31 December 2018 Consolidated Financial Statements TeamSystem Group

TeamSystem®

CONTENTS

TEAMSYSTEM HOLDING S.p.A.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31.12.2018

DIRECTORS' REPORT

TeamSystem Holding S.p.A.

DIRECTORS' REPORT ON OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2018

Dear Sole Shareholder,

Presented below are the results for the year ended 31 December 2018 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 2018 and its results for the year then ended.

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

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CORPORATE BODIES AND OTHER CORPORATE INFORMATION

BOARD OF DIRECTORS 31 Dec 2018	
VINCENZO MORELLI	CHAIRMAN
FEDERICO LEPROUX	CHIEF EXECUTIVE OFFICER
PATRICK JOHN HEALY	DIRECTOR
VINCENZO FERRARI	DIRECTOR
SERGIO AMODEO	DIRECTOR
BLAKE CHRISTOPHER KLEINMAN	DIRECTOR
PHILIP RICHARD STERNHEIMER	DIRECTOR
LUCA VELUSSI	DIRECTOR
JEAN BAPTISTE BRIAN	DIRECTOR

BOARD OF STATUTORY AUDITORS 31 Dec 2018	
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.	

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GROUP OPERATIONS AND RESULTS FOR THE YEAR

►MACROECONOMIC, SECTOR AND LEGISLATIVE CONTEXT

Istat expected 2018 growth in gross domestic product (GDP) of 1.1% turned into a +0,9% in actual terms (Source: ISTAT), a slowdown compared to 2017 when GDP rose by 1.6%, while 2019 was revised downwards to a +0,6% GDP growth. Global GDP growth is also softening. Oecd composite leading indicators show that the economic activity will decelerate further in the coming months.

In a scenario of a gradual slowdown in economic activity, in the fourth quarter of 2018, after three years of expansion, Italian GDP recorded -0,1% economic growth with respect to Q3 2018 (source: ISTAT), following a flat growth Q3 over Q2 2018, which indicates that, technically, Italy has gone back into recession.
This was principally due to the negative contribution of inventories that more than offsets the domestic demand and net exports positive ones. The value added in the services increased while in the industrial sector is still decreasing.

In 2018, full time employment grew by 0.8% (+0.9% in 2017). The positive momentum has continued in January with a slight increase of employment characterized by the permanent positions. Households and firms confidence deteriorated. The leading indicator decreased further confirming that the Italian economy cyclical position is still negative.

Inflation has been forecast to accelerate, albeit at a lower rate than that of the euro area (source: ISTAT).

According to figures released by Assintel, it is estimated that the Italian ICT market reached a value of € 30 billion in 2018, with growth of +0.7% compared to 2017, which, from a forward-looking point of view for the period 2017-2021, is expected to grow at a compound annual growth rate (CAGR) of +1.3%. Moving on to have a more detailed look at the ICT market, and, specifically, its constituent components: IT and Telecommunications, again in this case, two contrasting dynamics may be noted. On one hand, we have seen a gradual contraction of the mobile and fixed network Telecommunications Services market (with expenditure in 2018 of just under € 7.2 billion), albeit smaller decreases are expected in future years (2017-2021 CAGR = -0.6%). *On the other hand, we have an IT market, which, in 2018, reached € 22.8 billion and which maintains positive growth in the period in question (2017-2021 CAGR = +2%), having been projected to exceed € 24 billion in 2021.*

Again, according to figures released by Assintel, the focus of Italian businesses' ICT expenditure is expected to switch from an approach aimed at the maintenance of the existing infrastructure to solutions that greatly encourage innovation and the achievement of an improved competitive positioning.

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►SIGNIFICANT EVENTS THAT OCCURRED DURING THE YEAR

■Mergers by absorption – simplification of Group structure

With the aim of simplifying and rationalising its organisational and corporate structure, TeamSystem Group completed a series of mergers in 2018, as set out below:

a) in October 2018, Euresys S.r.l. and TeamSystem C&D S.r.l. were merged by absorption into TeamSystem S.p.A. (under the terms of a merger deed dated 29 October 2018), effective for legal purposes as of 31 October 2018. The effective date for accounting and tax purposes, however, was backdated to 1 January 2018.

b) in December 2018, H-Umus S.r.l. was merged by absorption into TeamSystem S.p.A. (under the terms of a merger deed dated 13/12/2018), effective for legal purposes as of 31/12/2018. The effective date for accounting and tax purposes, however, was backdated to 1 January 2018.

■Acquisitions, incorporations, preliminary acquisitions of new companies and the acquisition of further equity interests in existing subsidiaries

During the course of 2018, TeamSystem Group acquired/incorporated the following companies or acquired further equity interests in existing subsidiaries:

a) in February 2018, Danea S.r.l. acquired 100% of the quota capital of MMData S.r.l. MMData S.r.l. is a leading company in Italy in the provision of services and the distribution of software for condominium and property managers.
b) in March 2018, TeamSystem S.p.A. set up a subsidiary called Beetho S.r.l. (the name of which was subsequently changed to TeamSystem Active in November 2018). In April 2018, Beetho S.r.l. increased its quota capital to allow Metodo S.r.l. to take up an equity stake therein and, accordingly, post capital increase, TeamSystem S.p.A.'s equity interest in Beetho has been diluted to 80%, with the residual 20% being held by Metodo S.r.l.
c) in April 2018, TeamSystem S.p.A. acquired a 40% interest (not yet held) in Euresys S.r.l. by means of the exercise of previously executed put and call option agreements. Euresys S.r.l. was then merged by absorption into TeamSystem S.p.A. in October 2018.
d) in June 2018, TeamSystem S.p.A. acquired a 10% interest (not yet held) in Metodo S.p.A. by means of the exercise of previously executed put and call option agreements.
e) in August 2018, Nuovamacut Automazione S.p.A. acquired a 30% interest (not yet held) in Nuovamacut Centro Sud S.r.l. and the residual 13.67% interest not yet held in Nuovamacut Nord Ovest S.r.l.
f) in October 2018, TeamSystem S.p.A. acquired a 49% interest (not yet held) in Mondora S.r.l. by means of the exercise of previously executed put and call option agreements.
g) in December 2018, TeamSystem Group, through the subsidiary Nuovamacut Automazione S.p.A., signed a preliminary purchase agreement for the acquisition of a 100% interest in Gi.Esse Macchine Utensili S.r.l., a leading company in the sale of industrial machinery in the north of Italy, already synergically integrated with Nuovamacut Automazione S.p.A.

■Refinancing of TeamSystem Group's financial structure

With the objective of optimising the Group's borrowing costs and of aligning its financial resources to the new business needs, during the course of 2018, TeamSystem Group restructured its financial structure. Specifically, on 4 April 2018, TeamSystem S.p.A. issued:

- € 550 million equating to the principal amount of senior secured floating rate notes due 15 April 2023 **("2023 Floating Rate Notes")** at an interest rate equating to the three-month Euribor rate (with a floor of 0%) plus an annual spread of 4.00% (ISIN XS1799538464 and ISIN XS1799537904);
- € 200 million equating to the principal amount of senior secured floating rate notes due 15 April 2025 (**"2025 Floating Rate Notes and, together with the 2023 Floating Instalments Notes, "Floating Rate Notes"**) with an identical interest rate and terms and conditions practically identical to the 2023 Floating Rate Notes (ISIN XS1799545089 and XS1799545675).

The net proceeds from the issue of these Notes have been used to redeem the pre-existing senior secured floating rate notes due 2022 (with a principal amount of € 570 million) previously issued by TeamSystem S.p.A. and to redeem the senior secured floating rate notes due 2023 (with a principal amount of € 150 million) previously issued by TeamSystem Holding S.p.A., as well as to repay the related interest (and early redemption bonuses) due and accrued on these pre-existing Notes.
The Floating Rate Notes are listed on the Luxembourg Stock Exchange and have been admitted for trading on the Euro MTF Market. Furthermore, the Floating Rate Notes are listed on the Vienna Stock Exchange and have been admitted for trading on the Third Market.

With the aim of reducing the risk of market interest rate fluctuations associated with the Floating Rate Notes, TeamSystem S.p.A. has entered into two interest rate swap contracts with a total notional amount of € 500 million and with a termination date of 15 April 2020.

Lastly, concurrently with the issue of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. entered into a new revolving credit facility agreement for a principal amount of € 90 million with a maturity date of 15 October 2022. The interest rate payable on this credit facility is based on Euribor / Libor, with a floor of 0.00%, plus an initial annual spread of 3.50% per annum.

■Outsourcing of business units

Outsourcing of standard hardware and systems – TeamSystem S.p.A.
To guarantee an even more effective and efficient Hardware and Systems service, effective 1 January 2018, TeamSystem Group has decided to outsource (via a two-year business lease agreement) the Hardware and Systems business to a market leader in this sector.

Outsourcing of Delivery business – TeamSystem S.p.A. and Esa Napoli S.r.l.
In June 2018 (in the case of TeamSystem S.p.A.) and in July 2018 (in the case of Esa Napoli S.r.l.), TeamSystem Group decided to outsource (via a two-year business lease agreement or via a specific collaboration agreement) the delivery services business (that handles the installation and/or the customisation of TeamSystem software at end customers' premises in addition to second level assistance) to a number of System-Integrator market leaders in the sector in question.

Incorporation of ComSyst - Co-Sourcing of customer services
To guarantee a more flexible customer service, TeamSystem S.p.A. set up a company called ComSyst S.r.l. in which TeamSystem S.p.A. transferred a part of the customer service business (consisting mainly of specialized personnel). On 31 December 2018, the 49% of the capital of ComSyst S.r.l. si owned by TeamSystem S.p.A.

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►SUMMARY OF RESULTS OF TEAMSYSTEM GROUP - BUSINESS UNITS
As stated in the explanatory notes to these consolidated financial statements, TeamSystem Group has adopted the International Financial Reporting Standards IFRS 9 and 15 for the 2018 financial year (given that they have become effective for this financial year) and, furthermore, has early adopted the International Financial Reporting Standard IFRS 16 for the 2018 financial year. In compliance with these International Financial Reporting Standards, IFRS 9, 15 and 16 have only been applied to the 2018 financial year (the 2017 financial year has not thus been restated).

In order to provide a consistent and comparable presentation of the results for the year based on a consistent application of accounting standards, this directors' report also includes estimates of the impact of the application of **IFRS 15 and IFRS 16** to the 2017 financial year (to enable a consistent comparison of the 2018 and 2017 financial years) in the manner described below:

- as regards the estimate of the impact of **IFRS 16** for the 2017 financial year, with reference to agreements for the **rental of premises, for guest accommodation and other minor contracts** that fall within the scope of application of IFRS 16 for the 2018 financial year, checks were performed to ensure that the same agreements were also open in the 2017 financial year; in this case, steps were taken to quantify the related impact on the 2017 financial year as well. As regards **car rental agreements**, it was estimated that the impact on the 2017 financial year was the same as that for the 2018 financial year on account of the large number of agreements, of the fleet turnover and the immateriality of each car rental agreement examined;
- as far as the estimate of the impact of the application of **IFRS 15** to the 2017 financial year is concerned, on account of the immateriality of the impact of the application of this standard to the 2018 financial year, both in terms of financial position and results, it was not deemed necessary to estimate the related impact.

Presented below are the results of TeamSystem Group for the 2018 and 2017 financial years; as indicated above, comparatives provided for the 2018 statement of profit or loss (which incorporates the adoption of IFRS 9 / 15 / 16) consist of the actual results for the 2017 financial year (that do not include the impact of the application of IFRS 9/15/16), as well as pro-forma results for the 2017 financial year that take account of the estimated impact of the application of the aforementioned standards, IFRS 15 / 16, to the 2017 financial year.

Euro thousands RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	(**) 31 Dec 2018	%	31 Dec 2017	%	Change	% Change
TOTAL REVENUE	**336,404**	**100.0%**	**315,977**	**100.0%**	**20,427**	**6.5%**
Cost of raw and other materials	(28,339)	-8.4%	(29,584)	-9.4%	1,244	-4.2%
Cost of services	(75,400)	-22.4%	(62,867)	-19.9%	(12,532)	19.9%
Personnel costs	(103,997)	-30.9%	(106,244)	-33.6%	2,248	-2.1%
Other operating costs	(2,988)	-0.9%	(4,272)	-1.4%	1,285	-30.1%
ADJUSTED EBITDA	**125,681**	**37.4%**	**113,010**	**35.8%**	**12,671**	**11.2%**
Allowance for bad debts	(5,131)	-1.5%	(3,896)	-1.2%	(1,236)	31.7%
Depreciation and amortization of non-current assets	(83,040)	-24.7%	(72,459)	-22.9%	(10,581)	14.6%
Other provisions for risks and charges	(7,020)	-2.1%	(7,028)	-2.2%	7	-0.1%
Impairment of non-current assets	0	0.0%	(150)	0.0%	150	-100.0%
Strategic marketing costs	0	0.0%	(1,720)	-0.5%	1,720	-100.0%
Office closure and relocation costs	(980)	-0.3%	(1,376)	-0.4%	397	-28.8%
Advisory costs related to reorganization and cost saving projects	(7,574)	-2.3%	(5,937)	-1.9%	(1,637)	27.6%
Personnel redundancy	(706)	-0.2%	(2,826)	-0.9%	2,120	-75.0%
IT Costs for system integration and transformation	0	0.0%	(1,866)	-0.6%	1,866	-100.0%
Acquisition and merger costs	(1,293)	-0.4%	(1,282)	-0.4%	(11)	0.9%
International project costs	0	0.0%	(306)	-0.1%	306	-100.0%
Change management program costs	(2,111)	-0.6%	(1,696)	-0.5%	(415)	24.5%
Credit collection project costs	(364)	-0.1%	(405)	-0.1%	41	-10.2%
Tax optimization costs	(395)	-0.1%	(258)	-0.1%	(136)	52.7%
Settlements with customers and agents	(1,112)	-0.3%	(2,416)	-0.8%	1,304	-54.0%
Other minor items	(466)	-0.1%	(254)	-0.1%	(213)	83.9%
OPERATING RESULT	**15,490**	**4.6%**	**9,136**	**2.9%**	**6,354**	**69.5%**
Net Finance Income (Cost)	(89,363)	-26.6%	(72,039)	-22.8%	(17,323)	24.0%
PROFIT (LOSS) BEFORE INCOME TAXES	**(73,872)**	**-22.0%**	**(62,903)**	**-19.9%**	**(10,969)**	**17.4%**
Current income tax	957	0.3%	(5,971)	-1.9%	6,928	-116.0%
Deferred income tax	16,956	5.0%	12,086	3.8%	4,870	40.3%
PROFIT (LOSS) FOR THE YEAR	**(55,960)**	**-16.6%**	**(56,788)**	**-18.0%**	**829**	**-1.5%**
(Profit) Loss for the year - Non controlling interests	(70)	0.0%	(346)	-0.1%	275	-79.7%
PROFIT (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(56,030)**	**-16.7%**	**(57,134)**	**-18.1%**	**1,104**	**-1.9%**

(**) = 2018 Profit or Loss impacted by the adoption of IFRS 9 / 15 / 16

Euro Thousand RECLASSIFIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS 2017 ADJUSTED FOR THE ESTIMATED IMPACT OF IFRS 15/16	31 Dec 2018	%	(**) 31 Dec 2017	%	Change	% Change
TOTAL REVENUE	**336,404**	**100.0%**	**315,977**	**100.0%**	**20,427**	**6.5%**
Cost of raw and other materials	(28,339)	-8.4%	(29,584)	-9.4%	1,244	-4.2%
Cost of services	(75,400)	-22.4%	(60,819)	-19.2%	(14,581)	24.0%
Personnel costs	(103,997)	-30.9%	(106,244)	-33.6%	2,248	-2.1%
Other operating costs	(2,988)	-0.9%	(1,797)	-0.6%	(1,190)	66.2%
ADJUSTED EBITDA	**125,681**	**37.4%**	**117,533**	**37.2%**	**8,148**	**6.9%**

(**) = includes an estimate of the impact on 2017 profit or loss of the adoption of IFRS 15 / 16

In the above table and elsewhere in this directors' report, the following performance indicators are used, with regard to TeamSystem Group's earnings:

Adjusted EBITDA = This is calculated as follows:
Profit (loss) for the year plus (i) Income tax; (ii) Finance income and costs; (iii) Other provisions for risks and charges; (iv) Depreciation and amortisation of non-current assets; (v) Impairment of non-current assets; (vi) Impairment of receivables and credit losses; (vii) Costs deemed by Management to be **non-core** for the measurement of the Group's performance: Strategic marketing costs; Office closure and relocation costs; Advisory costs related to reorganization and cost saving projects; Personnel restructuring costs; IT system integration and transformation costs; Acquisition and merger costs; Internationalisation project costs; Cost of services relating to change management program; Credit collection project costs; Tax optimization costs; Settlements with customers and agents; Other minor costs.

Set out below is a 2018 and 2017 **Adjusted EBITDA** reconciliation:

Euro Thousand

	31 Dec 2018	31 Dec 2017	Change	% Change
PROFIT (LOSS) FOR THE YEAR	(55,960)	(56,788)	828	-1.5%
Income tax	(17,913)	(6,115)	(11,798)	n.s.
Financial income and expense	89,363	72,039	17.323	24.0%
Other provisions for risks and charges	7.020	7.028	(7)	-0.1%
Depreciation and amortization of non-current assets	83.040	72.459	10.581	14.6%
Impairment of non-current assets		150	(150)	-100.0%
Allowance for bad debts	5.131	3.896	1.236	31.7%
Strategic marketing costs		1.720	(1.720)	-100.0%
Office closure and relocation costs	980	1,376	(397)	-28.8%
Advisory costs related to reorganization and cost saving projects	7,574	5,937	1,637	27.6%
Personnel redundancy	706	2,826	(2,120)	-75.0%
IT Costs for system integration and transformation		1,866	(1,866)	-100.0%
Acquisition and merger costs	1,293	1,282	11	0.9%
International project costs		306	(306)	-100.0%
Change management program costs	2.111	1.696	415	24.5%
Credit collection project costs	364	405	(41)	-10.2%
Tax optimization costs	395	258	136	52.7%
Settlements with customers and agents	1.112	2.416	(1.304)	-54.0%
Other minor items	466	254	213	83.9%
ADJUSTED EBITDA	**125,681**	**113,010**	**12,671**	**11.2%**

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

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TeamSystem Group closed 2018 with consolidated Total Revenue of € 336,404 thousand (€ 315,977 thousand in 2017), Adjusted EBITDA of € 125,681 thousand (€ 113,010 thousand in 2017) and a loss for the year attributable to the Group of € 56,522 thousand (€ 57,134 thousand in 2017).

As regards the growth in Total Revenue (which has increased by € 20,427 thousand compared to the figure for the year ended 31 December 2017), this change is mainly due to significant growth achieved in 2018 by the Cloud Business Unit.

As regards the operating margin, note that Adjusted EBITDA for 2018 (of € 125,681 thousand) has grown when compared to the 2017 figure (€ 113,010 thousand) by approximately € 12,671 thousand. This growth, in addition to the Group's organic growth, reflects the adoption of the new International Financial Reporting Standards (especially IFRS 16). If the comparison were to be made with the 2017 results incorporating the estimated impact of the adoption of the new International Financial Reporting Standards (in the manner described in the foregoing paragraphs), the growth in Adjusted EBITDA would have been € 8,148 thousand and also the operating margin (ratio of Adjusted EBITDA to Total Revenue) would have improved in 2018, with an operating margin of 37.4% compared to 37.2% in 2017.

The loss reported for 2018 was mainly attributable to the impact of the amortisation of intangible assets recognised 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 the significant impact of finance costs payable on the Group's debt, all of which are a consequence of the TeamSystem Group refinancing transaction (that occurred in April 2018) that led to a one-off writedown of certain components relating to the financial structure prior to the refinancing transaction (mainly a € 30.5 million one-off writedown of Financing Fees relating to the previous financial structure). Moreover, the loss does not reflect the Group's operating dynamics, which, as described in the foregoing paragraphs, have again this year shown a substantial improvement on the prior year's result.

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

- **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 cloud channel;
- **Hardware:** includes the activities, revenue and costs pertaining to sales of hardware systems and related components. Note that, as part of the outsourcing arrangements made by the Group, effective 2018, this business, as far as TeamSystem S.p.A. is concerned, is partially managed via a service agreement, based on which the company earns commission income.

Set out below are the key figures pertaining to the operating performance of TeamSystem Group's three Business Units for 2018 and 2017 (at the level of Total Revenue, Adjusted EBITDA and Net invested capital):

Euro Millions

OPERATING SEGMENTS	31 Dec 2018	31 Dec 2017	Change	% Change
Software Solutions	271.8	276.6	(4.8)	-1.7%
Cloud Software Solutions	61.6	33.9	27.7	81.7%
Hardware	3.0	5.5	(2.5)	-45.5%
TOTAL REVENUE	**336.4**	**316.0**	**20.4**	**6.5%**
Software Solutions	105.2	96.0	9.3	9.7%
Cloud Software Solutions	19.2	15.9	3.3	20.9%
Hardware	1.2	1.1	0.1	9.1%
ADJUSTED EBITDA	**125.7**	**113.0**	**12.7**	**11.2%**
Software Solutions	1,003.3	1,013.2	(9.9)	-1.0%
Cloud Software Solutions	264.4	261.5	2.9	1.1%
Hardware	8.2	8.4	(0.1)	-1.4%
NET INVESTED CAPITAL	**1,275.9**	**1,283.0**	**(7.1)**	**-0.6%**

Presented below is a breakdown of turnover by business line for 2018 and 2017:

Euro Millions

OPERATING SEGMENTS	31 Dec 2018	31 Dec 2017	Change	% Change
Assistance and Maintenance	62.8	63.0	(0.2)	-0.3%
Licences	17.2	24.2	(7.0)	-28.8%
Services and other	22.0	25.0	(3.0)	-12.0%
Direct Channel	**102.1**	**112.2**	**(10.1)**	**-9.0%**
Assistance and Maintenance and Licences	86.7	86.5	0.2	0.3%
Services and other	2.3	3.1	(0.8)	-24.5%
Indirect Channel	**89.1**	**89.6**	**(0.5)**	**-0.6%**
ERP AND BUSINESS MANAGEMENT SOFTWARE	**191.1**	**201.8**	**(10.7)**	**-5.3%**
Assistance and Maintenance	29.9	25.9	4.0	15.4%
Licences	17.9	18.4	(0.5)	-2.5%
Services and other	31.7	30.3	1.4	4.8%
VERTICAL SOLUTIONS	**79.5**	**74.5**	**5.0**	**6.7%**
SOFTWARE SOLUTION RECONCILIATION and OTHER	**1.2**	**0.3**	**0.9**	**300.0%**
SOFTWARE SOLUTIONS	**271.8**	**276.6**	**(4.8)**	**-1.7%**
CLOUD SOFTWARE SOLUTIONS	**61.6**	**33.9**	**27.7**	**81.7%**
HARDWARE	**3.0**	**5.5**	**(2.5)**	**-45.5%**
TOTAL REVENUE	**336.4**	**316.0**	**20.4**	**6.5%**

►TEAMSYSTEM GROUP'S FINANCIAL POSITION

The tables which follow present the Group's financial position at 31 December 2018 and 2017 and highlight, among other things, the Group's net invested capital, working capital and IFRS assets, being measures that are used by the Group as non-GAAP indicators (and, given that they are not governed by **IFRS**, the preparation criteria adopted by TeamSystem Group may not be comparable with those adopted by other companies or groups).

Euro thousands CONSOLIDATED NET INVESTED CAPITAL	31 Dec 2018	31 Dec 2017	Change	% Change
Trade receivables	128,941	122,755	6,186	5.0%
Inventories	1,067	1,552	(485)	-31.2%
Other receivables	24,847	17,464	7,383	42.3%
Trade payables	(38,928)	(38,743)	(185)	0.5%
Other liabilities	(86,810)	(63,445)	(23,364)	36.8%
Working Capital	**29,118**	**39,583**	**(10,465)**	**-26.4%**
Tax assets net of Tax liabilities	**8,628**	**5,072**	**3,556**	**70.1%**
Tangible assets	15,326	15,371	(44)	-0.3%
Intangible assets	46,753	41,181	5,572	13.5%
Right of use	23,895	0	23,895	n.s.
Asset IFRS	634,786	687,518	(52,732)	-7.7%
Goodwill	707,680	705,849	1,831	0.3%
Investments	582	593	(11)	-1.9%
Non Current Assets	**1,429,024**	**1,450,513**	**(21,489)**	**-1.5%**
Invested Capital	**1,466,770**	**1,495,167**	**(28,398)**	**-1.9%**
Staff leaving indemnity	(14,892)	(18,280)	3,388	-18.5%
Provisions for risks and charges	(9,280)	(10,355)	1,076	-10.4%
Deferred tax assets (liabilities) - net	(166,675)	(183,538)	16,862	-9.2%
Provision for contingencies and other liabilities	**(190,847)**	**(212,173)**	**21,326**	**-10.1%**
NET INVESTED CAPITAL	**1,275,923**	**1,282,994**	**(7,072)**	**-0.6%**

Euro thousands CONSOLIDATED FINANCIAL SOURCES	31 Dic 2018	31 Dic 2017	Change	% Change
Financial liabilities with banks and other institutions	763,905	694,313	69,591	10.0%
Other financial liabilities	88,130	101,543	(13,413)	-13.2%
Financing Fees - Prepayment	(1,525)	(3,993)	2,468	-61.8%
Other financial assets	(188)	(880)	692	-78.6%
Cassa e disponibilità liquide	(24,574)	(16,259)	(8,315)	51.1%
Net Financial Indebtedness	**825,747**	**774,725**	**51,023**	**6.6%**
Share capital and reserves	505,741	564,378	(58,637)	-10.4%
Profit (Loss) attributable to Owners of the Company	(56,030)	(57,134)	1,104	-1.9%
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**449,711**	**507,245**	**(57,534)**	**-11.3%**
Capitale e riserve - Soci di Minoranza	394	678	(284)	-41.9%
Utile (Perdita) dell'esercizio - Soci di Minoranza	70	346	(275)	-79.7%
Totale Patrimonio Netto - Soci di Minoranza	**464**	**1,023**	**(559)**	**-54.6%**
FINANCIAL SOURCES	**1,275,923**	**1,282,994**	**(7,072)**	**-0.6%**

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 2018 amounts to approximately € 825,747 thousand, representing an increase of € 51,023 thousand compared to €774,725 thousand at 31 December 2017; the increase is essentially due to the TeamSystem Group refinancing transaction that occurred in April 2018 and which involved the issue of a principal amount of € 750 million of Floating Rate Notes.

The Group's consolidated equity at 31 December 2018 amounts to € 449,711 thousand, representing a decrease compared to the balance at 31 December 2017 (€ 507,245 thousand) of € 57,534 thousand essentially due to the loss reported by the Group in 2018; the leverage ratio (net financial indebtedness/equity) was 1.8 at 31 December 2018 (1.5 at 31 December 2017).

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►WORKING CAPITAL

The following table shows the components of working capital at 31 December 2018 and 2017:

Euro thousands				
WORKING CAPITAL	**31 Dec 2018**	**31 Dec 2017**	**Change**	**% Change**
Trade receivables	128,941	122,755	6,186	5.0%
Inventories	1,067	1,552	(485)	-31.2%
Other receivables	24,847	17,464	7,383	42.3%
Trade payables	(38,928)	(38,743)	(185)	0.5%
Other liabilities	(86,810)	(63,445)	(23,364)	36.8%
WORKING CAPITAL - TOTAL	**29,118**	**39,583**	**(10,465)**	**-26.4%**

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 decreased by approximately € 10,465 thousand from € 39,583 thousand at 31 December 2017 to € 29,118 thousand at 31 December 2018, mainly due to an increase in Other liabilities (that have gone from € 63,445 thousand at 31 December 2017 to € 86,810 thousand at 31 December 2018), only partially offset by an increase in Trade receivables (by an amount of € 6,186 thousand) and by an increase in Other current receivables (by an amount of € 7,383 thousand).

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►CONSOLIDATED STATEMENT OF CASH FLOWS

Presented below is the statement of cash flows of TeamSystem Group for 2018 and 2017:

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	**31 Dec 2018**	**31 Dec 2017**	**Change**	**% Change**
CASH FLOWS FROM OPERATING ACTIVITIES	**99,819**	**61,763**	**38,057**	**61.6%**
Capital Expenditure	(29,144)	(25,317)	(3,827)	15.1%
Acquisition of investments	(4,137)	(5,193)	1,057	-20.3%
CASH FLOWS FROM INVESTING ACTIVITIES	**(33,280)**	**(30,510)**	**(2,770)**	**9.1%**
Financial balance paid / cashed-in	(28,919)	(20,393)	(8,525)	41.8%
Financing Fees paid	(15,443)	(2,026)	(13,417)	n.s.
Contingent liabilities to non controlling shareholders paid	(13,802)	(11,149)	(2,652)	23.8%
Dividends paid	(58)	(227)	169	-74.4%
Other changes in Equity	(0)	(600)	600	-100.0%
CASH FLOWS FROM FINANCING ACTIVITIES	**(58,222)**	**(34,396)**	**(23,826)**	**69.3%**
Change in Exchange rates	**(2)**	**(4)**	**2**	**-56.8%**

TeamSystem Group's cash flows from operating activities for the year ended 31 December 2018 amount to € 99,819 thousand, up by € 38,056 thousand on the corresponding figure for the year ended 31 December 2017 (€ 61,763 thousand). This increase is attributable to organic growth reported by the Group in 2018, to the adoption of the new accounting standard IFRS 16 and to the consequent reclassification of certain components of Net Finance Income (Cost).

As regards cash flows from investing activities, they amount to € (33,280) thousand for the year ended 31 December 2018, compared to € (30,510) thousand for the year ended 31 December 2017, with the change amounting to € (2,770) thousand, which is mainly attributable to an increase in Capital Expenditure (by approximately € 3,827 thousand).

Cash flows from financing activities amount to € (58,221) thousand, compared to € (34,396) thousand for the year ended 31 December 2017, mainly due to the contribution made by Financing Fees paid (which went from € (2,026) thousand for the year ended 31 December 2017 to € (15,443) thousand for the year ended 31 December 2018) as a consequence of the TeamSystem Group refinancing transaction that occurred in April 2018, with a consequent cash out-flow related to the payment of Financing Fees and early redemption premium.

►*CAPITAL EXPENDITURE*

The following table shows the capital expenditure incurred by the Group in the years ended 31 December 2018 and 2017:

Euro thousands				
CAPITAL EXPENDITURE	**31 Dec 2018**	**31 Dec 2017**	**Change**	**% Change**
Capex - Tangible Assets	3,177	6,563	(3,385)	-51.6%
Capex - Intangible Assets	12,081	5,369	6,711	125.0%
Capitalized development costs - personnel costs	11,696	11,078	618	5.6%
Capitalized development costs - service costs	2,190	2,307	(117)	-5.1%
CAPITAL EXPENDITURE	**29,144**	**25,317**	**3,827**	**15.1%**

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 2018 financial year compared to the 2017 figure is essentially due to the following factors:

- to capital expenditure incurred by TeamSystem Group (on its IT system) in order to meet compliance requirements implemented by Community legislation concerning the processing of personal data as governed by Regulation (EU) 2016/679 (GDPR). Regarding this capital expenditure, it is worth noting the outright purchase of the software (and of all pertinent rights) pertaining to the application named "MynPrivacy" made by TeamSystem in January 2018.
- in February 2018, TeamSystem Group, through the subsidiary Reviso International ApS, made an outright purchase of 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 to facilitate the organisation and conduct of activities typical thereof.

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►RESEARCH AND DEVELOPMENT

Again, during the course of 2018, 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 with respect to those already existing.
The total amount of development costs capitalised (at Group level) in 2018 amounts to € 13.9 million (compared to € 13.4 million in 2017). 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, on which expenditure and the efforts of Group Management have mostly been focused.

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►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 2018, 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 (taking account of the requirements of the new IFRS 9), 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 as a consequence of the debt refinancing transaction that TeamSystem Group completed in April 2018 (as described in the foregoing paragraphs of this directors' report and which consisted of the issue of Floating Rate Notes with a principal amount of € 750 million). The yield on these Notes is linked to the 3 month Euribor interest rate (with a floor of 0.00%), plus a spread established contractually. Conditions applied to the RCF (also renegotiated upon the issue of the Notes in April 2018) also provide for floating interest rates (based on Euribor (with a floor of 0.00%) plus a spread established contractually). With the aim of reducing the risk of market interest rate fluctuations associated with the Floating Rate Notes, TeamSystem Group has entered into interest rate swap contracts (with a total notional amount of € 500 million) and with a termination date of 15 April 2020.

If interest rates payable on the Notes had been 0.5% higher during the course of 2018 (with respect to the interest rate actually paid during the course of 2018), finance costs pertaining to the Notes would have been € 0.9 million higher; if, however, interest rates payable on the Notes had been 1.00% higher (with respect to those actually paid during the course of 2018), TeamSystem Group would have been faced with approximately € 1.9 million of higher finance costs.

No sensitivity analysis has been performed on interest rates payable on the RCF, since, at the reporting date, the RCF had not been drawn down and, accordingly, there are no meaningful average amounts relating thereto with respect to the 2018 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 number of TeamSystem Group's employees in the year ended 31 December 2018 has been 1,880 persons, broken down as follows (the decrease of approximately 134 in the number compared to the 2017 figure is partially due to the outsourcing of various corporate departments as described in the foregoing paragraphs of this directors' report):

	Average 2018	Average 2017	Change	31 Dec 2018	31 Dec 2017	Change
Managers	63	55	8	69	57	12
Middle managers / white collars / workers	1,884	1,937	(53)	1,811	1,957	(146)
Total	1,947	1,992	(45)	1,880	2,014	(134)

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 on account of the sector in which the Group operates. However, it should be noted that the parent company and the 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

Acquisition of Skylab Italia S.r.l.

In February 2019, TeamSystem Group signed a prelimiany purchase agreement for the acquisition of a 60% interest in Skylab Italia S.r.l., a company specialised in cloud solutions for personnel management. This acquisition will help TeamSystem Group expand its cloud product portfolio, as well as reinforce its competitive position in this target market.

Incorporation of TeamSystem Financial Value Chain S.r.l.

In order to optimise operations, in February 2019, TeamSystem S.p.A. set up a company called TeamSystem Financial Value Chain S.r.l., in which it holds a 100% stake.

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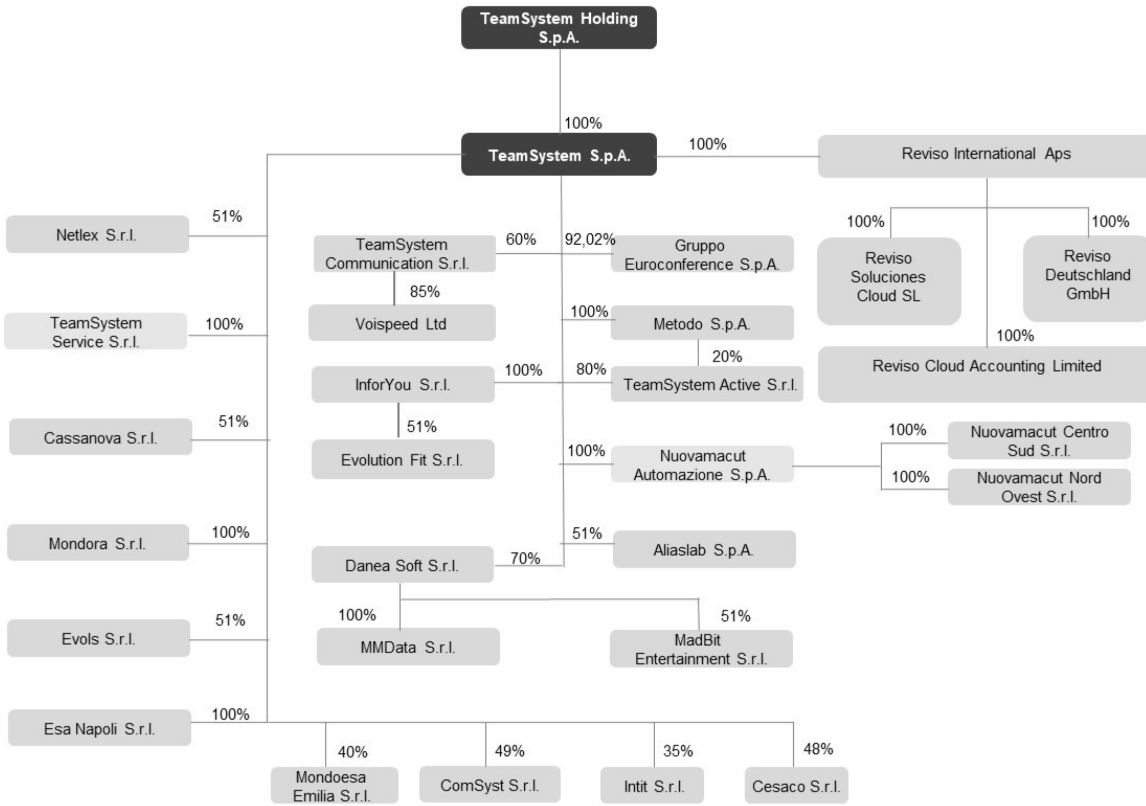
►BUSINESS OUTLOOK

Revenue figures for the initial months of 2019 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 2019, 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 2018



Notes:
The percentage holdings shown do not comprise put and call option agreements and/or treasury shares held.

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►PARENT COMPANIES AND MANAGEMENT AND COORDINATION

As at 31 December 2018, 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 2018, nor did it acquire or dispose of during the 2018 financial year, not even through trusts or nominees, any shares or quotas relating to parent companies.

There were no transactions with nor balances due from/to the parent Barolo Lux 1 S.à.r.l. during the course of 2018.

►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	643,004,480	329,477	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	424,802,233	(84,776,319)	EUR	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	9,021,952	2,915,765	EUR	100.00	100.00	
Inforyou S.r.l.	Castello di Godego (TV)	31,250	4,748,435	537,033	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	6,721,079	4,321,609	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	109,163	2,687	EUR	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	9,871,324	3,249,676	EUR	70.00	100.00	1
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	3,081,197	2,672,623	EUR	51.00	100.00	1 / 2
MMDATA S.r.l.	Rome	10,000	3,081,197	2,672,623	EUR	100.00	100.00	2
Esa Napoli S.r.l.	Naples	10,000	252,686	230,534	EUR	100.00	100.00	
Mondora S.r.l.	Milan	105,000	2,032,240	958,796	EUR	100.00	100.00	
Voispeed Limited	Saint Albans - UK	1,000	99,795	1,225	GBP	85.00	85.00	3
Aliaslab S.p.A.	Milan	156,000	20,254,824	6,989,195	EUR	51.00	100.00	1
Reviso International ApS	Copenhagen	50,011	2,732,219	(4,950,698)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	14,022	4,792	GBP	100.00	100.00	4
Reviso Soluciones Cloud S.L.	Madrid	3,000	9,832	1,464	EUR	100.00	100.00	4
Reviso Deutschland GmbH	Berlin	25,000	27,945	(1,991)	EUR	100.00	100.00	4
Evols S.r.l.	Catania	887,000	1,220,282	72,450	EUR	51.00	100.00	1
Netlex S.r.l.	Velletri (RM)	12,500	389,816	143,259	EUR	51.00	100.00	1
Cassanova S.r.l	Santarcangelo di Romagna (RN)	10,000	746,414	(64,728)	EUR	51.00	100.00	1
Evolution Fit S.r.l.	Turin	10,000	13,213	(18,572)	EUR	51.00	100.00	1 / 9
TeamSystem Active S.r.l.	Pesaro	15,000	71,961	9,461	EUR	100.00	100.00	
Gruppo Euroconference S.p.A.	Verona	300,000	13,190,830	2,338,256	EUR	96.87	96.87	5
Nuovamacut Automazione S.p.A.	Bologna	108,000	11,690,575	2,615,579	EUR	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Bologna	89,957	4,902,200	1,832,744	EUR	100.00	100.00	6
Nuovamacut Centro Sud S.r.l.	Rome	10,000	552,065	294,163	EUR	100.00	100.00	6

(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.;
(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 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 Voicespeed 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.

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.

MMData S.r.l.

In February 2018, 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.

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.

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.

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.

TeamSystem Active S.r.l.
In March 2018, TeamSystem S.p.A. set up a subsidiary called Beetho S.r.l. (the name of which was subsequently changed to TeamSystem Active in November 2018). At the balance sheet, TeamSystem S.p.A.'s equity interest in TeamSystem Active S.r.l. is 80%, and the residual 20% is held by Metodo S.r.l.

►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	134,662	26,060	EUR	40.00	40.00	7
INTIT S.r.l.	Frosinone	20,800	409,767	40,650	EUR	35.00	35.00	7
Cesaco S.r.l.	Vicenza	90,000	174,614	23,069	EUR	48.00	48.00	7
Comsyst S.r.l.	Pesaro	10,000	10,000		EUR	49.00	49.00	8

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

A summary is provided below of balances at 31 December 2018 with associated companies and transactions therewith in the year then ended.

	Trade and Other receivables	Financial receivables	31 Dec 2018	Trade and Other payables	Financial liabilities	31 Dec 2018
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	261		**261**	1		**1**
INTIT S.r.l.	111		**111**	7		**7**
Cesaco S.r.l.			**0**	27		**27**
Comsyst S.r.l.	114		**114**			**0**
Total	**486**	**0**	**486**	**35**	**0**	**35**

	Total Revenues	Finance income	31 Dec 2018
INVESTMENTS IN ASSOCIATES			
Mondoesa Emilia S.r.l.	1,099		**1,099**
INTIT S.r.l.	351		**351**
Cesaco S.r.l.			**0**
Comsyst S.r.l.	84		**84**
Total	**1,534**	**0**	**1,534**

	Operating costs	Other provisions	Finance cost	Income taxes	31 Dec 2018
INVESTMENTS IN ASSOCIATES					
Mondoesa Emilia S.r.l.	106				**106**
INTIT S.r.l.	187				**187**
Cesaco S.r.l.	82				**82**
Comsyst S.r.l.					**0**
Total	**375**	**0**	**0**	**0**	**375**

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►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.

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►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 2018 have been audited by Deloitte & Touche S.p.A.

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Milan, 14 February 2019

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 2018

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	31 Dec 2018	31 Dec 2017	NOTES
Revenue	334,378	314,076	1 / 2
Other operating income	2,026	1,902	1 / 2
TOTAL REVENUE	**336,404**	**315,977**	**1 / 2**
Cost of raw and other materials	(28,339)	(29,584)	3
Cost of services	(88,366)	(76,845)	4
Personnel costs	(104,975)	(109,583)	5
Other operating costs	(4,043)	(7,298)	6
Depreciation and amortization of non current assets	(83,040)	(72,459)	11 / 12 / 13
Allowance for bad debts	(5,131)	(3,896)	20
Other provisions for risks and charges	(7,020)	(7,028)	25
Impairment of non current assets	0	(150)	
OPERATING RESULT	**15,490**	**9,137**	
Share of Profit (Loss) of associates	40	16	
Finance income	16,285	7,618	7
Finance cost	(105,688)	(79,674)	8
PROFIT (LOSS) BEFORE INCOME TAXES	**(73,872)**	**(62,903)**	
Current income tax	957	(5,971)	9
Deferred income tax	16,956	12,086	9
TOTAL INCOME TAX	**17,913**	**6,115**	
PROFIT (LOSS) FOR THE YEAR	**(55,960)**	**(56,788)**	
(Profit) Loss for the year - Non controlling interests	**(70)**	**(346)**	
PROFIT (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(56,030)**	**(57,134)**	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31 Dec 2018	31 Dec 2017	NOTES
PROFIT (LOSS) FOR THE YEAR	**(55,960)**	**(56,788)**	
Actuarial evaluation of Staff leaving indemnity	901	134	**24**
Tax effect	(216)	(38)	**24**
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX	**685**	**96**	
Exchange rate differences	(1)	(11)	
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX	**(1)**	**(11)**	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(55,276)**	**(56,702)**	
Total comprehensive (income) loss for the year attributable to Non controlling interests	(70)	(347)	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(55,346)**	**(57,050)**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS	**31 Dec 2018**	**31 Dec 2017**	**NOTES**
Tangible assets	15,326	15,371	**11**
Intangible assets	681,539	728,699	**12**
Right of use	23,895	0	**13**
Goodwill	707,681	705,849	**14**
Other Investments	449	447	**16**
Investments in associates	133	147	**16**
Deferred tax assets	15,342	17,066	**17**
Financing fees prepayments - non current	1,112	2,904	**18**
Other financial assets - non current	50	493	**18**
TOTAL NON CURRENT ASSETS	**1,445,528**	**1,470,975**	
Inventories	1,067	1,552	**19**
Trade receivables	128,941	122,755	**20**
Tax receivables	10,944	5,330	**21**
Other receivables - current	24,847	17,464	**22**
Financing Fees prepayments - current	413	1,089	**18**
Other financial assets - current	138	386	**18**
Cash and bank balances	24,574	16,259	**18**
TOTAL CURRENT ASSETS	**190,925**	**164,837**	
TOTAL ASSETS	**1,636,452**	**1,635,812**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
EQUITY AND LIABILITIES	**31 Dec 2018**	**31 Dec 2017**	**NOTES**
Share capital	5,450	5,450	**23**
Other reserves	500,291	558,928	**23**
Profit (Loss) attributable to Owners of the Company	(56,030)	(57,134)	**23**
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**449,711**	**507,245**	
Non controlling interests - Capital and reserves	394	678	**23**
Non controlling interests - Profit (Loss)	70	346	**23**
TOTAL NON CONTROLLING INTERESTS	**464**	**1,023**	
TOTAL EQUITY	**450,175**	**508,268**	
Financial liabilities with banks and other institutions - non current	756,999	693,610	**18**
Other financial liabilities - non current	83,728	94,042	**18**
Staff leaving indemnity	14,892	18,280	**24**
Provisions for risks and charges	9,280	10,355	**25**
Deferred tax liabilities	182,018	200,604	**17**
Other liabilities - non current	574	636	**27**
TOTAL NON CURRENT LIABILITIES	**1,047,491**	**1,017,528**	
Financial liabilities with banks and other institutions - current	6,905	703	**18**
Other financial liabilities - current	4,402	7,501	**18**
Trade payables	38,928	38,743	
Tax liabilities - current	2,315	258	**26**
Other liabilities - current	86,235	62,810	**27**
TOTAL CURRENT LIABILITIES	**138,786**	**110,016**	
TOTAL LIABILITIES	**1,186,277**	**1,127,544**	
TOTAL EQUITY AND LIABILITIES	**1,636,452**	**1,635,812**	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	31 Dec 2018	31 Dec 2017	NOTES
Operating Result	**15,490**	**9,137**	
Depreciation and amortisation of non-current assets	83,040	72,459	
Write-off of non current assets	0	150	
(Profit) or Loss on the sale of tangible assets	0	422	
Amortisation, Depreciation, Write-off, Impairment	**83,040**	**73,031**	
Gain (Loss) on disposal of subsidiaries	**0**	**0**	
Trade receivables	(6,830)	(15,994)	
Inventories	495	(104)	
Other receivables	(7,104)	(2,553)	
Trade payables	(819)	4,632	
Other liabilities	21,028	3,654	
Change in Working capital	**6,769**	**(10,365)**	
Staff leaving indemnity	(1,804)	(726)	
Provisions for risks and charges	(280)	6,351	
Change in provisions	**(2,084)**	**5,625**	
Income tax paid	**(3,395)**	**(15,666)**	
CASH FLOWS FROM OPERATING ACTIVITIES	**99,819**	**61,763**	
Investments in tangible assets	(3,177)	(6,763)	
Investments in intangible assets	(12,081)	(5,369)	
Disposal of tangible assets	0	200	
Capitalized development costs - personnel costs	(11,696)	(11,078)	
Capitalized development costs - service costs	(2,190)	(2,307)	
Capital Expenditure	**(29,144)**	**(25,317)**	
Acquisition of investments	(4,150)	(5,563)	**10**
Cash and bank balances at the date of acquisition	13	370	
Acquisition of investments	**(4,137)**	**(5,193)**	
CASH FLOWS FROM INVESTING ACTIVITIES	**(33,281)**	**(30,510)**	
Financial balance paid / cashed-in and change in financial assets / liabilities	**(28,919)**	**(20,393)**	**10**
Financing Fees paid	**(15,443)**	**(2,026)**	**10**
Contingent liabilities to non controlling shareholders paid	**(13,802)**	**(11,149)**	**10**
Dividends paid	**(58)**	**(227)**	
Other changes in Equity	**(0)**	**(600)**	
CASH FLOWS FROM FINANCING ACTIVITIES	**(58,222)**	**(34,396)**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES DUE TO EXCHANGE RATE MOVEMENTS	**(2)**	**(4)**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES	**8,315**	**(3,147)**	
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	**16,259**	**19,406**	
CASH AND BANK BALANCES - END OF THE YEAR	**24,574**	**16,259**	

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
31 Dec 2016 - Restated	**5,450**	**636,720**	**(3)**		**(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)			**(823)**	(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**

	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 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**
IFRS 9 / 15 / 16 - first adoption		(405)				**(405)**		**(405)**
Profit (Loss) allocation		(57,134)			57,134	**0**		**0**
Change in Non controlling interests IFRS 3		(1,782)				**(1,782)**	(570)	**(2,352)**
Dividends						**(0)**	(58)	**(58)**
Profit (Loss) on comprehensive income		684			(56,030)	**(55,346)**	70	**(55,276)**
31 Dec 2018	**5,450**	**501,117**	**(826)**	**0**	**(56,030)**	**449,711**	**464**	**450,175**

TeamSystem Group

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

►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.

►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 14 February 2019.

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►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 liabilities arising from put options on non-controlling interests not yet exercised, which, if and when present, have been measured at fair value at the end of each reporting period.

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►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.

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►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 2018. 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 2018 or 2017, 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.

2. **A consolidated statement of comprehensive income** for the year ended 31 December 2018. 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 2018. 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.

4. **A consolidated statement of cash flows** for the year ended 31 December 2018. 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.

5. **A consolidated statement of changes in equity** for the year ended 31 December 2018.

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

►NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP EFFECTIVE 1 JANUARY 2018

The following accounting standards, amendments and IFRS interpretations are applicable to the Group for the first time as from 1 January 2018:

- IFRS 15 “Revenue from contracts with customers"
- IFRS 9 "Financial instruments”

In relation to the first-time application of IFRS 15 “Revenue from contracts with customers”, as permitted by the transition guidance, the Group has opted for the application of the modified retrospective method, having recognised the cumulative effect at the date of initial application (1 January 2018) and, accordingly, without restating the prior year comparative results (for the year ended 31 December 2017).

As regards the application of IFRS 9, certain prior year effects have been recomputed and, as permitted by the standard, have been recognised in opening equity at 1 January 2018.

Furthermore, the Group has applied for the first time, having opted for early adoption with respect to the mandatory date (1 January 2019), IFRS 16 " Leases", as permitted by the standard in question for companies that have already adopted IFRS 15.
As regards the adoption of IFRS 16 "Leases", having opted for the modified retrospective method, the Group has recognised the cumulative effect of the transition at the date of initial application (1 January 2018) without restating the comparative figures.

The impact of the application of these new standards is detailed later in these notes.

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►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	643,004,480	329,477	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	424,802,233	(84,776,319)	EUR	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	9,021,952	2,915,765	EUR	100.00	100.00	
Inforyou S.r.l.	Castello di Godego (TV)	31,250	4,748,435	537,033	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	6,721,079	4,321,609	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	109,163	2,687	EUR	60.00	100.00	**1**
Danea Soft S.r.l.	Vigonza (PD)	100,000	9,871,324	3,249,676	EUR	70.00	100.00	**1**
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	3,081,197	2,672,623	EUR	51.00	100.00	**1 / 2**
MMDATA S.r.l.	Rome	10,000	3,081,197	2,672,623	EUR	100.00	100.00	**2**
Esa Napoli S.r.l.	Naples	10,000	252,686	230,534	EUR	100.00	100.00	
Mondora S.r.l.	Milan	105,000	2,032,240	958,796	EUR	100.00	100.00	
Voispeed Limited	Saint Albans - UK	1,000	99,795	1,225	GBP	85.00	85.00	**3**
Aliaslab S.p.A.	Milan	156,000	20,254,824	6,989,195	EUR	51.00	100.00	**1**
Reviso International ApS	Copenhagen	50,011	2,732,219	(4,950,698)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	14,022	4,792	GBP	100.00	100.00	**4**
Reviso Soluciones Cloud S.L.	Madrid	3,000	9,832	1,464	EUR	100.00	100.00	**4**
Reviso Deutschland GmbH	Berlin	25,000	27,945	(1,991)	EUR	100.00	100.00	**4**
Evols S.r.l.	Catania	887,000	1,220,282	72,450	EUR	51.00	100.00	**1**
Netlex S.r.l.	Velletri (RM)	12,500	389,816	143,259	EUR	51.00	100.00	**1**
Cassanova S.r.l	Santarcangelo di Romagna (RN)	10,000	746,414	(64,728)	EUR	51.00	100.00	**1**
Evolution Fit S.r.l.	Turin	10,000	13,213	(18,572)	EUR	51.00	100.00	**1 / 9**
TeamSystem Active S.r.l.	Pesaro	15,000	71,961	9,461	EUR	100.00	100.00	
Gruppo Euroconference S.p.A.	Verona	300,000	13,190,830	2,338,256	EUR	96.87	96.87	**5**
Nuovamacut Automazione S.p.A.	Bologna	108,000	11,690,575	2,615,579	EUR	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Bologna	89,957	4,902,200	1,832,744	EUR	100.00	100.00	**6**
Nuovamacut Centro Sud S.r.l.	Rome	10,000	552,065	294,163	EUR	100.00	100.00	**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	134,662	26,060	EUR	40.00	40.00	**7**
INTIT S.r.l.	Frosinone	20,800	409,767	40,650	EUR	35.00	35.00	**7**
Cesaco S.r.l.	Vicenza	90,000	174,614	23,069	EUR	48.00	48.00	**7**
Comsyst S.r.l.	Pesaro	10,000	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 2017;
8 = the company was incorporated in 2017;
9 = investment held by Inforyou S.r.l..

As regards companies in which the Group no longer holds a 50% interest, and, consequently, holds the same percentage of voting rights exercisable at general meetings, it has been deemed that control does not exist on account of the fact that the Group i) does not have power over the investee, being the ability to direct the relevant activities that significantly affect the Group's returns, ii) is not exposed to variable returns from its involvement therewith and, accordingly, iii) does not have power to obtain benefits from its activities, as laid down by IFRS 10 – Consolidated financial statements. As regards companies in which the Group holds an interest in excess of 20% (but less than 50%), it has significant influence thereover and, accordingly, such investments are recognised by using the equity method.

Changes to the scope of consolidation during the course of 2018
The scope of consolidation changed during the course of 2018 due to the effect of the following transactions:

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

- On 27 March 2018, TeamSystem S.p.A. incorporated Betoo S.r.l., which was then renamed TeamSystem Active S.r.l. The quota capital of TeamSystem Active S.r.l. is 80% held by TeamSystem S.p.A. and 20% held by Metodo S.p.A.

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► 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.

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►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 as the sum of the acquisition-date fair values of the assets transferred by the acquirer, liabilities incurred or assumed and equity interest issued by the Group in exchange for control of the acquiree.

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.

At the same time as the acquisition of majority / controlling stakes in an investee, TeamSystem Group normally enters into put and call option agreements for the residual stake held by the acquiree's non-controlling interest holders. 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. Concerning the recognition of goodwill related to these options, TeamSystem Group recognises as a financial liability the payable (so-called Contingent liabilities to non controlling shareholders) 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 2018 that use a currency other than the Euro are Voispeed Limited and Reviso Cloud Accounting Limited, which use the British Pound (GBP) and Reviso International ApS, which uses the Danish Krone (DKK) as their functional currencies.

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

EXCHANGE RATES	Average 2018	Average 2017	%	31 Dec 2018	31 Dec 2017	%
GBP	0.88471	0.87667	0.9%	0.89453	0.88723	0.8%
DKK	7.45320	7.43860	0.2%	7.46730	7.44490	0.3%

□ □ □

►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 2018.

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 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.

Leases
The Group assesses whether a contract is, or contains, a lease at the commencement date thereof. Based on IFRS 16, for all lease contracts (except for, as stated below, short-term leases and low-value assets) the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. Right-of-use is presented in a separate line item in the consolidated statement of financial position known as "Right-of-use", whereas the lease liability is recognised in the line item "Financial liabilities with banks and other institutions";
b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.
c) recognises the total amount paid as principal and interest arising from cash flows from financing activities in the consolidated statement of cash flows.

The lease liability is initially measured at the present value of future lease payments at the contract's commencement date, discounted at the rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment. In particular, to estimate the incremental borrowing rate, the Group has taken as a reference the interest rate payable on comparable government bonds over the lease term as well as the credit spread associated with financing obtained and Notes issued by the Group.

The lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives received.
- Variable lease payments that depend on an index or a rate (e.g. inflation), initially measured using the index or rate at the contract's commencement date.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for early termination of the lease, if the lease term reflects the lessee exercising an option to terminate the lease and the exercise thereof is reasonably certain.

The lease liability is recognised in the consolidated statement of financial position within the line item "Financial liabilities with banks and other institutions".
Subsequent to initial recognition, the lease liability is measured on an amortised cost basis, while the carrying amount of the liability is increased to reflect interest thereon (using an effective interest method) and is reduced to reflect the lease payments made under the lease contract.
The Group remeasures its lease liability (and recognises an adjustment to the right-of-use asset) if:

- there is a change in the lease term or a change in the assessment of a purchase option; in this case, the lease liability is remeasured by discounting the new lease payments using a revised discount rate.
- there is a change in lease payments resulting from changes in an index or a rate or there is a change in amounts expected to be payable under residual value guarantees.
- lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

A right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the contract's commencement date and any other initial direct costs. A right-of-use asset is recognised net of depreciation and any impairment losses.
A provision is recognised and measured in accordance with IAS 37 in the event that the Group incurs an obligation for the costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are included as part of the cost of the right-of-use asset.
Right-of-use assets are depreciated on a systematic basis from the commencement date to the earlier of the end of the useful life of the underlying asset and the end of the lease term. If the lease contract transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Group's desire to exercise a purchase option, the right-of-use is depreciated by reference to its useful life. Depreciation starts on the lease's commencement date.
Right-of-use is presented in a separate line item in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

Variable lease payments that do not depend on an index or a rate are not included in the carrying amount of the lease liability nor in the carrying amount of the right-of-use. The payments in question are recognised on an accrual basis and are included in the consolidated statement of profit or loss within Other operating costs.

As a practical expedient, IFRS 16 allows a lessee to elect not to separate lease components, by providing an option to account for each lease component and any associated non-lease components as a single lease component. The Group has not made use of this practical expedient.

For short-term leases with a lease term of 12 months or less and low-value assets, for which the value of underlying assets does not exceed approximately € 5 thousand, the Group has opted for the recognition of lease payments in the consolidated statement of profit or loss within Other operating costs.

The main difference between l'IFRS 16 and IAS 17 regarding assets previously recognised as held under finance lease is the measurement of the residual value of guarantees made by the lessee to the lessor. IFRS 16 requires the

Group to recognise in the measurement of its lease liability only the estimated residual value, rather than the maximum amount guaranteed as required by IAS 17. This change has not generated any significant impact on the Group's consolidated financial statements.

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.

Investments in other companies
In accordance with IFRS 9, investments in other entities classified as non-current assets are initially stated at purchase cost and are subsequently measured at fair value. On account of the specific investments recognised by the Group, as well as the low value thereof, it has been deemed that cost, written down for any impairment, represents an acceptable approximation of fair value and any differences are not significant for the correct presentation of the financial statements.

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.

Financial instruments
In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.
The transition provisions of IFRS 9 allow an entity not to restate comparatives.
IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets;
2) The classification and measurement of financial liabilities;
3) Impairment of financial assets, and;
4) Hedge accounting.

1) Classification and measurement of financial assets
The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the

requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at the date of initial application.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to hold financial assets to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- The Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has not designated any investments in debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When an investment in a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, when an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings without going through profit or loss.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (2) below.

The main financial assets held by the Group consist of trade receivables, the business model classification of which has not given rise to any changes in measurement. For this class of assets, changes arose, however, in the measurement of impairment.

2) Classification and measurement of financial liabilities

The application of IFRS 9 has not had any impact on the classification and measurement of the Group's financial liabilities, given that a significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relating to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer, was not applicable.

3) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In relation to trade receivables and assets arising from contracts with customers, the Group has applied the simplified approach indicated by IFRS 9 for the measurement of the lifetime expected loss allowance. The Group computes the amount of expected credit losses in relation to these elements through the use of a provision matrix, estimated based on historical loss rates applied to trade receivable balances outstanding, adjusted to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented grouped by ageing based on the provision matrix.

4) Accounting for hedging transactions.
The new hedge accounting requirements retain the three types of hedge accounting, i.e. fair value hedge, cash flow hedge and net investment hedge. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group uses derivative financial instruments for economic hedging purposes in order to manage its exposure to risk arising from changes in interest rates. Despite such derivative financial instruments having been entered into solely for hedging purposes and that they could potentially qualify as cash flow hedges, the Group has decided not to exercise the option, provided for by IFRS 9, to use hedge accounting for the recognition of such instruments and, accordingly, recognises changes in fair value of these derivative financial in profit or loss.

Trade receivables
Receivables are recorded at cost (their nominal value), net of an allowance recognised to take account of their expected realisable value and that takes account of forecast expected credit losses as required by IFRS 9.

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

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.

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

Foreign currency transactions
The functional and presentation currency of the Group companies 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 or loss.

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 staff leaving indemnity 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.

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

Software licences: revenue from sales of software licenses is recognised on the delivery date on account of the fact that all contractual obligations have normally been fulfilled and there are no rights of return or acceptance clauses. In the event that a sale agreement provides for more than one revenue component, such as maintenance and support, the revenue arising from these components is separately identifiable in the agreement. Revenue relating to Lynfa and Lybera licences, which are mainly targeted at professionals, is recognised on a straight line basis over the term of the related maintenance and support fee, since, based on the analysis performed, a single underlying performance obligation has been identified and recognised.
With respect to "subscription" sales, the revenue, relating to the various fee instalment components, is recognised over a period of twelve months, as from the delivery date, thus generally reflecting the contract term.

Maintenance and support: maintenance and support agreements, which include direct support, technical support and software updates, 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. In the event that a maintenance holiday is provided for by the agreement, revenue for the twelve months is recognised over a period that takes account thereof.

Other services: revenue related to training, implementation and software customisation, whether 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 still 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

Maintenance and support and Licences: This revenue line consists of (i) VAR (value added reseller) agreements: these agreements generally cover a three-year period that grants VARs the right to download an unlimited number of software licenses and to receive software updates and system support services. Revenue arising from these agreements is invoiced on a quarterly or annual basis and is recognised on a straight line basis over the agreement term) and (ii) Software licences (revenue from sales of software not covered by VAR agreements is recognised on the delivery date on account of the fact that all contractual obligations have normally been fulfilled and there are no rights of return or acceptance clauses).

Other services: revenue from additional services and products offered to dealers, including training, marketing and manuals; revenue is normally recognised when the service has been rendered in compliance with IFRS 15 or when the product has been delivered.

Vertical Solutions

Sales revenue from Vertical Solutions products and services is recognised based on the same criteria described previously for the ERP and Business Management Software Solutions business unit and on whether the sales are made through the direct or indirect channel. 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 IFRS 15.

Cloud Software Solutions operating segment

Cloud business unit products and services are sold by means of subscription contracts that include the use of and updates to software, support and maintenance. These contracts are generally for twelve months 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.

Hardware operating segment

Revenue from the sale of hardware to third parties is recognised on the delivery date on account of the fact that all contractual obligations have normally been fulfilled and there are no rights of return or acceptance clauses. Commission income pertaining to TeamSystem S.p.A., which arises from the outsourcing of this business, is recognised when the company is entitled thereto.

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.

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.

Outsourcing of businesses division

During the course of 2018, the Group completed a series of transactions aimed at the outsourcing of the management of part of the Hardware and Delivery business (installation, paramaterisation and customisation of software) as well as the management of Customer Service.

Hardware/Delivery

Specifically, as regards the Hardware and Delivery business, TeamSystem S.p.A. has entered into with some third party specialist operators (both with reference to Hardware and Delivery division – an other contract of delibery division has been signed also by ESA Napoli S.r.l. with the same specialist operator), a series of outsourcing transactions, which have common features.
The common features of these transactions were: a) the identification of a business segment, consisting mainly of personnel with appropriate professional qualities, to be outsourced; b) the lease of the aforementioned business to a third party specialist, via the execution of a two-year business lease agreement, c) the purchase of a put option with an agreed exercise price (except for one outsourcing transaction with a potential decrease in the exercise price in the event of the failure to achieve a revenue target). For the option, TeamSystem S.p.A. has to pay a deferred consideration essentially equating to the sum of the business lease instalments plus the exercise price for the option; d) a commitment to assume liability for amounts due to employees of the business segments that arose prior to the lease of the businesses in question; e) the simultaneous execution of a service agreement / commercial partnership agreements (with a duration in excess of the business lease agreement associated therewith) between TeamSystem S.p.A. and the lessee, concerning services related to the outsourced businesses.
Having analysed the contracts and the key aspects of the transactions entered into, these have been accounted for as follows:

- Lease of business: the business segment has passed under the control of the counterparty, at least for a period equating to the business lease term. The Group recognises the business lease instalments in profit or loss within Other income.
- Service agreement / commercial partnership agreements: the costs and revenue arising from the service agreement are recognised in profit or loss on an accrual basis. Most of the revenue arising from service contracts and that is recognised in profit or loss on an accrual basis within the line item Revenue when the right to receive payment is established based on contractual provisions consists of consideration that is similar to commissions arising from a contractual relationship in which TeamSystem acts as an agent.

Consideration for put options, which was initially recognised as an asset within Other receivables, has been recognised as a finance cost, since it is attributable to lease contracts and underlying services, thus spreading the cost over the lease terms and matching it to the cash flow arising from the related instalments and the expected disposal prices.

Customer Service
As the result of the execution of a framework agreement with a customer service operator, effective 1 January 2018, TeamSystem S.p.A. transferred a part of the customer service business, consisting mainly of specialised personnel, to a newly incorporated company (Comsyst S.r.l.), the controlling interest in which is held by the aforementioned customer service operator. As part of this transaction, TeamSystem S.p.A. entered into a ten-year service agreement with the above operator for the provision of customer care services. The agreement provides for incremental guaranteed minimums and requires the services to be performed by Comsyst. Moreover, for the reciprocal protection of the counterparties, the framework agreement has provided for the following options over the equity interests held thereby and an exercise price equating to the pro-rata share of Comsyst's equity: call option in favour of TeamSystem S.p.A. expiring on 31 December 2018 and that has not been exercised; call option in favour of TeamSystem exercisable between 1 January 2019 and 1 December 2028 in the event of termination of the service agreement; call option in favour of the counterparty exercisable in the period July-October 2019 and a put option in favour of TeamSystem S.p.A. exercisable in the period November-December 2019. In the event of termination of the service agreement and TeamSystem's failure to exercise the option, the likelihood of which Management considers to be remote, TeamSystem S.p.A. will have to pay the counterparty a consideration for the withdrawal right.
The Group has analysed the contracts underlying the above relationships and has concluded that the investment in Comsyst is an investment in an associate, given that control thereover is held by the counterparty, which, in addition to holding an interest of 51%, is responsible for the organisation and development thereof. Management has analysed the structure of the above transaction and, on account of the peculiarity thereof, has concluded that the exercise price of the options equates to market value and, accordingly, the value of the options is close to zero.

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►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.

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►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. Note that, as part of the outsourcing arrangements made by the Group, effective 2018, this business, as far as TeamSystem S.p.A. is concerned, is partially managed via a service agreement, based on which the company earns commission income.

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►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 give rise to a significant risk in relation to the determination of adjustments to the carrying amounts of current assets and liabilities that may have a significant impact on the financial statements of the consolidated companies:

- 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 (taking account of the requirements of the new IFRS 9), 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.
- Provisions 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.

- Contingent liability to non controlling shareholders: this represents the estimated liability with respect to put and call options or earn-out agreements relating to non-controlling interests in Group companies. This 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 contingent liability to non controlling shareholders 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.
- IFRS 16: with respect to the lease term considered for the purpose of the application of IFRS 16, Management, in addition to taking account of the non-cancellable period of the lease, has assessed whether it is reasonably certain that the extension option will be exercised or that the lease termination option will not be exercised. For this assessment, Management has taken account of all the pertinent facts and circumstances that may create an economic incentive to exercise or not exercise an option. These assessments are revised upon the occurrence of a significant event or a significant change in the circumstances that led to their determination.

►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.

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►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE AS FROM 1 JANUARY 2018

The following accounting standards, amendments and IFRS interpretations are applicable to the Group for the first time as from 1 January 2018:

- On 28 May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which, together with further clarifications issued on 12 April 2016, 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 contained in the contract;
    - determination of the transaction price;
    - allocation of the transaction price to the performance obligations contained in the contract;
    - revenue recognition criteria when the entity satisfies a performance obligation.

  The standard has been applied as from 1 January 2018. For the transition, the Group has opted for the application of the modified retrospective method and, accordingly, no restatement has been made of the comparative figures for the year ended 31 December 2017. In particular, the adoption of IFRS 15 has primarily led to the redetermination of the period pertaining to the recognition of revenue from sales of licenses to professionals, the use of which is closely linked to support and maintenance services, for which a single performance obligation has been identified, whereby account was also taken of further aspects relating to the service period (for example, the existence of a maintenance holiday).

  The above redetermination for IFRS 15 purposes has given rise to an increase in opening equity of approximately € 87 thousand; there was a positive impact on total comprehensive income (loss) for 2018 of € 113 thousand.

It should also be noted that, overall, the application of IFRS 15 has not had a significant impact on the Group's financial position and financial performance.

- On 24 July 2014, the IASB issued a final version of IFRS 9 – Financial instruments. The document contains the results of the IAS 39 replacement project. The new standard is effective for annual periods beginning on or after 1 January 2018.
  The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on the means of management of financial instruments and on the features of contractual cash flows from financial assets for the determination of the assessment criterion, replacing various provisions of IAS 39. Regarding financial liabilities, the main amendments relate to the accounting treatment of changes in fair value of a financial liability designated at fair value through profit or loss, in the event that these changes are due to a change in the credit risk of the issuer of the liability in question. In accordance with the new standard, these changes are to be presented in other comprehensive income and shall no longer be presented in the statement of profit or loss. Moreover, for non-substantial modifications of financial liabilities, it is no longer permitted to recognise the gain or loss arising from the modification over the remaining life of the modified liability by modifying the effective interest rate at that date, but it should be recognised immediately in profit or loss.
  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. The standard envisages that the impairment model shall be applied to all financial instruments, that is, financial assets measured at amortised cost, those measured at fair value through other comprehensive income, lease receivables and trade receivables.
  Finally, the standard introduces a new hedge accounting model with the aim of amending the requirements of the current version of IAS 39 that at times have been considered too stringent and not suitable as a reflection of the risk management policies of companies. The major amendments introduced by the document concern:

  - an increase in the types of transactions eligible for hedge accounting, including the risk components of nonfinancial assets and liabilities that are eligible for hedge accounting;
  - a change in accounting for forwards and options included in a hedging relationship in order to reduce income statement volatility;
  - replacement of an effectiveness test based on a level of offset of between 80% and 125% with the principle of an economic relationship between the hedged item and the hedging instrument; furthermore, there will no longer be a requirement for a retrospective assessment of the effectiveness of the hedging relationship.

  The increased flexibility of the new accounting rules is offset by additional disclosure requirements concerning a company's risk management activities.

  The standard has been applied as from 1 January 2018. Also from this date, the Group has adopted a new system for the management of receivables and for the computation of the related allowance based on an expected credit loss model as envisaged by IFRS 9 that replaces the previous model based on an incurred loss model under IAS 39. The foregoing has led to an increase in the allowance for bad debts with an impact on opening equity of € 647 thousand.

  There has been no material impact on the accounting for derivative financial instruments, given that the Group has opted not to apply hedge accounting.

- Annual Improvements to IFRSs: 2014-2016 Cycle, issued on 8 December 2016 and which amend existing IFRSs as part of the annual process of improvements thereto. The major amendments relate to:

  - IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. These amendments are applicable as from 1 January 2018 and address the deletion of certain short-term exemptions permitted by paragraphs E3-E7 of Appendix E to IFRS 1, given that the benefit of these exemptions is believed to have been superseded.

- 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. The amendments clarified that the option available to a venture capital organisation or a mutual fund, unit trust and similar entities to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method) should be exercised separately for each associate or joint venture on initial recognition.
- IFRS 12 Disclosure of interests in other entities – Clarification of the scope of the Standard. The amendments clarified the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5.

The adoption of these amendments has had no effect on the Group's consolidated financial statements.

►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORILY APPLICABLE AND ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2018

- On 13 January 2016, the IASB issued IFRS 16 – Leases, 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 contracts for the supply of services, 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 (leases for which the value of underlying assets does not exceed € 5 thousand) 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.
  IFRS 16 is applicable for financial statements relating to annual periods beginning on or after 1 January 2019.

  The Group has decided to early adopt IFRS 16 as from 1 January 2018, using the simplified retrospective method, which requires the recognition of the cumulative effect of initially applying the standard as an adjustment to opening equity in the financial year in which the standard is applied, without restating the comparative figures. The adoption of the simplified method, however, requires the disclosure, for comparative purposes, of qualitative and quantitative information for each financial statement line item impacted by the application of the new standard. Further details are provided in the section of these explanatory notes entitled "Impact arising from the adoption of the new standards IFRS 9, IFRS 15 and IFRS 16".

  The main contracts entered into by the Group that are affected by the new standard relate to property leases and long-term car rental contracts; the application of the standard has given rise to the recognition at 1 January 2018, using the modified retrospective method, of Right-of-use and of financial liabilities of approximately € 26,377 thousand.

►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 2018

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

- 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 do not believe that there will be any significant impact on the Group's consolidated financial statements as a result of the adoption of these amendments.

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

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

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

- On 12 October 2017, the IASB issued Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify the need to apply IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied. 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.

- On 12 December 2017, the IASB issued Annual Improvements to IFRSs: 2015-2017 Cycle, a collection of amendments to standards as part of the annual process of improvements thereto. The major amendments relate to:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendments clarify that, when an entity obtains control of a business that is a joint operation, it should remeasure previously held interests in that business. This is not required, however, when an entity obtains joint control.
  - IAS 12 Income Taxes: the amendments clarify that the income tax consequences of dividends (including payments on financial instruments classified as equity) should be recognised consistently with the transactions that generated the distributable profits (in profit or loss, OCI or equity).
  - IAS 23 Borrowing costs: the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

  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 the aforementioned amendments.

- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (published on 7 February 2018). The document clarifies how an entity should recognise an amendment (i.e a curtailment or settlement) to a defined benefit plan. The amendments require an entity to update its assumptions and to remeasure the net liability or asset pertaining to the plan. The amendments clarify that, subsequent to the occurrence of such an event, an entity should use updated assumptions to measure current service cost and the net interest for the period after the remeasurement. The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.

- On 11 September 2014, the IASB issued Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments were proposed due to the conflict between the requirements of IAS 28 and IFRS 10.
  IAS 28 requires that gains and losses resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity interest in the latter be limited to the extent of the investor's interest in the joint venture or associate. On the contrary, IFRS 10 requires full profit or loss recognition when a parent loses control of a subsidiary, even if the entity continues to hold a non-controlling interest therein, inclusive of in the case of a sale or contribution of a subsidiary to a joint venture or associate. The amendments require that, in the case of a sale or contribution of an asset or a subsidiary to a joint venture or associate, the extent of the gain or loss to be recognised in the financial statements of the seller or contributor depends on whether the assets or the subsidiary sold or contributed consist of a business, as defined by IFRS 3. If the assets or the subsidiary sold or contributed consist of a business, then the entity should recognise the full profit or loss in line with the previously held equity interest; otherwise, the portion of the gain or loss relating to the equity interest that is still held should be eliminated. For the time being, the IASB has postponed the application of these amendments. The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.

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► IMPACT ARISING FROM THE ADOPTION OF THE NEW STANDARDS IFRS 9, IFRS 15 AND IFRS 16

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
ASSETS	**31 Dec 2017**	**IFRS 9**	**IFRS 15**	**IFRS 16**	**1 Jan 2018**
Tangible assets	15,371				15,371
Intangible assets	728,699				728,699
Right of use	0			26,377	26,377
Goodwill	705,849				705,849
Other Investments	447				447
Investments in associates	147				147
Deferred tax assets	17,066	155	304		17,526
Financing fees prepayments - non current	2,904				2,904
Other financial assets - non current	493				493
TOTAL NON CURRENT ASSETS	**1,470,975**	**155**	**304**	**26,377**	**1,497,812**
Inventories	1,552				1,552
Trade receivables	122,755	(647)			122,108
Tax receivables	5,330				5,330
Other receivables - current	17,464		1,212		18,676
Financing Fees prepayments - current	1,089				1,089
Other financial assets - current	386				386
Cash and bank balances	16,259				16,259
TOTAL CURRENT ASSETS	**164,837**	**(647)**	**1,212**	**0**	**165,401**
TOTAL ASSETS	**1,635,812**	**(492)**	**1,516**	**26,377**	**1,663,213**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
EQUITY AND LIABILITIES	**31 Dec 2017**	**IFRS 9**	**IFRS 15**	**IFRS 16**	**1 Jan 2018**
Share capital	5,450				5,450
Other reserves	558,928	(492)	87		558,523
Profit (Loss) attributable to Owners of the Company	(57,134)				(57,134)
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**507,245**	**(492)**	**87**	**0**	**506,839**
Non controlling interests - Capital and reserves	678				678
Non controlling interests - Profit (Loss)	346				346
TOTAL NON CONTROLLING INTERESTS	**1,023**	**0**	**0**	**0**	**1,023**
TOTAL EQUITY	**508,268**	**(492)**	**87**	**0**	**507,863**
Financial liabilities with banks and other institutions - non current	693,610			19,975	713,586
Other financial liabilities - non current	94,042				94,042
Staff leaving indemnity	18,280				18,280
Provisions for risks and charges	10,355				10,355
Deferred tax liabilities	200,604		338		200,942
Other liabilities - non current	636				636
TOTAL NON CURRENT LIABILITIES	**1,017,528**	**0**	**338**	**19,975**	**1,037,841**
Financial liabilities with banks and other institutions - current	703			6,402	7,105
Other financial liabilities - current	7,501				7,501
Trade payables	38,743				38,743
Tax liabilities - current	258				258
Other liabilities - current	62,810		1,091		63,901
TOTAL CURRENT LIABILITIES	**110,016**	**(0)**	**1,091**	**6,402**	**117,509**
TOTAL LIABILITIES	**1,127,544**	**(0)**	**1,429**	**26,377**	**1,155,350**
TOTAL EQUITY AND LIABILITIES	**1,635,812**	**(492)**	**1,516**	**26,377**	**1,663,213**

Notes to the consolidated financial statements

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

1. TOTAL REVENUE

	31 Dec 2018	31 Dec 2017	Change	% Change
Hardware	6,683	8,897	(2,215)	-24.9%
Software	54,507	61,190	(6,683)	-10.9%
Hardware subscriptions	2,338	2,034	304	14.9%
Software subscriptions	198,202	178,797	19,405	10.9%
Other products	1,642	1,989	(347)	-17.4%
Other services	58,365	50,085	8,280	16.5%
Education	12,736	11,095	1,641	14.8%
Discount Paid	(95)	(12)	(83)	n.s.
Revenue	**334,378**	**314,076**	**20,302**	**6.5%**
Other income	1,705	1,686	19	1.1%
Operating grants	321	216	106	48.9%
Other operating income	**2,026**	**1,902**	**125**	**6.6%**
Total Revenue	**336,404**	**315,977**	**20,427**	**6.5%**

Total revenue for the year ended 31 December 2018 came to € 336,404 thousand and increased in the year due, specifically, to the Group's organic growth and the Cloud Business Unit, as detailed in the directors' report. The main components are the following:

- Hardware (€ 6,683 thousand), relating to sales of hardware products. The decrease in the year is attributable to the fact that, effective 1 January 2018, TeamSystem S.p.A. has outsourced the management of this business;
- Software (€ 54,507 thousand), relating to sales of licences. The decrease in the year is related to an increase in subscription sales;
- Software subscriptions (€ 198,202 thousand), relating to the provision of maintenance and support, which include software updates, helplines, direct support and the use of the licence in the case of subscription sales. The increase is closely linked to the sale of licences via subscriptions, as well as an increase in cloud sales;
- Other services (€ 58,365 thousand), relating to training, implementation and software customisation, as well as payroll processing services and electronic invoicing. The increase is particularly linked to the latter;
- Education (€ 12,736 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. Note that, as part of the outsourcing arrangements made by the Group, effective 2018, this business,

as far as TeamSystem S.p.A. is concerned, is partially managed via a service agreement, based on which the company earns commission income.

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.

Euro Millions

OPERATING SEGMENTS	31 Dec 2018	31 Dec 2017	Change	% Change
Software Solutions	271.8	276.6	(4.8)	-1.7%
Cloud Software Solutions	61.6	33.9	27.7	81.7%
Hardware	3.0	5.5	(2.5)	-45.5%
TOTAL REVENUE	**336.4**	**316.0**	**20.4**	**6.5%**
Software Solutions	105.2	96.0	9.3	9.7%
Cloud Software Solutions	19.2	15.9	3.3	20.9%
Hardware	1.2	1.1	0.1	9.1%
ADJUSTED EBITDA	**125.7**	**113.0**	**12.7**	**11.2%**
Software Solutions	1,003.3	1,013.2	(9.9)	-1.0%
Cloud Software Solutions	264.4	261.5	2.9	1.1%
Hardware	8.2	8.4	(0.1)	-1.4%
NET INVESTED CAPITAL	**1,275.9**	**1,283.0**	**(7.1)**	**-0.6%**

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.

Details are set out below of the Adjusted EBITDA reconciliation for 2018 and 2017:

Euro Thousand

	31 Dec 2018	31 Dec 2017	Change	% Change
PROFIT (LOSS) FOR THE YEAR	(55,960)	(56,788)	828	-1.5%
Income tax	(17,913)	(6,115)	(11,798)	n.s.
Financial income and expenses	89,363	72,039	17,323	24.0%
Other provisions for risks and charges	7,020	7,028	(7)	-0.1%
Depreciation and amortization of non current assets	83,040	72,459	10,581	14.6%
Impairment of non current assets		150	(150)	-100.0%
Allowance for bad debts	5,131	3,896	1,236	31.7%
Strategic marketing expenses		1,720	(1,720)	-100.0%
Costs for changing and closing locations	980	1,376	(397)	-28.8%
Advisory expenses related to reorganization and cost saving projects	7,574	5,937	1,637	27.6%
Personnel redundancy	706	2,826	(2,120)	-75.0%
IT Costs for system integration and transformation		1,866	(1,866)	-100.0%
Acquisitions and mergers costs	1,293	1,282	11	0.9%
Cost for international project		306	(306)	-100.0%
Cost for change management program	2,111	1,696	415	24.5%
Cost for credit collection project	364	405	(41)	-10.2%
Tax optimization costs	395	258	136	52.7%
Settlements with clients and agents	1,112	2,416	(1,304)	-54.0%
Other minor items	466	254	213	83.9%
ADJUSTED EBITDA	**125,681**	**113,010**	**12,671**	**11.2%**

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 2018 and 2017, were almost exclusively realised in Italy.

3. COST OF RAW AND OTHER MATERIALS

	31 Dec 2018	31 Dec 2017	Change	% Change
Hardware purchases	4,946	6,884	(1,938)	-28.2%
Third parties' software	19,799	19,644	155	0.8%
Handbooks and forms	60	38	23	60.2%
Materials for education	186	185	1	0.7%
Fuel	2,299	2,027	272	13.4%
Other materials	693	890	(197)	-22.1%
Change in inventory of raw materials	356	(84)	440	n.s.
Total	**28,339**	**29,584**	**(1,244)**	**-4.2%**

The cost of raw and other materials for the year ended 31 December 2018 came to € 28,339 thousand. This mainly relates to the cost of sales of hardware and third party software. The change relating to hardware purchases is attributable to the fact that, effective 1 January 2018 TeamSystem S.p.A. has outsourced the management of this business.

4. COST OF SERVICES

	31 Dec 2018	31 Dec 2017	Change	% Change
Agent commissions and other costs	14,016	12,289	1,728	14.1%
Consulting and third parties services	13,898	11,883	2,015	17.0%
Software and Hardware maintenance costs	8,780	6,242	2,537	40.6%
Customer support service costs	1,651		1,651	
Administrative tax and legal	2,434	2,545	(111)	-4.4%
Education - consulting and copyrights	3,970	3,266	704	21.6%
Magazines - consulting and copyrights	1,501	1,372	129	9.4%
Other costs for education services	1,440	1,122	318	28.4%
Advertising and marketing	10,212	6,110	4,101	67.1%
Car rentals	3,229	4,649	(1,420)	-30.5%
Utilities	4,049	3,806	244	6.4%
Costs for mergers and acquisitions	1,293	1,282	11	0.9%
Tax optimization costs	395	258	137	53.1%
Strategic marketing expenses		1,720	(1,720)	-100.0%
Other minor items	521	254	267	n.s.
Costs for strategic projects and reorganizations	10,757	10,463	293	2.8%
Other services	12,410	11,891	519	4.4%
Cost of services - Gross of capitalization	**90,555**	**79,152**	**11,404**	**14.4%**
Services capitalised development costs	(2,190)	(2,307)	117	-5.1%
Total	**88,366**	**76.845**	**11.521**	**15.0%**

Cost of services came to € 88,366 thousand for the year ended 31 December 2018, net of an amount capitalised in the year pertaining to software projects of € 2,190 thousand, details of which are provided in Note 12 on intangible assets.

The main components are the following:

- Agent commissions and other costs (€ 14,016 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 (€ 13,898 thousand) mainly relating to the outsourcing to third parties of on-site customer maintenance and support; The increase in the year is specifically attributable to outsourcing contracts executed in 2018.
- Hardware and Software subscription charges (€ 8,780 thousand) relating to periodic fees for support services and subscriptions for third party products;

- Strategic project and reorganization costs (totalling € 10,757 thousand) that mainly include the following categories:

  - Advisory expenses related to reorganization and cost saving projects (€ 7,574 thousand) with particular reference to costs attributable to the implementation of the Group's new operating model.
  - Office closure and relocation costs (€ 980 thousand);
  - The cost of services relating to change management (€ 1,758 thousand) and relating to H&R advisory costs and special training events that took place in 2018 in connection with the broader Group reorganisation process;
  - Credit collection project costs (€ 364 thousand).
- Other minor items of € 521 thousand that include management costs for bonds issued by the Group and charged by various parties (banks and lawyers).
- Other service costs (€ 12,410 thousand), mainly consisting of:
  - Costs for shipping and transport of € 344 thousand;
  - Costs for reimbursement of expenses of € 5,643 thousand, relating to travel costs and daily allowances for technicians and commercial staff who are involved in installation, support and training at customers' premises;
  - Maintenance costs of € 702 thousand;
  - Insurance costs of € 742 thousand.

As regards the capitalisation of cost of services recognised in 2018 (€ 2,190 thousand) reference should be made to Note 12 on Intangible Assets.

5. PERSONNEL COSTS

	31 Dec 2018	31 Dec 2017	Change	% Change
Wages, salaries and social contributions	107,068	108,985	(1,917)	-1.8%
Staff leaving indemnities	4,980	4,999	(18)	-0.4%
Other personnel costs	260	76	184	n.s.
Personnel costs for redundancy and reorganizations	978	3,338	(2,360)	-70.7%
Employees costs	**113,286**	**117,399**	**(4,112)**	**-3.5%**
Freelancers and collaborators fees	648	313	335	n.s.
Directors' fees and related costs	2,737	2,949	(212)	-7.2%
Directors and Collaborators	**3,385**	**3,262**	**122**	**3.8%**
Personnel - Gross of capitalization	**116,671**	**120,661**	**(3,990)**	**-3.31%**
Personnel capitalised development costs	**(11,696)**	**(11,078)**	**(618)**	**5.6%**
Total	**104,975**	**109,583**	**(4,608)**	**-4.2%**

Personnel costs came to € 104,975 thousand for the year ended 31 December 2018. The decrease in the year is attributable to personnel downsizing related to restructuring carried out by TeamSystem Group in connection with the new *Operating Model*, which was launched in 2017 and which continued to be implemented in 2018, as well as to the outsourcing of the hardware, delivery and customer service businesses.

Restructuring and reorganisation costs in 2018 relate to the operating model, which was launched in the prior year. Personnel costs also include € 353 thousand of special bonuses awarded to employees under the change management programme.

As regards the capitalisation of personnel costs recognised in 2018 (€ 11,696 thousand) reference should be made to Note 12 on Intangible Assets.

The following table provides details of employee numbers at 31 December 2018.

	Average 2018	Average 2017	Change	31 Dec 2018	31 Dec 2017	Change
Managers	63	55	8	69	57	12
Middle managers / white collars / workers	1,884	1,937	(53)	1,811	1,957	(146)
Total	**1,947**	**1,992**	**(45)**	**1,880**	**2,014**	**(134)**

The trend is largely attributable to the foregoing.

6. OTHER OPERATING COSTS

	31 Dec 2018	31 Dec 2017	Change	% Change
Rents	673	4,174	(3,500)	-83.9%
Rentals	419	353	66	18.8%
Other expenses for use of third parties assets	394	481	(88)	-18.3%
Other taxes	318	429	(111)	-25.9%
Losses from assets disposals	69	13	56	n.s.
Other expenses and settlement costs	2,169	1,848	321	17.4%
Total	**4,043**	**7,298**	**(3,255)**	**-44.6%**

Other operating costs came to € 4,043 thousand for the year ended 31 December 2018. The main components are the following:

- Rent (€ 673 thousand), for which the decrease in the year is mainly due to the early application of IFRS 16; approximately € 350 thousand relates to short-term leases and to low-value assets for which the Group, in connection with the application of the new standard, has exercised the exemption thereunder.
- Other expenses and settlement costs (€ 2,169 thousand) mainly relate to the cost of agreements with customers and agents and in relation to disputes (€ 1,112 thousand).

7. FINANCE INCOME

	31 Dec 2018	31 Dec 2017	Change	% Change
Interest and other finance income	33	101	(68)	-67.6%
Gains on foreign exchange	3	18	(15)	-81.6%
Interest from cash pooling and other loans	(0)	6	(6)	n.s.
Interest from banks	1	1	(0)	-29.6%
Depreciation - contingent liab to minority shareholders	16,242	7,467	8,775	n.s.
Dividends	7	24	(17)	-71.5%
Revaluations of investments		2	(2)	-100.0%
Total	**16,285**	**7,618**	**8,667**	**n.s.**

Finance income came to € 16,285 thousand for the year ended 31 December 2018 and was mainly attributable to the measurement of the contingent liability to non controlling shareholders 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 2018	31 Dec 2017	Change	% Change
Interest on bank overdrafts and loans	89	525	(436)	-83.1%
Interest on Notes	51,641	49,228	2,413	4.9%
Interest on shareholders loan		280	(280)	-100.0%
Interest on derivative instruments	169		169	
Interest on financing fees	32,604	6,859	25,746	n.s.
Revaluation - contingent liab to minority shareholders	10,604	15,290	(4,685)	-30.6%
Bank commissions	1,862	1,425	437	30.7%
Loss on valuation of derivative instruments	316		316	
Interest on actuarial valuation of employee benefits	644	327	317	96.9%
Other IFRS financial charges	6,339	5,376	963	17.9%
Interest on cash pooling and other loans	9	4	5	n.s.
Other financial charges	1,392	172	1,220	n.s.
Losses on foreign exchange	19	24	(5)	-20.4%
Write-downs of investment		165	(165)	-100.0%
Total	**105,688**	**79,674**	**26,014**	**32.7%**

Finance costs for the year ended 31 December 2018 came to € 105,688 thousand. The main components are the following:

- Interest on Notes (€ 51,641 thousand), includes:
    - € 22,667 thousand relating to interest on Floating Rate Notes of € 750,000 thousand issued on 4 April 2018 by TeamSystem S.p.A.;
    - € 8,049 thousand relating to interest on Senior Secured Notes of € 570,000 thousand previously issued by TeamSystem S.p.A. that were redeemed early on 4 April 2018;
    - € 3,525 thousand relating to interest on Senior Notes of € 150,000 thousand previously issued by TeamSystem S.p.A. that were redeemed early on 4 April 2018;
    - € 17,400 thousand relating to the premium paid for the early redemption of Senior Secured Notes and Senior Notes in connection with TeamSystem Group's debt restructuring in 2018;
- Interest on financing fees (€ 32,604 thousand) includes:
    - € 1,785 thousand relating to financing fees for Floating Rate Notes of € 750,000 thousand;
    - € 4,020 thousand relating to the write-off of financing fees for Senior Notes of € 150,000 thousand previously issued by TeamSystem Holding S.p.A.;
    - € 22,499 thousand relating to the write-off of financing fees for Senior Secured Notes of € 570,000 thousand previously issued by TeamSystem Holding S.p.A.;
    - € 307 thousand relating to financing fees for the RCF of € 90 million arranged on 4 April 2018 by TeamSystem S.p.A.;
    - € 3,993 thousand relating to financing fees for the RCF of € 65 million previously arranged by TeamSystem S.p.A. and that was early terminated in 2018;
- Revaluation of contingent liabilities to minority shareholders (€ 10,604 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 (€ 6,339 thousand), which include finance costs recognised by the Group on having discounted the contingent liability to non controlling shareholders based on the new discount rate for the period and interest arising from the applicaton of IFRS 16.

9. TOTAL INCOME TAX

Current income and deferred tax

Current tax income for the 2018 financial year amounted to € 957 thousand and consists of the following:

- IRES income of € 4,892 thousand;
- IRAP expense of € 3,129 thousand;
- Tax expense relating to prior years of € 807 thousand.

The 2018 IRES income is mainly attributable to the following:

(a) the impact arising, in relation to the 2016 financial year, from the option for the patent box regime exercised by TeamSystem S.p.A. (and by the assignors TSS and ACG) as well as by Metodo S.p.A. for specific software, which is subjected to indirect use. The impact of the above option (€ 3,346 thousand for 2018) 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 ACE relief under Ministerial Decree of 3 August 2017, entitlement to which was confirmed by the Revenue Agency in its response to the advance ruling request No. 954-927/2017 (the Agency has specifically confirmed the possibility to take account, for the purpose of the computation of the company's ACE base, of the entire amount of the contribution of € 565,530,750 received from the assignor, Barolo BidCo, in 2016).

Tax expense relating to prior years relates, in particular, to a provision recognised following the tax audits conducted by the Revenue Agency's Pesaro and Urbino Regional Tax Office in June and July 2018 that concluded with the issue of the following tax audit reports:

- on 20/07/2018, a tax audit report was issued to TeamSystem S.p.A. for the 2015 tax year with findings concerning direct taxation/VAT and registration tax;
- on 27/07/2018, a tax audit report was issued to ACG S.r.l. for the 2015 tax year with findings concerning direct taxation and VAT.

As a result of the tax audit report addressed to TeamSystem S.p.A., on fiscal year 2015 the company applied for a settlement on the findings related to direct taxation and VAT. The amount due as a result of the settlement of € 744,880 is payable in 20 equal quarterly instalments, the first of which was paid on 22/11/2018.
With the payment of the above mentioned first instalment, the settlement had become effective pursuant to Art. 2, paragraph 4 of Legislative Decree 119/2018.

On 10/12/2018, the Pesaro Territorial Office, following on from the aforementioned tax audit report and with reference to Registration Tax portion, issued 2 tax settlement notices.
The amount assessed for taxation is 246 KEuro, and the amount assessed for penalties and interest is 321 KEuro
Given the breach by the tax authorities, inclusive of in procedural terms, of Art. 10-bis of Law 212/2000, the tax settlement notices shall be impugned within the prescribed time limit, the risk of a negative outcome of the dispute has been reasonably deemed to be remote.

As regards the amount of deferred tax recognised in the consolidated statement of profit or loss, reference should be made to Note 17.

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 2018:

Contingent liabilities to non controlling shareholders = the amount of the contingent liabilities to non controlling shareholders paid in 2018 amounts to € 13.8 million and relates to the acquisition of further interests in Metodo S.p.A., Mondora S.r.l. and Euresys S.r.l., to the payment of a price adjustment for the acquisition of an equity interest in Lira S.r.l., and the payment of earn-outs primarily relating to investments in Inforyou S.r.l., Cidiemme Informatica S.r.l., Aliaslab S.p.A., Cassanova S.r.l., Evolution Fit S.r.l. and Informatica Veneta S.r.l. (see also Note 18).

Finance costs/income paid/received and change in Financial Assets / Liabilities = as regards the amount of € 28.9 million reported for the year ended 31 December 2018:

- € 52.4 million relates to finance costs paid by the Group in the course of 2018. Specifically, this amount includes:
    1) € 21.4 million relating to interest paid on Floating Rate Notes of € 750 million;
    2) € 11.9 million relating to interest paid on Senior Notes of € 150 million previously issued by TeamSystem Holding S.p.A. (€ 3.4 million) and on Senior Secured Notes of € 570 million previously issued by TeamSystem S.p.A. (€ 8.5 million);
    3) € 17.4 million relating to penalties paid in relation to the early redemption of the above Bonds;
    4) € 2 million relating mainly to the payment of interest and bank charges.
- € 29.6 million relating to proceeds from new loans / proceeds from financial assets net of disbursements in connection with financial liabilities as detailed below:
    1) € 750 million relating to the issue of Floating Rate Notes on 4 April 2018 by TeamSystem S.p.A.;
    2) € 570 million relating to the early redemption of Senior Secured Notes previously issued by TeamSystem S.p.A.;
    3) € 150 million relating to the early redemption of Senior Notes previously issued by TeamSystem Holding S.p.A.
- € 6.4 million relating to the total amount of lease payments made in the year consisting of principal (€ 5.5 million) and interest (€ 0.9 million) following the adoption of IFRS 16.

Financing Fees paid = the amount of € 15.4 million for the year ended 31 December 2018 consists of the following financing fees:

- € 13.6 million relating to financing fees paid on Floating Rate Notes of € 750 million issued on 4 April 2018 by TeamSystem S.p.A.;
- € 1.8 million relating to financing fees paid on the RCF arranged by TeamSystem S.p.A. in 2018.

Acquisition of investments = the amount of € 4.1 million relates mainly to:

- Cash-out paid by Danea Soft S.r.l. for the acquisition of MMData S.r.l.;
- Cash-out paid by Nuovamacut Automazione S.p.A. for the acquisition of the residual capital of Nuovamacut Centro Sud S.r.l. and Nuovamacut Nord Ovest S.r.l.

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		
	31 Dec 2017	Repayments and other financial flows	New financing	Other changes	Accruals and other financial income / cost	Other movements	31 Dec 2018
Loans with banks	676	(576)					100
Finance leases liabilities	0	(5,469)	3,432	26,377			24,340
Notes	720,000	(720,000)	750,000		1,250		751,250
Contingent liabilities to non controlling shareholders	101,448	(13,800)			(124)		87,524

11. TANGIBLE FIXED ASSETS

COST	Restated 31 Dec 2016	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)	22,064
Tangible assets under construction					
Total	**37,486**	**349**	**6,766**	**(6,456)**	**38,145**

ACCUMULATED DEPRECIATION	Restated 31 Dec 2016	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	(2,554)	15,269
Tangible assets under construction					
Total	**24,103**	**266**	**2,779**	**(4,373)**	**22,775**

NET BOOK VALUE	Restated 31 Dec 2016	Change in cons. area	Additions	(Depreciation)	Other movements and disposals	31 Dec 2017
Land	1,073				(125)	948
Buildings	5,554			(266)	(1,682)	3,606
Plant and machinery	1,743	3	2,106	(536)	(267)	3,049
Equipment	595	0	571	(194)		973
Other assets	4,418	80	4,089	(1,783)	(9)	6,795
Tangible assets under construction						
Total	**13,383**	**83**	**6,766**	**(2,779)**	**(2,083)**	**15,371**

COST	31 Dec 2017	Change in cons. area	Additions	Other movements and disposals	31 Dec 2018
Land	948				948
Buildings	6,063				6,063
Plant and machinery	6,445		1,319	(332)	7,432
Equipment	2,625	1	248	(149)	2,725
Other assets	22,064	20	2,083	(1,077)	23,090
Tangible assets under construction					
Total	**38,145**	**21**	**3,650**	**(1,558)**	**40,258**

ACCUMULATED DEPRECIATION	31 Dec 2017	Change in cons. area	Depreciation	Other movements and disposals	31 Dec 2018
Land					
Buildings	2,457		267		2,724
Plant and machinery	3,396		687	(113)	3,970
Equipment	1,653		233	(133)	1,753
Other assets	15,269		2,043	(827)	16,485
Tangible assets under construction					
Total	**22,775**		**3,230**	**(1,073)**	**24,932**

NET BOOK VALUE	31 Dec 2017	Change in cons. area	Additions	(Depreciation)	Other movements and disposals	31 Dec 2018
Land	948					948
Buildings	3,606			(267)	(0)	3,339
Plant and machinery	3,049		1,319	(687)	(219)	3,462
Equipment	973	1	248	(233)	(16)	973
Other assets	6,795	20	2,083	(2,043)	(250)	6,605
Tangible assets under construction						
Total	**15,371**	**21**	**3,650**	**(3,230)**	**(485)**	**15,326**

12. INTANGIBLE ASSETS

NET BOOK VALUE	Restated 31 Dec 2016	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)		325			833
Other intangible assets	**12,832**	**2,583**	**(312)**	**325**	**6,385**	**(6,678)**	**(150)**	**14,985**
Total	**775,804**	**2,583**	**6**	**13,384**	**6,751**	**(69,679)**	**(150)**	**728,699**

NET BOOK VALUE	31 Dec 2017	Change in cons. area	Other movements and disposals	Capitalization	Additions	(Amortization)	(Write-downs)	31 Dec 2018
Development costs - completed	25,357		315	13,193	20	(12,286)		26,598
Development costs - in progress	839		524	363	15	(153)		1,588
Capitalized development costs	**26,195**		**839**	**13,556**	**35**	**(12,439)**		**28,186**
Brand IFRS	121,845					(6,791)		115,054
Software IFRS	51,663					(14,897)		36,766
Customer relationship IFRS	497,716					(30,036)		467,680
Other IFRS assets	16,294					(1,008)		15,286
Asset IFRS	**687,518**					**(52,732)**		**634,786**
Software, trademarks, patents	10,624		(2)	328	11,348	(6,057)		16,241
Other intangible assets	3,529		(109)		1,455	(2,669)		2,206
Intangible assets under construction	833		(752)		37			118
Other intangible assets	**14,985**		**(863)**	**328**	**12,840**	**(8,726)**		**18,565**
Total	**728,699**		**(24)**	**13,885**	**12,875**	**(73,896)**		**681,539**

Development costs in progress relate to costs capitalised for new products and new software modules, which, at 31 December 2018, had not yet been completed or for which the marketing and sales phase had not yet started.

As regards capitalised development costs recognised in 2018 of € 13,556 thousand, the main components relate to development costs capitalised by the subsidiary TeamSystem S.p.A. during the course of 2018.

13. RIGHT-OF-USE

As at 31 December 2018, this comprises the present value of future payments for the right of use of leased assets arising from the application of IFRS 16 as follows:

NET BOOK VALUE	31 Dec 2017	IFRS 16 first adoption	Change in cons. area	Other movements and disposals	Additions	(Amortization)	(Write-downs)	31 Dec 2018
Buildings - Right of use		22,897			1,262	(4,138)		20,021
Other assets - Right of use		3,480			2,170	(1,776)		3,874
Right of use - Total		**26,377**			**3,432**	**(5,914)**		**23,895**
Total		**26,377**			**3,432**	**(5,914)**		**23,895**

Assets held under lease include:

- Buildings of € 20,021 thousand, relating to the operational premises of the Group companies;
- Other assets of € 3,874 thousand, relating mainly to company cars.

14. GOODWILL

Of the Goodwill balance of € 707,681 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, 2017 and 2018. 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.

The operating segments identified by Management, the organisational structure and related internal reporting of which are aligned to those of the Group, are as follows:

- Software Solutions;
- Cloud Software Solutions;
- Hardware.

At 31 December 2018, the Group's total goodwill has been allocated as set out below:

	31 Dec 2017	TeamSystem Group Acquisition	Other movements	Additions	(Impairment)	31 Dec 2018
Software solutions - Goodwill	530,921					530,921
Cloud software solutions - Goodwill	168,958			1,832		170,790
Hardware - Goodwill	5,971					5,971
Total	705,849			1,832		707,681

The increase in goodwill recorded in 2018 of € 1,832 thousand relates to the acquisition of MMData S.r.l. by the subsidiary Danea Soft S.r.l. in February 2018.

The purchase price allocations recognised for the acquisition of this company was still provisional at 31 December 2018 and, accordingly, the related goodwill was also provisional. Further details are provided in the paragraph on "Provisional allocation of goodwill".

Note that, during the course of 2018, 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 2017. As a result of the analysis performed, no differences arose with respect to allocations pertaining to the subsidiaries Evols S.r.l., Netlex S.r.l., Software Time S.r.l., Evolution Fit S.r.l. and Cassanova S.r.l., which were acquired in 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 2019-2023 based on amounts included in the 2019-2023 Group Business Plan approved by TeamSystem Holding S.p.A's Board of Directors on 14 February 2019.

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 post-tax weighted average cost of capital ("WACC") of 8.51% (Software solutions and Cloud solutions) and 7.62% (Hardware).

The results of the impairment tests conducted did not provide any indication of impairment at 31 December 2018.

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		7,5%	8,0%	8,5%	9,0%	9,5%
	0,9%	98,0	21,6	(44,8)	(102,9)	(154,2)
	1,4%	169,5	82,0	6,9	(58,3)	(115,5)
G RATE	1,9%	253,7	152,4	66,4	(7,5)	(71,6)
	2,4%	354,5	235,2	135,6	51,0	(21,6)
	2,9%	477,1	334,4	217,1	119,1	36,0

CLOUD SOFTWARE SOLUTIONS						
Cover Impairment Sensitivity				WACC		
Euro million		7,5%	8,0%	8,5%	9,0%	9,5%
	0,9%	660,7	590,5	529,6	476,4	429,4
	1,4%	726,8	646,4	577,5	517,6	465,3
G RATE	1,9%	804,8	711,5	632,5	564,7	505,9
	2,4%	898,1	788,3	696,6	618,9	552,2
	2,9%	1.011,6	880,0	772,1	681,9	605,5

HARDWARE						
Cover Impairment Sensitivity				WACC		
Euro million		6,6%	7,1%	7,6%	8,1%	8,6%
	0,9%	11,2	9,7	8,5	7,4	6,4
	1,4%	12,7	10,9	9,5	8,2	7,1
G RATE	1,9%	14,4	12,4	10,7	9,2	8,0
	2,4%	16,6	14,1	12,1	10,4	9,0
	2,9%	19,4	16,3	13,8	11,8	10,1

The impairment test models and related results were approved by the Board of Directors of TeamSystem Holding S.p.A. on 14 February 2019, in accordance with the guidelines contained in joint document No. 4 of March 2010 issued by ISVAP, Bank of Italy and Consob.

15. ALLOCATION OF GOODWILL

MMData S.r.l.

In February 2018, the subsidiary Danea Soft S.r.l. acquired control of MMData S.r.l., via the acquisition of 100% of its capital.

MMData S.r.l.'s results have been consolidated in 2018 as from January 2018, which was close to the date of acquisition. The company reported total revenue for 2018 of € 1,131 thousand and a profit of € 127 thousand.

The purchase price allocation recognised for the acquisition of MMData S.r.l. was finalised as at the date of preparation of these financial statements and, consequently, the goodwill relating to MMData S.r.l. (€ 1,832 thousand) has also been confirmed; the resulting goodwill is not tax deductible.

Euro thousands

STATEMENT OF FINANCIAL POSITION MMDATA S.r.l. ASSETS	Jan 2018 After PPA Provisional Adjustments	NOTES
Tangible assets	8	
TOTAL NON CURRENT ASSETS	**8**	
Inventories	10	
Trade receivables	3	
Other receivables - current	3	
Cash and bank balances	13	
TOTAL CURRENT ASSETS	**29**	
ASSETS HELD FOR SALE		
TOTAL ASSETS	**37**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION MMDATA S.r.l. LIABILITIES	Jan 2018 After PPA Provisional Adjustments	NOTES
TOTAL EQUITY	**12**	
Staff leaving indemnity	17	
TOTAL NON CURRENT LIABILITIES	**17**	
Trade payables	4	
Other liabilities - current	4	
TOTAL CURRENT LIABILITIES	**8**	
TOTAL LIABILITIES	**25**	**B**
TOTAL EQUITY AND LIABILITIES	**37**	

Fair Value of acquired net assets	**12**	**C = A - B**
Cost of the investment - net of transaction costs	**1,844**	**D**
Provisional Goodwill IFRS 3	**1,832**	**E = D - C**

□ □ □

16. INVESTMENTS IN OTHER COMPANIES AND INVESTMENTS IN ASSOCIATES

	Restated 31 Dec 2016	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**

	31 Dec 2017	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	(Disposals)	31 Dec 2018
Investments in Associates	147			40			(54)	133
Other Investments	447		2					449
Total	**594**		**2**	**40**			**(54)**	**582**

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. The decrease is due to the disposal of the investment in Mondoesa Milano Nordovest S.r.l. in February 2018.

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

Deferred tax assets at 31 December 2018 amounted to € 15,342 thousand. Details of movements in deferred tax assets in 2018 are shown in the following table.

DEFERRED TAX ASSETS	31 Dec 2016	IFRS 15 / 16 / 9 first adoption	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
Fair value deferred revenue - ACG							
Provision for pension and similar obligations - ACG	157			(157)			
Provision for bad-debts					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	31 Dec 2017	IFRS 15 / 16 / 9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2018
Provision for slow-moving inventories	55				14		69
Provision for pension and similar obligation	140						140
Staff leaving indemnity - actuarial valuation	177			22	62	(185)	76
Provision for litigations and other provisions	196			23	671	(46)	843
Other minor items	43	303				(346)	0
Provision for bad-debts	3,159	99		28	910	(351)	3,845
Provision for Restructuring	1,953				1,032	(1,953)	1,032
Other Provision	42			(42)			0
Tax Losses brought forward	1,007					(1,007)	
Tax step-up of Goodwill	8,499			61		(844)	7,716
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**15,271**	**402**		**92**	**2,689**	**(4,733)**	**13,722**
Deferred tax asset of other Subsidiaries	1,485			(70)		(58)	1,357
Other Subsidiaries	**1,485**			**(70)**		**(58)**	**1,357**
Provision for slow-moving inventories	56						56
Write-off tangible / intangible assets	6				7	(7)	7
Provision for litigations and other provisions	32					(32)	(0)
Provision for bad-debts		57			(57)		
Staff leaving indemnity - actuarial valuation	216			(22)	71	(77)	188
Right of use - renting contract					14		14
Other minor items	(0)	1				(1)	(0)
Consolidation entries	**310**	**58**		**(22)**	**35**	**(117)**	**264**
Total	**17,065**	**460**		**0**	**2,724**	**(4,908)**	**15,342**

Deferred tax assets at 31 December 2018 include approximately € 7,716 thousand relating to the step-up for tax purposes of goodwill enacted 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 restructuring provision 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.

Deferred tax liabilities

Deferred tax liabilities at 31 December 2018 amounted to € 182,018 thousand. Movements in deferred tax liabilities in 2018 are summarised in the following table.

DEFERRED TAX LIABILITIES	Restated 31 Dec 2016	IFRS 15 / 16 / 9 first adoption	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
Euroconference - Services in progress							
Finance lease and valuation of asset at fair value							
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**

DEFERRED TAX LIABILITIES	31 Dec 2017	IFRS 15 / 16 / 9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2018
Financing Fees	6,365				2,838	(6,365)	2,838
Fair value valuation of land and buildings	1,164					(71)	1,093
TeamSystem - Intangibles	173,921					(13,532)	160,389
Capitalized development costs	198			25		(77)	147
Investments revaluation	730					(383)	347
Other		338			6	(338)	6
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**182,378**	**338**		**25**	**2,844**	**(20,766)**	**164,819**
Deferred tax liabilities of other Subsidiaries	88					(24)	64
Other Subsidiaries	**88**					**(24)**	**64**
Euroconference - Intangibles	1,012					(56)	957
Euroconference - Services in progress					10		10
Investments revaluation	(730)					383	(347)
Nuovamacut - Intangibles	7,217					(479)	6,737
Capitalized development costs	401			(25)	299	(148)	526
Aliaslab - Intangibles	10,235					(983)	9,251
Other minor items	3					(3)	
Consolidation entries	**18,137**			**(25)**	**309**	**(1,286)**	**17,135**
Total	**200,604**	**338**			**3,153**	**(22,076)**	**182,018**

The main decrease in 2018 of € 13,532 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 2018, there were changes in deferred tax liabilities due to financing fees related to the refinancing transaction that took place in the year.

Given that almost all the Group companies are domiciled in Italy, one of the main 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 2018). In any case, the potential deferred tax asset relating to the foregoing amounts to approximately € 42,700 million at 31 December 2018. As previously stated in the notes to the financial statements, the tax savings arising from the ACE deduction and from the patent box regime have significantly reduced the 2018 effective tax rate below the theoretical rate and have generated net tax income for the year.

18. NET CASH/DEBT

	Current	Non Current	31 Dec 2018 Total	Current	Non Current	31 Dec 2017 Total
Bank accounts and post office	24,508		24,508	16,197		16,197
Cash and bank balances	67		67	62		62
Total Cash and bank balances	**24,574**		**24,574**	**16,259**		**16,259**
Loans	0		0	7	343	350
Other financial assets	138	50	188	380	150	530
Total Other financial assets	**138**	**50**	**188**	**386**	**493**	**880**
Loans with banks	(101)		(101)	(547)	(130)	(676)
Overdrafts with banks	(0)		(0)	(117)		(117)
Finance leases liabilities	(5,514)	(18,827)	(24,340)			
Notes	(1,250)	(750,000)	(751,250)		(720,000)	(720,000)
Dividends to be paid	(40)		(40)	(40)		(40)
Total Financial liabilities	**(6,905)**	**(768,827)**	**(775,731)**	**(703)**	**(720,130)**	**(720,833)**
Financing Fees - notes		11,827	11,827		26,519	26,519
Financing Fees - banks	413	1,112	1,525	1,089	2,904	3,993
Total Financing Fees	**413**	**12,939**	**13,352**	**1,089**	**29,423**	**30,513**
Contingent liabilities to non controlling shareholders	(4,112)	(83,412)	(87,524)	(7,406)	(94,042)	(101,448)
Derivative instruments - liabilities	(14)	(316)	(330)			
Commissions financial liabilities	(276)		(276)	(90)		(90)
Other financial accruals				(5)		(5)
Total Other financial liabilities	**(4,402)**	**(83,728)**	**(88,130)**	**(7,501)**	**(94,042)**	**(101,543)**
Total	**13,818**	**(839,565)**	**(825,747)**	**9,531**	**(784,255)**	**(774,725)**

Net debt as of 31 December 2018 amounted to € 825,747 thousand.

Following the early adoption of IFRS 16 – Leases, net debt at 31 December 2018 reflects the recognition of a financial liability of € 24,340 thousand, consisting of the present value of future lease payments.

As required by this standard, disclosure is hereby given that the weighted average incremental borrowing rate (IBR) applied to the lease liability in the financial statements at the date of initial application is approximately 4%.

<u>Floating Rate Notes</u>

In order to optimize the costs of the Group financial debt and adjust the financial resources to the new Group's business necessities, the Group revised its financial structure.
On 4 April 2018, TeamSystem S.p.A. concurrently issued:

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

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

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

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

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

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

Interest Rate Swaps – Derivative instrument liabilities
In order to hedge the exposure to the three month Euribor changes, in the month of April 2018 TeamSystem S.p.A. entered into some interest rate swaps with a principal amount of € 500 million and a maturity date of 15 April 2020. The mark-to-market value of the Interest Rate Swap has been accrued in the profit and loss accounts in the 31 December 2018 consolidated accounts.

Loans with banks – Revolving Credit Facility (RCF)
In connection with the issuance of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. (as the Parent), entered into a new € 90 million revolving credit facility agreement with a final maturity date of 15 October 2022, and the previously existing € 65 million revolving credit facility, which had been entered into on 13 February 2016, was cancelled and discharged in full.
The interest rate payable on loans under the new RCF is based on the applicable Euribor or Libor, as the case may be and in either case subject to a 0% floor, plus an initial spread of 3.500% per annum.

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

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

Contingent liabilities to non-controlling shareholders of subsidiaries
The Contingent liabilities to non-controlling shareholders of subsidiaries (€ 87,524 thousand at 31 December 2018) relates to put and call options and/or earn-outs due to non-controlling interest holders of certain consolidated subsidiaries. The main ones are: Danea Soft S.r.l., Madbit Entertainment S.r.l., Aliaslab S.p.A., Mondora S.r.l., Evols S.r.l., Netlex S.r.l. and Cassanova S.r.l..

Changes in the balance of Contingent liabilities to non-controlling shareholders in 2018 and 2017 are summarised below.

	Restated 31 Dec 2016	Change in cons. area	Interest	Revaluations	Write-downs	Payments	Dividends paid	31 Dec 2017
Contingent liabilities to non controlling shareholders	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**

	31 Dec 2017	Change in cons. area	Interest	Revaluations	Write-downs	Payments	Dividends paid	31 Dec 2018
Contingent liabilities to non controlling shareholders	101,448		5,514	10,604	(16,242)	(13,800)		87,524
Total	**101,448**		**5,514**	**10,604**	**(16,242)**	**(13,800)**		**87,524**

Payments were made of contingent liabilities to non controlling shareholders in 2018 of € 13,800 thousand for the acquisition of non-controlling interests in respect of the following:
- acquisition of 10% of the capital of Metodo S.p.A.;
- acquisition of 49% of the capital of Mondora S.r.l.;
- acquisition of 40% of the capital of Euresys S.r.l.;
- price adjustment for the acquisition of an equity interest in Lira S.r.l.;
- and the exercise of earn-out clauses primarily relating to investments in Inforyou S.r.l., Cidiemme Informatica S.r.l. and Aliaslab S.p.A., Cassanova S.r.l., Evolution Fit S.r.l. and Informatica Veneta S.r.l.

19. INVENTORIES

	31 Dec 2018	31 Dec 2017	Change	% Change
Raw and ancillary materials	608	419	189	45.0%
Finished products and goods	943	1,570	(627)	-39.9%
Advances	4	0	4	n.s.
(Allowance for slow-moving inventory)	(488)	(437)	(51)	11.7%
Total	**1,067**	**1,552**	**(485)**	**-31.2%**

Inventories amounted to € 1,067 thousand at 31 December 2018 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. The decrease in finished products is specifically attributable to having leased the Hardware business.

20. TRADE RECEIVABLES

	31 Dec 2018	31 Dec 2017	Change	% Change
Trade receivables	147,843	139,316	8,527	6.1%
(Allowance for bad debts)	(18,901)	(16,561)	(2,340)	14.1%
Total	**128,941**	**122,755**	**6,186**	**5.0%**

Trade receivables at 31 December 2018 amounted to € 128,941 thousand, net of the allowance for bad debts of € 18,901 thousand.

Movements in the allowance for bad debts in 2018 are summarised below.

	Restated 31 Dec 2016	Change in cons. area	IFRS 15 / 16 / 9 first adoption	(*) 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

	31 Dec 2017	Change in cons. area	IFRS 15 / 16 / 9 first adoption	(*) Additions	(*) (Utilisations)	31 Dec 2018
Allowance for bad debts	16,561		647	5,131	(3.438)	18.901
Total	**16.561**		**647**	**5.131**	**(3.438)**	**18.901**

(*) = 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.
Effective 2018, the Group has implemented a new system for the management and monitoring of receivables that introduced a revision of the procedure for the computation of the allowance for bad debts. In designing this procedure, account was taken of the requirements of the new standard IFRS 9 concerning the application of an expected credit loss model that requires the analysis and writedown, if necessary, of receivables not yet past due; the writedown of receivables recognised in consolidated profit or loss in 2018 (in accordance with the new procedures and International Financial Reporting Standards) amounted in total to € 5,131 thousand; the writedown of receivables recognised in consolidated profit or loss in 2017 (with a consistent application of accounting standards and of the new procedures for the estimation of the allowance for bad debts) would have been € 4,542 thousand (given that the application of the new receivables writedown procedure applied to the balances at 31 December 2017 has led to an impact on opening reserves of € 647 thousand).
Accordingly, the charge to provision in 2018 would have been € 589 thousand higher than that recognised in 2017 computed in accordance with the new accounting standard and new procedures for the computation of the allowance for bad debts.

21. TAX RECEIVABLES

	31 Dec 2018	31 Dec 2017	Change	% Change
Tax credits	101	39	62	n.s.
Other tax receivables	2	118	(116)	-98.3%
Tax consolidation receivables	29	(0)	29	n.s.
Advances and credit on income taxes	10,812	5,173	5,639	n.s.
Total	**10,944**	**5,330**	**5,613**	**n.s.**

Tax receivables at 31 December 2018 amounted to € 10,944 thousand.

Advances and tax credits mainly relate to an IRES tax credit pertaining to TeamSystem S.p.A. resulting from the response to the advance ruling request concerning ACE as well as resulting from the submission of supplementary tax returns under the patent box regime.

22. OTHER CURRENT RECEIVABLES

	31 Dec 2018	31 Dec 2017	Change	% Change
VAT receivables	516	290	227	78.3%
Deposits	472	491	(18)	-3.7%
Receivables from employees	284	189	95	50.1%
Other receivables - current	4,820	2,055	2,765	n.s.
Accrued income	38	108	(70)	-65.1%
Prepayments	18,717	14,333	4,385	30.6%
Other current receivables	**24,847**	**17,464**	**7,383**	**42.27%**

Other current receivables came to € 24,847 thousand at 31 December 2018. The main components are the following:

- Other sundry current receivables (€ 4,820 thousand), which mainly consist of advances to suppliers paid by various Group companies and option premiums related to various outsourcing contracts;
- Prepaid expenses (€ 18,717 thousand), which mainly consist of fees for maintenance and support provided by third parties. The significant increase in the year is attributable, in particular, to the increase in cloud business and in costs incurred for support provided to third parties;
- Deposits (€ 472 thousand) mainly relating to cautionary deposits required by rental arrangements.

23. 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
31 Dec 2016 - Restated	**5,450**	**636,720**	**(3)**		**(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)			**(823)**	(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**

	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 2017	5,450	559,754	(826)	0	(57,134)	507,245	1,023	508,268
IFRS 9 / 15 / 16 - first adoption		(405)				(405)		(405)
Profit (Loss) allocation		(57,134)			57,134	0		0
Change in Non controlling interests IFRS 3		(1,782)				(1,782)	(570)	(2,352)
Dividends						(0)	(58)	(58)
Profit (Loss) on comprehensive income		684			(56,030)	(55,346)	70	(55,276)
31 Dec 2018	5,450	501,117	(826)	0	(56,030)	449,711	464	450,175

Equity attributable to owners of the Parent Company at 31 December 2018 amounted to € 450,175 thousand.

The decrease in Other reserves (€ 58,637 thousand) mainly relates to the coverage of the loss reported by the Group for the year ended 31 December 2017 of € 57,134 thousand.

Details of the impact of the first-time adoption of IFRS 9, 15 and 16 are set out later in this document in the paragraph entitled "Impact arising from the adoption of the new standards IFRS 9, IFRS 15 and IFRS 16".

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 (€ 464 thousand) relates to equity interests held by third parties in Gruppo Euroconference S.p.A. and Voispeed Limited.

24. STAFF LEAVING INDEMNITY

	Restated 31 Dec 2016	Outsourcing	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)	(1,613)	18,280
Total	18,478		257	38	962	292	(134)	(1,613)	18,280

	31 Dec 2017	Outsourcing	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain) / loss	(Utilisations)	31 Dec 2018
Staff leaving indemnity	18,280	(1,345)	17	121	862	268	(921)	(2,390)	14,892
Total	18,280	(1,345)	17	121	862	268	(921)	(2,390)	14,892

The liability associated with the staff leaving indemnity at 31 December 2018 amounted to € 14,892 thousand. The decrease in staff leaving indemnity is mainly due to the transfer of the hardware, delivery and customer service businesses (€ 1,345 thousand) and to utilisations in 2018 due to a decrease in the Group's total workforce (€ 2,390 thousand).

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:

	2018 financial year	2017 financial year
Turnover	4.00%	4.00%
Discount rate	1.95%	1.61%
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 2018 and 2017 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 2018 would amount to approximately € 14.9 million and € 15 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 2018 (€ 921 thousand) corresponds to the actuarial gains/losses, as stated above, net of the tax effect of € 121 thousand.

25. PROVISIONS FOR RISKS AND CHARGES

	Restated 31 Dec 2016	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	(413)	7,590
Total	**3,905**	**99**		**7,129**	**(779)**	**10,355**

	31 Dec 2017	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2018
Provision for pension and similar obligation	1,261		21	213	(227)	1,269
Provision for litigations	1,504			1,580	(897)	2,187
Other Provision for risks and charges	7,590			5,417	(7,183)	5,824
Total	**10,355**		**21**	**7,211**	**(8,307)**	**9,280**

Provisions for risks and charges amounted to € 9,280 thousand at 31 December 2018. The components thereof are the following:

- Provision for pensions and similar obligations of € 1,269 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 € 2,187 thousand, relating to liabilities deemed to be probable that could arise from legal and tax disputes involving TeamSystem S.p.A., Metodo S.p.A. and Aliaslab S.p.A.; Management is not able to estimate the date of the probable cash-out.
- Other provisions for risks and charges of € 5,824 thousand mainly consist of an amount of € 4,295 thousand relating to Group restructuring and reorganisation costs in connection with, in particular, the implementation of the new operating model implemented in 2017 and that became fully functional in 2018. The provision includes expected personnel downsizing costs and further external costs expected to be incurred for the reorganisation of business activities that had already been initiated in the prior year. The Directors believe that the costs provided will be fully incurred in 2019. Note that the Group restructuring and reorganisation costs provided for at 31 December 2017 of € 7,000 thousand were fully incurred in 2018. Other provisions for risks and charges also include other liabilities deemed to be probable pertaining to TeamSystem S.p.A. and other Group companies.

26. CURRENT TAX LIABILITIES

	31 Dec 2018	31 Dec 2017	Change	% Change
Income tax payables	2,305	245	2,060	n.s.
Liabilities from tax consolidation	(1)	(0)	(1)	n.s.
Other tax liabilities	11	13	(2)	-15.11%
Total	**2,315**	**258**	**2,057**	**n.s.**

Current tax liabilities came to € 2,315 at 31 December 2018. The balance almost entirely consists of current IRES and IRAP liabilities.

27. OTHER CURRENT AND NON-CURRENT LIABILITIES

	31 Dec 2018	31 Dec 2017	Change	% Change
VAT liabilities	3,857	1,035	2,822	n.s.
Withholdings liabilities	4,194	4,222	(29)	-0.7%
Employees payables and Social security liabilities - current	24,904	24,869	35	0.1%
Advances	5,697	4,394	1,302	29.6%
Other liabilities	2,358	515	1,843	n.s.
Accrued liabilities	527	176	351	n.s.
Deferred revenues	44,699	27,598	17,101	62.0%
Other current liabilities	**86,235**	**62,810**	**23,426**	**37.30%**
Social security liabilities - non current	561	609	(48)	-7.9%
Other tax liabilities - non current	13	27	(14)	-50.6%
Other non current liabilities	**574**	**636**	**(62)**	**-9.72%**
Total Other liabilities	**86,810**	**63,445**	**23,364**	**36.83%**

Other current and non-current liabilities amounted to a total of € 86,235 thousand at 31 December 2018.

Employee payables and social security liabilities of € 24,904 thousand relate to salaries and 2018 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 2018 amounted to € 5,697 thousand and mainly relate to advances received by the Education operating segment for ongoing training services being provided at the reporting date.

Deferred revenue (€ 44,699 thousand) mainly relates to the portion of revenue for software subscriptions (pertaining essentially to Nuovamacut Group companies, TeamSystem S.p.A., Madbit Entertainment S.r.l. and Danea Soft S.r.l.) attributable to future financial years, based upon the duration of the underlying contracts. The significant increase in the year is attributable, in particular, to an increase in subscription and cloud channel sales.

28. 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. Despite the acquisition of Reviso International ApS and its subsidiaries, as well as the first-time prior year 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
Credit risk is the risk that a counterparty fails to meet its contractual commitments, giving rise to a financial loss being incurred by the Group.
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 2018, 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 trade receivables, the allowance recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts, plus a general allowance to take account of further expected losses on balances not yet overdue (taking account of the requirements of the new IFRS 9), 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 as a consequence of the debt refinancing transaction that TeamSystem Group completed in April 2018 (as described in the directors' report and which consisted of the issue of Floating Rate Notes with a principal amount of € 750 million). The yield on these Notes is linked to the 3 month Euribor rate (subject to a floor of 0.00%), plus a spread established contractually. Conditions applied to the RCF (also renegotiated upon the issue of the Notes in April 2018) also provide for floating interest rates (based on Euribor (with a floor of 0.00%) plus a spread established contractually). With the aim of reducing the risk of market interest rate fluctuations associated with the Floating Rate Notes, TeamSystem Group has entered into interest rate swap contracts (with a total notional amount of € 500 million) and with a termination date of 15 April 2020.

TeamSystem Group's finance structure mainly consists of floating rate debt as a consequence of the debt refinancing transaction that the Group completed in April 2018, whereby the previously existing debt was replaced by new Floating Rate Notes, issued for a principal amount of € 750 million. The yield on these Notes is linked to the 4 month Euribor rate (subject to a floor of 0.00%), plus a spread of 4% established contractually. Conditions applied to the RCF (also renegotiated upon the issue of the Notes in April 2018) also provide for floating interest rates (based on Euribor, subject to a floor of 0.00%, plus a spread of 3.5% established contractually). With the aim of reducing the risk of market interest rate fluctuations associated with the Floating Rate Notes, TeamSystem Group has entered into interest rate swap contracts (with a total notional amount of € 500 million) and with a termination date of 15 April 2020.

If interest rates payable on the Notes had been 0.5% higher during the course of 2018 (with respect to the interest rate actually paid during the course of 2018), finance costs pertaining to the Notes would have been € 0.9 million higher; if, however, interest rates payable on the Notes had been 1.00% higher (with respect to those actually paid during the course of 2018), TeamSystem Group would have been faced with approximately € 1.9 million of higher finance costs.

No sensitivity analysis has been performed on interest rates payable on the RCF, since, at the reporting date, the RCF had not been drawn down and, accordingly, there are no meaningful average amounts relating thereto with respect to the 2018 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 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.

POSITION AT 31 DECEMBER 2018	31 Dec 2018	within 1 year	within 1 - 2 years	within 3 - 5 years	over 5 years	Total cash flows
FINANCIAL ASSETS						
Other financial assets	188	188				**188**
FINANCIAL LIABILITIES						
Loans with banks	(101)	(101)				**(101)**
Finance leases liabilities	(24,340)	(6,432)	(5,253)	(11,278)	(4,962)	**(27,926)**
Notes	(751,250)	(30,417)	(30,500)	(626,217)	(210,778)	**(897,911)**
Dividends to be paid	(40)	(40)				**(40)**
Contingent liabilities to non controlling shareholders	(87,524)	(4,167)	(18,124)	(79,725)		**(102,016)**
Derivative instruments - liabilities	(330)	(308)	(104)			**(412)**
Commissions financial liabilities	(276)	(276)				**(276)**
Total	**(863,673)**	**(41,553)**	**(53,981)**	**(717,220)**	**(215,740)**	**(1,028,494)**

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 on amounts due to banks, to noteholders and to contingent liabilities to non controlling shareholders.

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.

	31 Dec 2018	FVTPL	FVTCI	AC
Current and Non current Financial Assets				
Financing fees prepayments - current and non-current	0			
Other financial assets - current and non current	188	38		150
Trade receivables	128,941			128,941
Cash and bank balances	24,574			
Total	**153,704**	**38**	**0**	**129,091**
Current and Non Current Financial Liabilities				
Financial liabilities with banks and other institutions - current and non current	775,731	0	0	775,731
Financing Fees - current and non current	(13,352)	0	0	(13,352)
Other financial liabilities - current and non current	88,130	87,854	0	276
Trade payables	38,928			38,928
Total	**889,438**	**87,854**	**0**	**801,584**

KEY TO FINANCIAL INSTRUMENT CATEGORIES

FVTPL = **Financial assets and liabilities measured at fair value through profit or loss**
FVTOCI = **Financial assets and liabilities measured at fair value through other comprehensive income**
AC = **Financial assets and liabilities measured at amortised cost (Financial assets available for sale)**

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

Secured Floating Rate Notes of € 550 million for which the quoted price at 31 December 2018 (approximately 99) corresponds to the best estimate of fair value at 31 December 2018.

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.

	Level 1	Level 2	Level 3	TOTAL
Financial Assets				
Other Investments			449	**449**
Other financial assets		38		**38**
Total	**0**	**38**	**449**	**487**
Financial Liabilities				
Contingent liabilities to non controlling shareholders			87,524	**87,524**
Derivative instruments - liabilities		330		**330**
				0
Total	**0**	**330**	**87,524**	**87,854**

There have been no significant transfers in the two years just ended from one level to another of the fair value categories presented.

The financial liability component Contingent liabilities to non controlling shareholders 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 2018 consolidated statement of profit or loss arising from the change in the fair value measurement of the contingent liabilities to non controlling shareholders amounts to a decrease in their measurement of approximately € 16,242 thousand and an increase in their measurement of approximately € 10,604, whereas an amount of € 5,514 thousand was recognised as Other IFRS financial charges (see Note 7 Finance Income, Note 8 Finance Costs and Note 18 Net Cash/Debt).

Note that the discount rate applied for the measurement of the contingent liabilities to non controlling shareholders at 31 December 2017 is that adopted for the performance of Group impairment tests at 31 December 2018, that is, the rate that equates to the cost of debt (gross of the tax effect) of 6.51% at 31 December 2018 (5.81% at 31 December 2017). This cost of debt is deemed representative of TeamSystem Group's specific credit risk at the balance sheet date. The Group has also performed an analysis of the sensitivity of the carrying amount of the contingent liabilities to non controlling shareholders to interest rates applied. The results of this analysis are set out in the table below.

Cost of Debt - gross of tax	5.51%	6.01%	6.51%	7.01%	7.51%
Contingent liabilities to non controlling shareholders	89,545	88,532	**87,524**	86,538	85,566

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

Guarantees and security interests provided

As of 31 December 2018, the Floating Rate Notes are guaranteed on a senior basis by TeamSystem Holding S.p.A. and are secured by first-ranking security interests over:

(i) the entire issued share capital of TeamSystem S.p.A.;
(ii) the receivables in respect of certain intercompany loans by TeamSystem S.p.A. to certain of its subsidiaries; and
(iii) certain material operating bank accounts of TeamSystem S.p.A..

The new RCF is also guaranteed by TeamSystem Holding S.p.A. and is secured, on a super-priority basis, by the same collateral securing the Floating Rate 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 2018	31 Dec 2017
Metodo S.p.A.		10.00%
TeamSystem Communication S.r.l.	40.00%	40.00%
Danea Soft S.r.l.	30.00%	30.00%
Madbit Entertainment S.r.l.	49.00%	49.00%
Euresys S.r.l.		40.00%
Aliaslab S.p.A.	49.00%	49.00%
Mondora S.r.l.		49.00%
Inforyou S.r.l.		
Evols S.r.l.	49.00%	49.00%
Netlex S.r.l.	49.00%	49.00%
Cassanova S.r.l.	49.00%	49.00%
Evolution Fit S.r.l.	49.00%	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 18) while the best estimate of future disbursements (by financial year) is indicated in the table shown in Note 28 – Liquidity risk – analysis of financial liabilities by due date of cash outflows.

Lease disclosures

Euro Million POSITION AT 31 DECEMBER 2018	within 1 year	within 2 - 4 years	over 5 years	Total
Leases for operational premises	4.1	13.6	4.9	**22.6**
Leases for motor cars	3.0	3.4	0	**6.5**
Total	**7.12**	**17.04**	**4.9**	**29.06**

Set out below is a reconciliation of operating leases recognised in accordance with IAS 17 at the reporting date immediately preceding the initial application of IFRS 16, discounted using the incremental borrowing rate at the date of initial application, to the lease liability recognised at the date of initial application.

Euro Million	1 Jan 2018
Leases as at 31 Dec 2017	35.2
Decrease for short term and low-value	-0.6
Service component included in car renting	-3.5
Other	-0.9
Gross value lease liabilities as at 1 Jan 2018	**30.2**
Discounting	-3.8
Lease liabilities as to IFRS 16 first adoption	**26.4**

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 25) 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.

30. 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	2,308	2,173	135	4,247	26
INTIT S.r.l.	Frosinone	35.00	1,796	1,386	410	2,331	41
Cesaco S.r.l.	Vicenza	48.00	415	240	175	548	23
Comsyst S.r.l. (*)	Pesaro	49.00					

(*) = the company was incorporated in 2017;
(**) = figures updated to 31 December 2017 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 agreements entered into by the Group for the acquisition of non-controlling interests (further details are provided in the paragraphs on "Scope of consolidation" and on "Basis of consolidation").

Euro thousands DANEA SOFT	DANEA SOFT --------- 31 Dec 2018	DANEA SOFT --------- 31 Dec 2017	Change
% Held by Non Controlling Interests	30	30	0.00
Total Current Assets	13,383	5,447	7,936
Total Non Current Assets	7,118	5,680	1,438
Total Current Liabilities	10,156	3,661	6,495
Total Non Current Liabilities	474	845	(372)
Total Equity	9,871	6,621	3,251
Total Equity attributable to non controlling interests	2,961	1,986	975
Total Revenue	7,761	6,747	1,013
Operating Result	4,601	3,963	638
Profit (Loss) for the year	3,250	2,725	525
Profit (Loss) for the year - Non controlling Interests	975	817	158

Euro thousands MADBIT	MADBIT --------- 31 Dec 2018	MADBIT --------- 31 Dec 2017	Change
% Held by Non Controlling Interests	49	49	0.00
Total Current Assets	12,959	1,732	11,227
Total Non Current Assets	28	19	9
Total Current Liabilities	9,865	1,321	8,543
Total Non Current Liabilities	41	21	19
Total Equity	3,081	409	2,673
Total Equity attributable to non controlling interests	1,510	200	1,310
Total Revenue	7,539	1,682	5,857
Operating Result	3,774	308	3,466
Profit (Loss) for the year	2,673	205	2,468
Profit (Loss) for the year - Non controlling Interests	1,310	100	1,209

Euro thousands GRUPPO EUROCONFERENCE	GRUPPO EUROCONFERENCE --------- 31 Dec 2018	GRUPPO EUROCONFERENCE --------- 31 Dec 2017	Change
% Held by Non Controlling Interests	3.13	3.13	0.00
Total Current Assets	22,199	17,818	4,381
Total Non Current Assets	976	1,322	(346)
Total Current Liabilities	9,495	7,826	1,670
Total Non Current Liabilities	489	461	28
Total Equity	13,191	10,853	2,338
Total Equity attributable to non controlling interests	413	340	73
Total Revenue	13,695	11,950	1,744
Operating Result	3,117	2,240	878
Profit (Loss) for the year	2,338	1,678	661
Profit (Loss) for the year - Non controlling Interests	73	53	21

Euro thousands ALIASLAB	ALIASLAB --------- 31 Dec 2018	ALIASLAB --------- 31 Dec 2017	Change
% Held by Non Controlling Interests	49	49	0.00
Total Current Assets	22,326	14,173	8,154
Total Non Current Assets	1,214	1,907	(693)
Total Current Liabilities	2,653	2,187	466
Total Non Current Liabilities	633	625	8
Total Equity	20,255	13,267	6,988
Total Equity attributable to non controlling interests	9,925	6,501	3,424
Total Revenue	14,010	13,816	193
Operating Result	9,220	9,441	(221)
Profit (Loss) for the year	6,989	6,815	175
Profit (Loss) for the year - Non controlling Interests	3.425	3.339	86

31. 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 2018 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 2018	31 Dec 2017
Directors		
Statutory Auditors	38	31
Top Management (*)	4,448	3,945
Total emoluments	**4,486**	**3,976**

(*) = 2017 and 2018 Figures do not include bonuses

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

There were no transactions with nor balances due from/to the parent Barolo Lux 1 S.à.r.l. during the course of 2018.

Associates

A summary is provided below of balances at 31 December 2018 with associated companies and transactions therewith in the year then ended.

	Trade and Other receivables	Financial receivables	31 Dec 2018	Trade and Other payables	Financial liabilities	31 Dec 2018
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	261		**261**	1		**1**
INTIT S.r.l.	111		**111**	7		**7**
Cesaco S.r.l.			**0**	27		**27**
Comsyst S.r.l.	114		**114**			**0**
Total	**486**	**0**	**486**	**35**	**0**	**35**

	Total Revenues	Finance income	31 Dec 2018
INVESTMENTS IN ASSOCIATES			
Mondoesa Emilia S.r.l.	1,099		**1,099**
INTIT S.r.l.	351		**351**
Cesaco S.r.l.			**0**
Comsyst S.r.l.	84		**84**
Total	**1,534**	**0**	**1,534**

	Operating costs	Other provisions	Finance cost	Income taxes	31 Dec 2018
INVESTMENTS IN ASSOCIATES					
Mondoesa Emilia S.r.l.	106				**106**
INTIT S.r.l.	187				**187**
Cesaco S.r.l.	82				**82**
Comsyst S.r.l.					**0**
Total	**375**	**0**	**0**	**0**	**375**

Related companies

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

32. 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 2018 for the audit of the financial statements, amounted to approximately € 218 thousand.

33. 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 2017 are set out below.

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

(expressed in Euro)

ASSETS	31 Dec 2017	31 Dec 2016
Fixed assets	641,471,030	642,750,000
Current assets	212,156	191,736
Total Assets	**641,683,186**	**642,941,736**

(expressed in Euro)

LIABILITIES	31 Dec 2017	31 Dec 2016
Capital and Reserves	641,992,795	643,011,110
Profit (Loss) for the financial year	(389,488)	(1,018,315)
Creditors	79,879	948,940
Total liabilities	**641,683,186**	**642,941,736**

(expressed in Euro)

PROFIT AND LOSS ACCOUNT	31 Dec 2017	31 Dec 2016
Net Turnover	36,519	10,755
Other operating income		50,000
Raw material and consumables	(209,097)	(954,918)
Staff cost	(181,264)	(64,177)
Other operating expense	(29,250)	(17,732)
Income from other investments	280,000	
Other interest receivable and similar	97	624
Interest payables and similar	(284,355)	(34,657)
Tax on profit or loss		
Other taxes	(2,138)	(8,210)
PROFIT OR LOSS	**(389,488)**	**(1,018,315)**

34. SUBSEQUENT EVENTS

Acquisition of Skylab Italia S.r.l.

In February 2019, TeamSystem Group executed a preliminary agreement for the acquisition of a 60% interest in Skylab Italia S.r.l., a company specialised in cloud solutions for personnel management. This acquisition will help TeamSystem Group expand its cloud product portfolio, as well as reinforce its competitive position in this target market.

Incorporation of TeamSystem Financial Value Chain S.r.l.

In order to optimise operations, in February 2019, TeamSystem S.p.A. set up a company called TeamSystem Financial Value Chain S.r.l., in which it holds a 100% stake.

Milan, 14 February 2019

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

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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, 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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, 2018 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 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.

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, 2018, 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, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of TeamSystem Group as at December 31, 2018 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 8, 2019

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

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 2018, 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 2018.

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 2018 ed anche preso visione del Bilancio consolidato al 31 dicembre 2018 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 2018 è stato predisposto adottando i principi contabili italiani ed in forma abbreviata; il bilancio consolidato al 31 dicembre 2018 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 2018, 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 5,5.

- **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 2018, 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 08.03.2019

Il Collegio Sindacale

Dott. Claudio Sanchioni (Presidente)

Dott.ssa Nicole Magnifico (Sindaco effettivo)

Dott. Fabio Landuzzi (Sindaco effettivo)