTAL CURRENT LIABILITIES	**3,759**	
TOTAL LIABILITIES	**4,033**	**B**

Fair Value of acquired net assets	**742**	**C = A - B**
Cost of the investment - net of transaction costs	**3,552**	**D**
Provisional Goodwill IFRS 3	**2,810**	**E = D - C**

□ □ □

NETLEX

In April 2017, the subsidiary Lexteam S.r.l. (merged by absorption into TeamSystem S.p.A. in 2017) acquired a controlling interest in Netlex S.r.l. (of 51%). Netlex S.r.l. develops and markets advanced cloud solutions for legal and professional practices. The acquisition of the remaining 49% interest in Netlex S.r.l. is governed by put and call option agreements.

Netlex S.r.l.'s results have been consolidated in 2017 as from May 2017, which was close to the date of acquisition. The company reported total revenue for the 2017 financial year of € 443 thousand and a profit of € 11 thousand.

The purchase price allocation recognised for the acquisition of Netlex S.r.l. was still provisional at 31 December 2017 and, consequently, the related goodwill (€ 2,362 thousand) was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands		
STATEMENT OF FINANCIAL POSITION		
NETLEX S.r.l.	**April 2017 After PPA Provisional Adjustments**	
ASSETS		**NOTES**
Tangible assets	1	
Intangible assets	233	
Deferred tax assets	6	
TOTAL NON CURRENT ASSETS	**240**	
Trade receivables	28	
Other receivables - current	19	
Other financial assets - current	5	
Cash and bank balances	194	
TOTAL CURRENT ASSETS	**247**	
TOTAL ASSETS	**487**	**A**

Euro thousands		
STATEMENT OF FINANCIAL POSITION		
NETLEX S.r.l.	**April 2017 After PPA Provisional Adjustments**	
LIABILITIES		**NOTES**
Staff leaving indemnity	14	
TOTAL NON CURRENT LIABILITIES	**14**	
Trade payables	8	
Tax liabilities - current	6	
Other liabilities - current	225	
TOTAL CURRENT LIABILITIES	**238**	
TOTAL LIABILITIES	**252**	**B**
Fair Value of acquired net assets	**235**	**C = A - B**
Cost of the investment - net of transaction costs	**2,596**	**D**
Provisional Goodwill IFRS 3	**2,362**	**E = D - C**

□ □ □

SOFTWARE TIME

In May 2017, the subsidiary TeamSystem S.p.A. acquired the entire capital of Software Time S.r.l. (which was then merged by absorption into TeamSystem S.p.A. in December 2017). Software Time develops and markets logistics management and inventory management software.

The purchase price allocation recognised for the acquisition of Software Time S.r.l. was still provisional at 31 December 2017 and, consequently, the related goodwill (€ 823 thousand) was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands		
STATEMENT OF FINANCIAL POSITION		
SOFTWARE TIME S.r.l.	**May 2017 After PPA Provisional Adjustments**	
ASSETS		**NOTES**
Tangible assets	13	
TOTAL NON CURRENT ASSETS	**13**	
Trade receivables	169	
Other receivables - current	3	
Cash and bank balances	72	
TOTAL CURRENT ASSETS	**244**	
TOTAL ASSETS	**257**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION SOFTWARE TIME S.r.l. LIABILITIES	**May 2017 After PPA Provisional Adjustments**	**NOTES**
Staff leaving indemnity	31	
TOTAL NON CURRENT LIABILITIES	**31**	
Other financial liabilities - current	4	
Tax liabilities - current	15	
Other liabilities - current	64	
TOTAL CURRENT LIABILITIES	**83**	
TOTAL LIABILITIES	**114**	**B**
Fair Value of acquired net assets	**144**	**C = A - B**
Cost of the investment - net of transaction costs	**967**	**D**
Provisional Goodwill IFRS 3	**823**	**E = D - C**

□ □ □

EVOLUTION FIT

In July 2017, Inforyou S.r.l. acquired a controlling interest (of 51%) in Evolution Fit S.r.l., a company specialised in the development and marketing of cloud software for wellness operators (gyms, personal trainers etc….). The acquisition of the remaining 49% interest is governed by put and call option agreements.

Evolution Fit S.r.l.'s results have been consolidated in 2017 as from August 2017, which was close to the date of acquisition. The company reported total revenue for the 2017 financial year of € 289 thousand and a loss of € 80 thousand.

The purchase price allocation recognised for the acquisition of Evolution Fit S.r.l. was still provisional at 31 December 2017 and, consequently, the related goodwill (€ 1,732 thousand) was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands

STATEMENT OF FINANCIAL POSITION EVOLUTION FIT S.r.l. ASSETS	**July 2017 After PPA Provisional Adjustments**	**NOTES**
Tangible assets	2	
Intangible assets	1	
TOTAL NON CURRENT ASSETS	**3**	
Trade receivables	5	
Tax receivables	3	
Other receivables - current	32	
Cash and bank balances	9	
TOTAL CURRENT ASSETS	**49**	
TOTAL ASSETS	**52**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION EVOLUTION FIT S.r.l. LIABILITIES	July 2017 After PPA Provisional Adjustments	NOTES
Staff leaving indemnity	4	
TOTAL NON CURRENT LIABILITIES	**4**	
Trade payables	(2)	
Tax liabilities - current	7	
Other liabilities - current	197	
TOTAL CURRENT LIABILITIES	**202**	
TOTAL LIABILITIES	**206**	**B**
Fair Value of acquired net assets	**(154)**	**C = A - B**
Cost of the investment - net of transaction costs	**1,250**	**D**
Provisional Goodwill IFRS 3	**1,404**	**E = D - C**

□ □ □

CASSANOVA

In July 2017, TeamSystem S.p.A. acquired a controlling interest (of 51%) in Cassanova S.r.l., a company specialised in the development and marketing of retail and restaurant management software. The acquisition of the remaining 49% interest is governed by put and call option agreements.

Cassanova S.r.l.'s results have been consolidated in 2017 as from August 2017, which was close to the date of acquisition. The company reported total revenue for the 2017 financial year of € 81 thousand and a loss of € 113 thousand.

The purchase price allocation recognised for the acquisition of Cassanova S.r.l. was still provisional at 31 December 2017 and, consequently, the related goodwill (€ 2,100 thousand) was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands

STATEMENT OF FINANCIAL POSITION CASSANOVA S.r.l. ASSETS	July 2017 After PPA Provisional Adjustments	NOTES
Tangible assets	3	
Intangible assets	420	
Goodwill	(0)	
TOTAL NON CURRENT ASSETS	**423**	
Inventories	8	
TOTAL CURRENT ASSETS	**8**	
TOTAL ASSETS	**431**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION CASSANOVA S.r.l. LIABILITIES	July 2017 After PPA Provisional Adjustments	NOTES
Staff leaving indemnity	32	
TOTAL NON CURRENT LIABILITIES	**32**	
Other liabilities - current	28	
TOTAL CURRENT LIABILITIES	**28**	
TOTAL LIABILITIES	**61**	**B**

Fair Value of acquired net assets	**370**	**C = A - B**
Cost of the investment - net of transaction costs	**2,469**	**D**
Provisional Goodwill IFRS 3	**2,100**	**E = D - C**

15. FINAL DETERMINATION OF GOODWILL RELATING TO ALIASLAB S.P.A.

During the course of 2016, numerous acquisitions, including that relating to TeamSystem Group on 1 March 2016, were completed by the private equity firm Hellman & Friedman, such as the acquisition of Aliaslab S.p.A. as well as acquisitions of minor companies, namely, Euresys S.r.l., Lira S.r.l., Reviso International Aps, Cidiemme Informatica S.r.l., Mondora S.r.l., EasyFatt Dev S.r.l., Informatica Veneta S.r.l. and TeamSystem C&D S.r.l. The related purchase price allocations were deemed to be provisional at 31 December 2016, since certain analysis had still to be completed and all pertinent information had still to be acquired.

During the course of 2017, the above purchase price allocations were finalised; based on the analysis conducted, all the allocations have been confirmed, with the exception of that relating to the subsidiary Aliaslab S.p.A., which had been acquired in December 2017, details of which are set out below.

ALIASLAB

On 22 December 2016, TeamSystem S.p.A. acquired a 51% interest in Aliaslab S.p.A. for a consideration of € 24,085 thousand and entered into a put and call agreement for the residual 49% with an estimated fair value at the acquisition date of € 45,540 thousand. AliasLab is a company specialised in electronic signature and authentication.

During the course of 2017, the Group finalised the purchase price allocation in relation to the investment in Aliaslab S.p.A. Set out below is the final determination of Goodwill pertaining to Aliaslab S.p.A.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **ALIASLAB GROUP** **ASSETS**	**31 Dec 2016 After PPA Final Adjustments**	**NOTES**
Tangible assets	180	
Intangible assets	40,243	
Goodwill	0	
Other Investments	200	
Deferred tax assets	17	
TOTAL NON CURRENT ASSETS	**40,640**	
Inventories	167	
Trade receivables	4,508	
Tax receivables	1	
Other receivables - current	437	
Other financial assets - current	98	
Cash and bank balances	3,452	
TOTAL CURRENT ASSETS	**8,663**	
TOTAL ASSETS	**49,302**	**A**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ALIASLAB GROUP LIABILITIES	31 Dec 2016 After PPA Provisional Adjustments	NOTES
Staff leaving indemnity	367	
Provisions for risks and charges	197	
Deferred tax liabilities	11,218	
Other liabilities - non current	0	
TOTAL NON CURRENT LIABILITIES	**11,783**	
Trade payables	671	
Tax liabilities - current	717	
Other liabilities - current	1,419	
TOTAL CURRENT LIABILITIES	**2,808**	
TOTAL LIABILITIES	**14,591**	**B**
TOTAL NON CONTROLLING INTERESTS	**157**	**C**
Fair Value of acquired net assets	**34,554**	**D = A - B -C**
Cost of the investment - net of transaction costs	**69,625**	**E**
Final Goodwill IFRS 3	**35,071**	**F= E - D**

16. RESTATEMENT OF STATEMENT OF FINANCIAL POSITION FINANCIAL AT 31 DECEMBER 2016

Based on the final allocation of the purchase price paid for the acquisition of Aliaslab S.p.A. (completed in 2017 and as described in Note 15 above), there was a need to restate the consolidated financial statements for the year ended 31 December 2016. The restatement impacted solely the statement of financial position (and, accordingly, there was no impact on the statement of profit or loss), on account of the acquisition and consolidation date (31 December 2016). The impact of the restatement is summarised in the following table.

FINAL ADJUSTMENTS ALIAS LAB PPA	Adjustments gross of tax	Tax Adjustments	Adjustments net of tax	NOTES
Intangible fair value - Software ALIAS LAB	11,074	(3,090)	7,984	
Intangible fair value - Customer Relationship ALIAS LAB	29,134	(8,128)	21,006	
TOTAL FINAL ADJUSTMENTS PPA IFRS	**40,208**	**(11,218)**	**28,990**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TEAMSYSTEM GROUP ASSETS	Balances previously reported -------- 31 Dec 2016	Changes due to ALIAS LAB PPA Final Adjustments	RESTATED -------- 31 Dec 2016	NOTES
Tangible assets	13,385	0	13,385	
Intangible assets	735,596	40,208	775,804	
Goodwill	725,340	(28,990)	696,350	
Other Investments	335	0	335	
Investments in associates	331	0	331	
Deferred tax assets	13,732	0	13,732	
Other financial assets - non current	250	0	250	
TOTAL NON CURRENT ASSETS	**1,488,969**	**11,218**	**1,500,187**	
Inventories	1,422	0	1,422	
Trade receivables	103,367	0	103,367	
Tax receivables	1,752	0	1,752	
Other receivables - current	14,788	0	14,788	
Other financial assets - current	1,145	0	1,145	
Cash and bank balances	19,406	0	19,406	
TOTAL CURRENT ASSETS	**141,879**	**0**	**141,879**	
TOTAL ASSETS	**1,630,848**	**11,218**	**1,642,067**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TEAMSYSTEM GROUP EQUITY AND LIABILITIES	Balances previously reported -------- 31 Dec 2016	Changes due to ALIAS LAB PPA Final Adjustments	RESTATED -------- 31 Dec 2016	NOTES
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**566,396**	**0**	**566,396**	
TOTAL NON CONTROLLING INTERESTS	**1,060**	**0**	**1,060**	
TOTAL EQUITY	**567,456**	**0**	**567,456**	
Financial liabilities with banks and other institutions - non current	640,000	0	640,000	
Financing Fees - non current	(24,828)	0	(24,828)	
Other financial liabilities - non current	81,497	0	81,497	
Staff leaving indemnity	18,478	0	18,478	
Provisions for risks and charges	3,906	0	3,906	
Deferred tax liabilities	198,874	11,218	210,092	
Other liabilities - non current	698	0	698	
TOTAL NON CURRENT LIABILITIES	**918,625**	**11,218**	**929,843**	
Financial liabilities with banks and other institutions - current	47,945	0	47,945	
Financing Fees - current	(10,640)	0	(10,640)	
Other financial liabilities - current	10,893	0	10,893	
Trade payables	33,710	0	33,710	
Tax liabilities - current	5,834	0	5,834	
Other liabilities - current	57,025	0	57,025	
TOTAL CURRENT LIABILITIES	**144,767**	**0**	**144,767**	
TOTAL LIABILITIES	**1,063,392**	**11,218**	**1,074,610**	
TOTAL EQUITY AND LIABILITIES	**1,630,848**	**11,218**	**1,642,067**	

□ □ □

17. INVESTMENTS IN OTHER COMPANIES AND INVESTMENTS IN ASSOCIATES

	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	(Disposals)	Restated 31 Dec 2016
Investments in Associates		445			11	(125)			331
Other Investments		175	201	60		(100)			335
Total		**620**	**201**	**60**	**11**	**(225)**			**666**

	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	(Disposals)	31 Dec 2017
Investments in Associates	331			(254)	16		55		147
Other Investments	335		2	254		(165)	20		447
Total	**666**		**2**		**16**	**(165)**	**75**		**594**

Investments in associates relate to investments held by TeamSystem S.p.A. following the merger of TSS S.p.A. into the latter during the course of 2016. The revaluations and writedowns have arisen from the application of the equity method for the measurement of the investments in associates and the recognition of impairment of investments in other minor companies carried at cost.

18. DEFERRED TAX ASSETS AND LIABILITIES

<u>Deferred tax assets</u>

Deferred tax assets at 31 December 2017 amounted to € 17,066 thousand. Details of movements in deferred tax assets in 2017 are shown in the following table.

DEFERRED TAX ASSETS	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements	Additions	(Utilisations)	Restated 31 Dec 2016
Provision for slow-moving inventories		73			4		77
Provision for pension and similar obligation		69				(53)	16
Staff leaving indemnity - actuarial valuation		199			62	(136)	125
Provision for litigations		149				(28)	121
Other minor items		63				(63)	
Provision for bad-debts		1,485			220	(458)	1,247
Other Provision		66			80	(35)	111
TeamSystem S.p.A. and TeamSystem Holding S.p.A.		**2,104**			**366**	**(773)**	**1,697**
Provision for bad-debts		1,379			357	(136)	1,600
Tax step-up of Goodwill		9,063				(289)	8,774
Staff leaving indemnity - actuarial valuation		11			24		35
Other Provision		19					19
TSS S.p.A.		**10,472**			**381**	**(425)**	**10,428**
Deferred tax asset of other Subsidiaries		799	43		136	(63)	915
Other Subsidiaries		**799**	**43**		**136**	**(63)**	**915**
Provision for slow-moving inventories		56					56
Write-off start-up costs		6				(1)	5
Write-off other tangible / intangible assets		20				(7)	13
Provision for litigations		92				(56)	36
Fair value deferred revenue - ACG		13				(13)	
Provision for pension and similar obligations - ACG		157					157
Bad debts write-off			47			(47)	
Staff leaving indemnity - actuarial valuation		135	60		120	(17)	298
Other minor items					127		127
Consolidation entries		**479**	**107**		**247**	**(141)**	**692**
Total		**13,854**	**150**		**1,130**	**(1,402)**	**13,732**

DEFERRED TAX ASSETS	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2017
Provision for slow-moving inventories	77					(22)	55
Provision for pension and similar obligation	16			157		(33)	140
Staff leaving indemnity - actuarial valuation	125			78		(26)	177
Provision for litigations	121			5	70		196
Other minor items				43			43
Provision for bad-debts	1,247			1,912	634	(634)	3,159
Provision for Restructuring					1,953		1,953
Other Provision	111			19		(88)	42
Tax Losses brought forward					1,127	(120)	1,007
Tax step-up of Goodwill				8,774		(275)	8,499
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**1,697**			**10,988**	**3,784**	**(1,198)**	**15,271**
Provision for bad-debts	1,600			(1,600)			
Tax step-up of Goodwill	8,774			(8,774)			
Staff leaving indemnity - actuarial valuation	35			(35)			
Other Provision	19			(19)			
TSS S.p.A.	**10,428**			**(10,428)**			
Deferred tax asset of other Subsidiaries	915		238	(312)	917	(273)	1,485
Other Subsidiaries	**915**		**238**	**(312)**	**917**	**(273)**	**1,485**
Provision for slow-moving inventories	56						56
Write-off start-up costs	5					(5)	0
Write-off other tangible / intangible assets	13					(7)	6
Provision for litigations	36			(5)			32
Provision for pension and similar obligations - ACG	157			(157)			
Bad debts write-off					79	(79)	
Staff leaving indemnity - actuarial valuation	298			(74)		(8)	216
Other minor items	127			(43)		(84)	(0)
Consolidation entries	**692**			**(279)**	**79**	**(182)**	**310**
Total	**13,732**		**238**	**(31)**	**4,780**	**(1,653)**	**17,066**

Deferred tax assets at 31 December 2017 include approximately € 8,499 thousand relating to a step-up for tax purposes of goodwill recognised by TSS S.p.A. (merged by absorption into TeamSystem S.p.A. in 2016). 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. In addition, deferred tax assets of approximately € 1,007 thousand have been recognised at 31 December 2017 relating to tax loss carryforwards pertaining to TeamSystem Holding as a consequence of the deductibility on a cash basis of financing fees incurred in relation to the Notes issue.

Deferred tax liabilities

Deferred tax liabilities at 31 December 2017 amounted to € 200,604 thousand. Movements in deferred tax liabilities in 2017 are summarised in the following table.

DEFERRED TAX LIABILITIES	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements	Additions	(Utilisations)	Restated 31 Dec 2016
Financing Fees		2,795				(2,795)	
Fair value valuation of lands and buildings		1,869				(163)	1,706
TeamSystem - Intangibles		180,512				(10,179)	170,333
Capitalized development costs		5				(5)	
Investments revaluation		730					730
TeamSystem S.p.A. and TeamSystem Holding S.p.A.		**185,911**				**(13,142)**	**172,769**
TSS - Intangibles		1,396				(427)	969
TSS S.p.A.		**1,396**				**(427)**	**969**
Deferred tax liabilities of other Subsidiaries							
Other Subsidiaries							
Euroconference - Intangibles		1,120				(52)	1,068
Euroconference - Services in progress		28				(28)	
Investments revaluation		(730)					(730)
Other minor items		3					3
Nuovamacut - Intangibles		8,101				(405)	7,696
TSS - Intangibles		11,710				(1,522)	10,188
ACG - Intangibles		6,607				(560)	6,047
Capitalized development costs		660			324	(120)	864
Aliaslab - Intangibles			11,218				11,218
Consolidation entries		**27,499**	**11,218**		**324**	**(2,687)**	**36,354**
Total		**214,806**	**11,218**		**324**	**(16,256)**	**210,092**

DEFERRED TAX LIABILITIES	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2017
Financing Fees					7,749	(1,385)	6,365
Fair value valuation of land and buildings	1,706					(542)	1,164
TeamSystem - Intangibles	170,333			17,204		(13,616)	173,921
Capitalized development costs				598		(399)	198
Investments revaluation	730						730
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**172,769**			**17,802**	**7,749**	**(15,942)**	**182,378**
TSS - Intangibles	969			(969)			
TSS S.p.A.	**969**			**(969)**			
Deferred tax liabilities of other Subsidiaries					88		88
Other Subsidiaries					**88**		**88**
Euroconference - Intangibles	1,068					(56)	1,012
Investments revaluation	(730)						(730)
Other minor items	3						3
Nuovamacut - Intangibles	7,696					(479)	7,217
TSS - Intangibles	10,188			(10,188)			
ACG - Intangibles	6,047			(6,047)			
Capitalized development costs	864			(598)	184	(49)	401
Aliaslab - Intangibles	11,218					(983)	10,235
Consolidation entries	**36,354**			**(16,833)**	**184**	**(1,568)**	**18,137**
Total	**210,092**				**8,021**	**(17,510)**	**200,604**

The main decrease in 2017 of € 13,616 thousand relates to the reversal of the deferred tax liability recognised on the amortisation of intangible assets (software, brands, customer relationships and other IFRS assets) identified for the purpose of the allocation of the price paid for the acquisition of TeamSystem Group by the private equity firm H&F. Moreover, during the course of 2017, deferred tax liabilities have been recognised on financing fees paid by TeamSystem Holding and by TeamSystem S.p.A. in relation to the Notes issues in 2016 and 2017 and which have been deducted on a cash basis.

Given that almost all the Group companies are domiciled in Italy, the only significant difference between the actual tax rate and the nominal tax rate relates to interest expense that exceeded the limit of gross operating profit (in relation to which the Group companies have not recognised any deferred tax at 31 December 2017). In any case, the potential deferred tax asset relating to the foregoing amounts to approximately € 27,770 thousand at 31 December 2017.

19. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS)

	Current	Non Current	31 Dec 2017 Total	Current	Non Current	Restated 31 Dec 2016 Total
Bank accounts and post office	16,197		16,197	19,031		19,031
Cash and bank balances	62		62	375		375
Total Cash and bank balances	**16,259**		**16,259**	**19,406**		**19,406**
Loans	7	343	350	769		769
Other financial assets	380	150	530	375	250	625
Total Other financial assets	**386**	**493**	**880**	**1,145**	**250**	**1,395**
Loans with banks	(547)	(130)	(676)	(47,703)		(47,703)
Overdrafts with banks	(117)		(117)	(202)		(202)
Notes		(720,000)	(720,000)		(640,000)	(640,000)
Dividends to be paid	(40)		(40)	(40)		(40)
Total Financial liabilities	**(703)**	**(720,130)**	**(720,833)**	**(47,945)**	**(640,000)**	**(687,945)**
Financing Fees - notes	5,911	20,608	26,519	9,551	20,834	30,386
Financing Fees - banks	1,089	2,904	3,993	1,089	3,993	5,082
Total Financing Fees	**7,001**	**23,512**	**30,513**	**10,640**	**24,828**	**35,468**
Vendor loan	(7,406)	(94,042)	(101,448)	(10,858)	(81,497)	(92,356)
Commissions financial liabilities	(90)		(90)	(32)		(32)
Other financial accruals	(5)		(5)	(0)		(0)
Other financial liabilities				(2)		(2)
Total Other financial liabilities	**(7,501)**	**(94,042)**	**(101,543)**	**(10,893)**	**(81,497)**	**(92,390)**
Total	**15,442**	**(790,166)**	**(774,725)**	**(27,647)**	**(696,420)**	**(724,067)**

Net debt as of December 2017 amounted to € 774,725 thousand.

Senior Notes

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

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

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

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

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

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

Senior Secured Notes

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

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

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

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

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

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

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

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

Revolving credit facility (RCF)

On 1 March 2016, TeamSystem SpA negotiated a revolving credit facility (the "New RCF") totalling € 65 million, with a maturity date of 1 September 2021. The interest rate payable on the new facility is based on Libor or Euribor, plus an initial spread of 4%, which may vary based on the achievement of certain financial parameters (consolidated leverage ratio) as set out in the credit facility agreement.

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

Collateral provided

Liens and pledges over the shares of TeamSystem S.p.A. and TeamSystem Holding S.p.A. have been provided as collateral for both the revolving credit facility and the Senior Notes and the Senior Secured Notes, as detailed in Note 30.

Vendor loan

The vendor loan (€ 101,448 thousand at 31 December 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., TeamSystem Communication S.r.l., Danea Soft S.r.l., Madbit Entertainment S.r.l., Euresys S.r.l., Aliaslab S.p.A., Mondora S.r.l., Evols S.r.l., Netlex S.r.l., Cassanova S.r.l. and Evolution Fit S.r.l.). As previously stated in the paragraph on "Basis of consolidation", the Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by non-controlling interest holders of the acquiree. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous existence of put and call clauses, the investee is consolidated and the estimated amount of the exercise price under the put and call agreements is included in the cost of the acquisition and contributes to the determination of goodwill; recognition is then made of a liability due to non-controlling interest holders ("vendor loan"), which is subject to fair value measurement and subsequent changes therein.

Changes in the vendor loan in 2017 and 2016 are summarised below.

	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Interest	Revaluations	Write-downs	Payments	Dividends paid	Restated 31 Dec 2016
Vendor Loan		29,430	61,588	1,644	5,265	(9)	(5,563)		92,356
Total		**29,430**	**61,588**	**1,644**	**5,265**	**(9)**	**(5,563)**		**92,356**

	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Interest	Revaluations	Write-downs	Payments	Dividends paid	31 Dec 2017
Vendor Loan	92,356		7,043	5,376	14,743	(7,467)	(10,603)		101,448
Total	**92,356**		**7,043**	**5,376**	**14,743**	**(7,467)**	**(10,603)**		**101,448**

In 2017, € 10.6 million of vendor loan payments were made relating to the following acquisitions:

- 15% of the capital of InForYou S.r.l.; and
- 19% of the capital of Danea Soft S.r.l.;
- as well as due to the exercise of the earn-out clauses relating to the investments in Lexteam S.r.l., Lira S.r.l., Mondora S.r.l., Informatica Veneta S.r.l. and EasyFatt Dev S.r.l.

20. INVENTORIES

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Raw and ancillary materials	419	381	38	10.0%
Finished products and goods	1,570	1,558	12	0.8%
(Allowance for slow-moving inventory)	(437)	(517)	80	-15.5%
Total	**1,552**	**1,422**	**130**	**9.2%**

Inventories amounted to € 1,552 thousand at 31 December 2017 and included hardware products not yet delivered at the reporting date, as well as consumables, accessories, third party software modules and software licences for resale.

21. TRADE RECEIVABLES

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Trade receivables	139,316	119,256	20,059	16.8%
(Allowance for bad debts)	(16,561)	(15,889)	(671)	4.2%
Total	**122,755**	**103,367**	**19,388**	**18.8%**

Trade receivables at 31 December 2017 amounted to € 122,755 thousand, net of the allowance for bad debts of € 16,561 thousand.

Movements in the allowance for bad debts in 2017 are summarised below.

	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements	(*) Additions	(*) (Utilisations)	Restated 31 Dec 2016
Allowance for bad debts		14,076	932		3,595	(2,714)	15,889
Total		**14,076**	**932**		**3,595**	**(2,714)**	**15,889**

(*) = Credit Losses balance included both in Addition and Utilisation figures

	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Other movements	(*) Additions	(*) (Utilisations)	31 Dec 2017
Allowance for bad debts	15,889		369		3,896	(3,593)	16,561
Total	**15,889**		**369**		**3,896**	**(3,593)**	**16,561**

(*) = Credit Losses balance included both in Addition and Utilisation figures

The utilisations of the allowance are due to the write off of receivables, based on elements of certainty and precision, or based on ongoing insolvency proceedings.

The balances shown in the column headed "Change in cons. area" relate to the allowances for bad debts of the companies newly consolidated in 2017 as at their respective acquisition dates.

22. TAX RECEIVABLES

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Tax credits	39	13	26	n.s.
Other tax receivables	118	277	(159)	-57.3%
Advances and credit on income taxes	5,173	1,462	3,711	n.s.
Total	**5,330**	**1,752**	**3,579**	**n.s.**

Tax receivables at 31 December 2017 amounted to € 5,330 thousand.

Advances and tax credits consist of:

- a receivable due to Group companies of approximately € 1.2 million arising from an IRES refund attributable to the non-deduction of IRAP, which was acknowledged in 2012;
- tax receivables due to certain subsidiaries.

23. OTHER CURRENT RECEIVABLES

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
VAT receivables	290	653	(364)	-55.7%
Deposits	491	606	(115)	-19.0%
Receivables from employees	189	211	(22)	-10.2%
Other receivables - current	2,055	2,410	(355)	-14.7%
Accrued income	108	147	(40)	-26.9%
Prepayments	14,333	10,761	3,571	33.2%
Other current receivables	**17,464**	**14,788**	**2,676**	**18.10%**

Other current receivables came to € 17,464 thousand at 31 December 2017. The main components are the following:

- Other sundry current receivables (€ 2,055 thousand), which mainly consist of advances to suppliers paid by various Group companies;
- Prepaid expenses (€ 14,333 thousand), which mainly consist of fees for maintenance and support provided by third parties;
- Deposits (€ 491 thousand) mainly relating to cautionary deposits required by rental arrangements.

24. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY AND TO NON-CONTROLLING INTERESTS

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
Opening Balance	**50**					**50**		**50**
Barolo MidCo Capital Increase	5,400	637,300				**642,700**		**642,700**
Acquisition of TeamSystem Group						**0**	800	**800**
Acquisition of AliasLab Group						**0**	157	**157**
Change in Non controlling interests IFRS 3			(3)			**(3)**	(23)	**(26)**
Dividends						**0**	(164)	**(164)**
Profit (Loss) on comprehensive income		(580)			(75,771)	**(76,351)**	290	**(76,060)**
31 Dec 2016 - Restated	**5,450**	**636,720**	**(3)**	**0**	**(75,771)**	**566,396**	**1,060**	**567,456**

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	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 - Restated	**5,450**	**636,720**	**(3)**	**0**	**(75,771)**	**566,396**	**1,060**	**567,456**
Profit (Loss) allocation		(75,771)			75,771	**0**		**0**
TeamSystem Holding S.p.A. distribution of reserves		(1,279)				**(1,279)**		**(1,279)**
Change in Non controlling interests IFRS 3			(823)			**(822)**	(157)	**(980)**
Dividends						**(0)**	(227)	**(227)**
Profit (Loss) on comprehensive income		84			(57,134)	**(57,050)**	347	**(56,702)**
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**

Equity attributable to owners of the Parent Company at 31 December 2017 amounted to € 507,245 thousand.

The decrease in Other reserves (€ 76,966 thousand) mainly relates to:
- Coverage of the loss reported by the Group for the year ended 31 December 2016 of € 75,771 thousand;
- A distribution of reserves to shareholders totalling € 1,279 thousand, as approved by general meetings of the shareholders of TeamSystem Holding S.p.A. held on 27 January 2017 (€ 679 thousand) and on 2 October 2017 (€ 600 thousand);
- The recognition of actuarial differences in compliance with IAS 19 (see Note 25) of € 84 thousand.

The change in non-controlling interests relates to changes in equity attributable to the Group (and to non-controlling interests) as a consequence of a decrease in non-controlling interests following the acquisition of further equity interests by the Parent Company.

Equity attributable to non-controlling interests (€ 1,023 thousand) relates to equity interests held by third parties in Gruppo Euroconference S.p.A., Nuovamacut Nord Ovest S.r.l., Nuovamacut Centro Sud S.r.l., and Voispeed Limited.

25. STAFF LEAVING INDEMNITY

	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain) / loss	(Utilisations)	Restated 31 Dec 2016
Staff leaving indemnity		15,936	2,032	87	743	280	761	(1,361)	18,478
Total		**15,936**	**2,032**	**87**	**743**	**280**	**761**	**(1,361)**	**18,478**

	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain) / loss	(Utilisations)	31 Dec 2017
Staff leaving indemnity	18,478		257	38	962	292	(134)	(1,612)	18,280
Total	**18,478**		**257**	**38**	**962**	**292**	**(134)**	**(1,612)**	**18,280**

The liability associated with the staff leaving indemnity at 31 December 2017 amounted to € 18,280 thousand. Part of the change in the staff leaving indemnity is due to a change in the scope of consolidation attributable to newly consolidated companies. The decrease is mainly attributable to use of the provision in the 2017 financial year of € 1,612 thousand in view of the overall decrease in the Group's workforce.

In accordance with IAS 19, the staff leaving indemnity is considered to be a defined benefit plan to be accounted for by applying the “Projected Unit Credit Method,” which consists of discounting an estimate of the amount to be paid to each employee on termination of their employment and the consequent determination of:
- **initial DBO**, that is, the present value of employee service payments expected to be made in the future, already available at the beginning of the period;
- **service cost**, that is, the present value of expected future employee service relating to services provided in the current period;
- **interest cost**, namely, interest on the provision at the beginning of the period and on corresponding movements in the period being considered;
- **benefits paid and transfers in/out** represent all payments and transfers in and out relating to the period being considered, being elements that lead to the utilisation of the provision
- **the actuarial gain / loss,** namely, the actuarial gain/loss relating to the valuation period.

The estimate, which was performed by an independent actuary, was computed on the basis of the following assumptions:

	2017 financial year	2016 financial year
Turnover	4.00%	4.00%
Discount rate	1.61%	1.62%
Anticipation rate	1.00 %	1.00 %

The discount rate used for the determination of the present value of the staff leaving indemnity at 31 December 2017 and 2016 was determined with reference to the IBoxx Eurozone Corporate A index.

Moreover, it should be noted that, should the annual discount rate vary by +/- 0,25%, the staff leaving indemnity at 31 December 2017 would amount to approximately € 17.9 million and € 19 million, respectively.

IAS 19 - Employee Benefits requires the recognition of actuarial gains and losses arising from the "remeasurement" of liabilities and assets in the consolidated statement of comprehensive income. Consequently, the cost included in the consolidated statement of comprehensive income for the year ended 31 December 2017 (€ 134 thousand) corresponds to the actuarial gains/losses, as stated above, net of the tax effect of € 38 thousand.

26. PROVISIONS FOR RISKS AND CHARGES

	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements	Additions	(Utilisations)	Restated 31 Dec 2016
Provision for pension and similar obligation		1,500	24		303	(310)	1,516
Provision for litigations		1,690				(359)	1,331
Other Provision for risks and charges		557	174	7	455	(135)	1,058
Total		3,747	198	7	758	(804)	3,906

	Restated 31 Dec 2016	TeamSystem Group Acquisition	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2017
Provision for pension and similar obligation	1,516		9		101	(365)	1,261
Provision for litigations	1,331			174		(1)	1,504
Other Provision for risks and charges	1,058		90	(174)	7,028	(412)	7,591
Total	3,906		99		7,129	(778)	10,355

Provisions for risks and charges amounted to € 10,355 thousand at 31 December 2017. The components thereof are the following:

- Provision for pensions and similar obligations of € 1,261 thousand, relating mainly to the provision for agents' indemnity; disbursements are triggered by the termination of agreements with Group companies' agents for reasons not attributable thereto (death, natural termination of activities and such like); accordingly, it is not possible to reliably estimate the timing of disbursements.
- Provision for litigation and disputes of € 1,504 thousand, relating to liabilities deemed to be probable that could arise from legal and tax disputes involving TeamSystem S.p.A. and Aliaslab S.p.A.; at today, Management are not able to estimate the date of probable cash out.
- Other provisions for risks and charges of € 7,591 thousand mainly consist of an amount of € 7,028 thousand relating to Group restructuring and reorganization costs in connection with, in particular, the implementation of the new operating model that became fully functional in 2017. The provision includes personnel costs and external expenses expected to be incurred for the reorganisation of business activities that had already been initiated in the year. The Directors believe that the costs provided will be fully incurred in the 2018 financial year. The balance also includes other liabilities deemed to be probable pertaining mainly to TeamSystem S.p.A. and to the rest to the other subsidiaries of the Group.

27. CURRENT TAX LIABILITIES

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
Income tax payables	245	5,723	(5,478)	-95.71%
Other tax liabilities	13	111	(98)	-88.13%
Total	258	5,834	(5,575)	-95.6%

Current tax liabilities came to € 258 at 31 December 2017. The balance almost entirely consists of current IRES and IRAP liabilities.

28. OTHER CURRENT AND NON-CURRENT LIABILITIES

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
VAT liabilities	1,035	1,453	(419)	-28.80%
Withholdings liabilities	4,222	3,825	397	10.4%
Employees payables and Social security liabilities - current	24,869	21,360	3,509	16.4%
Advances	4,394	3,453	941	27.2%
Other liabilities	515	467	48	10.2%
Accrued liabilities	176	301	(125)	-41.4%
Deferred revenues	27,598	26,165	1,433	5.5%
Other current liabilities	**62,810**	**57,025**	**5,785**	**10.14%**
Social security liabilities - non current	609	658	(49)	-7.4%
Other tax liabilities - non current	27	40	(14)	-33.6%
Other non current liabilities	**636**	**698**	**(62)**	**-8.89%**
Total Other liabilities	**63,445**	**57,723**	**5,723**	**9.91%**

Other current and non-current liabilities amounted to a total of € 63,445 thousand at 31 December 2017.

Employee payables and social security liabilities of € 24,869 thousand relate to salaries and 2017 production bonuses (not yet paid at the year end) payable to employees, directors and collaborators, as well as accruals for public holidays and holiday pay, inclusive of related social contributions. There are no employee bonuses due beyond one year worthy of note.

Advances at 31 December 2017 amounted to € 4,394 thousand and mainly relate to advances received by the Education operating segment for ongoing training services being provided at the reporting date.

Deferred revenue (€ 27,598 thousand) mainly relates to the portion of revenue for software subscriptions (pertaining essentially to Nuovamacut Group companies, TeamSystem S.p.A. and Euresys S.r.l.) attributable to future financial years, based upon the duration of the underlying contracts.

29. FINANCIAL INSTRUMENTS AND IFRS 7

The Group is exposed to a variety of risks of a financial nature that are managed and monitored centrally and which can be categorised as follows:

Foreign exchange risks

The Group operates almost exclusively in Italy and, accordingly, is not exposed to foreign exchange risks. As from the prior year, following the acquisition of Reviso International ApS and its subsidiaries, as well as the first-time consolidation of Vospeed Limited, which operates mainly in the UK, German, Danish and Spanish markets, there was an increase in foreign currency transactions, which, as things now stand, consist of modest amounts.
Similarly, due to the insignificance of the amounts concerned, the risk arising from the translation of foreign currency financial statements for consolidation purposes is also insignificant.

Credit risk

The credit risk is substantially reduced by the high fragmentation of the customer base and the high degree of customer loyalty. Moreover, accurate procedures for the control of overdue balances limit doubtful balances to insignificant amounts.

In any case, the customer credit policy, by customer category (resellers and end-users), envisages:

a) the control and assessment of credit standing;
b) a control of the flow of receipts;
c) taking appropriate action by issuing reminders and by the use of credit collection procedures, including recourse to companies specialised in debt recovery.

The maximum theoretical exposure to credit risk for the Group is represented by the carrying amount of trade receivables as presented in the consolidated financial statements, as well as residual financial receivables recorded in current and non-current financial assets.

As at 31 December 2017, the Group did not have any insurance cover for trade receivables.

The tool used most by the Group for the classification and control of trade receivables consists of an Ageing List, in which amounts of overdue receivables are summarised by ageing category, from the most recent (0-30 days) to the oldest (over 180 days).

With respect to overdue receivables, the allowance recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts, plus a general provision to take account of probable further losses on balances not yet overdue, based on historical data and experience of losses recorded by the Group.

Interest rate risk

TeamSystem Group's finance structure mainly consists of a floating rate debt structure, given that the notes issued by TeamSystem Holding S.p.A. (principal amount of € 150 million at 31 December 2017) and by TeamSystem S.p.A. (principal amount of € 570 million at 31 December 2017) are linked to the Euribor rate plus a spread established contractually. Conditions applied to the RCF also provide for floating interest rates (based on Libor or Euribor plus a spread established contractually).

Despite the Group's finance structure being a floating rate structure (as described in the foregoing paragraph), sensitivity analysis (to changes in interest rates) conducted has not indicated any significant change in the amounts involved given that:

- interest rate risk on the Senior Notes and on the Senior Secured Notes has been deemed to be nil due to the fact that an interest rate floor of 1% has been provided for contractually for both categories of notes;
- no interest rate risk on the RCF has arisen, since none of the facility had been drawn down as at the reporting date.

Liquidity risk

The two main factors that determine the dynamics of the Group's liquidity are, on one hand, the resources generated/absorbed by operating and investment activities and, on the other hand, the maturity and renewal of financial liabilities. Management of these risks is entrusted to TeamSystem Group's Finance Department.

Of the procedures adopted with the intention of optimising cash flow management and of reducing the liquidity risk, the following should be noted:

1. the maintenance of an adequate level of available liquidity;
2. the adoption of Cash-pooling at Group level;
3. the obtainment of adequate borrowing facilities;
4. the control of prospective liquidity conditions, in relation to the corporate planning process.

Set out below are details of the Group's financial assets and liabilities analysed according to the related due dates of the payment outflows. The flows indicated are non-discounted nominal cash flows, determined with reference to the residual contractual maturity for both capital and interest elements for which the assumed interest rates have remained unchanged from those existing.

POSITION AT 31 DECEMBER 2017	31 Dec 2017	within 12 months	within 1 - 2 years	within 2 - 5 years	over 5 years	Total cash flows
Accruals and prepaid commissions						
Loans	350	2			343	**345**
Other financial assets	530	380	100	50		**530**
Loans with banks	(676)	(376)	(300)			**(676)**
Overdrafts with banks	(117)	(117)				**(117)**
Notes	(720,000)	(47,700)	(47,700)	(692,107)	(152,250)	**(939,757)**
Dividends to be paid	(40)	(40)				**(40)**
Commissions financial liabilities	(90)	(90)				**(90)**
Vendor loan	(101,448)	7,652	12,397	100,365	426	**120,840**
Other accrued finance costs	(5)	(5)				**(5)**
Total	**(821,496)**	**(40,294)**	**(35,503)**	**(591,692)**	**(151,481)**	**(818,970)**

The difference between the amounts reported in the consolidated financial statements and total cash flow is mainly attributable to the computation of interest over the contractual duration for amounts due to banks and to Notes subscribers or for the vendor loan.

Financial instruments by category (IFRS 7 paragraph 8)

As required by IFRS 7, paragraph 8, the Group's financial instruments have been identified by asset and liability category with respect to their classification in the statement of financial position.

POSITION AT 31 DECEMBER 2016	31 Dec 2016	FVTPL	LAR	AFS	FLAC
Current and Non current Assets					
Financing fees prepayments - current and non-current	0				0
Other financial assets - current and non current	1,395	178	1,119	0	97
Trade receivables	103,367		103,367		
Cash and bank balances	19,406				
Total	**124,168**	**178**	**104,486**	**0**	**97**
Current and Non Current Liabilities					
Financial liabilities with banks and other institutions - current and non current	687,945	0	0	0	687,945
Financing Fees - current and non current	(35,468)	0	0	0	(35,468)
Other financial liabilities - current and non current	92,390	92,356	0	0	34
Trade payables	33,710				
Total	**778,578**	**92,356**	**0**	**0**	**652,512**

POSITION AT 31 DECEMBER 2017	31 Dec 2017	FVTPL	LAR	AFS	FLAC
Current and Non current Assets					
Financing fees prepayments - current and non-current	0				0
Other financial assets - current and non current	880	180	700	0	0
Trade receivables	122,755		122,755		
Cash and bank balances	16,259				
Total	**139,894**	**180**	**123,455**	**0**	**0**
Current and Non Current Liabilities					
Financial liabilities with banks and other institutions - current and non current	720,833	0	0	0	720,833
Financing Fees - current and non current	(30,513)	0	0	0	(30,513)
Other financial liabilities - current and non current	101,543	101,448	0	0	95
Trade payables	38,743				
Total	**830,608**	**101,448**	**0**	**0**	**690,415**

KEY TO FINANCIAL INSTRUMENT CATEGORIES

FVTPL =	**Financial instruments measured at fair value through profit and loss**
LAR =	**Loans and Receivables**
AFS =	**Available-for-sale financial assets**
FLAC =	**Financial liabilities at amortised cost**

On account of the features of the financial assets and liabilities recorded in the financial statements and as shown by the above table, the fair value of many of these (current trade receivables and payables and current and non-current financial liabilities) do not differ from their related carrying amounts, with the exception of the Senior Notes and Senior Secured Notes for which the quoted prices at 31 December 2017 (approximately 94.5 and 99.7, respectively) correspond to the best estimate of fair value at 31 December 2017.

Levels of fair value hierarchy

In relation to the financial instruments recorded in the balance sheet at fair value, IFRS 7 requires these amounts to be classified on the basis of levels of hierarchy that reflect the significance of the input used for the determination of fair value. The levels are the following:

- Level 1 – prices quoted by active markets for assets or liabilities being measured;
- Level 2 – inputs other than Level 1 inputs that are directly observable (prices) or indirectly (derived from prices) market inputs;
- Level 3 – inputs not based on observable market data.

POSITION AT 31 DECEMBER 2016	Level 1	Level 2	Level 3	TOTAL
Assets				
Other Investments			335	**335**
Other financial assets		178		**178**
Total		**178**	**335**	**513**
Liabilities				
Vendor loan			92,356	**92,356**
Total			**92,356**	**92,356**

POSITION AT 31 DECEMBER 2017	Level 1	Level 2	Level 3	TOTAL
Assets				
Other Investments			447	**447**
Other financial assets		180		**180**
Total		**180**	**447**	**627**
Liabilities				
Vendor loan			101,448	**101,448**
Total			**101,448**	**101,448**

There have been no significant transfers in the 2017 and 2016 financial years from one level to another of the fair value categories presented.

The vendor loan financial payable is the main category within level 3 of the fair value hierarchy and it consists of the fair value of the estimated liability arising from put and call or earnout agreements relating to various non-controlling interests in Group companies; the related fair value was determined considering the contractual hypotheses for the determination of the consideration. Changes in fair value, due both to timing and possible changes in estimated indicators that form the basis for the computation of the consideration, are recognised in the consolidated statement of profit or loss; the impact recognised in the 2017 consolidated statement of profit or loss arising from the change in the fair value measurement of the vendor loan amounts to a decrease in its measurement of approximately € 7,307 thousand and an increase in its measurement of approximately € 15,290, whereas an amount of € 5,344 thousand was recognised as Other IFRS financial charges (see Note 7 Finance Income, Note 8 Finance Costs and Note 19 Net Cash/Debt).

Note that the discount rate applied for the measurement of the vendor loan at 31 December 2017 is that adopted for the performance of Group impairment tests at 31 December 2017, that is, the rate that equates to the cost of debt (gross of the tax effect) of 5.81% at 31 December 2017 (5.52% at 31 December 2016). This cost of debt is deemed representative of TeamSystem Group's specific credit risk at the balance sheet date. In this regard, the Group has also performed analysis of the sensitivity of the carrying amount of the vendor loan to interest rates applied. The results of this analysis are set out in the table below.

Vendor loan Sensitivity - 2017					
Cost of Debt - gross of tax	**4.81%**	**5.31%**	**5.81%**	**6.31%**	**6.81%**
Vendor loan	104,452	102,934	**101,448**	99,992	98,566

30. GUARANTEES PROVIDED, COMMITMENTS AND OTHER CONTINGENT ASSETS AND LIABILITIES

Guarantees provided

Set out below are details of the collateral provided in connection with the revolving credit facility and the Senior Secured Notes (Note 19) at 31 December 2017:

- pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.;
- assignment by way of security of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.;

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

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

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

The main elements of the collateral provided in connection with the Senior Notes (Note 19) at 31 December 2017 are:

- pledge over 100% of the shares of TeamSystem Holding S.p.A. held by Barolo Lux 1 S.à.r.l.;
- pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.; and
- assignment by way of security of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.

Unsecured guarantees had been provided at 31 December 2017 by Barolo Lux 1 S.à r.l. and TeamSystem S.p.A. in connection with the Senior Notes.

Other significant commitments and contractual rights

The Group companies are party to put and call option agreements in connection with shares/quotas held by non-controlling interest holders in the following companies and for the percentage interests as indicated below:

Put / Call Options Outstanding	31 Dec 2017	31 Dec 2016
Metodo S.p.A.	10,00%	10,00%
TeamSystem Communication S.r.l.	40,00%	40,00%
Danea Soft S.r.l.	30,00%	49,00%
Madbit Entertainment S.r.l.	49,00%	49,00%
Euresys S.r.l.	40,00%	40,00%
Aliaslab S.p.A.	49,00%	49,00%
Mondora S.r.l.	49,00%	49,00%
Inforyou S.r.l.		15,00%
Evols S.r.l.	49,00%	
Netlex S.r.l.	49,00%	
Cassanova S.r.l.	49,00%	
Evolution Fit S.r.l.	49,00%	

The exercise price of these options will be determined based on normalised earnings parameters for the companies in question to which will be added the average (or actual) financial indebtedness for the period in which the put options may be exercised. The best estimate of the net present value of future disbursements has been recognised in the financial statements (Note 19) while the best estimate of future disbursements (by financial year) is indicated in the table shown in Note 29 – Liquidity risk – analysis of financial liabilities by due date of cash outflows.

Operating and property lease arrangements

Euro Million POSITION AT 31 DECEMBER 2016	within 1 year	within 2 - 4 years	over 5 years	Total
Leases for operational premises	3.4	7.5	6.6	**17.5**
Leases for motor cars	3.1	3.9	0	**7.0**
Total	**6.5**	**11.4**	**6.6**	**24.5**

Euro Million POSITION AT 31 DECEMBER 2017	within 1 year	within 2 - 4 years	over 5 years	Total
Leases for operational premises	4.7	11.6	11.6	**27.9**
Leases for motor cars	3.1	4.2	0	**7.3**
Total	**7.8**	**15.8**	**11.6**	**35.2**

The Group companies are party to operating lease agreements mainly for the use of motor cars. The amount of outstanding instalments for these operating leases at 31 December 2017 was approximately € 7.3 million.

Most of TeamSystem Group's operational premises are held under property leases. Outstanding instalments for these operational premises at 31 December 2017 amounted to approximately € 27.9 million.

Other commitments and contingent assets/liabilities

The Group companies, in the performance of their activities, are exposed to a series of legal, tax and other risks. These risks relate to ongoing legal disputes (the outcome of which cannot be forecast with certainty) or claims made against Group companies for the recovery of damages suffered by third parties. An adverse outcome of these proceedings could lead to the payment of costs not covered (or not fully covered) by insurance with a consequent impact on the financial position.
The Group, in accordance with opinions provided by its legal advisers, has made specific provision as part of the provision for risks and charges (Note 26) for litigation for which it is believed that a disbursement of resources is probable and for which the amount is capable of being reliably estimated. Based on the information available, there are no further potentially significant contingent liabilities that could lead to significant disbursements for the Group.

31. SUMMARY OF IFRS 12 DISCLOSURE REQUIREMENTS CONCERNING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON-CONTROLLING INTERESTS

Investments in associates

As required by IFRS 12, additional information concerning Investments in associates is provided in the table set out below.

INVESTMENTS IN ASSOCIATES	Registered office	% held	(**) ASSETS	(**) LIABILITIES	(**) EQUITY	(**) REVENUE	(**) PROFIT (LOSS) FOR THE YEAR
Mondoesa Emilia S.r.l.	Parma	40.00	2,497	2,391	106	4,041	3
INTIT S.r.l.	Frosinone	35.00	1,548	1,179	369	1,984	75
Mondoesa Milano Nordovest S.r.l.	Milan	49.00	1,731	1,749	(17)	2,846	(60)
Cesaco S.r.l.	Vicenza	48.00	389	238	152	542	-24
Comsyst S.r.l. (*)	Pesaro	49.00					

(*) = the company was incorporated in 2017;
(**) = figures updated to 31 December 2016 financial statements.

Investments in subsidiaries with material non-controlling interests

As required by IFRS 12, a summary is provided below of information concerning the Group's principal subsidiaries with material non-controlling interests. The amounts shown in the following tables are before intercompany eliminations and consolidation entries.
Note that the percentage holding in the subsidiaries is the actual percentage held by the Group at the reporting date, without taking account of the impact of vendor loan agreements entered into by the Group (further details are provided in the paragraphs on "Scope of consolidation" and on "Basis of consolidation").

Euro thousands DANEA SOFT	DANEA SOFT --------- 31 Dec 2017	DANEA SOFT --------- 31 Dec 2016	Change
% Held by Non Controlling Interests	30	49	-19.00
Total Current Assets	5,447	3,286	2,162
Total Non Current Assets	5,680	5,454	226
Total Current Liabilities	3,661	4,664	(1,002)
Total Non Current Liabilities	845	180	665
Total Equity	6,621	3,896	2,725
Total Equity attributable to non controlling interests	1,986	1,909	77
Total Revenue	6,747	6,170	578
Operating Result	3,963	3,701	262
Profit (Loss) for the year	2,725	2,522	203
Profit (Loss) for the year - Non controlling Interests	817	1,236	(418)

Euro thousands GRUPPO EUROCONFERENCE	GRUPPO EUROCONFERENCE --------- 31 Dec 2017	GRUPPO EUROCONFERENCE --------- 31 Dec 2016	Change
% Held by Non Controlling Interests	3.13	3.13	0.00
Total Current Assets	17,818	15,052	2,765
Total Non Current Assets	1,322	1,441	(120)
Total Current Liabilities	7,826	6,790	1,036
Total Non Current Liabilities	461	529	(68)
Total Equity	10,853	9,175	1,678
Total Equity attributable to non controlling interests	340	287	53
Total Revenue	11,950	11,020	930
Operating Result	2,240	2,326	(86)
Profit (Loss) for the year	1,678	1,676	2
Profit (Loss) for the year - Non controlling Interests	53	52	0

Euro thousands ALIASLAB	ALIASLAB --------- 31 Dec 2017	ALIASLAB --------- 31 Dec 2016	Change
% Held by Non Controlling Interests	49	49	n.a.
Total Current Assets	14,173	8,240	5,932
Total Non Current Assets	1,907	1,432	475
Total Current Liabilities	2,187	2,776	(589)
Total Non Current Liabilities	625	443	182
Total Equity	13,267	6,453	6,814
Total Equity attributable to non controlling interests	6,501	3,162	n.a.
Total Revenue	13,816	12,846	971
Operating Result	9,441	8,543	898
Profit (Loss) for the year	6,815	6,264	550
Profit (Loss) for the year - Non controlling Interests	3,339	3,069	n.a.

Euro thousands NUOVAMACUT NORD OVEST	NUOVAMACUT NORD OVEST --------- 31 Dec 2017	NUOVAMACUT NORD OVEST --------- 31 Dec 2016	Change
% Held by Non Controlling Interests	13.66	13.66	0.00
Total Current Assets	16,222	15,041	1,181
Total Non Current Assets	70	78	(8)
Total Current Liabilities	12,674	11,956	718
Total Non Current Liabilities	548	523	26
Total Equity	3,069	2,641	429
Total Equity attributable to non controlling interests	419	361	59
Total Revenue	13,491	12,304	1,187
Operating Result	2,245	2,192	53
Profit (Loss) for the year	1,619	1,488	131
Profit (Loss) for the year - Non controlling Interests	221	203	18

32. RELATED PARTY TRANSACTIONS, DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT

Emoluments

As required by IAS 24, the table below shows the emoluments payable for the year ended 31 December 2017 to the members of the Board of Directors, to the members of the Board of Statutory Auditors and to the Group's Top Management.

	31 Dec 2017	31 Dec 2016
Directors		
Statutory Auditors	31	18
Top Management (*)	3,945	4,155
Total emoluments	**3,976**	**4,173**

(*) = 2017 Figueres do not include 2017 bonuses

Receivables, payables, revenue and costs arising from transactions with Barolo Lux 1 S.à.r.l.

The table below summarises the balances at 31 December 2017 and transactions in the year then ended with the parent company Barolo Lux 1 S.à.r.l.

PARENT COMPANY	Trade payables	Other payables	Financial payables	Financial receivables
Barolo Lux 1 S.à.r.l.				
Total				

PARENT COMPANY	Total Revenues	Finance income	31 Dec 2017
Barolo Lux 1 S.à.r.l.		4	4
Total		**4**	**4**

PARENT COMPANY	Cost of raw materials	Cost of services	Other operating costs	Financial costs	31 Dec 2017
Barolo Lux 1 S.à.r.l.				280	280
Total				**280**	**280**

Associates

A summary is provided below of balances at 31 December 2017 with associated companies and transactions therewith in the year then ended.

	Trade and Other receivables	Financial receivables	31 Dec 2017	Trade and Other payables	Financial liabilities	31 Dec 2017
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	65		**65**	46		**46**
INTIT S.r.l.	73		**73**	(1)		**(1)**
Mondoesa Milano Nordovest S.r.l.	10		**10**	10		**10**
Cesaco S.r.l.	0		**0**	63		**63**
Comsyst S.r.l.			**0**			**0**
Total	**149**	**0**	**149**	**117**	**0**	**117**

	Total Revenues	Non recurring revenues	Finance income	31 Dec 2017
INVESTMENTS IN ASSOCIATES				
Mondoesa Emilia S.r.l.	957			**957**
INTIT S.r.l.	353			**353**
Mondoesa Milano Nordovest S.r.l.	981			**981**
Cesaco S.r.l.	21			**21**
Comsyst S.r.l.				**0**
Total	**2,311**	**0**	**0**	**2,311**

	Operating costs	Other provisions	Finance cost	Income taxes	31 Dec 2017
INVESTMENTS IN ASSOCIATES					
Mondoesa Emilia S.r.l.	123				**123**
INTIT S.r.l.	256				**256**
Mondoesa Milano Nordovest S.r.l.	136				**136**
Cesaco S.r.l.	155				**155**
Comsyst S.r.l.					**0**
Total	**670**	**0**	**0**	**0**	**670**

Related companies

TeamSystem Group has not been party to any transactions with related companies that are worth disclosing, other than those previously commented upon.

33. INDEPENDENT AUDITORS

In addition to the above information, note that fees payable to Deloitte & Touche S.p.A. as independent auditors, recognised by the Group in profit or loss in 2017 or the audit of the financial statements, amounted to approximately € 218 thousand.

34. MANAGEMENT AND COORDINATION

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 S.à.r.l.

The financial statements of Barolo Lux 1 S.à.r.l. for the year ended 31 December 2016 are set out below.

Barolo Lux 1 S.à.r.l.
Balance sheet as at 31 December 2016

(expressed in Euro)

ASSETS	31 Dec 2016	31 Dec 2015
Fixed assets	642,750,000	50,000
Current assets	191,736	9,709
Total Assets	**642,941,736**	**59,709**

(expressed in Euro)

LIABILITIES	31 Dec 2016	31 Dec 2015
Capital and Reserves	643,011,110	12,500
Profit (Loss) for the financial year	(1,018,315)	(27,011)
Creditors	948,940	74,220
Total liabilities	**642,941,736**	**59,709**

(expressed in Euro)

PROFIT AND LOSS ACCOUNT	31 Dec 2016	31 Dec 2015
Net Turnover	10,755	
Other operating income	50,000	
Raw material and consumables	(954,918)	(23,801)
Staff cost	(64,177)	
Other operating expense	(17,732)	
Other interest receivable and similar	624	
Interest payables and similar	(34,657)	
Tax on profit or loss		(3,210)
Other taxes	(8,210)	
PROFIT OR LOSS	**(1,018,315)**	**(27,011)**

35. SUBSEQUENT EVENTS

Outsourcing of standard hardware and systems

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

Definitive purchase of "MynPrivacy" software and related rights

In January 2018, TeamSystem S.p.A. definitively purchased the software and all rights pertaining to the application named "MynPrivacy". The aim of the application is to facilitate compliance with regulations applicable to the protection of natural persons in connection with the processing of personal data inclusive of the requirements of EU Regulation 2016/679 (GDPR).

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

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

Acquisition of MMdata Informatica S.r.l.:
In February 2018, TeamSystem Group, through the subsidiary Danea Soft S.r.l., completed the acquisition of 100% of the capital of MMData Informatica S.r.l., a leading company in Italy in the provision of services and the distribution of software for condominium and property managers.

Definitive purchase of "PIGC" and "Rent Manager" software, related rights and assets
In February 2018, TeamSystem Group, through the subsidiary Reviso International ApS, definitively purchased the software, rights and assets pertaining to the applications named "PIGC" and "Rent Manager". The aim of the applications is to facilitate compliance with regulations applicable to condominium and property management, as well as facilitate the organisation and conduct of activities typical thereof.

Milan, 28 February 2018

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

TEAMSYSTEM HOLDING S.P.A. – Società con Unico Socio

Sede legale a Pesaro – Via S. Pertini n. 88

Capitale sociale Euro 5.450.000,00 i.v.

* * * *

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEI SOCI AI SENSI DELL'ART. 2429, co. 2, c.c.

All'Azionista unico,

Nel corso dell'esercizio chiuso al 31 dicembre 2017, la nostra attività è stata quindi ispirata alle disposizioni di legge e alle *Norme di comportamento del Collegio sindacale emanate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.*

- **Attività di vigilanza**

Abbiamo partecipato all'attività degli organi sociali rispetto alla quale, in relazione alle operazioni deliberate e sulla base delle informazioni acquisite, non sono state riscontrate violazioni della legge e dello statuto, né operazioni manifestamente imprudenti, azzardate, in potenziale conflitto di interesse o tali da compromettere l'integrità del patrimonio sociale.

Abbiamo acquisito dagli Amministratori le informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggiore rilievo, per le loro dimensioni o caratteristiche, effettuate dalla Società.

Sulla base delle informazioni raccolte, possiamo riferire che tali fatti di rilievo e gli effetti che dai medesimi ne sono derivati trovano idonea espressione informativa nei documenti del Bilancio d'esercizio e del Bilancio consolidato della Società, e quindi nella Relazione sulla gestione che accompagna il Bilancio consolidato al 31 dicembre 2017.

Abbiamo acquisito informazioni dal Revisore legale dei conti e, da quanto da esso riferito, non sono emersi ulteriori dati ed informazioni rilevanti che debbano essere evidenziati nella presente Relazione.

Abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento dell'assetto organizzativo della Società, tenuto conto dell'attività svolta dalla Società, ed anche tramite la raccolta di informazioni dai responsabili delle funzioni, ed a tale riguardo non abbiamo osservazioni particolari da riferire.

Abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, tenuto conto dell'attività svolta dalla Società, ed anche mediante l'ottenimento di informazioni dai responsabili delle funzioni, dal soggetto incaricato della revisione legale dei conti e con l'esame a campione di alcuni documenti aziendali, ed a tale riguardo non abbiamo osservazioni particolari da riferire.

Non sono pervenute denunzie ex art. 2408 c.c..

Non sono stati rilasciati dal Collegio sindacale pareri previsti dalla legge.

Nello svolgimento dell'attività di vigilanza, come sopra descritta, non sono emersi altri fatti significativi tali da richiederne la menzione nella presente Relazione.

- **Bilancio d'esercizio**

Abbiamo esaminato il progetto di bilancio d'esercizio chiuso al 31 dicembre 2017 ed anche preso visione del Bilancio consolidato al 31 dicembre 2017 e possiamo al riguardo riferire quanto segue.

Non essendo a noi demandata la revisione legale del bilancio, abbiamo vigilato sull'impostazione generale data allo stesso, sulla sua generale conformità alla legge per quel che riguarda la sua formazione e struttura. Osserviamo che, ricorrendo le condizioni di legge, il bilancio d'esercizio al 31 dicembre 2017 è stato predisposto adottando i principi contabili italiani ed in forma abbreviata; il bilancio consolidato al 31 dicembre 2017 è stato invece redatto adottando i Principi contabili internazionali Ias / Ifrs ed è accompagnato dalla Relazione sulla gestione predisposta dagli Amministratori.

Abbiamo verificato l'osservanza delle norme di legge inerenti alla predisposizione della Relazione sulla gestione al bilancio consolidato, ed a tale riguardo non abbiamo osservazioni particolari da riferire.

Per quanto a nostra conoscenza, gli Amministratori, nella redazione del bilancio d'esercizio al 31 dicembre 2017, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma 4, c.c..

Ai sensi dell'art. 2426, n. 6, c.c., abbiamo espresso il nostro consenso all'iscrizione nell'attivo dello stato patrimoniale del bilancio d'esercizio di costi di impianto e ampliamento per Euro/000 8.

- **Conclusioni**

Considerando anche le risultanze dell'attività svolta dal soggetto incaricato della revisione legale dei conti contenute nella relazione di revisione del bilancio d'esercizio e del bilancio consolidato, il Collegio sindacale non rileva motivi che possano ostare all'approvazione da parte dell'Assembla degli Azionisti del bilancio d'esercizio chiuso il 31 dicembre 2017, così come redatto dagli amministratori, né formula obiezioni in merito alla proposta di deliberazione presentata dal Consiglio di amministrazione per la destinazione del risultato d'esercizio.

Il Collegio sindacale approva all'unanimità.

Pesaro, lì 2 marzo 2018

Il Collegio Sindacale

Dott. Claudio Sanchioni (Presidente)

Dott.ssa Nicole Magnifico (Sindaco effettivo)

Dott. Fabio Landuzzi (Sindaco effettivo)

Deloitte & Touche S.p.A.
Viale della Vittoria, 7
60123 Ancona
Italia

Tel: +39 071 50149.11
Fax: +39 071 50149.12
www.deloitte.it

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

To the Sole Shareholder of
TeamSystem Holding S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries (the "TeamSystem Group" or the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of TeamSystem Holding S.p.A. or the termination of the business or have no realistic alternatives to such choices.

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

Deloitte.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Deloitte.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of TeamSystem Holding S.p.A. are responsible for the preparation of the report on operations of TeamSystem Group as at December 31, 2017, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of TeamSystem Group as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of TeamSystem Group as at December 31, 2017 and is prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Jessica Lanari
Partner

Ancona, Italy
March 2, 2018

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