2015 Consolidated Financial Statements
TeamSystem group

TeamSystem®

CONTENTS

TEAMSYSTEM HOLDING S.p.A.
CONSOLIDATEDFINANCIAL STATEMENTS
FOR THE YEAR ENDED 31.12.2015

DIRECTORS' REPORT

TeamSystem Holding S.p.A.

DIRECTORS' REPORT
ON OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2015

Dear Sole Shareholder,

presented below are the results for the year ended 31 December 2015 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 2015 and its results for the year then ended.
We specifically remind you that, as from the year ended 31 December 2013, as a result of a Bond issue (“Bond”), TeamSystem Holding S.p.A. (the “Parent Company”) is required to prepare and publish consolidated financial statements, which are prepared in accordance with international accounting standards (IAS/IFRS).

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

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COMPANY ORGANS

BOARD OF DIRECTORS 31 DEC 2015	
VINCENZO MORELLI	CHAIRMAN
FEDERICO LEPROUX	CHIEF EXECUTIVE OFFICER
VINCENZO FERRARI	DIRECTOR
JEAN BAPTISTE BRIAN	DIRECTOR
LUCA BASSI	DIRECTOR

BOARD OF DIRECTORS 24 MARCH 2016	
PATRICK JOHN HEALY	CHAIRMAN
FEDERICO LEPROUX	CHIEF EXECUTIVE OFFICER
VINCENZO FERRARI	DIRECTOR
SERGIO AMODEO	DIRECTOR
BLAKE CHRISTOPHER KLEINMAN	DIRECTOR
PHILIP RICHARD STERNHEIMER	DIRECTOR
LUCA VELUSSI	DIRECTOR
JEAN BAPTISTE BRIAN	DIRECTOR

Following the acquisition of TeamSystem Group by private equity funds affiliated with Hellman & Friedman (as also described in the paragraph on Significant subsequent events in this report on operations), the composition of the Board of Directors changed on 1 March 2016 (compared to the composition of the Board of Directors at 31 December 2015) with the appointment of Patrick John Healy as Chairman of the Board. On 24 March 2016, the Board of Directors appointed Federico Leproux as Chief Executive Officer.

BOARD OF STATUTORY AUDITORS 31 DEC 2015	TITLE
CLAUDIO SANCHIONI	CHAIRMAN
FABIO LANDUZZI	STATUTORY AUDITOR
DANIELA MARCHIONNI	STATUTORY AUDITOR
IVANO ANTONIOLI	ALTERNATIVE AUDITOR
CRISTINA AMADORI	ALTERNATIVE AUDITOR

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GROUP OPERATIONS AND RESULTS FOR THE YEAR

►MACROECONOMIC, SECTOR AND LEGISLATIVE CONTEXT

The first signs of recovery were confirmed by the macroeconomic context in 2015. The preliminary estimate of GDP for 2015 is for growth of 0.6%, which, however, is lower than the expectations of government and European Union and International Monetary Fund estimates. The last quarter of 2015 is the fourth consecutive quarter of growth in GDP although this shows a decelerating trend: +0.4% in the 1st quarter, +0.3% in the 2nd quarter, +0.2% in the 3rd quarter and +0.1% in the 4th quarter.
Confidence indicators are positive and are rising, albeit with a fluctuating trend in the course of the year: with respect to a year ago, the economic confidence index has risen by 37.1%. There was a sharp fall in November in the measure of confidence among service firms (-7.3%), which, however, improved in the year by 13.5%. Overall, the consumer confidence index rose in November by 1.2% (+17.5% year-on-year), whereas the business confidence index fell by 4.1% (+6.7% year-on-year).
The industrial output index has risen by 2.4% year-on-year. The inflation rate was stable in December on a monthly basis and increased by 0.1% year-on-year. There has been a slight increase in the unemployment rate: in December it was 11.4%, which was down by 0.1 percentage points with respect to December 2014. There was a fall in youth unemployment on a monthly basis (-0.1%) and the year-on-year figure fell even more (-1.4%).
The growth rate in stock held by businesses at 31 December 2015 was positive (+0.75%) and represented a slight improvement compared to the 2014 growth rate (+0.50%). Companies limited by capital continue to grow at a higher rate than other legal forms (+3.8% compared to -1.1% for partnerships and -0.1% for sole traders). In December 2015, VAT number registrations increased by 5.1% compared to November, driven by the fact that a number of taxpayers wished to participate in what was an advantageous tax regime prior to the abolishment thereof. (source: Economic Observatory February 2015 – Fondazione Nazionali Commercialisti).

After 7 years of crisis, there was an upturn in the IT market, which grew as a whole by +1.7%. A good part of this recovery is attributable to Software (+2.7%) and, although the figures remain slightly negative for Hardware and IT Services, there has been a trend reversal therein (-0.8% and -1%, respectively). The Digital Economy has continued to grow: Digital Marketing applications have grown by +31%, the Cloud by 20%, the Internet of Things by +16.7% and Business Intelligence, Analytics and Big Data by +7.3%. IT expenditure by medium and large enterprises has grown by more than 3%, especially Banks (+3.7), Insurance (+3.4%), Utilities (4.3%) and Telecommunications (+3.5%). The Consumer market has remained behind (-1.1%) as well as markets linked to Public Administration (down by -2%) (source: 2015 Assintel report).

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►SIGNIFICANT EVENTS THAT TOOK PLACE DURING THE FINANCIAL YEAR

Changes in the Group's organisational structure

During the course of 2015, with the objective of meeting demands for growth laid down by the new business plan, changes were made to the Group's organisational structure that came to fruition with the formalisation of a number of significant innovations upon the advent of 2016.
Specifically, as of 1 January 2016, a General, Legal and Corporate Affairs Department has been set up, headed by Vincenzo Ferrari, who, after having headed the Group's Administration, Finance and Control Department for the last 15 years, will concern himself with the growth and development of the new department.
Simultaneously, responsibility for the Administration, Finance and Control Department has been entrusted (again, as of 1 January 2016) to Sergio Amodeo, who, after having gained significant experience with leading businesses in various sectors (both in Italy and abroad), will concern himself with the growth and development of this department.
These organisational changes form part of an investment framework that the Group continues to enact upon to structure and strengthen itself to be able to take advantage of the opportunities and meet the needs of a market that continues to evolve.

Accreditation for performance of conservation of electronic documents pursuant to article 44-bis, paragraph 1, of legislative decree 82 of 7 March 2005

In July 2015, TeamSystem Group (via the subsidiary TeamSystem Service S.r.l.) was awarded accreditation for the performance of the conservation of electronic documents and, accordingly, has been included in the registry of accredited conservators published on the website of the Agency for Digital Italy.

Acquisition of Madbit Entertainment S.r.l.

In July 2015, TeamSystem Group, through its subsidiary Danea Soft S.r.l., acquired a controlling interest (equating to 51% of the quota capital) in Madbit Entertainment S.r.l. for a consideration of € 1.4 million and entered into a put and call option agreement for the remaining 49% of the quota capital. 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.

Acquisition of Ulisse Tecnologie S.r.l. – merger by absorption into TeamSystem S.p.A.

In July 2015, TeamSystem Group, through its subsidiary TSS S.p.A., acquired a controlling interest (equating to 100% of the share capital) in Ulisse Tecnologie S.r.l. for a consideration of € 1.9 million. With the objective of simplifying the organisational structure of the Group and of rationalising operating costs, Management considered it appropriate to integrate (into TeamSystem S.p.A.'s operating structure) the activities of Ulisse Tecnologie S.r.l. As part of this corporate integration, in December 2015, TeamSystem S.p.A. acquired from TSS S.p.A. the entire share capital of the company and then merged by absorption Ulisse Tecnologie S.r.l. into TeamSystem S.p.A. (by means of a deed of merger dated 23 December 2015), effective for legal purposes as of 31 December 2015.

Merger by absorption of Diamante S.p.A. into TeamSystem S.p.A.

Again, with the objective of simplifying the organisational structure of the Group and of rationalising operating costs, in December 2015, TSS S.p.A. sold its investment in Diamante S.p.A. to TeamSystem S.p.A., which then merged by absorption this company by means of a deed of merger dated 23 December 2015, effective for legal purposes as of 31 December 2015.

Merger by absorption of Atys S.r.l. into TeamSystem S.p.A.

In October 2014, TeamSystem S.p.A. acquired the entire quota capital of Atys S.r.l. (a supplier of technologies for the management of production processes of mechanical engineering companies) and, by means of a deed of merger dated 18 December 2014, it merged by absorption Atys S.r.l., effective for legal purposes as of 1 January 2015.

Formation of TeamSystem 3 S.r.l – merger by absorption into TeamSystem 2 S.r.l.

In July 2015, TeamSystem 2 S.r.l. (through its subsidiary TeamSystem 3 S.r.l., which was formed in July 2015) acquired (from one of TSS S.p.A.'s dealers) a business segment for a consideration of € 0.1 million. In December 2015, TeamSystem 3 S.r.l. was merged by absorption into TeamSystem 2 S.r.l., effective for legal purposes as of 31 December 2015.

Sale of investment in Paradigma S.r.l.

In October 2015, on account of the changes that had taken place in the high-end corporate publishing market (in which Paradigma operates) and of the fact that it was not considered strategic for TeamSystem Group to invest in this segment, TeamSystem S.p.A. sold its entire equity interest in Paradigma S.r.l. for a consideration of € 0.5

million that gave rise to the recognition of a loss on sale of € 3.5 million.
As far as the consolidated statement of profit or loss for the year ended 31 December 2015 is concerned, 9 months of Paradigma's results have been consolidated, that is, up to 30 September 2015.

Acquisition of quotas in H-Umus S.r.l.
In October 2015, TeamSystem S.p.A. (by exercising the put and call option existing at the time for the acquisition of further quotas) completed the acquisition of the remaining 15% (not yet held) of H-Umus S.r.l.'s quota capital. As at the balance sheet date of 31 December 2015, the percentage held by TeamSystem S.p.A. in H-Umus S.r.l. came to 100%.

Acquisition of shares in Gruppo Euroconference S.p.A.
In July 2015, TeamSystem S.p.A. (by exercising the put and call option existing at the time for the acquisition of further shares) completed the acquisition of a further 0.14% equity interest in Gruppo Euroconference S.p.A.

Acquisition of quotas in Lexteam S.r.l.
In July 2015, TeamSystem S.p.A. (by exercising the put and call option existing at the time for the acquisition of further quotas) completed the acquisition of the remaining 12.5% (not yet held) of Lexteam S.r.l.'s quota capital. As at the balance sheet date of 31 December 2015, the percentage held by TeamSystem S.p.A. in Lexteam S.r.l. came to 100%.

Acquisition of quotas in TeamSystem Ancona S.r.l.
In July and November 2015, TeamSystem S.p.A. (by exercising the put and call option existing at the time for the acquisition of further quotas) completed the acquisition of the remaining 15.72% (not yet held) of TeamSystem Ancona S.r.l.'s quota capital. As at the balance sheet date of 31 December 2015, the percentage held by TeamSystem S.p.A. in TeamSystem Ancona S.r.l. came to 100%.

Renegotiation of put and call option agreements with minority quotaholders of Danea Soft S.r.l.
In June 2015, following the acquisition of Madbit Entertainment S.r.l. (by the subsidiary Danea Soft S.r.l.), the existing put and call option agreements were renegotiated accordingly.

Capital contribution - ACG S.r.l.
In April 2015, TeamSystem S.p.A. made a capital contribution to ACG S.r.l. of an amount of € 1,290 thousand in order to strengthen its financial position and to provide the company with appropriate funding.

Capital contribution - TeamSystem Communication S.r.l.
In April 2015, TeamSystem S.p.A. made a capital contribution to TeamSystem Communication S.r.l. of an amount of € 148 thousand in order to strengthen its financial position and to provide the company with appropriate funding.

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►SUMMARY OF TEAMSYSTEM GROUP'S RESULTS
As shown by the table below, TeamSystem Group closed 2015 with Revenue of € 254.3 million, Adjusted EBITDA of € 78.7 million and a loss for the year attributable to the Group of approximately € 18.4 million.
The loss, which is affected by the impact of non-recurring costs, does not reflect the Group's normalised results of operations, which, as will be described in more detail in the forthcoming paragraphs, has again improved on the prior year's result.

As regards the operating margin, adjusted EBITDA for 2015 has grown in absolute value terms compared to 2014 by approximately € 9.8 million, with a decrease in the margin in percentage terms (as a percentage of total Revenue) to 30.9% for the year ended 31 December 2015 (compared to 32.3% for the year ended 31 December 2014) partially due to the inevitable dilution linked to the consolidation (for the entire 12 months of 2015) of the results of TSS S.p.A. (for which only 7 months of results were consolidated in 2014).

The statement of profit or loss set out below has a different structure from the statement of profit or loss presented as part of the financial statements, mainly due to the presentation of additional performance indicators: EBITDA, Cash EBITDA and Adjusted EBITDA (as defined below). Moreover, Cost of services and Personnel costs differ from the respective components shown in the statement of profit or loss presented in the financial statements, due to the exclusion of capitalised development costs, which, for the year ended 31 December 2015, amounted to € 3,359 thousand with respect to Cost of services and € 7,484 thousand with respect to Personnel costs. The corresponding amounts for 2014 amount to € 2,756 thousand and € 6,199 thousand, respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	31 Dec 2015	%	31 Dec 2014	%
Amounts in Euro/000				
REVENUE	**254,310**	**100.0%**	**213,162**	**100.0%**
Cost of raw and other materials	-23,718	-9.3%	-20,738	-9.7%
Cost of services	-59,432	-23.4%	-46,415	-21.8%
Personnel costs	-97,407	-38.3%	-80,274	-37.7%
Other operating costs	-5,899	-2.3%	-5,820	-2.7%
Allowance for bad debts	-5,071	-2.0%	-7,400	-3.5%
Cash EBITDA	**62,783**	**24.7%**	**52,514**	**24.6%**
Capitalised R&D costs	10,843	4.3%	8,955	4.2%
EBITDA	**73,626**	**29.0%**	**61,469**	**28.8%**
Depreciation of tangible assets	-1,599	-0.6%	-1,290	-0.6%
Amortisation of intangible assets	-8,636	-3.4%	-5,684	-2.7%
Amortisation of IAS intangible assets	-28,914	-11.4%	-27,847	-13.1%
Other provisions	-174	-0.1%	-200	-0.1%
Non-recurring items	-12,026	-4.7%	-13,871	-6.5%
Impairment of non current assets	0	0.0%	-3,330	-1.6%
EBIT	**22,277**	**8.8%**	**9,248**	**4.3%**
Net finance income (cost)	-44,427	-17.5%	-37,993	-17.8%
EBT	**-22,150**	**-8.7%**	**-28,745**	**-13.5%**
Current income tax	-10,691	-4.2%	-6,878	-3.2%
Deferred income tax	14,660	5.8%	3,725	1.7%
PROFIT (LOSS) FOR THE YEAR	**-18,181**	**-7.1%**	**-31,898**	**-15.0%**
(Profit) Loss for the year - Non controlling interests	-234	-0.1%	-139	-0.1%
PROFIT (LOSS) FOR THE YEAR - GROUP	**-18,415**	**-7.2%**	**-32,036**	**-15.0%**
Adjusted EBITDA	**78,696**	**30.9%**	**68,870**	**32.3%**

In the above table, the following captions are used:
EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation.
This is calculated as follows with reference to the format of the financial statements: Operating income before (i) Non-recurring costs (income) (ii) Asset writedowns, (iii) Depreciation and amortisation and (iv) Other provisions.
Cash EBITDA = is equal to EBITDA as above, net of development costs capitalised in the financial year.
Adjusted EBITDA = is equal to EBITDA as above without taking account of the writedown of receivables.

It should be noted that the above financial parameters are not governed by IFRS and, accordingly, the criteria adopted by TeamSystem Group for their computation may not be comparable with those adopted by other companies or groups.

Set out below is a breakdown of the main financial indicators for the 3 operating segments through which TeamSystem Group's business is conducted: **Software and Services, Education and CAD/CAM.**

OPERATING SEGMENTS	31 Dec 2015	31 Dec 2014	Change	% Change
Software and Services	216,048	177,812	38,236	21.5%
Education	11,896	13,445	(1,549)	-11.5%
CAD / CAM	27,475	22,790	4,685	20.6%
Intercompany Reconciliation	(1,109)	(886)	(223)	
TOTAL REVENUE	**254,310**	**213,162**	**41,149**	**19.3%**
Software and Services	72,352	63,648	8,704	13.7%
Education	2,381	2,733	(353)	-12.9%
CAD / CAM	3,987	2,489	1,497	60.2%
Intercompany Reconciliation	(23)	(1)	(22)	
ADJUSTED EBITDA	**78,696**	**68,870**	**9,827**	**14.3%**
Software and Services	33.5%	35.8%	-2.3%	-6.4%
Education	20.0%	20.3%	-0.3%	-1.6%
CAD / CAM	14.5%	10.9%	3.6%	32.8%
Intercompany Reconciliation	n.s.	n.s.		
ADJUSTED EBITDA % MARGIN	**30.9%**	**32.3%**	**-1.4%**	**-4.2%**

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►ANALYS OF TRENDS IN TEAMSYSTEM GROUP'S RESULTS

Total Revenue increased in 2015 by € 41,149 thousand, corresponding to 19.3% growth and amounted to € 254,310 thousand (compared to € 213,162 thousand for the year ended 31 December 2014). This change is primarily due to the following factors:

- 12 months of TSS S.p.A.'s and Diamante S.p.A.'s revenue were consolidated in 2015 (with a contribution to the 2015 line item of € 56,981 thousand by TSS S.p.A. and of € 1,046 thousand by Diamante S.p.A.), whereas in 2014 the results of TSS S.p.A. and of its subsidiary Diamante S.p.A. had been consolidated as from 28 May 2014, that is, as from the date on which control was obtained of the aforementioned companies (thus, for approximately 7 months), with a lower contribution that amounted in total to € 31,889 thousand;
- 9 months of sales attributable to Paradigma S.r.l. (€ 1,492 thousand) were consolidated in 2015 (that is, up to 30 September 2015, which date was close to the date of the sale of the investment that took place in October 2015), whereas 12 months of this company's revenue were consolidated in the year ended 31 December 2014 (with a contribution of € 3,400 thousand);
- the first-time consolidation of the results of Ulisse Tecnologie S.r.l. (which contributed € 1,003 thousand to Group revenue), of Madbit Entertainment S.r.l. (which contributed € 365 thousand) and of Esa Napoli S.r.l. (which contributed € 1,144 thousand to total revenue);
- with respect to the remainder, the change is attributable to organic growth achieved by the Group in 2015.

From an analysis of Adjusted EBITDA relating to the three operating segments in which TeamSystem Group operates, it emerges that the Software and Service business unit contributed to the Group an Adjusted EBITDA of € 72,352 thousand (approximately 92% of total Adjusted EBITDA), which was up by € 8,704 thousand on prior year (+13.7%); the CAD/CAM business unit contributed an Adjusted EBITDA of € 3,987 thousand, which was up by € 1,497 thousand (+60.2%) on the year ended 31 December 2014, whereas the Education business unit contributed an Adjusted EBITDA of € 2,381 thousand, which was down by € 353 thousand compared to 2014. These changes are mainly due to:

- the fact that the consolidated figures for the year ended 31 December 2015 include 12 months of results (in terms of Adjusted EBITDA) of TSS S.p.A. and Diamante S.p.A. (TSS S.p.A.'s contribution to the consolidated figures for the year ended 31 December 2015 was € 12,371 thousand and Diamante's contribution was € 135 thousand), whereas the consolidated figures for the year ended 31 December 2014 included the results of TSS S.p.A. and Diamante S.p.A. as from their acquisition date (that is, as from 28 May 2014 and, thus, with a total contribution in terms of 2014 Adjusted EBITDA of € 7,214 thousand);
- the impact of the fact that 12 months of results of Paradigma S.r.l. were included in the consolidated figures for the year ended 31 December 2014 (with a contribution of € 445 thousand in terms of Adjusted EBITDA), whereas the consolidated figures for the year ended 31 December 2015 included the results of Paradigma S.r.l. up to 30 September 2015 (that is, for 9 months, with a contribution in terms of Adjusted EBITDA of minus € 248 thousand) given that TeamSystem S.p.A. sold its investment in Paradigma S.r.l. in October 2015;
- the contribution made by the new companies that were consolidated for the first time in 2015, that is, Madbit Entertainment S.r.l. (which contributed € 107 thousand), Ulisse Tecnologie S.r.l. (which contributed € 222 thousand) and Esa Napoli S.r.l. (which contributed an amount of minus € 245 thousand);

- and, with respect to the remainder, to the organic growth achieved by the Group in 2015 that was particularly significant in the CAD/CAM business unit, which recorded growth in Adjusted EBITDA of € 1,497 thousand.

With regard to operating costs, compared to 2014, there has been an increase in Personnel costs of € 17,133 thousand (that have also increased as a percentage of Revenue from 37.7% in 2014 to 38.3% in 2015). This change is due to:

- the fact that 12 months of TSS S.p.A.'s and Diamante S.p.A.'s results were consolidated in 2015 (with a contribution to the 2015 line item of € 21,244 thousand by TSS S.p.A. and of € 704 thousand by Diamante S.p.A.), whereas in 2014 the results of TSS S.p.A. and of its subsidiary Diamante S.p.A. had been consolidated as from 28 May 2014, that is, as from the date on which control was obtained of the aforementioned companies (thus, for approximately 7 months), with a contribution to the results for 2104 of € 13,604 thousand;
- the fact that only 9 months of Paradigma S.r.l.'s results (€ 815 thousand) have been included in the 2015 consolidated figures (that is, up to 30 September 2015, given that, in October 2015, the investment was sold by TeamSystem S.p.A), whereas 12 months of this company's results (€ 1,061 thousand) were included in the consolidated financial statements for the year ended 31 December 2014;
- the first-time consolidation of the results of Ulisse Tecnologie S.r.l. (which contributed € 527 thousand), Madbit Entertainment S.r.l. (which contributed € 54 thousand) and Esa Napoli S.r.l. (which contributed € 803 thousand);
- and, with respect to the remainder, the change is attributable to organic change experienced by the Group in 2015.

There has also been a sharp increase in Cost of services that has risen by 28% in the year (+ € 13,017 thousand). Again in this case, the increase in the year is mainly due to changes in the scope of consolidation, impacted by:

- the consolidation of 12 months of TSS S.p.A.'s and Diamante S.p.A.'s results in 2015 (compared to approximately 7 months of results that were included in the consolidated financial statements for the year ended 31 December 2014);
- the fact that only 9 months of Paradigma S.r.l.'s results have been included in the 2015 consolidated figures (compared to 12 months in 2014), given that TeamSystem sold its investment in Paradigma in October 2015;
- the first-time consolidation of the results of Ulisse Tecnologie S.r.l., Madbit Entertainment S.r.l. and Esa Napoli S.r.l.

It is worth noting the following with respect to other non-operating components in the 2015 financial year:

- the recognition in Net finance income (cost) of the loss arising from the sale of the investment in Paradigma S.r.l. of € 3.5 million. In fact, in October 2015, on account of the changes that had taken place in the high-end corporate publishing market (in which Paradigma operates) and of the fact that it was not considered strategic for TeamSystem Group to invest in this segment, TeamSystem S.p.A. sold its entire equity interest in Paradigma S.r.l. for a consideration of € 0.5 million and recognised a loss on sale of € 3.5 million;
- as regards, once again, to Net finance income (cost), the deterioration in the year is attributable to the fact that the results for the year ended 31 December 2014 reflect finance costs relating to the issue of the additional tranche of the Bond of € 130 million that were recognised as from the month of issue (i.e. April 2014), whereas 12 months of the related finance costs have been included in the consolidated results for the year ended 31 December 2015;
- the positive impact of income generated by Deferred income tax, which has improved by € 10.9 million in the year, particularly due to non-recurring income recognised in 2015 attributable to the change in the IRES tax rate (introduced by law 208 of 28 December 2015) that has reduced (as from the tax period subsequent to that in course at 31 December 2016) the IRES rate from 27.5% to 24%.

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►TEAMSYSTEM GROUP'S FINANCIAL POSITION

The tables which follow present the Group's financial position at 31 December 2015 and 2014 and highlight the Group's net invested capital and net indebtedness.

CONSOLIDATED NET INVESTED CAPITAL	31 Dec 2015	31 Dec 2014	Change vs 2014	% Change vs 2014
Amounts in Euro/000				
Trade receivables	89,850	81,312	8,538	10.5%
Trade payables	-32,284	-28,487	-3,797	13.3%
Inventories	1,463	1,411	52	3.7%
Other assets	13,252	10,212	3,040	29.8%
Other liabilities	-52,849	-47,169	-5,680	12.0%
Tax receivable (payable)	804	3,313	-2,509	-75.7%
Net working capital	**20,236**	**20,592**	**-356**	**-1.7%**
Goodwill	364,363	360,004	4,359	1.2%
IAS/IFRS intangible assets	253,458	282,372	-28,914	-10.2%
Intangible assets	26,543	21,196	5,347	25.2%
Tangible assets	11,554	11,501	53	0.5%
Equity investments	879	890	-11	-1.2%
Non-current assets	**656,797**	**675,962**	**-19,165**	**-2.8%**
Invested capital	**677,033**	**696,555**	**-19,522**	**-2.8%**
Staff leaving indemnity	-15,931	-16,358	427	-2.6%
Deferred tax assets (liabilities), net	-63,000	-77,587	14,587	-18.8%
Other provisions	-2,868	-2,483	-385	15.5%
Provision for contingencies and other liabilities	**-81,799**	**-96,428**	**14,629**	**-15.2%**
NET INVESTED CAPITAL	**595,234**	**600,127**	**-4,893**	**-0.8%**

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

Net working capital is the sum of the consolidated financial statement components Inventories, Trade receivables, Tax receivables and Other receivables - current, less the components Other liabilities - non current, Trade payables, Tax liabilities - current and Other liabilities - current. Furthermore, certain consolidated financial statement components may have been reclassified in arriving at the above management accounts figures.
Intangible assets as presented in the consolidated financial statements have been broken down between:

- **IAS/IFRS intangible assets** (which mainly include amounts allocated to the 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 (by HG Capital) in 2010 or as a consequence of the acquisitions of ACG and TSS (in 2013 and 2014, respectively);
- **Intangible assets** that consist mainly of capitalised development costs;

CONSOLIDATED FINANCIAL SOURCES	31 Dec 2015	31 Dec 2014	Change vs 2014	% Change vs 2014
Amounts in Euro/000				
Financial debt	437,109	434,229	2,880	0.7%
Financing fees	-8,422	-10,336	1,914	-18.5%
Other financial liabilities	617	1,118	-501	n.s.
Other financial assets	-450	-7	-443	6,246.1%
Cash and bank on hand	-16,530	-17,871	1,341	-7.5%
Vendor loan	29,300	21,390	7,910	37.0%
Net financial indebtedness	**441,624**	**428,523**	**13,101**	**3.1%**
Share capital and reserves	171,226	202,933	-31,707	-15.6%
Profit (loss) attributable to Group	-18,415	-32,036	13,621	-42.5%
Total shareholders' equity	**152,811**	**170,897**	**-18,086**	**-10.6%**
Capital and reserves attributable to non-controlling interests	565	568	-3	-0.6%
Profit (loss) attributable to non-controlling interests	234	139	95	68.8%
Equity attributable to non-controlling interests	**799**	**707**	**92**	**13.0%**
FINANCIAL SOURCES	**595,234**	**600,127**	**-4,893**	**-0.8%**

The information set out below is to facilitate the reconciliation of the amounts reported in the table with those shown by the consolidated financial statements (condensed financial statements and tables presented in Note 19):
- Financial liabilities consist of the current and non-current components of Financial liabilities with banks and Bonds;
- Financing fees consist of the sum of Financing Fees – current and non current and Financing fee prepayments, net of Bond Premium;
- Cash reported in the table consists of the balance of Cash and bank balances as per the financial statements, net of bank overdrafts;
- The amount of the vendor loan consists of the current and non-current components of Vendor loan.

The Group's net financial indebtedness at 31 December 2015 amounts to € 441.6 million, representing an increase of € 13.1 million compared to € 428.5 million at 31 December 2014, whereas the Group's consolidated equity comes to € 152.8 million at 31 December 2015, with a leverage ratio (net financial indebtedness / equity) of 2.9, which has increased with respect to the 2014 figure of 2.5.

CONSOLIDATED STATEMENT OF CASH FLOWS	31 Dec 2015	31 Dec 2014	Change vs 2014	% Change vs 2014
Amounts in Euro/000				
Cash flows from operating activities	50,805	37,377	13,429	35.9%
Cash flows from investing activities	-18,633	-94,609	75,976	-80.3%
Cash flows from financing activities	-33,526	57,586	-91,112	-158.2%
INCREASE (DECREASE) IN CASH AND BANK BALANCES	**-1,353**	**354**	**-1,707**	**-482.5%**
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	**17,888**	**17,534**	**354**	**2.0%**
CASH AND BANK BALANCES - END OF THE YEAR	**16,534**	**17,888**	**-1,354**	**-7.6%**

As regards cash flows, in 2015 there was a total decrease in cash and bank balances compared to the prior year end balances of an amount of approximately € 1.7 million due in particular to the following factors:

- cash flows from operating activities in the course of 2015 generated cash of an amount of € 50.8 million, representing an increase compared to 2014 of an amount of approximately € 13.4 million;

- cash flows from investing activities, however, absorbed cash in the 2015 financial year of approximately € 18.6 million (compared to the cash absorbed in 2014 of € 94.6 million and, thus, there has been an improvement in the year of approximately € 75.9 million). Notwithstanding the acquisition transactions that took place in 2015, with a view to the continued growth and strengthening of the Group, there was no repetition of the significant investment policies adopted in 2014 that led to the acquisition of TSS with a cash disbursement of € 81 million;
- cash flows from financing activities absorbed cash of an amount of € 33.5 million, representing a deterioration of € 91.1 million compared to the cash generated in 2014 of € 57.6 million (mainly due to the issue of a second tranche of the Bond in April 2014 of € 130 million). In fact, during the course of 2015, the Group was committed to the payment of interest relating to the Bond of approximately € 31.7 million.

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►NET WORKING CAPITAL

The following table shows the components of net working capital at 31 December 2015 and 2014:

NET WORKING CAPITAL	31 Dec 2015	31 Dec 2014	Change vs 2014	% Change vs 2014
Amounts in Euro/000				
Trade receivables	89,850	81,312	8,538	10.5%
Trade payables	-32,284	-28,487	-3,797	13.3%
Inventories	1,463	1,411	52	3.7%
Other receivables - current	13,252	10,212	3,040	29.8%
Other liabilities - current	-52,849	-47,169	-5,680	12.0%
NET WORKING CAPITAL	**19,432**	**17,279**	**2,153**	**12.5%**

TeamSystem Group's net working capital is influenced by seasonal factors. Net working capital is generally cash generative in the second quarter and, to a lesser extent, in the third quarter. This is mainly due to the timing of the collection of trade receivables. In fact, direct channel customer billings are particularly concentrated in January, when invoices are issued for most of the annual fees relating to maintenance and support contracts. Because of this seasonality, net working capital is generally at its maximum in the first quarter. Deferred income, which is included in Other liabilities - current, 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.

Net working capital has increased by approximately € 2.2 million from € 17.3 million at 31 December 2014 to € 19.4 million at 31 December 2015, mainly due to an increase in Trade receivables (by an amount of € 8.5 million) only partially offset by an increase in Other liabilities - current (of an amount of € 5.7 million). The increase in trade receivables is a consequence of significant growth (organic and non-organic) in Group turnover in 2015.

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►CAPITAL EXPENDITURE

The following table shows the capital expenditure incurred by the Group in the years ended 31 December 2015 and 2014:

CAPITAL EXPENDITURE	31 Dec 2015	31 Dec 2014	Change vs 2014	% change vs 2014
Amounts in Euro/000				
Capitalised development costs	10,843	8,955	1,888	21.1%
Tangible assets	1,686	1,863	-177	-9.5%
Intangible assets	3,142	900	2,242	249.2%
TOTAL CAPITAL EXPENDITURE	**15,671**	**11,718**	**3,953**	**33.7%**

Capital expenditure encompasses the total expenditure by Group companies in the year on tangible and intangible assets as well as the capitalisation of research and development costs thereby. 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. As regards to Capitalised development costs, in 2012 the Group launched a multi-year expenditure programme (Product renewal project), which was still ongoing in 2015 and that is aimed at a technological upgrade of the Group's entire software products and platforms portfolio. This led, again for 2015, to a significant amount of expenditure having been incurred (primarily by TeamSystem S.p.A.) of approximately € 3.3 million.

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►RESEARCH AND DEVELOPMENT

Again, during the course of 2015, as previously indicated, research and development activity was particularly intense, since, in addition to concentrating, as usual, on the introduction of new software products, new functionalities or new modules for existing products (so-called evolutionary maintenance), it focused on the strategic project for the renovation of the technological platform for software products (Product renewal project), as disclosed above. Again in 2015, development expenses relating solely to personnel and collaborators involved in various projects were capitalised and amortised over their estimated useful life.
The total amount of development costs capitalised in 2015 amounts to € 10.8 million, of which € 6.9 million relates to TeamSystem S.p.A., € 2.3 million relates to TSS S.p.A. and the remainder of € 1.6 million pertains to ACG S.r.l., Digita S.r.l., TeamSystem Communication S.r.l., Lexteam S.r.l., Metodo S.p.A., Nuovamacut Automazione S.p.A. and Gruppo Euroconference S.p.A.

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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 almost exclusively in Italy.

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 2015, 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 writedown recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts.

Interest rate risk

TeamSystem Group's debt structure at 31 December 2015 was essentially characterised by fixed rate debt, with the sole exception of a revolving credit facility (of which € 3 million was used in December 2015).
Accordingly, as at the balance sheet date of 31 December 2015, there are no significant financial risks linked to fluctuations in market interest rates and, consequently, the Group has not performed any analysis of the sensitivity (of its funding costs) to fluctuations in market interest rates.

It should also be noted that, as a consequence of the transaction that led to a change in the controlling shareholder, further details of which are provided in the paragraph relating to subsequent events, to which reference should be made, it is envisaged that significant changes will be made to the current debt structure, with the probable early redemption of the Bond of € 430 million by 31 May 2016 and with the termination of the revolving credit facility, which was originally granted to TeamSystem S.p.A. for an amount of € 45 million.

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.
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.

As stated above, note that TeamSystem Group's debt structure (following the entry of the new controlling shareholder, Hellman & Friedman, on 1 March 2016) will undergo significant change that will impact the maturity dates of medium-long term debt.

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►HUMAN RESOURCES

The average headcount of TeamSystem Group in the year ended 31 December 2015 was 1,691 persons and can be broken down as follows:

	Average 2015	Average 2014	Change	31 Dec 2015	31 Dec 2014	Change
Managers	45	37	8	45	44	1
Middle managers / white collars / workers	1,646	1,384	262	1,669	1,623	46
Total	**1,691**	**1,421**	**270**	**1,714**	**1,667**	**47**

The human resources employed by TeamSystem Group are an asset to be taken care of and enhanced by attentive professional growth. 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.

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►INFORMATION PERTAINING TO THE ENVIRONMENT

Environmental issues are not crucial, considering that the Group operates mainly in the services sector. However, it should be noted that the parent company and other Group companies operate in a responsible and respectful manner with regard to the environment, in order to reduce the external impact of its activities.

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►SIGNIFICANT SUBSEQUENT EVENTS

Acquisition of TeamSystem Group by private equity funds affiliated with Hellman & Friedman and consequent change in composition of Board of Directors

On 1 March 2016, private equity funds affiliated with Hellman & Friedman acquired a controlling interest in TeamSystem Group from the previous shareholders (inclusive of HG Capital, the majority shareholder). On completion of the transaction, the private equity funds affiliated with Hellman & Friedman held a controlling interest in TeamSystem Group of 76.83%, whereas the remaining interest of 23.17% was held by HG Capital (7.46%) and senior and middle Management of TeamSystem Group (15.71%).

More specifically, on 1 March 2016, 100% of the share capital of TeamSystem Holding S.p.A. was acquired by Barolo BidCo S.p.A., a company controlled indirectly by equity funds affiliated with Hellman & Friedman, HG Capital and TeamSystem Group Management. As a consequence of the acquisition described above, the revolving credit facility of € 45 million (negotiated in 2013 by TeamSystem S.p.A.) has been terminated. Barolo BidCo S.p.A. has negotiated a credit facility of € 65 million, which will be made available to TeamSystem Group to finance its operations. Barolo MidCo S.p.A. (the direct parent company of Barolo BidCo S.p.A.) has, in turn, issued € 150 million of floating rate debt securities to partially finance the consideration for the acquisition of TeamSystem Holding S.p.A.'s share capital. The remainder of the consideration was financed via equity funding provided by Hellman & Friedman, HG Capital and TeamSystem Group Management. The Bond amounting to € 430 million that was issued by TeamSystem Holding S.p.A. in 2013 and in 2014 was still outstanding at 1 March 2016. Management's intention is to redeem the Bond on 31 May 2016 (or before), using the proceeds of an issue of floating rated debt securities to be issued by Barolo BidCo S.p.A.

As a consequence of the transactions described above, the general meeting of the shareholders of TeamSystem Holding S.p.A. held on 1 March 2016 appointed a new Board of Directors (which shall remain in office for three years, that is, up to the date of the shareholders' meeting called to approve the financial statements for the year ending 31 December 2018) that is comprised as follows:

- Federico Leproux;
- Vincenzo Ferrari;
- Sergio Amodeo;
- Patrick John Healy;
- Blake Christopher Kleinman;
- Philip Richard Sternheimer;
- Luca Velussi;
- Jean Baptiste Brian

Patrick John Healy has been appointed as Chairman of the Board of Directors. The general meeting of shareholders also passed a resolution to not assign to the aforementioned components of the Board of Directors any fee for the position held as Director (inclusive of the position of Chairman of the Board of Directors).
On 24 March 2016, the Board of Directors of TeamSystem Holding S.p.A. appointed Federico Leproux as Managing Director.

Acquisitions of Euresys and Lira

Euresys

On 11 March 2016, TeamSystem Group completed the acquisition of 60% of Euresys, a company that has operated in the HR management software market for more than twenty years. The consideration paid was € 1.2 million. The remaining 40% will be acquired subsequently through a put and call option mechanism. Euresys' total revenue in 2015 has been approximately € 2 million. The software solutions offered by Euresys permit the complete management of human resources within any Italian business thanks to its advanced capabilities in the following areas: attendance records, management of CVs and career paths, expense claims and access control. The company brings with it consolidated experience in the HR sector with more than 2,300 active customers in Italy.

Its flagship products enable a more attentive and efficient management of human capital and are capable of interfacing in real time with TeamSystem's management software.
Having completed the transaction close to the reporting date of these financial statements and given the insignificance of the company within the context of the Group, further analysis will be performed in the coming months and will be presented in the financial statements for the year ending 31 December 2016.

Lira
Again, on 11 March 2016, TeamSystem Group completed the acquisition of 100% of Lira, TeamSystem Group's historical Turin-based dealer, which focuses mainly on the accountants sector. The consideration paid has been € 2 million. Lira brings with it skills, know-how and direct experience with customers that will add to those of the Group's north west hub. Lira’s total revenue in 2015 has been approximately € 2.4 million.

Having completed the transaction close to the reporting date of these financial statements and given the insignificance of the company within the context of the Group, further analysis will be performed in the coming months and will be presented in the financial statements for the year ending 31 December 2016.

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►BUSINESS OUTLOOK
Revenue figures for the initial months of 2016 show, despite an unfavourable macroeconomic context characterized 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 2016, 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.
The outlook for 2016 is thus again for positive results, even though the Group's growth will obviously be influenced by trends in the economy.

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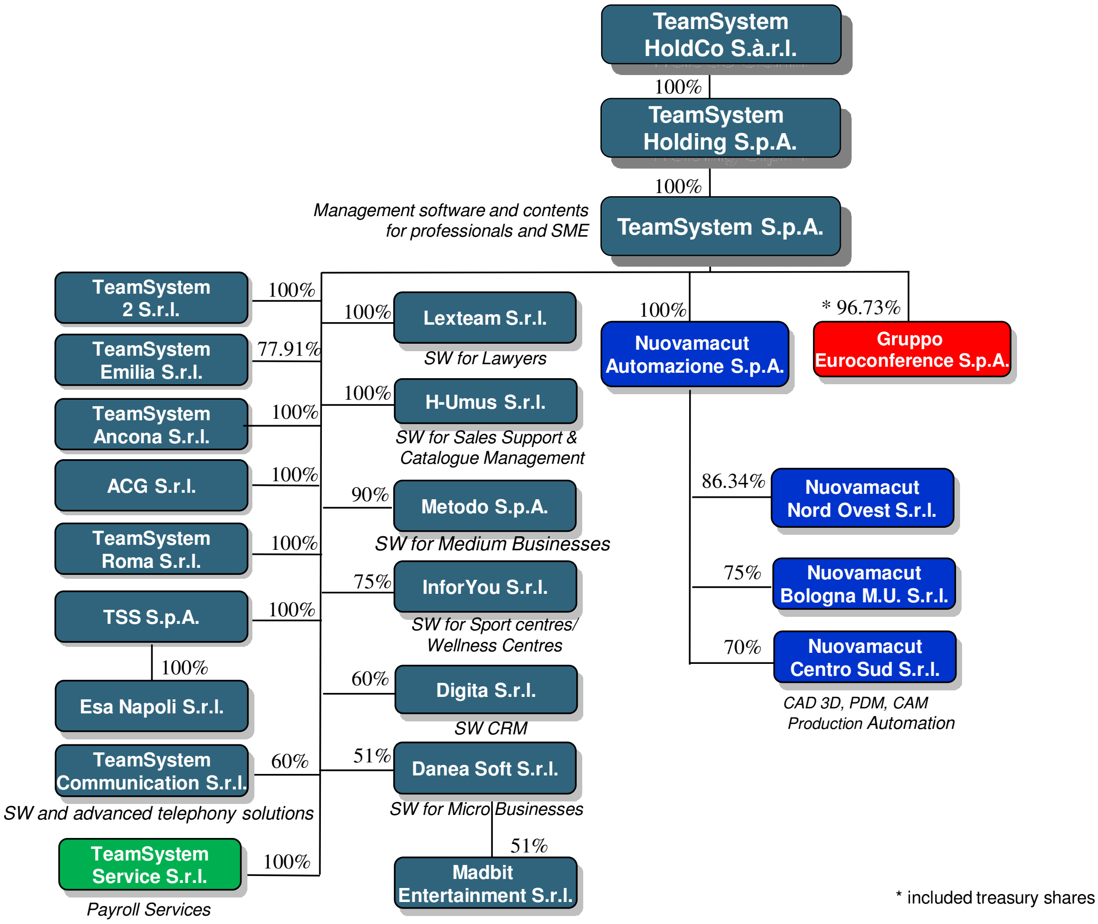
TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND PARENT COMPANIES

►STRUCTURE OF TEAMSYSTEM GROUP AS AT 31 DECEMBER 2015



Notes:
- The percentage holdings shown do not comprise put and call option agreements;
- Madbit Entertainment S.r.l. was acquired during the course of 2015; Esa Napoli S.r.l. was consolidated for the first time in 2015.

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►PARENT COMPANIES AND MANAGEMENT AND COORDINATION

As at 31 December 2015, TeamSystem Holding S.p.A. is controlled pursuant to Art. 2359 of the Italian Civil Code by TeamSystem Holdco S.à.r.l. (sole shareholder), which manages and coordinates the former. We remind you that, on 1 March 2016, private equity funds affiliated with Hellman & Friedman acquired a controlling interest in TeamSystem Group from the previous shareholders (inclusive of HG Capital, the majority shareholder). On completion of the transaction, the private equity funds affiliated with Hellman & Friedman held a controlling interest in TeamSystem Group of 76.83%, whereas the remaining interest of 23.17% was held by HG Capital (7.46%) and senior and middle Management of TeamSystem Group (15.71%).

TeamSystem Holding S.p.A. did not hold at 31 December 2015, nor did it acquire or dispose of during the 2015 financial year, not even through trusts or nominees, any shares or quotas relating to itself and/or to the parent companies.

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►SUBSIDIARIES COMPANIES

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)	Operating Segments	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Milan	3,213,641	245,204,945	(1,308,605)	SWSS			
TeamSystem S.p.A.	Pesaro	24,000,000	185,095,162	(21,366,456)	SWSS	100.00	100.00	
TeamSystem Ancona S.r.l.	Ancona	400,000	3,913,491	559,554	SWSS	100.00	100.00	
TeamSystem Emilia S.r.l.	Reggio Emilia	100,000	3,413,710	1,552,541	SWSS	77.91	100.00	1
TeamSystem 2 S.r.l.	Milan	66,666	4,040,147	634,293	SWSS	100.00	100.00	
Lexteam S.r.l.	Pesaro	20,000	1,631,254	457,467	SWSS	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	5,360,739	1,104,391	SWSS	90.00	100.00	1
TeamSystem Roma S.r.l.	Rome	10,320	297,706	(118,863)	SWSS	100.00	100.00	
Inforyou S.r.l.	Castello di Godego (TV)	31,250	2,888,012	878,268	SWSS	75.00	100.00	1
TeamSystem Service S.r.l.	Campobasso	200,000	809,456	601,201	SWSS	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	25,621	2,205	SWSS	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	3,114,486	1,741,796	SWSS	51.00	100.00	1
Digita S.r.l.	Asolo (TV)	10,000	608,252	377,815	SWSS	60.00	100.00	1
H-Umus S.r.l.	Roncade (TV)	50,000	663,254	237,917	SWSS	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	125,322	54,501	SWSS	51.00	100.00	1 / 5
ACG S.r.l.	Pesaro	100,000	(78,070)	(185,616)	SWSS	100.00	100.00	
TSS S.p.A.	Milan	7,232,000	75,205,296	321,083	SWSS	100.00	100.00	
Esa Napoli S.r.l.	Naples	10,000	(199,596)	(209,596)	SWSS	100.00	100.00	6
Gruppo Euroconference S.p.A.	Verona	300,000	8,298,826	1,653,153	Education	96.73	96.87	2 / 3
Paradigma S.r.l.	Turin	n.a.	n.a.	n.a.	Education	n.a.	n.a.	7
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	3,718,012	1,633,068	CAD/CAM	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	1,937,783	1,045,557	CAD/CAM	86.34	86.34	4
Nuovamacut Bologna Macchine Utensili S.r.l.	Reggio Emilia	70,000	104,226	(5,452)	CAD/CAM	75.00	75.00	4
Nuovamacut Centro Sud S.r.l.	Rome	10,000	260,543	136,710	CAD/CAM	70.00	70.00	4

(1) = holding would be 100% should put and call option be exercised;
(2) = takes account of treasury shares held by Gruppo Euroconference;
(3) = holding would be 96.87% should put and call option be exercised;
(4) = investments held by Nuovamacut Automazione S.p.A.;
(5) = investment held by Danea Soft S.r.l.;
(6) = investment held by TSS S.p.A.;
(7) = Paradigma's results have been included in the 2015 consolidated figures only for the period from 1 January 2015 to 30 September 2015, given that TeamSystem S.p.A. sold its entire investment in Paradigma S.r.l. in October 2015.

As described in the basis of consolidation section in 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 a network of more than 300 specialised dealers, management software solutions for the professional and business market.

TeamSystem Ancona S.r.l.

The company, which was previously named Sisteda S.r.l., is located in Ancona and at 31 December 2015 was 100% held by TeamSystem S.p.A. It develops and distributes management software for businesses and acts as a TeamSystem software dealer for its assigned territory.

TeamSystem 2 S.r.l.

The company, which is located in Sesto San Giovanni (MI), was set up in October 2002 and is a 100% held subsidiary of TeamSystem S.p.A. The company acts as a TeamSystem software dealer and as a competence centre and System Integrator for the entire Northwest.

TeamSystem Emilia S.r.l.

The company, which is located in Reggio Emilia, is currently 77.91% held. The company acts as a dealer and as a Gamma Enterprise competence centre for its assigned territory.

Gruppo Euroconference S.p.A.

The company is located in Verona and at 31 December 2015 was approximately a 96.73% held (of which 5% is held through treasury shares) subsidiary of TeamSystem S.p.A. following the acquisition in 2015 of a further equity interest of 0.14%. The main activities of this investee are the provision of training and professional updates, both in training rooms and on-line, for accountants, labour consultants, tax advisers, corporate administration managers and lawyers.

Lexteam S.r.l.

The company, which has its registered office in Pesaro and its operational headquarters in Pescara, is currently a 100% held subsidiary of TeamSystem S.p.A. following the acquisition in 2015 of a further equity interest of 12.5%. Lexteam develops and markets management software for legal practices.

Metodo S.p.A.

The company, which is located in Bassano del Grappa (VI), was acquired in 2007 by TeamSystem S.p.A., which holds a controlling interest therein of 90%. Metodo develops and markets, through a network of distributors in Italy, management software for businesses.

TeamSystem Roma S.r.l.

The company, which has its registered office in Rome, was acquired in 2008 and, as of today, is 100% held by TeamSystem S.p.A. The company acts as a TeamSystem software dealer for its assigned territory.

Inforyou S.r.l.

The company, which has its registered office in Castello di Godego (TV), was acquired in 2010 and is a 75% held subsidiary of TeamSystem S.p.A. The company is specialised in the development of management software and access control systems for the sport, health and leisure sector.

Nuovamacut Automazione S.p.A.

The company, which has its registered office in Reggio Emilia, was acquired in 2010 by TeamSystem S.p.A., which holds 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.

Nuovamacut Automazione S.p.A. has controlling interests in three companies operating in Italy as distributors in the same sector, following a further simplification of the corporate structure that took place in 2014 as a result of the merger by absorption of the subsidiary Nuovamacut NordEst S.r.l.

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. In order to provide a guarantee to its customers of the utmost reliability of its cloud storage service, TeamSystem Service has obtained ISO/IEC 27001 certification by BSI (British Standard Institution), a leading global certification body and was granted AGID (Digitalisation Agency) accreditation in July 2015.

TeamSystem Communication S.r.l.

The company, which has its registered office in Civitanova Marche (MC), was acquired in 2011 by TeamSystem S.p.A., which held a controlling equity interest at 31 December 2015 of 60%. The company offers computerised telephony and communications solutions, integrated with management software, databases and CRM.

Danea Soft S.r.l.

The company, which has its registered office in Vigonza (PD), was acquired in 2011 by TeamSystem S.p.A., which holds a controlling equity interest of 60%. The company develops and markets management software for small businesses, artisans and professionals.

Digita S.r.l.

The company, which has its registered office in Asolo (TV), was acquired in 2012 by TeamSystem S.p.A., which holds a controlling equity interest of 60%. The company develops Tustena CRM software, which is based on a platform designed natively with cloud logic and which is capable of satisfying all marketing and customer management needs, as well as permitting scalability and ample possibilities for personalisation.

H-Umus S.r.l.

The company, which has its registered office in Roncade (TV), was acquired in 2012 by TeamSystem S.p.A., which holds an equity interest of 100%, following the acquisition in 2015 of a further equity interest of 15%. The company has developed Nuxie software, a marketing and sales platform (to support commercial networks) based on iOS (Apple) technology.

ACG S.r.l.

The company, which has its registered office in Pesaro (PU), was acquired in 2013 by TeamSystem S.p.A. as part of a transaction involving the acquisition from IBM Italy S.p.A. of the business consisting of ERP and business solutions for small and medium-sized enterprises trading under the ACG brand name.

Madbit Entertainment S.r.l.

In July 2015, Danea Soft S.r.l. acquired 51% of the quota capital of Madbit Entertainment S.r.l., entering put/call options on the remaining 49% of the quota capital. 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.

TSS S.p.A. (formerly 24 Ore Software S.p.A.)

The company, which has its registered office in Sesto San Giovanni (MI), was acquired in 2014 by TeamSystem S.p.A., which holds a 100% stake. The company develops and markets software solutions for professionals, small and medium-sized enterprises, local and central public administration bodies, tax advice centres ("CAF") and large accounts. The company has several business units, which cover, via specific products and technologies, numerous sectors:
Sole 24Ore Software Solutions: operates in the professionals, accountants and labour consultants market;
Esa Software: historical brand focused on the small and medium-sized enterprises market;
STR: focused on IT solutions for construction businesses, engineers and architects;
Office Data: specialised in services for tax advice centres;
Softlab: focused on solutions for legal practices.

Esa Napoli S.r.l.

TSS S.p.A. set up Esa Napoli S.r.l. in November 2014. The company acts as a TSS software dealer for its assigned territory.

During the course of 2015, TeamSystem Holding S.p.A. did not enter into any commercial or financial transactions with its subsidiaries, except for those relating to domestic tax group membership agreements (that are commented upon in the notes to the financial statements) and which were eliminated in the preparation of the consolidated financial statements for the year ended 31 December 2015.

With respect to transactions with parent companies, the following should be noted:

PARENT COMPANY	Trade payables	Other payables	Financial payables	31 Dec 2015
TeamSystem HoldCo S.à.r.l.			500	500
Total			500	500

Total financial payables due to the parent company TeamSystem HoldCo S.à.r.l. amount to € 500 thousand and relate to a resolution passed for the repayment of capital reserves that was approved by the owners in general meeting on 5 December 2014.

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►ASSOCIATED COMPANIES

Amounts in Euro

CONSOLIDATED COMPANIES EQUITY METHOD	Registered office	Share capital	(*) Equity	(*) Profit (Loss)	Operating Segments	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	150,039	9,687	n.a.	40.00	40.00	6
Mondoesa Lazio S.r.l.	Frosinone	20,800	274,647	15,857	n.a.	35.00	35.00	6
Mondoesa Milano Nordovert S.r.l.	Milan	107,100	(306,434)	(66,671)	n.a.	49.00	49.00	6
Cesaco S.r.l.	Vicenza	90,000	346,874	9,791	n.a.	48.00	48.00	6
Aldebra S.p.A.	Trento	1,376,120	1,525,218	13,546	n.a.	17.65	17.65	6

(6) = investment held by TSS S.p.A.;
(*) = the amounts relate to the financial statements for the year ended 31 December 2014.

A summary is provided below of balances at 31 December 2015 with associated companies and transactions therewith in the year then ended.

ASSOCIATED COMPANIES	Trade receivables and other receivables	Financial receivables	31 Dec 2015	Trade payables and other payables	Financial payables	31 Dec 2015
Mondoesa Emilia S.r.l.	58		**58**	21		**21**
Mondoesa Lazio S.r.l.	17		**17**	30		**30**
Mondoesa Milano Nordovest S.r.l.	139		**139**			**0**
Cesaco S.r.l.			**0**	90		**90**
Aldebra S.p.A.	67		**67**			**0**
Total	**281**	**0**	**281**	**141**	**0**	**141**

ASSOCIATED COMPANIES	Total revenue	Non-recurring income	Finance income	31 Dec 2015
Mondoesa Emilia S.r.l.	846			**846**
Mondoesa Lazio S.r.l.	349			**349**
Mondoesa Milano Nordovest S.r.l.	960			**960**
Cesaco S.r.l.	8			**8**
Aldebra S.p.A.	351			**351**
Total	**2,514**	**0**	**0**	**2,514**

ASSOCIATED COMPANIES	Operating costs	Other provisions	Non-recurring costs	Finance cost	Taxes	31 Dec 2015
Mondoesa Emilia S.r.l.	117					**117**
Mondoesa Lazio S.r.l.	224					**224**
Mondoesa Milano Nordovest S.r.l.						**0**
Cesaco S.r.l.	171					**171**
Aldebra S.p.A.						**0**
Total	**512**	**0**	**0**	**0**	**0**	**512**

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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 office: Via Vittor Pisani 20, Milano (MI);
- administrative offices: Via Giordano Bruno 18, Senigallia (AN).

TeamSystem Holding S.p.A.'s tax code is as follows: 08231300966.
TeamSystem Holding S.p.A. is registered with the Milan Chamber of Commerce (registration No. 2011379).

The consolidated and separate financial statements of TeamSystem Holding S.p.A. for the year ended 31 December 2015 have been audited by Deloitte & Touche S.p.A.

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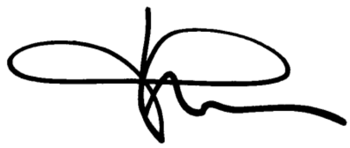
Sesto San Giovanni – Milan, 24 March 2016

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



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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	31 Dec 2015	31 Dec 2014	NOTES
Revenue	251,359	210,806	1 / 2
Other operating income	2,952	2,356	1 / 2
TOTAL REVENUE	**254,310**	**213,162**	**1 / 2**
Cost of raw and other materials	(23,719)	(20,738)	3
Cost of services	(56,075)	(43,659)	4
Personnel costs	(93,882)	(75,633)	5
-of which non recurring	(3,960)	(1,558)	
Other operating costs	(5,899)	(5,820)	6
Non recurring expenses	(8,067)	(12,313)	7
Depreciation and amortization of non current assets	(39,149)	(34,821)	12 / 13
Allowance for bad debts	(5,071)	(7,400)	21
Other provisions for risks and charges	(174)	(200)	
Impairment of non current assets	(0)	(3,330)	
OPERATING RESULT	**22,277**	**9,248**	
Gain (Loss) on disposal of subsidiaries	(3,512)	0	16
Share of Profit (Loss) of associates	(79)	0	
Finance income	1,238	1,279	8
Finance cost	(42,073)	(39,272)	9
PROFIT (LOSS) BEFORE INCOME TAXES	**(22,150)**	**(28,745)**	
Current income tax	(10,691)	(6,878)	10
-of which non recurring	0	1,031	10
Deferred income tax	14,660	3,725	10
-of which nonrecurring	7,138	(935)	10
TOTAL INCOME TAX	**3,968**	**(3,153)**	
PROFIT (LOSS) FOR THE YEAR	**(18,182)**	**(31,898)**	
(Profit) Loss for the year - Non controlling interests	**(234)**	**(139)**	
PROFIT (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(18,415)**	**(32,036)**	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**31 Dec 2015**	**31 Dec 2014**	**NOTES**
PROFIT (LOSS) FOR THE YEAR	**(18,182)**	**(31,898)**	
Actuarial evaluation of Staff leaving indemnity	368	(1,901)	**25**
Tax effect	(35)	523	**25**
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX	**333**	**(1,378)**	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(17,849)**	**(33,276)**	
Total comprehensive (income) loss for the year attributable to Non controlling interests	(237)	(128)	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(18,086)**	**(33,404)**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS	**31 Dec 2015**	**31 Dec 2014**	**NOTES**
Tangible assets	11,554	11,501	12
Intangible assets	280,001	303,568	13
Goodwill	364,363	360,004	14
Other Investments	433	403	17
Investments in associates	445	486	17
Deferred tax assets	13,739	15,380	18
Financing fees prepayments - non current	1,429	2,007	19
Other financial assets - non current	350	0	19
TOTAL NON CURRENT ASSETS	**672,314**	**693,350**	
Inventories	1,463	1,411	20
Trade receivables	89,850	81,312	21
Tax receivables	5,394	4,437	22
Other receivables - current	13,252	10,212	23
Financing Fees prepayments - current	498	518	19
Other financial assets - current	101	7	19
Cash and bank balances	16,534	17,888	19
TOTAL CURRENT ASSETS	**127,093**	**115,785**	
TOTAL ASSETS	**799,407**	**809,135**	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
EQUITY AND LIABILITIES	**31 Dec 2015**	**31 Dec 2014**	**NOTES**
Share capital	3,214	3,214	24
Other reserves	179,401	211,108	24
Retained earnings (accumulated losses)	(11,389)	(11,389)	24
Profit (Loss) attributable to Owners of the Company	(18,415)	(32,036)	24
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**152,810**	**170,897**	
Non controlling interests - Capital and reserves	565	568	24
Non controlling interests - Profit (Loss)	234	139	24
TOTAL NON CONTROLLING INTERESTS	**799**	**707**	
TOTAL EQUITY	**153,610**	**171,604**	
Financial liabilities with banks and other institutions - non current	434,169	435,567	19
Financing Fees - non current	(9,172)	(11,767)	19
Other financial liabilities - non current	19,832	20,585	19
Staff leaving indemnity	15,931	16,358	25
Provisions for risks and charges	2,868	2,483	26
Deferred tax liabilities	76,739	92,967	18
Other liabilities - non current	760	823	28
TOTAL NON CURRENT LIABILITIES	**541,127**	**557,016**	
Financial liabilities with banks and other institutions - current	8,854	6,323	19
Financing Fees - current	(2,732)	(2,689)	19
Other financial liabilities - current	9,586	924	19
Trade payables	32,099	28,403	
Tax liabilities - current	8,625	4,970	27
Other liabilities - current	48,240	42,585	28
TOTAL CURRENT LIABILITIES	**104,671**	**80,516**	
TOTAL LIABILITIES	**645,797**	**637,532**	
TOTAL EQUITY AND LIABILITIES	**799,407**	**809,135**	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	31 Dec 2015	31 Dec 2014	NOTES
Operating Result	**22,277**	**9,248**	
Depreciation and amortisation of non-current assets	39,149	34,821	
Write-off of non current assets	0	330	
Impairment of non current assets	0	3,000	
Amortisation, Depreciation, Write-off, Impairment	**39,149**	**38,151**	
Trade receivables	(8,883)	1,462	
Inventories	(52)	(33)	
Other receivables - current	(3,038)	(1,695)	
Trade payables	4,142	2,172	
Other liabilities - current	5,671	(3,675)	
Change in Working capital	**(2,160)**	**(1,768)**	
Other liabilities - non current	(62)	(63)	
Other fiscal assets	40	(271)	
Other fiscal liabilities	229	(134)	
Change in other assets / liabilities	**207**	**(468)**	
Staff leaving indemnity	(257)	114	
Provisions for risks and charges	(11)	(16)	
Change in provisions	**(268)**	**98**	
Income tax	**(8,398)**	**(7,884)**	
CASH FLOWS FROM OPERATING ACTIVITIES	**50,805**	**37,377**	
Tangible assets	(1,686)	(1,863)	
Intangible assets	(3,142)	(900)	
Capitalized development costs - personnel costs	(7,484)	(6,199)	
Capitalized development costs - service costs	(3,359)	(2,756)	
Capital Expenditure	**(15,671)**	**(11,718)**	
Disposal of investments	50		**11**
Cash and bank balances at the date of disposal	(268)		**11**
Disposal of investments	**(218)**	**0**	
Acquisition of investments	(3,544)	(83,813)	**11**
Cash and bank balances at the date of acquisition	800	922	**11**
Acquisition of investments	**(2,744)**	**(82,891)**	
CASH FLOWS FROM INVESTING ACTIVITIES	**(18,633)**	**(94,609)**	
Financial balance paid / cashed-in and change in financial assets / liabilities	**(29,570)**	**68,748**	**11**
Financing Fees paid	**(72)**	**(5,836)**	
Vendor loan paid	**(3,239)**	**(5,278)**	**11**
Dividends paid	**(646)**	**(47)**	
CASH FLOWS FROM FINANCING ACTIVITIES	**(33,526)**	**57,586**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES	**(1,353)**	**354**	
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	**17,888**	**17,534**	
CASH AND BANK BALANCES - END OF THE YEAR	**16,534**	**17,888**	

CONSOLIDATED 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 2013	**3,214**	**219,699**	**103**	**(11,389)**	**(28,550)**	**183,077**	**711**	**183,788**
Profit (Loss) allocation		(28,550)			28,550	**0**		**0**
Other movements		22,500				**22,500**		**22,500**
Change in Non controlling interests IFRS 3		(277)				**(277)**	(84)	**(360)**
Dividends		(1,000)				**(1,000)**	(47)	**(1,047)**
Profit (Loss) on comprehensive income			(1,368)		(32,036)	**(33,404)**	128	**(33,276)**
31 Dec 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**

	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 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**
Profit (Loss) allocation		(32,036)			32,036	**0**		**0**
Dividends						**(0)**	(146)	**(146)**
Profit (Loss) on comprehensive income			329		(18,415)	**(18,086)**	237	**(17,849)**
31 Dec 2015	**3,214**	**180,337**	**(936)**	**(11,389)**	**(18,415)**	**152,810**	**799**	**153,610**

TeamSystem Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

►COMPANY BACKGROUND

TeamSystem Holding S.p.A. (or the "Parent company") is a company recorded in the Milan Business Register and it is domiciled in Italy, with registered office in Milan. TeamSystem Holding S.p.A. is the Parent company of TeamSystem Group (or "Group"), leader in Italy in the production and marketing of management software and in the provision of training targeted at Associations, at small and medium enterprises and Professionals (chartered accountants, labour consultants, lawyers, condominium managers and self-employed professionals).

In May 2013 TeamSystem Holding S.p.A. completed a Corporate Bond issue (ISIN code XS0808635782 – XS0808638372) for a nominal amount of € 300 million (or "Bond"). In April 2014 TeamSystem Holding S.p.A. successfully completed an offering of a further € 130 million Bond tranche which is treated as additional Bond under the Indenture (the "Indenture") governing the existing € 300 million Bond so that at 31 December 2015 the total outstanding Bond is equal to € 430 million. The Bond is listed on the ExtraMot segment of the Italian Stock Exchange and on the Luxembourg Stock Exchange.

On 1 March 2016, Hellman & Friedman private equity funds acquired a controlling interest in TeamSystem Group from the previous shareholders (inclusive of HG Capital, the majority shareholder). On completion of the transaction, Hellman & Friedman private equity funds held a controlling interest in TeamSystem Group of 76.83%, whereas the remaining interest of 23.17% was held by HG Capital (7.46%) and senior and middle Management of TeamSystem Group (15.71%).

More specifically, on 1 March 2016, 100% of the share capital of TeamSystem Holding S.p.A. was acquired by Barolo Bidco S.p.A., an indirect subsidiary of funds adivised by Hellman & Friedman; HG funds and TeamSystem Management. In connection with the TeamSystem Group acquisition as described before, the € 45 million revolving credit facility made available to TeamSystem S.p.A. in 2013 was fully repaid and cancelled. Barolo BidCo S.p.A. has a € 65 million revolving credit facility, the proceeds of which can be made available to the TeamSystem Group for general corporate purposes. Barolo MidCo S.p.A. (the direct parent company of Barolo BidCo S.p.A.) issued € 150 million of floating rate senior notes to part-fund the consideration for the acquisition of TeamSystem Holding S.p.A.'s shares. The balance of the consideration was funded by equity invested by the funds and TeamSystem Management. The € 430 million aggregate principal of floating rate senior secured notes issued by TeamSystem Holding S.p.A. in 2013 and 2014 remained outstanding on 1 March 2016. The intention is to redeem these notes on or before 31 May 2016, using the proceeds of floating rate senior secured notes to be issued by Barolo BidCo S.p.A.

The consolidated financial statements were approved by the Board of Directors on 24 March 2016.

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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 28 February 2005, no. 38, which rules in Italy the exercise of options provided for by article 5 of Community regulations no. 1606/2002 concerning IFRS.

IFRS is intended to mean all "International Financial Reporting Standards", all International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee

(“IFRIC”), previously known as Standing Interpretations Committee (“SIC”) endorsed by the European Commission at the date of approval of the draft consolidated financial statements by the Parent company's Board of Directors and covered by EU Regulations published at that date.

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

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►GOING CONCERN BASIS

TeamSystem Holding S.p.A. consolidated financial statements have been prepared on a going concern basis and the Board of Directors is not aware of any material uncertainties or doubts concerning TeamSystem Group 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. **The consolidated statement of profit or loss** for the year ended 31 December 2015, together with the comparative consolidated statement of profit or loss for the prior year. 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 either the 2015 or 2014 financial years, "Profit (Loss) for the year" is derived solely from current operations; consequently, the Group has not presented an income statement line "Income (loss) for the year from continuing operations" since, as indicated, this coincides with "Profit (Loss) for the year".

2. **The consolidated statement of comprehensive income** for the year ended 31 December 2015, compared to the consolidated statement of comprehensive income for the year ended 31 December 2014. 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 profit or loss and other comprehensive income begins with the profit or loss for the year followed by a section on the other components of comprehensive income recognised in equity and thus the comprehensive income for the year, being the total profit (loss) for the year and other components.The section relating to the other components of comprehensive income presents separately items of income and expense that will never be recognised in profit or loss from those which will be, upon the occurrence of certain predetermined conditions, as set out in the applicable IAS/IFRSs.

3. **The consolidated statement of financial position** at 31 December 2015, together with the comparative consolidated statement of financial position at 31 December 2014. In particular, the consolidated 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 assumed that they will be realised or settled during the normal operating cycle.

4. **The consolidated statement of cash flows** for the year ended 31 December 2015, together with the comparatives for the year ended 31 December 2014. For the preparation of the consolidated statement of cash flows, the indirect method has been used, in compliance with IAS 7, under which income or the loss for the year is adjusted for the effects of non-cash transactions, for items such as deferred payments and charges that are the cause of charges and payments in the past or in the future. The Group has decided to apply the indirect method starting from the operating result, considering qualitative information factors. Furthermore, it should be noted that, with the objective of improving financial statement disclosures, with reference to the consolidated statement of cash flows format adopted at 31 December 2015, a) the line shown in 31 December 2014 format labelled “Cash and Bank balances from consolidation of new subsidiaries at the date of acquisition” has been reclassified into the line Acquisition of Investments (or Disposal of investments),

depending on the case in question; b) some reclassification has occurred in 31 December 2014 balances between the lines Other fiscal liabilities and Income Tax.

5. **<u>The consolidated statement of changes in equity</u>** at 31 December 2015 and 31 December 2014.

6. **<u>The notes</u>** to the consolidated financial statements.

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►SCOPE OF CONSOLIDATION

The consolidated financial statements of TeamSystem Group include the financial statements of the Parent company, that of the main subsidiary TeamSystem S.p.A. and those of other companies for which TeamSystem Holding S.p.A. controls directly or indirectly the majority of voting rights that can be exercised at a shareholders' general meeting.

A listing of businesses consolidated on a line-by-line basis is provided in the following table and it should be noted that the consolidation % takes into account any put and call options stipulated during the course of 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/call options contract):

Amounts in Euro

CONSOLIDATED COMPANIES LINE BY LINE	Registered office	Share capital	Equity	Profit (Loss)	Operating Segments	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Milan	3,213,641	245,204,945	(1,308,605)	SWSS			
TeamSystem S.p.A.	Pesaro	24,000,000	185,095,162	(21,366,456)	SWSS	100.00	100.00	
TeamSystem Ancona S.r.l.	Ancona	400,000	3,913,491	559,554	SWSS	100.00	100.00	
TeamSystem Emilia S.r.l.	Reggio Emilia	100,000	3,413,710	1,552,541	SWSS	77.91	100.00	1
TeamSystem 2 S.r.l.	Milan	66,666	4,040,147	634,293	SWSS	100.00	100.00	
Lexteam S.r.l.	Pesaro	20,000	1,631,254	457,467	SWSS	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	5,360,739	1,104,391	SWSS	90.00	100.00	1
TeamSystem Roma S.r.l.	Rome	10,320	297,706	(118,863)	SWSS	100.00	100.00	
Inforyou S.r.l.	Castello di Godego (TV)	31,250	2,888,012	878,268	SWSS	75.00	100.00	1
TeamSystem Service S.r.l.	Campobasso	200,000	809,456	601,201	SWSS	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	25,621	2,205	SWSS	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	3,114,486	1,741,796	SWSS	51.00	100.00	1
Digita S.r.l.	Asolo (TV)	10,000	608,252	377,815	SWSS	60.00	100.00	1
H-Umus S.r.l.	Roncade (TV)	50,000	663,254	237,917	SWSS	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	125,322	54,501	SWSS	51.00	100.00	1 / 5
ACG S.r.l.	Pesaro	100,000	(78,070)	(185,616)	SWSS	100.00	100.00	
TSS S.p.A.	Milan	7,232,000	75,205,296	321,083	SWSS	100.00	100.00	
Esa Napoli S.r.l.	Naples	10,000	(199,596)	(209,596)	SWSS	100.00	100.00	6
Gruppo Euroconference S.p.A.	Verona	300,000	8,298,826	1,653,153	Education	96.73	96.87	2 / 3
Paradigma S.r.l.	Turin	n.a.	n.a.	n.a.	Education	n.a.	n.a.	7
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	3,718,012	1,633,068	CAD/CAM	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	1,937,783	1,045,557	CAD/CAM	86.34	86.34	4
Nuovamacut Bologna Macchine Utensili S.r.l.	Reggio Emilia	70,000	104,226	(5,452)	CAD/CAM	75.00	75.00	4
Nuovamacut Centro Sud S.r.l.	Rome	10,000	260,543	136,710	CAD/CAM	70.00	70.00	4

Amounts in Euro thousand

CONSOLIDATED COMPANIES EQUITY METHOD	Registered office	Share capital	(*) Equity	(*) Profit (Loss)	Operating Segments	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	150,039	9,687	n.a.	40.00	40.00	6
Mondoesa Lazio S.r.l.	Frosinone	20,800	274,647	15,857	n.a.	35.00	35.00	6
Mondoesa Milano Nordovert S.r.l.	Milan	107,100	(306,434)	(66,671)	n.a.	49.00	49.00	6
Cesaco S.r.l.	Vicenza	90,000	346,874	9,791	n.a.	48.00	48.00	6
Aldebra S.p.A.	Trento	1,376,120	1,525,218	13,546	n.a.	17.65	17.65	6

(1) = holding would be 100% should put/call option be exercised;
(2) = takes account of treasury shares held by Gruppo Euroconference;
(3) = holding would be 96.87% should put/call option be exercised;
(4) = investments held by Nuovamacut Automazione S.p.A.;
(5) = investments held by Danea Soft S.r.l.;
(6) = investments held by TSS S.p.A.;
(7) =Paradigma profit or loss statement is consolidated in 2015 figures from 1 January 2015 to 30 September 2015 because in October 2015 TeamSystem S.p.A. sold the entire quota capital held in Paradigma S.r.l.
(*) = Equity and Profit (Loss) figure are those of 31 December 2014.

<u>Changes to the scope of consolidation that have occurred in 2015</u>

The scope of consolidation changed during the course of 2015 due to the effect of the following transactions:

- In July 2015 the subsidiary Danea Soft S.r.l. acquired a 51% stake in Madbit Entertainment S.r.l. for a consideration of 1.4 million and entered put/call agreement for the remaining 49%;
- In July 2015 the subsidiary TSS S.p.A. acquired a 100% stake in Ulisse Tecnologie S.r.l. for a consideration of € 1.9 million. With the objective of simplifying the organisational structure of TeamSystem Group and rationalising the operating costs of the respective corporate structures, Group Management considered it appropriate to integrate (into TeamSystem S.p.A.'s operating structure) the activities of Ulisse Tecnologie S.r.l. As part of this corporate integration, in December 2015, TeamSystem S.p.A. acquired from TSS S.p.A. the entire share capital of Ulisse S.p.A. and then merged by absorption Ulisse Tecnologie S.r.l. into TeamSystem S.p.A. (by means of a deed of merger dated 23 December 2015), effective for legal purposes as of 31 December 2015.
  Again, with the objective of simplifying the organisational structure of the Group and of rationalising operating costs, in December 2015 TSS S.p.A. sold its investment in Diamante S.p.A. to TeamSystem S.p.A., which then merged by absorption this company by means of a deed of merger dated 23 December 2015, effective for legal purposes as of 31 December 2015.
- In July 2015 TeamSystem 2 S.r.l. (via its subsidiary TeamSystem 3 S.r.l. incorporated in July 2015 with the specific purpose of managing the acquisition of Mondoesa Laghi Business unit) acquired from a TSS S.p.A. reseller a business division (Mondoesa Laghi) for a consideration of 0.1 million mainly consisting of a more than 400 client-base portfolio. In December 2015, TeamSystem 3 S.r.l. was merged by absorption into TeamSystem 2 S.r.l., effective for legal purposes as of 31 December 2015.
- In 31 December 2015 Consolidated Financial Statements, Esa Napoli S.r.l.'s results have been consolidated for the first time; the subsidiary Esa Napoli S.r.l. have been incorporated in November 2014 and excluded in 31 December 2014 Consolidated Financial Statements because of the immateriality of the balances;
- In October 2015, the investment held in the subsidiary Paradigma S.r.l. was sold by TeamSystem S.p.A.; consequently Paradigma 's results were consolidated for 9 months in 2015 Profit or Loss Accounts (see Note 16). Paradigma did not constitute a separate major line of business of the Group and, accordingly, there was no requirement to apply IFRS 5 thereto.

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►REFERENCE DATE

The consolidated financial statements have been prepared based on the financial statements of the controlled subsiaries within consolidation perimeter already approved by 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 businesses, as approved by the respective administrative bodies. These financial statements are reclassified and adjusted in order to comply with IFRS and with the accounting policies adopted by the Parent Company.

In the preparation of the consolidated financial statements, the statement of financial position, the statement of profit or loss and the comprehensive income are consolidated line-by-line. Receivables and payables, income and charges and gains and losses originating from transactions between and among the subsidiaries included in the consolidation are eliminated. The carrying value of consolidated equity investments is eliminated against the corresponding portion of equity attributable to the Group (or to non-controlling interests). 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 determined by the sum of acquisition-date fair values of the assets transferred, liabilities incurred or assumed and financial instruments issued by the Group for the change in control of the business acquired.

All other costs associated with a transaction are expensed.

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

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

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

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

TeamSystem Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by non-controlling owners of the acquiree. For those cases where part of the acquisition takes place through the stipulation 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 and where no doubt arises as to the distribution of relevant amounts of dividends in the period up to the date the option is exercised. In view of the recognition of goodwill related to these options, TeamSystem Group accounts for, as a financial liability, the payable (so-called vendor loan) related to the estimated actual consideration for the exercise of the options. In accordance with this principle, subsequent changes in the fair value of the payable, due to amendments made to the initial assessment of the exercise consideration, are recognised in the consolidated income statement, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. To note that, in absence of a clear accounting rule for the accounting of non-controlling interests in the case of put and call arrangements, following also the IFRIC and IASB debate, the Group has decided to use the described method, acceptable under current framework and positions.

Any acquisitions of non-controlling interests subsequent to having achieved control are accounted for as transactions between shareholders, with the pertinent goodwill recorded as a reduction of the Group's equity, in compliance with the requirements of IFRS 3.

Business combinations involving entities or businesses under common control are excluded from the scope of IFRS 3. A business combination involving entities or businesses under common control is a combination in which all the entities or businesses are controlled by the same party or when the controlling party before and after a business combination is the same and control is not of a temporary nature. The existence of a non-controlling interest in each of the entities being combined, before or after the business combination, is not relevant for the determination of whether the business combination involves entities under common control. Transactions of this type (excluding transactions between companies included in the same scope of consolidation, since, in such a case, the principle of continuity of values applies) and which do not have a significant impact on future cash flow from the net assets transferred, are accounted for in accordance with the principle of continuity of carrying values, otherwise they fall within the scope of IFRS 3.

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►TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

The financial statements of the businesses comprised within the scope of consolidation are all prepared in Euros, considering all subsidiaries as of the date of financial statements were located in Italy and there were no relevant operations conducted abroad.

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►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 2015. The accounting policies adopted for the financial statements for the year ended 31 December 2015 are substancially the same as those adopted for the financial statements for the year ended 31 December 2014.

Research and development expenses

In accordance with IAS 38, research expenses are charged to profit or loss account 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 completed 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 30 September 2010 by HG Capital) represents the 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). The asset is amortised over its useful life estimated to be twenty years.

In 2014, the Group completed the acquisition of TSS S.p.A. for which, as a result of the purchase price allocation, intangible assets were recognised pertaining to the customer relationship. The carrying amount of this asset are amortised over a period of ten years.

Again, in 2014, the Group completed the allocation of the purchase price paid for the acquisition of ACG S.r.l., as part of which, intangible assets were recognised pertaining to the customer relationship. This asset is amortised over a period of ten years.

Again with reference to ACG S.r.l., the customer relationship also includes the estimated fair value of the obligation to provide future services for ongoing maintenance contracts relating to the ACG acquisition for which payment has already been received by ACG’s seller; this asset, which counterpart has been booked as deferred revenues according to IFRS 3, is amortised over a useful life estimated to be ten years.

Proprietary software

Proprietary software, which arose on accounting for the acquisition of TeamSystem Group that took place on 30 September 2010 is stated at its reproduction cost and is amortised over the length of its expected useful life of five years.

In 2014, the Group completed the acquisition of TSS S.p.A. for which, as a result of the purchase price allocation, intangible assets were recognised pertaining to proprietary software. The carrying amount of this asset is amortised over a period of 5 years.

Again, in 2014, the Group completed the allocation of the purchase price paid for the acquisition of ACG S.r.l., as part of which, intangible assets were recognised pertaining to proprietary software. These assets are amortised over a period of 5 years.

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

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

Brands
The TeamSystem, Euroconference, Metodo and Nuovamacut brands, which arose on accounting for the acquisition of TeamSystem Group that took place on 30 September 2010, have been valued in accordance with the royalties method and are amortised over the length of their residual expected useful life estimated to be of twenty years (TeamSystem and Euroconference) or ten years (Metodo and Nuovamacut).

In 2014, the Group completed the acquisition of TSS S.p.A. for which, as a result of the purchase price allocation, intangible assets were recognised pertaining to the brand. The carrying of these assets is amortised over a period of ten years. TSS ‘s Intangible asset brand have been valued in accordance with the relief from royalties method.

Goodwill
Goodwill is initially recognised at cost, represented by the excess cost of the business combination over the fair value of the assets and liabilities acquired.

Goodwill is not amortised, as required by IFRS, but is allocated to its respective Cash Generating Unit (hereinafter “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 expenses	3 - 5 years

Property, plant and equipment
Property, plant and equipment 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. Property, plant and equipment 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 accounted for in the consolidated income statement in the pertinent year.

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

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

Other Investments
Equity investments in other businesses classified as non current assets are stated at cost, inclusive of directly attributable charges, net of any impairment adjustments.

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, an investment in an associate is 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 or joint venture, 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
Inventory, that includes mostly some hardware and licences purchased from third parties for re-selling, is stated at the lower of specific purchase cost, inclusive of ancillary charges and its estimated realisable value, which can be derived from market prices. Inventories of obsolete or slow moving items are written down by taking account of their potential use or realisation.

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

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

Asset and liabilites classified as held for sale
Non current assets (or disposal groups) are classified as held for sale if their carrying value will be recovered mainly from the sale thereof rather than from their continuous use. Assets are measured at the lower of carrying value and fair value net of costs to sell. Assets and liabilities held for sale are presented separately from other assets and liabilities on the face of the statement of financial position. The impact on profit or loss account of discontinued assets is presented separately in the income statement net of the tax effect.

No discontinued or similar operations occurred in either the 2015 or 2014 financial years and consequently related financial statements do not present any assets and liabilities classified as held for sale.

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 recorded in the consolidated profit or loss statement.

Writedowns (Impairment)
The carrying value of assets with an indefinite useful life, for example goodwill and intangible assets in process of formation, are not subject to depreciation or amortisation, but are assessed annually to determine whether an asset may be impaired.

The carrying value of other assets, except for financial instruments covered by IAS39 and for deferred tax assets (IAS12), are subject to assessment at each consolidated statement of financial position date (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to determine whether there is any indication that an asset may be impaired (impairment test). The estimated recoverable amount is represented by the higher of value in use or fair value less costs to sell. For the purposes of assessment, assets are grouped into the smallest identifiable unit for which the Management is capable of separating the related cash inflows (CGU).

If the recoverable amount of the asset or CGU is lower than the net carrying amount, the asset is adjusted to take account of the impairment loss, which is charged to the consolidated profit or loss statement within Impairment of non current assets. The impairment loss of a CGU is first allocated to goodwill and any residual balance is allocated to other assets.

As at 31 December 2015, the Group CGUs that have been identified by Management are the following:
- **the Software and Services (SWSS) CGU**, consisting of all TeamSystem Group companies operating in the software sector;
- **the CAD/CAM CGU** (relating to Nuovamacut Group companies);
- **and the Education CGU** (consisting of Gruppo Euroconference S.p.A.).

In addition to the three CGUs indicated above, in the financial statements for the year ended 31 December 2014 the Paradigma CGU had also been identified, but this ceased to be in 2015, given that TeamSystem S.p.A. sold its investment in Paradigma in October 2015.

The goodwill allocated to all the identified CGUs is subject to impairment tests (at least annually) by comparing its carrying value to recoverable amount, given by the higher between fair value and value in use.

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.

Hedging Instruments
Financial derivatives are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. These financial derivatives are initially recognised at fair value at the date in which they are stipulated; subsequently, the fair value is periodically remeasured. They are accounted for as an asset when the fair value is positive and as a liability when it is negative. Any gain or loss resulting from a change in fair value is taken to profit or loss account.

At the start of a hedging transaction, the Group designates and formally documents the hedging relationship to which it intends applying hedge accounting, its risk management objectives and the strategies pursued. The documentation includes the identification of the hedging instrument, of the element or transaction subject to hedging, of the nature of the risk and the means by which the business intends assessing the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged element or in the cash flows attributable to the hedged risk. It is expected that these hedges are highly effective in offsetting the hedged exposure or changes in the hedged cash flows attributable to the hedged risk. The assessment of whether these hedges have been proven to be highly effective is performed on a continuous basis during the financial year in which they have been designated. The transactions that satisfy the criteria for cash flow hedge accounting are accounted for on the basis of the following policy.
The portion of the gain or loss on the hedging instrument relating to the effective hedge is taken directly to equity, whereas the non effective portion is immediately recognised in the consolidated profit or loss statement. The gain or loss included in equity is reclassified to the consolidated income statement in the year in which the hedged

transaction impacts the consolidated income statement, that is, when the financial charge or income is recognised. If it is believed that the envisaged transaction will no longer take place, the amounts initially recorded in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold or annulled or if its designation as hedging is revoked, the amounts previously included in equity remain as such until such time as the expected transaction takes place.

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 consolidated comprehensive profit or loss statement in the year in which they arise.

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

Provisions

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 provisions for risks and charges is recorded. No provision is made for future operating losses. Provisions are measured at the current value of management's best estimate of the cost of satisfying the obligation existing at the consolidated statement of financial position date. With respect to legal cases, the amount of the provision is determined on the basis of estimates made by the relevant consolidated company, together with its legal advisors, in order to determine the probability, the timing and the amounts involved.

Trade and Other payables

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

Revenue

The criteria to account and recognize revenues in TeamSystem Group 's business vary, considering the different nature of sales (software licenses, products as hardware components and assistance services) and the related different streams of revenue, also connected to our three business operating segments. In detail:

Software and Services Business Unit (SWSS)

Direct Channel

Software licenses: revenue from sales of software licenses are recognized at the delivery date, as all contractual obligations are performed and generally there are no rights of return or acceptance clauses. In case the sale contracts include separate revenue streams for other services, such as maintenance and assistance, the revenue in respect of these streams are separately identifiable in the contract.

Maintenance and assistance to customers: maintenance and assistance contracts, that include software updates, help lines and on-site support, generally cover a twelve-month period and related revenue are recognized on a straight line basis over that period, considering the portion of revenue pertaining to the following years as deferred income.

Hardware and other products: revenue related to hardware components and other products purchased from third parties are recognized at the delivery date, as all contractual obligations are performed and generally there are no rights of return or acceptance clauses.

Other services: revenue related to training, support, implementation and customization software activities that are either included within the main contract or negotiated under following deals, are recognized at the service execution date. Revenue related to Erp (Enterprise Resource Planning) implementation services still ongoing at the balance sheet date are recognized on the basis of their percentage of completion at that date.

Indirect Channel
VARs (Value Added Reseller) contracts: the contracts generally cover a three-year period and include a flat fee payment that allows the VARs to download unlimited number of license and to receive software updates and assistance services. Contracts are invoiced on a quarterly or yearly basis and related revenue are recognized on a straight line basis over that period.

Software licenses: revenue from sales of software licenses not included in a flat fee contract (see previous paragraph) are recognized at the delivery date, as all contractual obligations are performed and generally there are no rights of return or acceptance clauses
In case of software sales related to additional features which are sold as Temporary Annual Licenses (TAL), downloaded from website by VARs, revenue is recognized at the download date for new licenses and on a straight line basis for the renewals which automatically take place at the beginning of each year.

Other services and products: additional support services and products are offered to resellers, including training, marketing, manuals; revenue is normally recognized when the service has been rendered consistent with IAS 18 or the product has been delivered.

Education Business Unit
Publishing: revenue from sale of books and electronic manuals are recognized at the delivery date.

Training: sales include large conferences, masters and specialist training. Revenue are recognized based on the services provided in any given period; in the case of training being delivered across different accounting periods, revenue are recognized on a pro-rata basis according to the "stage of completion" of the training programme, consistent with IAS 18.

Information: sales include newsletter subscriptions and technical update documents, which generally cover a twelve-month period and related revenue are recognized on a straight line basis over that period, considering the portion of revenue pertaining to the following years as deferred revenue.

CAD/CAM Business Unit
Software licenses: revenue from sales of software licenses are recognized at the delivery date, as all contractual obligations are performed and generally there are no rights of return or acceptance clauses. In case the sale contracts include separate revenue streams for other services, such as maintenance and assistance, the revenues in respect of these streams are separately identifiable in the contract.

Maintenance and assistance to customers: maintenance and assistance contracts, that include software updates, help lines and on-site support, generally cover a range from one to three years period and related revenue are recognized on a straight line basis over that period, considering the portion of revenue pertaining to the following years as deferred revenue.

Grants
Grants are recognised when there is reasonable certainty that they will be received and that all related conditions will be met. 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 of the Group companies is recognised as a liability in the period in which they are approved by the general meeting of shareholders.

Rent and operating leases charges
Rent and operating leases expenses are charged to income on an accruals basis.

Financial income and expense
Financial income and expense are charged to income on an accruals basis.

Current and deferred taxation
The tax charge for the year comprises current and deferred taxation. Current tax is charged to profit or loss account, 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 consolidated statement of financial position date to taxable income. Concerning IRES (corporate income tax), it should be noted that the Parent company and some of its subsidiaries have elected for a consolidated tax regime, with the Parent company as tax consolidator.

Deferred tax is calculated, using the so-called 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.

Non recurring items
TeamSystem Group has evidenced income components deemed to be non-recurring, since they pertain to events or transactions, the occurrence of which is non-recurring, that is, resulting from transactions or facts that are not repeated frequently in the normal conduct of business activities; in detail:

- non recurring Cost of services (such as tax and legal advices, costs incurred in the valuation of possible acquisition etc...) and non recurring Personnel costs (due to restructuring operations in the Group staff);
- non recurring tax relates to unusual changes in income and deferred tax. In detail, in 2015 the non recurring deferred tax figures relates to the reduction in Ires tax rate that has been introduced by law 208 of 28 December 2015 – see also Note 18 in the section on Notes to Consolidated Financial Statement Components. In 2014, the non recurring tax figures were related to the positive outcome of a tax ruling that TeamSystem Holding S.p.A. submitted to Italian Tax Authorithies and concerning the tax deductibility of some fees paid in 2013 (and related to the € 300 million Bond issuance).

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►EARNINGS PER SHARE
The Parent company does not have shares listed on regulated markets; consequently, as permitted by IAS 33, the information on earnings per share is not provided in these notes.

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►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 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 and Services (SWSS)**, that is, the operating segment consisting of all the Group companies operating in the software production/marketing sector;
- **Education**, that is, the segment consisting of companies operating in the professional training sector, being Gruppo Euroconference S.p.A. and Paradigma S.r.l. (the latter included in the Education segment (and in the 31 December 2015 consolidated figures) up to the date of the of the sale of the Paradimga investment occurred in October 2015;
- **CAD/CAM** , that is, the operating segment relating to Nuovamacut Group companies.

The newly acquired companies in 2015 has been classified into the Software and Services (SWSS) operating segment in consideration of the range of services and products they offer and the kind of business they are running.

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►USE OF ESTIMATES

The preparation of the 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 profit or loss statement and consolidated cash flow statement, as well as the disclosures provided. The actual amounts of the consolidated financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.

Set out below is a listing of consolidated financial statement components that, more than others, require greater subjectivity, on the part of the Group, in the application of estimates and, for which, a change in the conditions of underlying assumptions used may have a significant impact on the financial statements of the consolidated companies:

- Business combinations (IFRS 3) and measurement of acquired assets and assumed liabilities: the process of allocation of Goodwill to the assets of TeamSystem Group following a business combination is based on estimates and assumptions derived from the professional judgement of the Management. Professional judgement is also used to determine the most appropriate methodologies for measurement of assumed assets and acquired liabilities (including the contingent ones), and in certain cases provisional initial accounting has been opted for, as permitted by the accounting standard.
- Goodwill and other intangible assets: goodwill and other intangible assets with an indefinite useful life 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 Management 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 Board 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.
- Development expenses: the initial capitalisation of costs is subject to confirmation of the judgement of Management as to the technical and economic feasibility of the project, usually when the project has achieved a precise phase of the development plan. To determine the amount to be capitalised, the Group applies various assumptions regarding expected future cash flows from the asset, the discount rate to apply and the periods in which the expected benefits will occur.
- Employee benefits: The cost of employee benefit plans is determined using actuarial assessments. An actuarial assessment requires the application of assumptions with respect to discount rates, the expected yield from investments, future wage increases, mortality rates and future increases in pensions. Due to the long term nature of these plans, the estimates are subject to a significant degree of uncertainty;
- Vendor loan: they represent the estimated liability with respect to put and call options or earn-out agreements relating to non controlling holdings in the Group. They are accounted at their estimated fair value which implies various assumptions regarding the estimated indicators that form the basis for computation and the timing of cash-outs. The nominal value of the exercise price of the vendor loan is then discounted at the reporting date by applying the relevant discount rate which is the same as adopted for the cost of debt component in the impairment tests.

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►ROUNDING ADJUSTMENTS OF DATA

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 numerical figures contained in this consolidated financial statements, including financial information and certain operating data, have been subject to rounding adjustments due to the above presentation of numbers in thousands of Euros. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row.

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►ALTERNATIVE NON IFRS PERFORMANCE INDICATORS

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

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

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

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

WORKING CAPITAL = calculated as the aggregate of (i) trade receivables, (ii) inventory and (iii) other current receivables net of the aggregate of (iv) trade payables and (v) other current liabilities.

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

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

NET INVESTED CAPITAL = calculated as the aggregate of (i) tangible assets (ii) intangibles assets (iii) goodwill (iv) investments (v) deferred tax assets (vi) Working capital (as defined above) (vii) tax receivables (viii) other receivables (non current) net of the aggregate of (ix) staff leaving indemnity (x) provision for risks and charges (xi) deferred tax liabilities (xii) tax liabilities (xiii) other liabilities (non current)

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►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE AS FROM 1 JANUARY 2015

The following accounting standards, amendments and IFRS interpretations are applicable to the Group for the first time as from 1 January 2015:

- On 20 May 2013 the interpretation **IFRIC 21 – Levies** was issued and which provides clarifications on when to recognise a liability for a levy (that differs from income taxes) imposed by a government entity. The standard provides guidance on liabilities for levies that are accounted for in accordance with IAS 37 - *Provisions, contingent liabilities and contingent assets* and those where the timing and amount of the levy is certain. The interpretation is applicable retrospectively for annual periods beginning on or after 17 June 2014. The adoption of the new interpretation has had no effect on the Group's consolidated financial statements.

- On 12 December 2013 the IASB issued ***Annual Improvements to IFRSs: 2011-2013 Cycle,*** a collection of amendments to standards as part of the annual process of improvements thereto (inclusive of: IFRS 3 *Business Combinations – Scope exceptions for joint ventures*, IFRS 13 *Fair Value Measurement – Scope of portfolio exception, IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40).* These amendments are applicable for annual periods beginning on or after 1 January 2015. 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 NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2015

The Group has not applied the following new and amended accounting standards, issued, but still not in force.

- Amendments to IAS 19 ***Defined benefit plans: Employee Contributions*** (published on 21 November 2013): deals with the recognition in financial statements of contributions from employees or third parties to defined benefit plans. These amendments are applicable for annual periods beginning on or after 1 February 2015.
- Amendments to **IFRS 11** ***Joint Arrangements – Accounting for acquisitions of interests in joint operations*** (published on 6 May 2014): deals with the accounting for an acquisition of an interest in a joint operation in which the activity constitutes a business. The amendments are applicable as from 1 January 2016, although early application is permitted.
- Amendments to **IAS 16** ***Property, plant and equipment*** and **IAS 41** ***Agriculture – Bearer Plants*** (published on 30 June 2014): bearer plants, that is, fruit trees that are expected to provide an annual harvest (for example, grape vines and hazelnut trees), are to be accounted for in accordance with IAS 16 (rather than IAS 41). The amendments are applicable as from 1 January 2016, although early application is permitted.
- Amendments to **IAS 16** ***Property, plant and equipment*** and to **IAS 38** ***Intangible assets – Clarification of acceptable methods of depreciation and amortisation*** (published on 12 May 2014): according to which a depreciation or amortisation method that is based on revenue is generally deemed to be inappropriate, given that revenue generated by an activity that includes the use of a depreciable or amortisable asset generally reflects factors that differ from the consumption of the economic benefit of the asset, being a requirement that needs to be met for depreciation or amortisation. The amendments are applicable as from 1 January 2016, although early application is permitted.
- Amendments to **IAS 1 –** ***Disclosure Initiative*** (published on 18 December 2014): the objective of the amendments is to clarify certain disclosure issues that could be perceived as impediments to the preparation of clear and intelligible financial statements. The amendments are applicable as from 1 January 2016, although early application is permitted.
- Amendments to **IAS 27 -** ***Equity Method in Separate Financial Statements*** (published on 12 August 2014): the amendments introduce an option to allow an entity to use the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applicable as from 1 January 2016, 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.

Lastly, as part of the annual process of improvements to accounting standards, on 12 December 2013 the IASB issued "Annual Improvements to IFRSs: 2010-2012 Cycle" (inclusive of IFRS 2 *Share-based Payment – Definition of vesting conditions*, IFRS 3 *Business Combinations – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments* and *Reconciliation of total of the reportable segments' assets to the entity's assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables.*) and on 25 September 2014 "Annual Improvements to IFRSs: 2012-2014 Cycle" (inclusive of: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 – *Financial Instruments: Disclosures* and IAS

19 – *Employee Benefits*) which partially integrate the pre-existing standards. These amendments are applicable for annual periods beginning on or after 1 February 2015 and for annual periods beginning on or after 1 January 2016.

The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.

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

As of the reference date of these 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.

- ***IFRS 14 – Regulatory Deferral Accounts*** (published on 30 January 2014) which permits an entity, which is a first-time adopter of IFRS, to continue to account for amounts relating to rate-regulated activities in accordance with its previous GAAP. Given that the Company/the Group is not a first-time adopter, this standard is not applicable.
- **IFRS 15 – *Revenue from Contracts with Customers*** (published on 28 May 2014) which replaces IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real* Estate, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenue - Barter Transactions Involving Advertising Services*. The standard provides a new revenue recognition model to be applied to all contracts with customers except for those that fall within the scope of application of other IAS/IFRS, such as leasing, insurance contracts and financial instruments. The fundamental steps for revenue recognition according to the model are as follows:
  - identification of the contract with the customer;
  - identification of the performance obligations in the contract;
  - determination of the transaction price;
  - allocation of the transaction price to the performance obligations in the contracts;
  - revenue recognition criteria when the entity satisfies a performance obligation.

  The standard is applicable as from 1 January 2018, although early application is permitted. The Directors believe that the application of IFRS 15 may have a significant impact on revenue recognition and on related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis of customer contracts.
- Finalised version of IFRS 9 – Financial instruments (published on 24 July 2014). The document contains the results of the phases of the IAS 39 replacement project relating to Classification and measurement, Impairment and Hedge accounting:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities;
  - with reference to the impairment model, the new standard requires credit losses to be estimated based on an expected loss model (and not on an incurred loss model used by IAS 39) using supportable information, which is available without undue cost or effort that includes historical, current and prospective figures;
  - it introduces a new hedge accounting model (an increase in the types of transactions eligible for hedge accounting, a change in accounting for forwards and options included in a hedging relationship and replacement of the effectiveness test)

  The new standard, which replaces the previous versions of IFRS 9, is effective for annual periods beginning on or after 1 January 2018.
  The Directors believe that the application of IFRS 9 may have a significant impact on the amounts recognised and on the disclosures provided in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis.
- 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 service contracts, identifying the following features: identification of the asset, the right to replacement thereof, the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the underlying asset.

The standard sets out a single model for the recognition and measurement of lease contracts for a lessee that requires the recognition of assets held under leases, inclusive of operating leases, as balance sheet assets with an opposite entry to financial liabilities and it also makes it possible not to recognise as leases contracts for low-value assets and leases with a contractual duration equal to or less than 12 months. On the other hand, the standard does not include any significant amendments for lessors.
The standard is applicable as from 1 January 2019, although early application is permitted, but only for companies that were early adopters of IFRS 15 - *Revenue from Contracts with Customers*. The Directors believe that the application of IFRS 16 may have a significant impact on the recognition of lease arrangements and on related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis of the related contracts.

- ***Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*** *(published on 18 December 2014),* which addresses issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments introduced are applicable for annual periods beginning on or after 1 January 2016, although early application is permitted. The Directors do not believe that the adoption of these amendments will have a significant impact on the Group's consolidated financial statements, given that the company does not meet with the definition of an investment entity.

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 concerning the measurement of 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. For the time being, the IASB has postponed the application of these amendments.

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Notes to Consolidated Financial Statement Components

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

1. TOTAL REVENUE

	31 Dec 2015	31 Dec 2014	Change	% Change
Hardware	8,393	7,485	908	12.1%
Software	48,885	38,736	10,149	26.2%
Hardware subscriptions	1,584	1,611	(27)	-1.7%
Software subscriptions	146,641	120,626	26,016	21.6%
Other products	1,562	1,990	(427)	-21.5%
Other services	33,171	27,750	5,422	19.5%
Education	11,141	12,633	(1,493)	-11.8%
Discount Paid	(19)	(25)	6	-23.8%
Revenue	**251,359**	**210,806**	**40,553**	**19.2%**
Recovery of expenses	1,645	1,286	359	27.9%
Operating grants	150	13	138	n.s.
Other income	1,157	1,057	100	9.5%
Other operating income	**2,952**	**2,356**	**596**	**25.3%**
Total Revenue	**254,310**	**213,162**	**41,149**	**19.3%**

Total Revenue amounts to € 254,310 thousand for the year ended 31 December 2015, up by € 41,149 thousand from the amount for the year ended 31 December 2014 (€ 213,162 thousand).
This variance is basically due to:

- the fact that 12 months of TSS S.p.A. and Diamante 's results have been consolidated in 2015 (with TSS S.p.A. contributing to the 2015 line item for € 56,981 thousand and Diamante S.p.A. contributing for € 1,046 thousand), whereas in 2014 the results of TSS S.p.A. and of its subsidiary Diamante S.p.A. had been consolidated as from 28 May 2014, that is, as from the date on which control was obtained of the above mentioned company, with a contribution to the 2014 line item of € 31,889 thousand;
- the fact that only 9 months of Paradigma S.r.l.'s results (€ 1,492 thousand) have been included in the 2015 consolidated figures (that is, up to 30 September 2015, given that, in October 2015, the investment was sold by TeamSystem S.p.A.), whereas the consolidated financial statements for the year ended 31 December 2014 consolidate 12 months of this company's results (with a contribution of €3,400 thousand);
- the first-time consolidation of the results of Ulisse Tecnologie S.r.l. (with a contribution of € 1,003 thousand in terms of Total revenue), Madbit Entertainment S.r.l. (which contributed € 365 thousand in terms of Total revenue) and Esa Napoli S.r.l. (which contributed € 1.144 thousand);
- and, with respect to the remainder, the change is attributable to organic growth achieved by the Group in 2015.

See also Note 2 below for details concerning Total Revenue trends by Operating Segments.

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 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 and Services (SWSS),** this operating segment consists of all the Group companies operating in the software production/marketing sector;
- **Education**, that is, the segment consisting of companies operating in the professional training sector, being Gruppo Euroconference S.p.A. and Paradigma S.r.l. (the latter included in the Education segment (and in the 31 December 2015 consolidated figures) up to the date of the of the sale of the Paradimga investment occurred in October 2015.
- **CAD/CAM**, this operating segment consists of to Nuovamacut subsidiaries.

Please note that all costs have been properly allocated to the corresponding operating segment (there are no "non-allocated costs"), considering the nature and relationship of such costs to corresponding revenue.

OPERATING SEGMENTS - IFRS REPORTED 31 Dec 2014	Software and Services	Education	CAD/CAM	Intercompany Elimination	Consolidated Financial Statement
TOTAL REVENUE	**177,812**	**13,445**	**22,790**	**(886)**	**213,162**
Total Revenue - external segments	177,531	12,907	22,723		
Total Revenue - internal segments	282	538	66		
Cost of raw and other materials	(9,689)	(340)	(10,737)	29	(20,738)
Cost of services	(34,194)	(6,999)	(3,163)	698	(43,659)
Personnel	(65,233)	(2,959)	(5,983)	100	(74,075)
Other operating costs	(5,048)	(414)	(417)	58	(5,820)
ADJUSTED EBITDA	**63,648**	**2,733**	**2,489**	**(1)**	**68,870**
Allowance for bad debts	(6,894)	(74)	(433)	0	(7,400)
EBITDA	**56,754**	**2,660**	**2,057**	**(1)**	**61,469**
Depreciation of non current tangible assets	(1,131)	(93)	(66)	0	(1,290)
Amortization of non current intangible assets	(32,601)	(388)	(541)	0	(33,530)
Other provisions for risks and charges	(101)	(46)	(53)	0	(200)
Non recurring personnel and expenses	(13,387)	(414)	(72)	2	(13,871)
Impairment of non current assets	(330)	(3,000)	0	0	(3,330)
OPERATING RESULT	**9,204**	**(1,282)**	**1,325**	**0**	**9,248**
Finance income	2,090	161	80	(222)	2,109
Dividends	229	0	0	(229)	0
Finance cost	(40,006)	(104)	(213)	222	(40,101)
PROFIT (LOSS) BEFORE TAX	**(28,483)**	**(1,225)**	**1,192**	**(228)**	**(28,745)**
Current income tax	(5,174)	(882)	(821)	0	(6,878)
Deferred income tax	3,191	288	246	(0)	3,725
PROFIT (LOSS) FOR THE PERIOD	**(30,466)**	**(1,820)**	**616**	**(229)**	**(31,898)**

OPERATING SEGMENTS - IFRS REPORTED 31 Dec 2015	Software and Services	Education	CAD/CAM	Intercompany Elimination	Consolidated Financial Statement
TOTAL REVENUE	**216.048**	**11.896**	**27.475**	**(1.109)**	**254.310**
Total Revenue - external segments	215.629	11.336	27.346		
Total Revenue - internal segments	420	560	129		
Cost of raw and other materials	(10.930)	(240)	(12.608)	60	(23.719)
Cost of services	(47.052)	(6.283)	(3.579)	838	(56.075)
Personnel	(80.460)	(2.665)	(6.898)	100	(89.922)
Other operating costs	(5.255)	(328)	(403)	87	(5.899)
ADJUSTED EBITDA	**72.352**	**2.381**	**3.987**	**(23)**	**78.696**
Allowance for bad debts	(4.590)	(60)	(421)	0	(5.071)
EBITDA	**67.762**	**2.321**	**3.566**	**(23)**	**73.626**
Depreciation of non current tangible assets	(1.433)	(87)	(78)	0	(1.599)
Amortization of non current intangible assets	(36.305)	(412)	(833)	0	(37.550)
Other provisions for risks and charges	(162)	(12)	0	0	(174)
Non recurring personnel and expenses	(11.930)	(194)	73	25	(12.026)
OPERATING RESULT	**17.931**	**1.615**	**2.729**	**2**	**22.277**
Finance income	2.494	167	97	(257)	2.500
Gain (Loss) on disposal of subsidiaries	(3.190)	(321)	0	0	(3.512)
Dividends	920	0	0	(920)	0
Finance cost	(43.430)	(64)	(178)	257	(43.415)
PROFIT (LOSS) BEFORE TAX	**(25.275)**	**1.396**	**2.647**	**(918)**	**(22.150)**
Current income tax	(8.834)	(560)	(1.297)	(2)	(10.691)
Deferred income tax	14.075	221	364	0	14.660
PROFIT (LOSS) FOR THE PERIOD	**(20.034)**	**1.058**	**1.714**	**(920)**	**(18.182)**

OPERATING SEGMENTS	31 Dec 2015	31 Dec 2014	Change	% Change
Software and Services	216,048	177,812	38,236	21.5%
Education	11,896	13,445	(1,549)	-11.5%
CAD / CAM	27,475	22,790	4,685	20.6%
Intercompany Reconciliation	(1,109)	(886)	(223)	
TOTAL REVENUE	**254,310**	**213,162**	**41,149**	**19.3%**
Software and Services	72,352	63,648	8,704	13.7%
Education	2,381	2,733	(353)	-12.9%
CAD / CAM	3,987	2,489	1,497	60.2%
Intercompany Reconciliation	(23)	(1)	(22)	
ADJUSTED EBITDA	**78,696**	**68,870**	**9,827**	**14.3%**
Software and Services	33.5%	35.8%	-2.3%	-6.4%
Education	20.0%	20.3%	-0.3%	-1.6%
CAD / CAM	14.5%	10.9%	3.6%	32.8%
Intercompany Reconciliation	n.s.	n.s.		
ADJUSTED EBITDA % MARGIN	**30.9%**	**32.3%**	**-1.4%**	**-4.2%**
Software and Services	(461,112)	(445,653)	(15,458)	3.5%
Education	11,543	12,336	(793)	-6.4%
CAD / CAM	7,942	4,867	3,076	63.2%
Intercompany Reconciliation	1	(72)	73	
NET FINANCIAL INDEBTEDNESS	**(441,625)**	**(428,523)**	**(13,102)**	**3.1%**
Capex - Tangible assets	1,560	1,662	(101)	-6.1%
Capex - Intangibles assets	2,768	677	2,090	n.s.
Capex - Capitalized development costs	10,749	8,807	1,942	22.1%
Capex - Software and Services	**15,076**	**11,145**	**3,931**	**35.3%**
Capex - Tangible assets	24	127	(103)	-80.9%
Capex - Intangibles assets	336	196	139	71.0%
Capex - Capitalized development costs	55	60	(5)	-8.0%
Capex - Education	**415**	**383**	**32**	**8.4%**
Capex - Tangible assets	101	75	26	35.1%
Capex - Intangibles assets	39	27	12	45.3%
Capex - Capitalized development costs	39	89	(50)	-55.8%
Capex - CAD / CAM	**179**	**190**	**(11)**	**-5.9%**
Capex - Tangible assets	1,686	1,863	(177)	-9.5%
Capex - Intangibles assets	3,142	900	2,242	n.s.
Capex - Capitalized development costs	10,843	8,955	1,888	21.1%
CAPEX - TOTAL	**15,670**	**11,719**	**3,952**	**33.7%**
Software and Services	569,401	570,332	(931)	-0.2%
Education	20,189	22,951	(2,762)	-12.0%
CAD / CAM	5,290	6,772	(1,482)	-21.9%
Intercompany Reconciliation	354	72	283	
NET INVESTED CAPITAL	**595,234**	**600,127**	**(4,893)**	**-0.8%**

TOTAL REVENUE Total revenue for the year ended 31 December 2015 amounts to € 254,310 thousand, up by € 41,149 thousand compared to the amount for the period ended 31 December 2014 (€ 213,162 thousand). This change is due to the factors already described in the previous Note 1to which reference is made.

SOFTWARE AND SERVICES TOTAL REVENUE Total revenue posted by the Software and Services business unit for the year ended 31 December 2015 amounts to € 216,048 thousand, up by € 38,236 thousand compared to the corresponding amount for the year ended 31 December 2014 (€ 177,812 thousand). This change is attributable to:

- fact that the consolidated figures for the year ended 31 December 2015 include 12 months of results of TSS S.p.A. and Diamante S.p.A. (TSS S.p.A.'s contribution to the consolidated figures for the year ended 31 December 2015 was € 56,981), whereas the consolidated figures for the year ended 31 December 2014 included the results of TSS S.p.A. and Diamante S.p.A. as from their acquisition date (that is, as from 28 May 2014 and, thus, with a contribution to 2014 Total Revenue of € 31,889 thousand);
- contribution made by the new companies that were consolidated for the first time in 2015, that is, Madbit Entertainment S.r.l. (which contributed € 365 thousand), Ulisse Tecnologie S.r.l. (with a contribution of € 1,003 thousand) and Esa Napoli S.r.l. (which contributed € 1,144 thousand);
- and, with respect to the remainder, to the organic growth achieved by the Group in 2015.

EDUCATION TOTAL REVENUE Total revenue posted by the Education business unit for the year ended 31 December 2015 amounts to € 11,896 thousand, down by € 1,549 thousand compared to the corresponding amount for the year ended 31 December 2014 (€ 13,445 thousand). This is due to the fact that in 2014 Education Total Revenue figures, Paradigma S.r.l. contributes for an amount of € 3,400 thousand (with the 12 month profit and loss accounts consolidated), but in 2015 Education Total Revenue figures Paradigma 's contribution is only for 9 months (for an amount of € 1,492 thousand) because in October 2015 TeamSystem S.p.A. sold the investment in Paradigma S.r.l.

CAD/CAM TOTAL REVENUE The CAD/CAM business unit Total revenue for the period ended 31 December 2015 amounts to € 27,475 thousand, up by € 4,685 thousand compared to the corresponding amount for the period ended 31 December 2014 (€ 22,790 thousand) due to the organic growth experienced by this business unit.

ADJUSTED EBITDA The Adjusted Ebitda for the year ended 31 December 2015 amounts to € 78,696 thousand, up by € 9,827 thousand compared to the corresponding amount for the year ended 31 December 2014 (€ 68,870 thousand). This change may be explained as being attributable to:

- the fact that the consolidated figures for the year ended 31 December 2015 include 12 months of results of TSS S.p.A. and Diamante S.p.A. (TSS S.p.A.'s contribution to the consolidated figures for the year ended 31 December 2015 was € 12,371 thousand and Diamante' s contribution has been € 135 thousand as at 31 Dicember 2015), whereas the consolidated figures for the year ended 31 December 2014 included the results of TSS S.p.A. and Diamante S.p.A. as from their acquisition date (that is, as from 28 May 2014 and, thus, with a contribution in terms of 2014 Adjusted EBITDA of € 7,214 thousand);
- the fact that 12 months of results of Paradigma S.r.l. were included in the consolidated figures for the year ended 31 December 2014 (with a contribution of € 445 thousand), whereas the consolidated figures for the year ended 31 December 2015 included the results of Paradigma S.r.l. up to 30 September 2015 (that is, for 9 months, with a contribution in terms of Adjusted EBITDA of € 248 thousand) given that TeamSystem S.p.A. sold its investment in Paradigma S.r.l. in October 2015;
- the contribution made by the new companies that were consolidated for the first time in 2015, that is, Madbit Entertainment S.r.l. (which contributed € 107 thousand), Ulisse Tecnologie S.r.l. (with a contribution of € 222 thousand) and Esa Napoli S.r.l. (which contributed € 245 thousand);
- and, with respect to the remainder, to the organic growth achieved by the Group in 2015 that was particularly significant in the CAD/CAM business unit, which recorded growth in Adjusted EBITDA of € 1,497 thousand.

3. COST OF RAW AND OTHER MATERIALS

	31 Dec 2015	31 Dec 2014	Change	% Change
Hardware purchases	6,693	6,171	522	8.5%
Third parties' software	14,706	12,235	2,470	20.2%
Handbooks and forms	53	53	0	0.1%
Materials for education	174	237	(63)	-26.5%
Fuel	1,313	1,276	38	2.9%
Other materials	830	834	(4)	-0.5%
Change in inventory of raw materials	(51)	(68)	17	-24.7%
Total	**23,719**	**20,738**	**2,981**	**14.4%**

Cost of raw and other materials amounts to € 23,719 thousand for the year ended 31 December 2015, up by € 2,981 thousand from the amount for the year ended 31 December 2014 (€ 20,738 thousand). This increase is mainly due to the consolidation of TSS S.p.A.'s results for the entire year in 2015 (compared to a contribution of almost seven months in 2014) and to the Group organic growth in 2015 that caused a related increase in cost fo raw and other materials.

4. COST OF SERVICES

	31 Dec 2015	31 Dec 2014	Change	% Change
Agent commissions and other costs	13,384	6,762	6,622	97.9%
Consulting and third parties services	12,353	10,795	1,559	14.4%
Software and Hardware maintenance costs	4,365	3,982	383	9.6%
Administrative tax and legal	2,491	2,965	(474)	-16.0%
Education - consulting and copyrights	3,025	3,073	(48)	-1.6%
Magazines - consulting and copyrights	1,322	1,242	80	6.5%
Other costs for education services	1,760	1,696	65	3.8%
Advertising and marketing	3,410	2,556	854	33.4%
Car rentals	4,099	3,354	746	22.2%
Utilities	3,377	2,284	1,093	47.8%
Other services	9,846	7,707	2,139	27.8%
Cost of services - Gross of capitalization	**59,433**	**46,415**	**13,018**	**28.0%**
Services capitalised development costs	(3,359)	(2,756)	(602)	21.9%
Total	**56,075**	**43,659**	**12,416**	**28.4%**

The Cost of services for the year ended 31 December 2015 (€ 56,075 thousand) increased in total by € 12,416 thousand compared to the amount for the year ended 31 December 2014 (€ 43,659 thousand). This mainly comes to the net effects of the below:

- the fact that 12 months of TSS S.p.A. and Diamante S.p.A 's results have been consolidated in 2015 (with a contribution to the 2015 line item of € 19,850 thousand as to TSS S.p.A. and Diamante contributing € 214 thousand), whereas in 2014 the results of TSS S.p.A. and of its subsidiary Diamante S.p.A. had been consolidated as from 28 May 2014, that is, as from the date on which control was obtained of the above mentioned company (thus for approximately 7 months), with a contribution to the 2014 line item of € 10,790 thousand);
- the fact that only 9 months of Paradigma S.r.l.'s results (€ 952 thousand) have been included in the 2015 consolidated figures (that is, up to 30 September 2015, given that, in October 2015, the investment was sold by TeamSystem S.p.A.), whereas 12 months of this company's results (€ 1,760 thousand) were included in the consolidated financial statements for the year ended 31 December 2014;
- the first-time consolidation of the results of Ulisse Tecnologie S.r.l. (with a contribution of € 199 thousand), Madbit Entertainment S.r.l. (which contributed € 209 thousand) and Esa Napoli S.r.l. (which contributed € 447 thousand);
- and, with respect to the remainder, the change is attributable to organic growth achieved by the Group in 2015.

5. PERSONNEL

	31 Dec 2015	31 Dec 2014	Change	% Change
Wages, salaries and social contributions	88,716	72,643	16,073	22.1%
Staff leaving indemnities	4,257	3,418	839	24.5%
Other personnel costs	56	15	40	n.s.
Employees costs	**93,029**	**76,076**	**16,952**	**22.3%**
Freelancers and collaborators fees	827	600	227	37.9%
Directors' fees and related costs	3,551	3,598	(47)	-1.3%
Directors and Collaborators	**4,378**	**4,198**	**180**	**4.3%**
Non recurring personnel costs	3,960	1,558	2,402	n.s.
Non recurring personnel costs	**3,960**	**1,558**	**2,402**	**n.s.**
Personnel - Gross of capitalization	**101,366**	**81,832**	**19,534**	**23.87%**
Personnel capitalised development costs	**(7,484)**	**(6,199)**	**(1,285)**	**20.7%**
Total	**93,882**	**75,633**	**18,249**	**24.1%**

Personnel costs for the year ended 31 December 2015 (€ 93,882 thousand) have increased by € 18,249 thousand compared to the corresponding amount for the year ended 31 December 2014 (€ 75,633 thousand) due to:

- the fact that 12 months of TSS S.p.A. and Diamante 's results have been consolidated in 2015 (with TSS contributing to the 2015 line item for € 21,244 thousand and Diamante contributing for € 704 thousand), whereas in 2014 the results of TSS S.p.A. and of its subsidiary Diamante S.p.A. had been consolidated as from 28 May 2014, that is, as from the date on which control was obtained of the above mentioned company (thus for approximately 7 months), with a contribution to the 2014 line item of € 13,604 thousand;
- the fact that only 9 months of Paradigma S.r.l.'s results (€ 815 thousand) have been included in the 2015 consolidated figures (that is, up to 30 September 2015, given that, in October 2015, the investment was sold by TeamSystem S.p.A.), whereas 12 months of this company's results (€ 1,061 thousand) were included in the consolidated financial statements for the year ended 31 December 2014;
- the first-time consolidation of the results of Ulisse Tecnologie S.r.l. (with a contribution of € 527 thousand), Madbit Entertainment S.r.l. (which contributed € 54 thousand) and Esa Napoli S.r.l. (which contributed € 803 thousand);
- and, with respect to the remainder, the change is attributable to organic growth achieved by the Group in 2015.

In 2015, non recurring personnel costs mainly refer to the restructuring layoffs occurred in the subsidiary ACG S.r.l. whereas in 2014 these figures mainly relate to restructuring layoffs occurred in the subsidiary TSS S.p.A..

The following table shows the number of employees as at 31 December 2015 comparted to the corresponding figures as at 31 December 2014.

	Average 2014	Average 2013	Change	31 Dec 2014	31 Dec 2013	Change
Managers	37	25	12	44	29	15
Middle managers / white collars / workers	1,384	1,060	325	1,623	1,145	478
Total	**1,421**	**1,085**	**336**	**1,667**	**1,174**	**493**

	Average 2015	Average 2014	Change	31 Dec 2015	31 Dec 2014	Change
Managers	45	37	8	45	44	1
Middle managers / white collars / workers	1,646	1,384	262	1,669	1,623	46
Total	**1,691**	**1,421**	**270**	**1,714**	**1,667**	**47**

The Group employee numbers at 31 December 2015 obviously comprise those contributed by the companies that were newly consolidated in 2015; specifically, the number of employees attributable to Ulisse Tecnologie S.r.l. (6), Madbit Entertainment S.r.l. (5), and Esa Napoli S.r.l. (16).

6. OTHER OPERATING COSTS

	31 Dec 2015	31 Dec 2014	Change	% Change
Rents	3,518	3,736	(218)	-5.8%
Rentals	743	637	107	16.7%
Other expenses for use of third parties assets	766	663	103	15.5%
Other taxes	421	408	13	3.1%
Losses from assets disposals	8	13	(5)	-38.1%
Other expenses	442	363	79	21.8%
Total	**5,899**	**5,820**	**78**	**1.3%**

Other operating costs for the year ended 31 December 2015 (€ 5,899 thousand) have increased by € 78 thousand compared to the corresponding amount for the period ended 31 December 2014 (€ 5,820 thousand). This increse is due to the consolidation of TSS S.p.A. for the entire year in 2015 (compared to a contribution of almost seven months in 2014) and to the Group organic growth in 2015 that caused a related increase in other operating costs.

7. NON RECURRING EXPENSES

Non-recurring expenses for the year ended 31 December 2015 amount to € 8,067 thousand (compared with €12,313 thousand for the year ended 31 December 2014) and relate to tax and legal advice and other expenses the nature of which is deemed by Management to be non-recurring with respect to the business's normal operations. In particular, these include:

- advisory costs incurred for acquisitions of equity investments;
- non recurring expenses incurred for the inception / completion of non-recurring projects concerning the reviewing, the strengthening and the streamlining of the Group's organisation and / or commercial supply model. These projects have been performed by leading international consulting firms aimed at improving the Group's commercial performance, the quality of the Group's product range and the efficiency of business processes with the ultimate aim of making the Group procedures more efficient, both in terms of cost savings and in terms of new streams of revenue;
- non recurring marketing expenses.

8. FINANCE INCOME

	31 Dec 2015	31 Dec 2014	Change	% Change
Interest and other finance income	128	99	29	29.6%
Gains on foreign exchange	5	1	5	n.s.
Interests from cash pooling and other loans	5	0	4	n.s.
Interests from banks	19	86	(67)	-77.9%
Vendor Loan depreciation	1,081	1,094	(13)	-1.2%
Total	**1,238**	**1,279**	**(41)**	**-3.2%**

Finance income for the year ended 31 December 2015 (€ 1,238 thousand) has decreased compared to the figure recorded for the year ended 31 December 2014 (€ 1,279 thousand) by € 41 thousand. This change is essentially attributable to a decrease in Interest from banks which dropped by € 67 thousand in 2015.

9. FINANCE COST

	31 Dec 2015	31 Dec 2014	Change	% Change
Interest on bank overdraft, loans	94	387	(293)	-75.7%
Interest on Bond	31,717	28,521	3,196	11.2%
Interest on Bond Premium	(1,236)	(830)	(406)	49.0%
Interest on financing fees	3,222	2,893	329	11.4%
Vendor Loan revaluation	5,343	5,124	219	4.3%
Bank commissions	1,405	1,187	218	18.4%
Interest on actuarial valuation of employee benefits	331	505	(175)	-34.6%
Other IFRS financial charges	1,094	1,038	56	5.4%
Interests on cash pooling and other loans	6	(0)	6	n.s.
Other financial charges	87	175	(88)	-50.2%
Losses on foreign exchange	10	4	6	n.s.
Write-downs of investment		268	(268)	-100.0%
Total	**42,073**	**39,272**	**2,802**	**7.1%**

Financial charges for the year ended 31 December 2015 amount to € 42,073 thousand with an increase of € 2,802 thousand with respect to the corresponding amount at 31 December 2014 (€ 39,272 thousand) mainly due to the fact that the additional tranche of € 130 million Bond issuance occurred in 2014 was finalized in April 2014 so that Interest on Bond accrued only from April 2014 to December 2014. Instead in 2015 Interest on Bond related to this additional € 130 million Bond accrued for the whole year.

Interest on Bond premium (€ 1,236 thousand for the year ended 31 December 2015 and € 830 thousand for the year ended 31 December 2014) relates to a pro-rata release of a total amount of € 7,475 thousand recognised as a premium on Bond issuance in April 2014 on the issue of an additional € 130 million tranche of the Bond – see also Note 19 for further details.

The amount of Other IFRS financial charges went from € 1,038 thousand (for the year ended 31 December 2014) to € 1,094 thousand for the year ended 31 December 2015. This component comprises financial charges accounted for by the Group and relevant to the discounting of vendor loan financial liabilities.

10. TOTAL INCOME TAX

Current and deferred income tax

Current income taxes for the 2015 financial year amount to € 10,691 thousand and consist of the following:

- IRES of € 7,842 thousand;
- IRAP (regional tax on productive activities) of € 2,850 thousand.

With respect to the amount of deferred tax recorded in the consolidated income statement, reference should be made to details provided in Note 18.

Non recurring deferred income tax

Law 208 of 28 December 2015 amended the IRES rate as from the tax period subsequent to that existing at 31 December 2016, by reducing the tax rate from 27.5% to 24.00%. This legislative change has been reflected in TeamSystem Group's financial statements for the year ended 31 December 2015 by means of the remeasurement of deferred tax assets and liabilities, with a consequent total amount of non-recurring income of € 7,138 thousand, as also disclosed and commented upon in Note 18).

11. CONSOLIDATED STATEMENT OF CASH FLOW

As regards the more significant components of the statement of cash flow, a description is provided below of the main factors impacting the Group's cash flow in the course of 2015:

Vendor loan paid = the amount of the Vendor loan paid in 2015 was € 3.2 million in relation to the acquisition of a further interest in Lexteam S.r.l., Gruppo Euroconference S.p.A., TeamSystem Ancona S.r.l., H-Umus S.r.l. and to the payment of a purchase price adjustment to the minority owners of InforYou S.r.l. (see also Note 19). The amount of € 3.2 million includes an amount of € 0.9 million relating to dividends paid to minority owners.

Financial balance paid/cashed-in and change in Financial Assets/Liabities = of the amount of € 29.6 million as at 31 December 2015 (€ 68.7 million as at 31 December 2014):

- € 33.2 million relates to financial charges paid by the Group in the course of 2015. Specifically, this amount includes:
  1) € 31.7 million of Bond Coupon paid by the Group;
  2) the remaining amount of € 1.5 million relates mainly to the payment of bank charges.

- € 3.6 million relates to the balance of taking on of new financing and cashing-in the proceeds from financial assets net of cash-outflows related to financial liabilities as detailed below:
  1) € 3 million relates to new RCF drawdowns made in December 2015 and still existing at the reporting date;
  2) € 0.5 million relates to the repayment of a number of small financial liabilities by TSS S.p.A. (approximately € 0.1 million) and by TeamSystem S.p.A. (approximately € 0.4 million) (in the case of the latter, it relates to the repayment of balances on cash-pooling current accounts with Paradigma S.r.l., the investment in which was sold in October 2015);
  3) € 1 million relates to proceeds from the sale of certain financial assets recognised in the financial statements of Ulisse Tecnologie S.r.l. that had been consolidated by the Group for the first time in 2015 (see also Note 15).

Acquisition of Investments = of the amount of € 2.7 million:

- € 0.8 million consists of the cash and bank balances held (at the date of acquisition) by the subsidiaries consolidated for the first time in 2015; in details the amount of € 0.6 million refers to Ulisse Tecnologie S.r.l. and € 0.2 million pertains to Madbit Entertainment S.r.l.;
- the amount of € 3.6 million relates to
  1) cash-out paid by TeamSystem S.p.A. for the acquisition of entire quota capital of Ulisse Tecnologie S.r.l. (€ 1.9 million);
  2) cash-out paid for the acquisition of the majority stake in Madbit Entertainment S.r.l. (€ 1.4 million);
  3) cash out paid by TSS S.p.A. (€ 0.2 million) for the cover of losses and for the capital replenishment of certain associated companies;

Disposal of Investments = The amount of € 0.2 million consists of:

1) the cash and bank balances held (at the date of disposal) by the subsidiaries Paradigma S.r.l (€ 0.3 million).

2) as regards the consideration received from the sale of Paradigma S.r.l, € 0.05 million was collected in 2015, whereas the remainder will be collected in line with an annual instalment payment plan, of which the last due date is envisaged to fall in November 2020 – see Note 16.

12. TANGIBLE ASSETS

COST	Restated 31 Dec 2013	Change in cons. area	Additions	Other movements and Disposals	31 Dec 2014
Land	1,899				1,899
Buildings	8,007	59			8,066
Plant and machinery	2,171	664	375	(38)	3,172
Equipment	723	750	39	(6)	1,506
Other assets	8,226	7,972	1,473	(521)	17,150
Tangible assets under construction	0	28	27	(26)	29
Total	**21,026**	**9,473**	**1,914**	**(591)**	**31,822**

ACCUMULATED DEPRECIATION	Restated 31 Dec 2013	Change in cons. area	Depreciation	Other movements and Disposals	31 Dec 2014
Land					
Buildings	2,410	57	258		2,725
Plant and machinery	1,591	615	143	(36)	2,313
Equipment	472	744	60	(5)	1,272
Other assets	6,473	7,211	829	(501)	14,012
Tangible assets under construction					
Total	**10,946**	**8,627**	**1,290**	**(542)**	**20,322**

NET BOOK VALUE	Restated 31 Dec 2013	Change in cons. area	Additions	(Depreciation)	Other movements and Disposals	31 Dec 2014
Land	1,899					1,899
Buildings	5,597	2		(258)		5,341
Plant and machinery	580	49	375	(143)	(2)	860
Equipment	251	6	39	(60)	(1)	235
Other assets	1,753	761	1,473	(829)	(20)	3,137
Tangible assets under construction	0	28	27		(26)	29
Total	**10,080**	**846**	**1,914**	**(1,290)**	**(49)**	**11,501**

COST	31 Dec 2014	Change in cons. area	Additions	Other movements and Disposals	31 Dec 2015
Land	1,899				1,899
Buildings	8,066			58	8,123
Plant and machinery	3,172	(8)	210	1,472	4,846
Equipment	1,506	(1)	33	760	2,299
Other assets	17,150	(191)	965	6,558	24,481
Tangible assets under construction	29		214	(29)	214
Total	**31,822**	**(199)**	**1,422**	**8,818**	**41,863**

ACCUMULATED DEPRECIATION	31 Dec 2014	Change in cons. area	Depreciation	Other movements and Disposals	31 Dec 2015
Land					
Buildings	2,725		259	58	3,041
Plant and machinery	2,313	(8)	172	1,354	3,832
Equipment	1,272	(1)	65	756	2,092
Other assets	14,012	(157)	1,103	6,385	21,343
Tangible assets under construction					
Total	**20,322**	**(165)**	**1,599**	**8,553**	**30,308**

NET BOOK VALUE	31 Dec 2014	Change in cons. area	Additions	(Depreciation)	Other movements and Disposals	31 Dec 2015
Land	1,899					1,899
Buildings	5,341			(259)	(0)	5,082
Plant and machinery	860	(0)	210	(172)	118	1,015
Equipment	235		33	(65)	4	207
Other assets	3,137	(34)	965	(1,103)	173	3,139
Tangible assets under construction	29		214		(29)	214
Total	**11,501**	**(34)**	**1,422**	**(1,599)**	**265**	**11,554**

Fixed assets at 31 December 2015 amount to € 11,554 thousand, up by € 53 thousand compared to the balance at 31 December 2014 (€ 11,501 thousand), resulting from the aggregate of disposals, additions, change in consolidation area (€ 34 thousand) and the depreciation charge for the period (€ 1,599 thousand).

The most significant additions in 2015 relate to Other assets (for approximately € 1 million).

13. INTANGIBLE ASSETS

NET BOOK VALUE	Restated 31 Dec 2013	Change in cons. area	Other movements	Capitalization	Additions	(Amortization)	(Write-downs)	31 Dec 2014
Development costs - completed	4,584	483	5,923	7,224		(4,444)		13,770
Development costs - in progress	6,007	3,363	(6,141)	570	19		(195)	3,623
Capitalized development costs	**10,591**	**3,846**	**(218)**	**7,793**	**19**	**(4,444)**	**(195)**	**17,393**
Brand IFRS	30,569	1,512				(1,997)		30,084
Software IFRS	18,026	15,411				(10,718)		22,719
Customer relationship IFRS	203,505	38,737				(14,964)		227,278
Other IFRS assets	2,457					(165)		2,292
Asset IFRS	**254,558**	**55,660**				**(27,844)**		**282,374**
Software, trademarks, patents	1,719	333	268	1,090	637	(1,082)	(134)	2,830
Other intangible assets	197	246	96		166	(160)		544
Intangible assets under construction	395	28	(195)	72	126			426
Other intangible assets	**2,311**	**607**	**169**	**1,162**	**929**	**(1,242)**	**(134)**	**3,801**
Total	**267,460**	**60,113**	**(49)**	**8,955**	**948**	**(33,530)**	**(329)**	**303,568**

NET BOOK VALUE	31 Dec 2014	Change in cons. area	Other movements and disposals	Capitalization	Additions	(Amortization)	(Write-downs)	31 Dec 2015
Development costs - completed	13,770		(410)	9,845		(6,332)		16,873
Development costs - in progress	3,623		(2,713)	998				1,908
Capitalized development costs	**17,393**		**(3,123)**	**10,843**		**(6,332)**		**18,781**
Brand IFRS	30,084					(2,381)		27,703
Software IFRS	22,719					(9,789)		12,930
Customer relationship IFRS	227,278					(16,579)		210,699
Other IFRS assets	2,292					(166)		2,126
Asset IFRS	**282,374**					**(28,916)**		**253,458**
Software, trademarks, patents	2,830	(1)	3,516		1,982	(1,984)		6,343
Other intangible assets	544		121		611	(317)		960
Intangible assets under construction	426		(659)		693			459
Other intangible assets	**3,801**	**(1)**	**2,978**		**3,286**	**(2,302)**		**7,762**
Total	**303,568**	**(1)**	**(145)**	**10,843**	**3,286**	**(37,550)**		**280,001**

Intangible assets have gone from € 303,568 thousand at 31 December 2014 to € 280,001 thousand at 31 December 2015, a decrease of € 23,567 thousand resulting from the aggregate of disposals, additions, capitalised development costs (of € 10,843 thousand for the year ended 31 December 2015) and the amortisation charge for the period (€ 37,550 thousand).

Development costs in progress relate to development costs for new products and new software modules which, as at 31 December 2015, had not yet been completed and for which marketing had not commenced and no sales had been made.

With respect to capitalization of Development cost made in 2015, totalling € 10,843 thousand (€ 8,955 thousand at 31 December 2014), the main expenditures are related to:

a) capitalised development costs of € 6,901 thousand relating to new products and / or new software modules developed by the subsidiary TeamSystem S.p.A. during the course of 2015;
b) capitalised development costs of € 2,252 thousand relating to new products and / or new software modules developed by the subsidiary TSS S.p.A. during the course of 2015.

During the 2015 financial year the Group continued to carry on a complex long term project related to technological renewal (or “Product Renewal Project”). The Product Renewal Project is highly strategic for the Group as it involves the technological upgrading of the Group's entire software portfolio and application platforms by means of the renewal and innovation of existing software products and the alignment of the range of product to more recent and innovative technologies.

14. GOODWILL

	Restated 31 Dec 2013	Other movements	Additions	(Impairment)	31 Dec 2014
Goodwill SWSS CGU	268,910		60,388		329,298
Goodwill Education CGU	27,296	(27,296)			
Goodwill Paradigma CGU		6,637		(3,000)	3,637
Goodwill Gruppo Euroconference CGU		20,660			20,660
Goodwill CAD/CAM CGU	6,410				6,410
Total	**302,616**		**60,388**	**(3,000)**	**360,004**

	31 Dec 2014	Other movements	Additions	(Impairment)	31 Dec 2015
Goodwill SWSS CGU	329,298		7,996		337,294
Goodwill Education CGU					
Goodwill Paradigma CGU	3,637	(3,637)			
Goodwill Gruppo Euroconference CGU	20,660				20,660
Goodwill CAD/CAM CGU	6,410				6,410
Total	**360,004**	**(3,637)**	**7,996**		**364,363**

Goodwill (amounting to € 364,363 thousand at 31 December 2015) mainly relates to the acquisition of TeamSystem Group from HG Capital (via the special purpose vehicle Titan BidCo S.r.l.) made in 2010. The Goodwill relating to the acquisition of TeamSystem Group primarily consists of the excess consideration paid over the current value of the assets and liabilities acquired and it was allocated to the Group ‘s CGUs:

- Software and Services (SWSS);
- Gruppo Euroconference;
- CAD/CAM.

Goodwill increased in subsequent years as a result of acquisitions made by Group companies. Specifically, in 2015 the following acquisitions were made (all of which pertain to the Software and Services CGU – SWSS):

- Ulisse Tecnologie S.r.l., which generated goodwill (a provisional figure has been recognised in the statement of financial position at 31 December 2015 not been completed the Purchase Price Allocation activity) of € 924 thousand, as detailed in Note 15;
- Madbit Entertainment S.r.l., which generated goodwill of € 7,072 thousand, a provisional figure has again been recognised in the statement of consolidated financial position at 31 December 2015 not been completed the Purchase Price Allocation activity. Again, for further details, please refer to Note 15.

During the course of 2015, the investment held in the subsidiary Paradigma S.r.l. was sold by the Group; consequently, there is a zero balance relating to this investee and a loss was recognised on the sale (see Note 16 for further details).
Paradigma did not constitute a separate major line of business of the Group and, accordingly, there was no requirement to apply IFRS 5 thereto.

Finally, it should be noted that the definition of purchased Goodwill arising in 2014 and pertaining to:

- Atys S.r.l. (for an amount of € 866 thousand);
- Knosdms S.r.l. (for an amount of € 1,365 thousand);
- TSS S.p.A. and Diamante S.p.A (for an amount of € 58,156 thousand).

and which were considered to be provisional for the purposes of the 2014 consolidated financial statements, did not lead to any differences with respect to the amount recorded in those consolidated financial statements and, accordingly, it has not been necessary to restate the 2014 consolidated financial statements.

Impairment Test

The goodwill pertaining to each of the aforementioned CGUs is subject to impairment testing at least annually.

With respect to impairment test, steps were taken to determine the recoverable amount (so-called Enterprise Value) of each CGU of TeamSystem Group as a whole, by means of the application of discounted cash flow methodology. The test was performed by discounting prospective cash flow for 2016-2020 based on 2016 - 2020 Group Business Plan approved by TeamSystem Holding S.p.A's Board of Directors on 24 March 2016)

Beyond the time span of the Business Plan, a terminal value was determined assuming an operating cash flow (Net operating profit Less Adjusted Tax - NOPLAT) suitably normalised to maintain conditions of 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) as for the last impairment test.

In addition to that for the g rate, the main assumptions adopted regard the estimate of the weighted average cost of capital (WACC) of 7.44%[1] (8.01% was the rate used for the 2014 impairment test) for the SWSS CGU and the CAD/CAM CGU and of 6.51% for the Gruppo Euroconference CGU (7.37% was the rate used for the 2014 impairment test).

The reduction of WACC is partly attributable to the decrease in the risk-free interest rate component of the 2015 WACC (1.70%, that is average quotes of BTP Italy) with respect to the correspondent risk-free intest rate component adopted in 2014 Impairment test (2.87%).

The outcome of the impairment tests at CGU level did not provide any indication of impairment for all the CGUs.

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

CGU SWSS								
Cover Impairment Sensitivity					**WACC**			
Euro million		**5.94%**	**6.44%**	**6.94%**	**7.44%**	**7.94%**	**8.44%**	**8.94%**
	0.00%	666.8	567.8	483.2	410.0	346.1	289.8	239.9
	0.90%	854.1	722.4	612.6	519.7	440.0	371.0	310.7
	1.40%	990.3	832.2	702.7	594.8	503.4	425.1	357.3
G RATE	**1.90%**	1,160.1	966.1	810.7	**683.4**	577.3	487.5	410.5
	2.40%	1,378.0	1,133.2	942.4	789.6	664.5	560.2	471.9
	2.90%	1,667.5	1,347.5	1,106.8	919.3	769.0	646.0	543.4
	3.40%	2,071.0	1,632.3	1,317.6	1,081.0	896.6	748.8	627.8

CGU EDUCATION - Gruppo Euroconference								
Cover Impairment Sensitivity					**WACC**			
Euro million		**5.01%**	**5.51%**	**6.01%**	**6.51%**	**7.01%**	**7.51%**	**8.01%**
	0.00%	16.1	12.9	10.2	7.9	5.9	4.2	2.7
	0.90%	22.7	18.2	14.5	11.4	8.9	6.7	4.9
	1.40%	27.9	22.1	17.6	13.9	11.0	8.5	6.3
G RATE	**1.90%**	34.6	27.1	21.4	**17.0**	13.4	10.5	8.0
	2.40%	43.9	33.7	26.4	20.8	16.4	12.9	10.0
	2.90%	57.7	42.9	32.9	25.7	20.2	15.9	12.4
	3.40%	80.0	56.5	41.9	32.1	25.0	19.6	15.4

[1] With regard to the WACC adopted solely for 2016, the rate used was 7.42% for the SWSS CGU and CAD/CAM and 6.45% for the Education CGU. The difference in the WACC rate for 2016 (compared to the WACC rates adopted for other years for the performance of impairment tests) is justified by the legislative amendments introduced by law 208 of 28 December 2015 that reduced the IRES rate (from 27.5% to 24.00%) for tax periods subsequent to that in course at 31 December 2016 – see also Note 18.

CGU CAD/CAM Cover Impairment Sensitivity					WACC			
Euro million		**5.94%**	**6.44%**	**6.94%**	**7.44%**	**7.94%**	**8.44%**	**8.94%**
	0.00%	44.6	40.8	37.5	34.6	32.1	29.9	28.0
	0.90%	51.9	46.8	42.5	38.9	35.8	33.1	30.7
	1.40%	57.2	51.0	46.0	41.8	38.2	35.2	32.5
G RATE	**1.90%**	63.8	56.3	50.2	**45.2**	41.1	37.6	34.6
	2.40%	72.3	62.7	55.3	49.4	44.5	40.4	37.0
	2.90%	83.5	71.1	61.7	54.4	48.6	43.8	39.8
	3.40%	99.2	82.1	69.9	60.7	53.5	47.8	43.0

The impairment test models and related results were approved by TeamSystem Holding S.p.A.'s Board of Directors on 24 March 2016, in accordance with guidelines of the joint document No. 4 of March 2010 issued by ISVAP, Bank of Italy and Consob.

15. PROVISIONAL GOODWILL - ULISSE TECNOLOGIE and MADBIT ENTERTAINMENT

ULISSE TECNOLOGIE S.r.l.

On 28 July 2015 TSS S.p.A. acquired a 100% stake in Ulisse Tecnologie S.r.l. for a consideration of € 1,944 thousand. Ulisse Tecnologie S.r.l. is a supplier of TSS S.p.A. and provides indispensable tax software modules already integrated with TSS's products.

With the objective of
- simplifying the organisational structure of TeamSystem Group;
- rationalising the operating costs of the respective corporate structures;

Group Management considered it appropriate to integrate (into TeamSystem S.p.A.'s operating structure) the activities of Ulisse Tecnologie S.r.l.. As part of this corporate integration, in December 2015, TeamSystem S.p.A. acquired from TSS S.p.A. the entire quota capital of Ulisse Tecnologid S.r.l. and then merged by absorption Ulisse Tecnologie S.r.l. into TeamSystem S.p.A. (by means of a deed of merger dated 23 December 2015), effective for legal purposes as of 31 December 2015.

The results of Ulisse Tecnologie S.r.l. have been consolidated for the entire 2015 financial year considering the immateriality of the acquisition in question.

The process for the allocation of the purchase price paid to the seller for the acquisition of Ulisse Tecnologie S.r.l. is still provisional as at 31 December 2015 and, consequently, the goodwill pertaining to the above mentioned company (€ 924 thousand) has also to be considered as provisional at 31 December 2015. The following table sets out the proposed provisional determination of goodwill attributable to Ulisse Tecnologie S.r.l..

STATEMENT OF FINANCIAL POSITION ULISSE TECNOLOGIE S.r.l. ASSETS	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
Tangible assets	6		6	
Other financial assets - non current	1,050		1,050	
TOTAL NON CURRENT ASSETS	**1,056**	**0**	**1,056**	
Trade receivables	1		1	
Tax receivables	54		54	
Other receivables - current	17		17	
Cash and bank balances	595		595	
TOTAL CURRENT ASSETS	**667**	**0**	**667**	
TOTAL ASSETS	**1,723**	**0**	**1,723**	

STATEMENT OF FINANCIAL POSITION ULISSE TECNOLOGIE S.r.l. EQUITY AND LIABILITIES	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
EQUITY	**1,020**	**0**	**1,020**	
Staff leaving indemnity	81		81	
Provisions for risks and charges	537		537	
TOTAL NON CURRENT LIABILITIES	**619**	**0**	**619**	
Trade payables	40		40	
Tax liabilities - current	18		18	
Other liabilities - current	25		25	
TOTAL CURRENT LIABILITIES	**84**	**0**	**84**	
TOTAL LIABILITIES	**702**	**0**	**702**	
TOTAL EQUITY AND LIABILITIES	**1,723**	**0**	**1,723**	

PROVISIONAL ALLOCATED GOODWILL ULISSE TECNOLOGIE S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**0**	**0**	**0**	**A**
Equity ITA GAAP			**1,020**	**B**
EQUITY IFRS after PROVISIONAL PPA			**1,020**	**C = A + B**
Cost of the investment			**1,944**	**D**
Transaction costs capitalized				**E**
Cost of the investment - net of transaction costs			**1,944**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**924**	**G = F - C**

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MADBIT ENTERTAINMENT S.r.l.

Acquisition of Madbit Entertainment S.r.l.

On 7 July 2015 the subsidiary Danea Soft S.r.l. acquired a 51% stake in Madbit Entertainment S.r.l. for a consideration of 1.4 million and entered put/call agreement for the remaining 49%. TeamSystem Group Management believe that Madbit Entertainment S.r.l. acquisition represents a key pillar in the Group's cloud strategy, adding a very valuable SaaS solution for microbusiness and high quality set of competencies.

The results of Madbit Entertainment S.r.l. have been consolidated for the entire 2015 financial year considering the immateriality of the acquisition in question.

The process for the allocation of the purchase price paid for the acquisition of Madbit Entertainment S.r.l. was still provisional at 31 December 2015 and, consequently, the goodwill pertaining to Madbit Entertainment S.r.l. (€ 7,072 thousand) was also provisional at 31 December 2015.

The following table sets out the proposed provisional determination of goodwill pertaining to Madbit Entertainment S.r.l..

STATEMENT OF FINANCIAL POSITION MADBIT ENTERTAINMENT S.r.l. ASSETS	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
Cash and bank balances	205		205	
TOTAL CURRENT ASSETS	**205**	**0**	**205**	
TOTAL ASSETS	**205**	**0**	**205**	

STATEMENT OF FINANCIAL POSITION MADBIT ENTERTAINMENT S.r.l. EQUITY AND LIABILITIES	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
EQUITY	**71**	**0**	**71**	
Other liabilities - current	134		134	
TOTAL CURRENT LIABILITIES	**134**	**0**	**134**	
TOTAL LIABILITIES	**134**	**0**	**134**	
TOTAL EQUITY AND LIABILITIES	**205**	**0**	**205**	

PROVISIONAL GOODWILL MADBIT ENTERTAINMENT S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
TOTAL ADJUSTMENTS PROVISIONAL PPA IFRS	**0**	**0**	**0**	**A**
Equity ITA GAAP			**71**	**B**
EQUITY IFRS after PROVISIONAL PPA			**71**	**C = A + B**
Cost of the investment			**7,142**	**D**
Transaction costs capitalized				**E**
Cost of the investment - net of transaction costs			**7,142**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**7,072**	**G = F - C**

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16. SALE OF PARADIGMA INVESTMENT – LOSS ON DISPOSAL OF SUBSIDIARIES

In October 2015, on account of the changes that had taken place in the high-end corporate publishing market (in which Paradigma operates) and of the fact that it was not considered strategic for TeamSystem Group to invest in this segment, TeamSystem S.p.A. sold its entire equity interest in Paradigma S.r.l. for a consideration of € 500 thousand. Of this consideration, € 50 thousand was collected in 2015 and the remainder shall be paid in 5 annual instalments, the last of which fall due in November 2020.

The subsidiary Paradigma, despite having been considered a separate CGU of the Group, did not constitute a separate major line of business thereof; consequently, it was not necessary to apply IFRS 5 to the recognition of the sale transaction. Due to the sale transaction that took place in October 2015, the consolidated statement of profit or loss for the year ended 31 December 2015 includes the results of Paradigma up to 30 September 2015; the decision to simplify the deconsolidation process (30 September 2015 used as the date of sale rather than 22 October 2015, the effective date of sale) has no impact for disclosure purposes on the consolidated financial statements for the year ended 31 December 2015, on account of the immateriality of the amounts pertaining to the intervening period.

For the determination of the loss on sale of the investment (recognised in the consolidated statement of profit or loss for the year ended 31 December 2015) the net contribution of the assets and liabilities contributed by Paradigma to the balance sheet at 30 September 2015 (that amounts to € 4,012 thousand as shown by the table below) was compared to the sale consideration (€ 500 thousand), arising in a difference equating to a loss on sale of the investment in Paradigma S.r.l. of € 3,512 thousand.

STATEMENT OF FINANCIAL POSITION PARADIGMA S.r.l. ASSETS	30 Sept 2015	
Tangible assets	40	
Intangible assets	1	
Goodwill	3,636	
Deferred tax assets	40	
TOTAL NON CURRENT ASSETS	**3,717**	
Trade receivables	346	
Tax receivables	46	
Other receivables - current	15	
Other financial assets - current	382	
Cash and bank balances	268	
TOTAL CURRENT ASSETS	**1,057**	
TOTAL ASSETS	**4,775**	**A**

STATEMENT OF FINANCIAL POSITION PARADIGMA S.r.l. LIABILITIES	30 Sept 2015	
Staff leaving indemnity	176	
Provisions for risks and charges	142	
TOTAL NON CURRENT LIABILITIES	**318**	
Trade payables	486	
Tax liabilities - current	(175)	
Other liabilities - current	134	
TOTAL CURRENT LIABILITIES	**445**	
TOTAL LIABILITIES	**762**	**B**

TOTAL NET ASSETS PERTAINING TO PARADIGMA S.R.L.	**4,012**	**C = A - B**
CONSIDERATION FOR THE SALE OF PARADIGMA S.R.L.	**500**	**D**
LOSS ON DISPOSAL OF PARADIGMA S.R.L.	**3,512**	**E = C - D**

17.OTHER INVESTMENTS and INVESTMENTS IN ASSOCIATES

	Restated 31 Dec 2013	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	31 Dec 2014
Investments in Associates		828	(73)		(268)		486
Other Investments	293					110	403
Total	**293**	**828**	**(73)**		**(268)**	**110**	**889**

	31 Dec 2014	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	31 Dec 2015
Investments in Associates	486			26	(191)	124	445
Other Investments	403					30	433
Total	**889**			**26**	**(191)**	**154**	**878**

Investments in Associates relate to investments held by TSS. Revaluations and write-downs are due to the application of equity-method valuation.

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

Deferred tax assets at 31 December 2015 amount to € 13,739 thousand, down by € 1,641 thousand compared to the balance at 31 December 2014 of € 15,380 thousand. Details of movements in deferred tax assets in 2015 and in 2014 are provided in the following tables.

DEFERRED TAX ASSETS	Restated 31 Dec 2013	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2014
Provision for slow-moving inventories	4						4
Provision for pension and similar obligation	71				7		78
Staff leaving indemnity - actuarial valuation					64		64
Provision for litigations	152					(3)	149
Provision for bad-debts	351				502	(196)	657
Other Provision	27						27
TeamSystem S.p.A.	**604**				**572**	**(199)**	**978**
Provision for bad-debts		1,229			269		1,498
Fiscal step-up of Goodwill		10,883				(265)	10,618
Staff leaving indemnity - actuarial valuation					49		49
Losses carried forward		887		(562)		(183)	142
Other Provision		30				(8)	22
Other minor items		35				(35)	
TSS S.p.A.		**13,064**		**(562)**	**318**	**(491)**	**12,329**
Deferred tax asset of other Subsidiaries	718				645		1,363
Other Subsidiaries	**718**				**645**		**1,363**
Mark-up on intercompany inventories	7					(3)	4
Write-off start-up costs	25					(7)	18
Write-off other tangible/intangible assets	36					(9)	27
Provision for litigations	31	41					72
Fair value deferred revenue - ACG	740					(651)	89
Provision for pension and similar obligations - ACG	157						157
Bad debts write-off - TSS		248				(248)	
Write-off capitalized development costs - TSS		817				(817)	
Staff leaving indemnity - actuarial valuation	18				325		343
Consolidation entries	**1,014**	**1,106**			**325**	**(1,735)**	**710**
Total	**2,337**	**14,170**		**(562)**	**1,860**	**(2,425)**	**15,380**

DEFERRED TAX ASSETS	31 Dec 2014	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2015
Provision for slow-moving inventories	4						4
Provision for pension and similar obligation	78				23	(32)	69
Staff leaving indemnity - actuarial valuation	64					(39)	25
Provision for litigations	149						149
Provision for bad-debts	657		(92)		289	(223)	631
Other Provision	27				40		66
TeamSystem S.p.A.	**978**		**(92)**		**352**	**(294)**	**944**
Provision for bad-debts	1,498		(201)		461	(379)	1,379
Fiscal step-up of Goodwill	10,618		(1,101)			(431)	9,086
Staff leaving indemnity - actuarial valuation	49				77	(115)	11
Losses carried forward	142					(142)	
Other Provision	22					(3)	19
TSS S.p.A.	**12,329**		**(1,302)**		**538**	**(1,070)**	**10,495**
Deferred tax asset of other Subsidiaries	1,363	(22)			714	(498)	1,557
Other Subsidiaries	**1,363**	**(22)**			**714**	**(498)**	**1,557**
Mark-up on intercompany inventories	4					(4)	0
Write-off start-up costs	18	(7)				(5)	5
Write-off other tangible/intangible assets	27					(8)	19
Provision for litigations	72						72
Fair value deferred revenue - ACG	89					(69)	20
Provision for pension and similar obligations - ACG	157						157
Bad debts write-off					97		97
Staff leaving indemnity - actuarial valuation	343	(10)			74	(97)	310
Other minor items					63		63
Consolidation entries	**710**	**(18)**			**234**	**(184)**	**743**
Total	**15,380**	**(40)**	**(1,394)**		**1,838**	**(2,046)**	**13,739**

With reference to the 2015 figures, the amounts shown in the column headed "Change in consolidation area" (€ 40 thousand) relate to the decrease in deferred tax assets as a consequence of the sale of Paradigma investment. The column headed "Change in tax rate" shows the impact on the deferred tax assets as a consequence of the change in the IRES rate (introduced by law 208 of 28 December 2015) that will come into force as from the 2017 tax year.

Deferred tax assets at 31 December 2015 include approximately € 9.1 million that relates to the step-up for tax purposes of goodwill enacted by the subsidiary TSS S.p.A.. In addition to that, the other main components for which the Group companies have recognised deferred tax assets relate to the allowance for bad debts, to the provision for agents' indemnity and other provisions for risks and charges which are disallowed for tax purposes. These tax assets are not subject to any time maturity/expiration.

Deferred tax liabilities

Deferred tax liabilities at 31 December 2015 amount to € 76,739 thousand, down on the balance at 31 December 2014 (€ 92,967 thousand) by approximately € 16,228 thousand. Movements in deferred tax liabilities in 2015 and 2014 are summarised below.

DEFERRED TAX LIABILITIES	Restated 31 Dec 2013	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2014
Financing Fees	2,088				2,445	(559)	3,974
TeamSystem Holding S.p.A.	**2,088**				**2,445**	**(559)**	**3,974**
Fair value valuation of lands and buildings	1,401					(49)	1,352
TeamSystem - Intangibles	66,812					(3,987)	62,825
Staff leaving indemnity - actuarial valuation	79					(79)	(0)
Investments revaluation	244						244
TeamSystem S.p.A.	**68,535**					**(4,114)**	**64,421**
TSS - Intangibles		3,646				(1,107)	2,539
TSS S.p.A.		**3,646**				**(1,107)**	**2,539**
Deferred tax liabilities of other Subsidiaries	3					(2)	1
Other Subsidiaries	**3**					**(2)**	**1**
Staff leaving indemnity - actuarial valuation	46					(46)	
Euroconference - Intangibles	1,446					(86)	1,360
Euroconference - Services in progress	224				7	(224)	7
Finance lease and valuation of asset at fair value	791					(27)	764
Investments revaluation	(244)						(244)
Metodo - Intangibles	805					(361)	444
Nuovamacut - Intangibles	1,485					(190)	1,294
TSS - Intangibles		13,515			280	(777)	13,018
ACG - Intangibles	5,628					(688)	4,940
Capitalized development costs	337				300	(187)	450
Consolidation entries	**10,517**	**13,515**			**587**	**(2,588)**	**22,032**
Total	**81,144**	**17,161**			**3,032**	**(8,370)**	**92,967**

DEFERRED TAX LIABILITIES	31 Dec 2014	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2015
Financing Fees	3,974		(317)			(740)	2,917
Teamsystem Holding S.p.A.	**3,974**		**(317)**			**(740)**	**2,917**
Fair value valuation of lands and buildings	1,352		(145)			(49)	1,158
TeamSystem - Intangibles	62,825		(6,113)			(3,987)	52,726
Staff leaving indemnity - actuarial valuation	(0)						(0)
Investments revaluation	244						244
TeamSystem S.p.A.	**64,421**		**(6,258)**			**(4,036)**	**54,128**
TSS - Intangibles	2,539		(122)			(946)	1,471
TSS S.p.A.	**2,539**		**(122)**			**(946)**	**1,471**
Deferred tax liabilities of other Subsidiaries	1				1	(1)	1
Other Subsidiaries	**1**				**1**	**(1)**	**1**
Staff leaving indemnity - actuarial valuation							
Euroconference - Intangibles	1,360		(132)			(86)	1,141
Euroconference - Services in progress	7			(13)	14	(4)	4
Finance lease and valuation of asset at fair value	764					(27)	737
Investments revaluation	(244)						(244)
Metodo - Intangibles	444		(14)			(279)	150
Nuovamacut - Intangibles	1,294		(108)			(180)	1,007
TSS - Intangibles	13,018		(1,183)		393	(1,332)	10,897
ACG - Intangibles	4,940		(397)			(688)	3,854
Capitalized development costs	450			13	427	(213)	677
Consolidation entries	**22,032**		**(1,834)**		**835**	**(2,810)**	**18,223**
Total	**92,967**		**(8,532)**		**836**	**(8,532)**	**76,739**

As regards the 2015 year end balances, the column headed "Change in tax rate" shows the impact on the deferred tax liabilities as a consequence of the change in the IRES rate (introduced by law 208 of 28 December 2015) that will come into force as from the 2017 tax year.

The main decrease in the deferred tax liability that took place in 2015 relates to an amount of € 7,498 thousand concerning the reversal of the deferred tax component pertaining to the amortisation of intangible assets (Software, Brands, Customer relationships and other IFRS assets) identified on allocation of the price paid for the acquisition of TeamSystem Group, ACG S.r.l. and TSS S.p.A.

Overall, changes in the deferred tax asset and deferred tax liability had a positive impact on the consolidated income statement of € 14,660 thousand (and a negative impact on the consolidated statement of comprehensive income of € 35 thousand). Of this amount, € 7,138 thousand is a non-recurring component that is attributable to the change in the IRES tax rate (introduced by law 208 of 28 December 2015) that has reduced (as from the tax period subsequent to that in course at 31 December 2016) the IRES rate from 27.5% to 24%. This legislative change has been reflected in TeamSystem Group's financial statements for the year ended 31 December 2015 by means of the remeasurement of deferred tax assets and liabilities, with a consequent total non-recurring impact of € 7,138 thousand.

On account of the circumstances whereby all the Group companies are domiciled in Italy, the only significant difference between the actual tax rate and the nominal tax rate relates to deferred tax that the Group (as from the 2012 financial year) has not recognised on interest expense that was not deducted as it exceeded the limit of "Risultato Operativo Lordo" (ROL). In any case, it is hereby confirmed that the potential deferred tax asset relating to the foregoing is approximately € 22.8 million at 31 December 2015.

19. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS)

	Current	Non Current	31 Dec 2015 Total	Current	Non Current	31 Dec 2014 Total
Bank accounts and post office	16,443		16,443	17,817		17,817
Cash and bank balances	91		91	71		71
Total Cash and bank balances	**16,534**		**16,534**	**17,888**		**17,888**
Other financial assets	100	350	450	7		7
Total Other financial assets	**101**	**350**	**451**	**7**		**7**
Loans with banks	(3,147)		(3,147)	(106)	(158)	(265)
Overdrafts with banks	(4)		(4)	(16)		(16)
Bond	(3,964)	(430,000)	(433,964)	(3,964)	(430,000)	(433,964)
Premium on Bond issue	(1,240)	(4,169)	(5,409)	(1,236)	(5,409)	(6,645)
Dividends to be paid	(500)		(500)	(1,000)		(1,000)
Total Financial liabilities	**(8,854)**	**(434,169)**	**(443,024)**	**(6,323)**	**(435,567)**	**(441,890)**
Financing Fees - bond	2,697	9,070	11,767	2,689	11,767	14,456
Financing Fees - banks	36	102	138			
Financing Fees - prepayments	498	1,429	1,927	518	2,007	2,525
Total Financing Fees	**3,231**	**10,601**	**13,831**	**3,207**	**13,774**	**16,981**
Vendor loan	(9,468)	(19,832)	(29,300)	(806)	(20,585)	(21,390)
Commissions financial liabilities	(115)		(115)	(119)		(119)
Other financial liabilities	(2)		(2)	(0)		(0)
Total Other financial liabilities	**(9,586)**	**(19,832)**	**(29,417)**	**(924)**	**(20,585)**	**(21,509)**
Total	**1,426**	**(443,050)**	**(441,625)**	**13,855**	**(442,378)**	**(428,523)**

Net financial indebtedness at 31 December 2015 amounts to minus € 441,625 thousand with an increase of € 13,102 thousand with respect to the corresponding balance at 31 December 2014 of minus € 428,523 thousand.

Bond

In May 2013 TeamSystem Holding S.p.A. underwent a complex refinancing of its financial structure that culminated on 7 May 2013 with a Bond issue (ISIN codes XS0808635782 - XS0808638372) of a total nominal amount of € 300 million.
In April 2014 TeamSystem Holding S.p.A. has successfully priced an offering of further €130 million Bond tranche in aggregate principal amount of its 7.375% Senior existing Bond due 2020. This € 130 million Bond tranche is treated as additional Bond under the Indenture (the "Indenture") governing the TeamSystem Holding S.p.A. existing €300 million 7.375% Bond and is treated as a single class with the existing Bond for all purposes of the Indenture.

The € 130 million Bond tranche has been issued at a price of 105.75% of principal amount thus recording a Premium on Bond Issuance of € 7,475 thousand which is recognized in the profit or loss account on a straight line basis over the duration of the Bond.

The Bond is listed on the ExtraMot segment of the Italian Stock Exchange and on the Luxembourg Stock Exchange. The Bond is expected to be redeemed in full on the maturity date (15 May 2020) at a price equal to 100% of its nominal value. The Bond bears coupons which are paid on a six month basis (15 May – 15 November) and equate to 7.375% of the nominal value of the Bond.

Following the completion of the additional € 130 million Bond issue, in April 2014 Moody's confirmed the "B2" rating on the TeamSystem Holding S.p.A.'s Bond but changed the outlook to "negative" from "stable" while Standard & Poor's lowered the rating on TeamSystem Holding S.p.A. Bond to "B-" from "B" with "stable outlook".

The Bond may be redeemed:

- at any time prior to 15 May 2016, in whole or in part, at a redemption price equal to the 100% of the principal amount of the notes plus the relevant Applicable Premium (as defined in the Indenture);
- at any time prior to 15 May 2016, up to 40% of the aggregate principal amount of the Bond, may also be redeemed with funds in an aggregate amount not exceeding the cash proceeds of one or more Equity Offerings at a redemption price of 107.375% of the principal amount of the Bond, plus accrued and unpaid interest and any Additional Amounts (each term as defined in the Indenture), according to the terms and conditions of the Indenture;
- at any time on or after 15 May 2016 and up to the maturity date, the Bond may be redeemed at a redemption price equal to the percentage of principal set out in the Indenture for each relevant twelve month period, and a request for redemption may be made by any bondholder in the event of a change of control, as defined in the Indenture, in accordance with the terms therein.

The costs incurred to obtain the above mentioned Bond have been accounted for as Financing Fees and have been amortised on a straight line basis over the contractual duration of the Bond which expires, as above specified, on 15 May 2020.

Following the acquisition of TeamSystem Group (by private equity funds affiliated with Hellman & Friedman on 1 March 2016, further details of which are disclosed in the Company Background paragraph in these notes to the consolidated financial statements for the year ended 31 December 2015), the intention of TeamSystem Group Management is to redeem the € 430 million Bond on 31 May 2016 (or earlier) with the payment of the Applicable Premium (as provided for by the Indenture governing the Bond). As a consequence of the probable early redemption of the Bond, the residual carrying amount of the Financing Fees relating to the Bond (at the potential early redemption date), will be charged to the Group's consolidated statement of profit or loss. As at 31 December 2015, the residual carrying amount of the Financing Fees relating to the Bond was approximately € 11,767 thousand.

Revolving credit facility (RCF)
Following the reorganisation of the Group's financial structure occurred in May 2013, the Group also negotiated a Revolving credit facility (of a total amount of € 45 million), the maturity date of which is 15 November 2019. The interest rate payable on this credit facility is based on Euribor plus a spread (which may vary between 4.00% and 4.50%) linked to the achievement of certain financial parameters ("Consolidated leverage ratio") as defined in the terms of the financing agreement. The revolving credit facility may be drawn down to finance investment or to finance working capital needs.

The revolving credit facility contains certain incurrence covenants, as well as certain affirmative and negative covenants that, at 31 December 2015, have been fully complied with.

The costs incurred to obtain the above mentioned credit facility have been accounted for as Financing Fees and have been amortised on a straight line basis over the contractual duration of the credit facility which expires, as above specified, on 15 November 2019.

In the month of December 2015 the Revolving credit facility has been partially drawn down for an amount of € 3 million for general corporate purposes.

As previously disclosed, upon the acquisition of TeamSystem Group on 1 March 2016 by private equity funds affiliated with Hellman & Friedman, the Revolving Credit Facility (RCF) agreement (that had been entered into by TeamSystem S.p.A.) was terminated. The residual carrying amount of the Financing Fees relating to the agreement (at the termination date) will be charged to the Group's consolidated statement of profit or loss in 2016; note that the residual carrying amount of the Financing Fees at 31 December 2015 was € 2,065 thousand.

Guarantess Provided
Secured guarantees and pledges over the shares of TeamSystem S.p.A. and TeamSystem Holding S.p.A. have been provided for both the Revolving credit facility and the Bond as detailed in Note 30.

Dividends to be paid
The general meeting of shareholders of TeamSystem Holding S.p.A. held on 5 December 2014 approved a distribution out of equity reserves of an amount of € 1,000 thousand to the parent company TeamSystem HoldCo S.à.r.l. with the aim of providing the parent company TeamSystem HoldCo S.à.r.l. with sufficient liquidity to cover its operating costs. As at the reporting date, the dividends had been paid for an amount of € 500 thousand.

Vendor loan

The Vendor Loan (€ 29,300 thousand at 31 December 2015 and € 21,390 at 31 December 2014) relates to put / call options and/or earn-outs due to non-controlling shareholders of some consolidated subsidiaries (Metodo S.p.A., Lexteam S.r.l., Inforyou S.r.l., Gruppo Euroconference S.p.A., TeamSystem Communication S.r.l., TeamSystem Emilia S.r.l., Atys S.r.l., Danea Soft S.r.l., Digita S.r.l. and Madbit Entertainment S.r.l.). As already explained in "Basis of consolidation" paragraph, TeamSystem Group, normally at the same time as the acquisition of controlling stakes in an investee, enters into put and call option agreements for the residual stake held by non-controlling owners of the acquiree. For those cases, where part of the acquisition takes place through the stipulation of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated and 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; a debt towards minorities (the above called " vendor loan") is accounted for, subject to fair value measurement and subsequent changes.

Movements in the Vendor loan balance in 2015 and in 2014 are summarised below.

	Restated 31 Dec 2013	Change in cons. area	Interest	Revaluations and Dividend cost	Write-downs	Payments	Dividends paid	31 Dec 2014
Vendor Loan	18,701	2,900	1,037	5,123	(1,094)	(4,252)	(1,026)	21,390
Total	**18,701**	**2,900**	**1,037**	**5,123**	**(1,094)**	**(4,252)**	**(1,026)**	**21,390**

	31 Dec 2014	Change in cons. area	Interest	Revaluations and Dividend cost	Write-downs	Payments	Dividends paid	31 Dec 2015
Vendor Loan	21,390	5,792	1,094	5,344	(1,081)	(2,390)	(848)	29,300
Total	**21,390**	**5,792**	**1,094**	**5,344**	**(1,081)**	**(2,390)**	**(848)**	**29,300**

During the course of 2015, Vendor loan payments were made of € 2.4 million due to the acquisition:

- of 15% of the quota capital of H-Umus S.r.l.;
- of 0.14% of the share capital of Gruppo Euroconference S.p.A.;
- of 12.5% of the quota capital of Lexteam S.r.l.;
- of 15.72% of the quota capital of TeamSystem Ancona S.r.l.;
- and due to the exercise of the earn-out agreement relating to the investment in Inforyou S.r.l.

In addition to that, dividends were paid for an amount of € 848 thousand.

Furthermore, in the course of 2015, following the acquisition of the investment in Madbit Entertainment S.r.l., the put/call option in Danea Soft S.r.l. has been re-negotiated.

In addition to the agreements indicated above, at the end of 2014 an agreement was entered into with the reseller TeamSystem C&D S.r.l., whereby the quotaholders of the latter granted TeamSystem S.p.A. a call option, by means of which the latter has the right, exercisable on specified dates, to acquire the entire capital of TeamSystem C&D. The company has considered the fair value of the option at 31 December 2015 and deemed it was immaterial, given that the exercise price thereof approximates the fair value of the investment and considering that no price was paid at the date of the subscription of the call option agreement.

20. INVENTORIES

	31 Dec 2015	31 Dec 2014	Change	% Change
Raw and ancillary materials	165	209	(44)	-20.8%
Finished products and goods	1,371	1,271	100	7.9%
Advances		5	(5)	-100.0%
(Allowance for slow-moving inventory)	(74)	(74)		
Total	**1,463**	**1,411**	**52**	**3.7%**

Inventories have increased by € 52 thousand at 31 December 2015 (€ 1,463 thousand) compared to the balance at 31 December 2014 (€ 1,411 thousand). The closing inventory of finished products and goods includes hardware products not yet delivered at the consolidated statement of financial position date as well as consumables, accessories, third party software modules and licences for resale characterised by a high turnover.

21. TRADE RECEIVABLES

	31 Dec 2015	31 Dec 2014	Change	% Change
Trade receivables	103,471	93,888	9,583	10.2%
(Allowance for bad debts)	(13,621)	(12,576)	(1,045)	8.3%
Total	**89,850**	**81,312**	**8,538**	**10.5%**

Trade receivables at 31 December 2015 amount to € 89,850 thousand (net of the relevant Allowance for bad debts), with an increase of € 8,538 thousand compared to the balance at 31 December 2014 (€ 81,312 thousand).

Movements in the Allowance for bad debts in 2015 and 2014 are summarised below.

	Restated 31 Dec 2013	Change in cons. area	Other movements	(*) Additions	(*) (Utilisations)	31 Dec 2014
Allowance for bad debts	3,403	5,191		7,400	(3,418)	12,576
Total	**3,403**	**5,191**		**7,400**	**(3,418)**	**12,576**

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

	31 Dec 2014	Change in cons. area	Other movements	(*) Additions	(*) (Utilisations)	31 Dec 2015
Allowance for bad debts	12,576	(20)	27	5,071	(4,033)	13,621
Total	**12,576**	**(20)**	**27**	**5,071**	**(4,033)**	**13,621**

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

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

The amounts shown in the column headed “Change in consolidation area” relate to the allowances for bad debts of the new companies consolidated in 2015 (Ulisse Tecnologie S.r.l., Madbit Entertainment S.r.l.) at the respective acquisition dates, net of balance of Paradigma S.r.l. which has been sold during the 2015.

22. TAX RECEIVABLES

	31 Dec 2015	31 Dec 2014	Change	% Change
VAT receivables	370	399	(29)	-7.3%
Tax credits	546	217	329	n.s.
Other tax receivables	531	825	(293)	-35.6%
Withholding tax credit	2	1	2	n.s.
Tax consolidation receivables	(0)	(0)	0	-1.9%
Advances and credit on income taxes	3,945	2,997	948	31.6%
Total	**5,394**	**4,437**	**957**	**21.6%**

Tax receivables at 31 December 2015 amount to € 5,394 thousand, up compared to the balance at 31 December 2014 (€ 4,437 thousand) by € 957 thousand.

Advances and credit on income tax mainly relates to:

- an amount receivable by the Group companies for approximately € 1.4 million concerning non-recurring income from a reimbursement of IRES due to the failure to make an IRAP deduction which has been credited in 2012 financial year;
- and for the remaining amount is attributable to income tax credit balances pertaining to some subsidiaries.

23. OTHER RECEIVABLES - CURRENT

	31 Dec 2015	31 Dec 2014	Change	% Change
Deposits	667	651	17	2.5%
Receivables from employees	329	131	198	n.s.
Other receivables - current	1,878	1,031	846	82.0%
Accrued income	76	29	46	n.s.
Prepayments	10,303	8,370	1,933	23.1%
Other current receivables	**13,252**	**10,212**	**3,040**	**29.77%**

The Other receivables balance at 31 December 2015 amounts to € 13,252 thousand up by € 3,040 thousand compared to the corresponding balance at 31 December 2014 (€ 10,212 thousand) and it is mainly due to the increase in the balance of Prepayment for € 1,933 thousand as a consequence of both of the new acquisition made by the Group in 2015 and the organic increase of the business.

24. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY and MINORITY 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 2013	**3,214**	**219,699**	**103**	**(11,389)**	**(28,550)**	**183,077**	**711**	**183,788**
Profit (Loss) allocation		(28,550)			28,550	**0**		**0**
Other movements		22,500				**22,500**		**22,500**
Change in Non controlling interests IFRS 3		(277)				**(277)**	(84)	**(360)**
Dividends		(1,000)				**(1,000)**	(47)	**(1,047)**
Profit (Loss) on comprehensive income			(1,368)		(32,036)	**(33,404)**	128	**(33,276)**
31 Dec 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**

	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 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**
Profit (Loss) allocation		(32,036)			32,036	**0**		**0**
Dividends						**(0)**	(146)	**(146)**
Profit (Loss) on comprehensive income			329		(18,415)	**(18,086)**	237	**(17,849)**
31 Dec 2015	**3,214**	**180,337**	**(936)**	**(11,389)**	**(18,415)**	**152,810**	**799**	**153,610**

At 31 December 2015 Total Equity attributable to owner of the company amounts to € 152,810 thousand compared to the corresponding balance at 31 December 2014 of € 170,897 thousand.

The general meeting of shareholders of TeamSystem Holding S.p.A. held on 8 May 2015 passed a resolution to allocate the statutory loss for 2014 (€ 2,898 thousand) to the share premium reserve.

Other Profit (Loss) net of income taxes relate primarily to the recognition of actuarial differences in accordance with the standard IAS 19. The application thereof had a positive effect on comprehensive income of € 333 thousand net of tax effect (see Note 25).

In accordance with common Italian practice, the table below shows the reconciliation of Equity and Profit (Loss) of the TeamSystem Holding S.p.A. and Equity and Profit (Loss) of the consolidated financial statements for the year ended 31 December 2015.

RECONCILIATION BETWEEN PROFIT (LOSS) AND EQUITY OT THE PARENT COMPANY AND PROFIT (LOSS) AND EQUITY OF THE CONSOLIDATED FINANCIAL STATEMENT

	Profit (Loss)	Equity
Profit (Loss) and Equity - TeamSystem Holding S.p.A.	**(1,309)**	**245,205**
Reversal of goodwill amortisation and other fixed assets' depreciation	442	(3,243)
Reversal of unrealized gains on intercompany transactions - Inventory	7	19
Valuation of ongoing services related to Education projects	(23)	7
Fixed assets under finance lease and fair value of tangible assets	(59)	(151)
Adjustment resulting from actuarial valuation of Staff leaving indemnity	(84)	(1,188)
Amortisation of intangible assets	(3,070)	(10,412)
Capitalized development costs	468	3,529
Reversal of transaction costs capitalized on the investment cost	(127)	(224)
Fair value evaluation of vendor loan	(985)	(136)
Equity method valuation of associates	(148)	(148)
Deferred revenue	14	1,437
Trade receivables write-downs	(254)	399
Dividends received from consolidated companies	(3,634)	(3,634)
Results and equity pertaining to the consolidated companies and acquisition of non controlling interests	(9,656)	(78,652)
Profit (Loss) and Equity of the Consolidated Financial Statement	**(18,415)**	**152,810**

25. STAFF LEAVING INDEMNITY

	Restated 31 Dec 2013	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain) / loss	(Utilisations)	31 Dec 2014
Staff leaving indemnity	10,846	2,991	(15)	899	445	1,901	(709)	16,358
Total	**10,846**	**2,991**	**(15)**	**899**	**445**	**1,901**	**(709)**	**16,358**

	31 Dec 2014	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain) / loss	(Utilisations)	31 Dec 2015
Staff leaving indemnity	16,358	(95)		1,067	304	(369)	(1,334)	15,931
Total	**16,358**	**(95)**		**1,067**	**304**	**(369)**	**(1,334)**	**15,931**

Staff leaving indemnity at 31 December 2015 amounts to € 15,931 thousand, down on the balance at 31 December 2014 (€ 16,358 thousand) by € 427 thousand. Part of the variance in the amount of Staff leaving indemnity is due to the change in consolidation area attributable to:

- the contribution of the new-consolidated company Ulisse Tecnologie S.r.l. (€ 81 thousand);
- the de-consolidation of the subsidiary Paradigma S.r.l. (€ 176 thousand).

In accordance with IAS 19, employee termination indemnities are 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 which involves the 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 employee service expected to be made in the future 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 and loss, namely, the actuarial gain/loss relating to the valuation period.

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

	Financial year 2015	**Financial year 2014**
Turnover	4.00%	4.00 %
Discount rate	2.30%	1.86 %
Anticipation rate	1.00%	1.00%

The discount rate used for the determination of the present value of the provision for severance indemnities was determined with reference to the IBoxx Eurozone Corporate A index both for 31 December 2015 and for 31 December 2014.

Furthermore, it should be noted that, should the annual discount rate vary by plus or minus 0.25%, the provision for severance indemnities would be approximately € 15.5 million and € 16.4 million respectively.

IAS 19 – Employee benefits requires that the actuarial gains and losses arising from "remeasurement" of assets and liabilities are recognised in the consolidated statement of comprehensive income. Consequently, the charge included in the 2015 consolidated statement of comprehensive income (€ 368 thousand) equates to the actuarial gain and loss as indicated above, net of the tax effect of € 35 thousand.

26. PROVISIONS FOR RISKS AND CHARGES

	Restated 31 Dec 2013	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2014
Provision for pension and similar obligation	1,217	56		84	(42)	1,315
Provision for litigations	657	130		30	(83)	734
Other Provision for risks and charges	357	83	(74)	91	(22)	435
Total	**2,231**	**269**	**(74)**	**205**	**(148)**	**2,483**

	31 Dec 2014	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2015
Provision for pension and similar obligation	1,315	537		301	(663)	1,490
Provision for litigations	734	(120)		431	(21)	1,024
Other Provision for risks and charges	435	(22)		163	(222)	354
Total	**2,483**	**395**		**895**	**(906)**	**2,868**

Provisions for risks and charges at 31 December 2015 amount to € 2,868 thousand, up by € 385 thousand compared to the balance at 31 December 2014 (€ 2,483 thousand) mainly due to the contribution of the change in consolidation area which refers to:

- the contribution of the newly acquired company Ulisse Tecnologie S.r.l. (for an amount of € 537 thousand);
- the de-consolidation of Paradigma balances for an amount of 142 thousand.

Lastly, note that the Group companies are not party to any additional litigation or disputes worthy of note (in terms of probable liabilities) other than those already reflected by the figures in the financial statements.

27. TAX LIABILITIES - CURRENT

	31 Dec 2015	31 Dec 2014	Change	% Change
VAT liabilities	1,100	1,286	(187)	-14.51%
Income tax payables	4,144	710	3,434	n.s.
Withholdings liabilities	3,305	2,959	346	11.71%
Other tax liabilities	76	16	61	n.s.
Total	**8,625**	**4,970**	**3,655**	**73.5%**

Current tax liabilities at 31 December 2015 amount to € 8,625 thousand, up by € 3,655 thousand compared to the balances at 31 December 2014 (€ 4,970 thousand). This change is mainly attributable to an increase in Income Tax payables for an amount of € 3,434 thousand.

28. OTHER LIABILITIES - CURRENT AND NON CURRENT

	31 Dec 2015	31 Dec 2014	Change	% Change
Social security liabilities - current	6,648	5,885	762	13.0%
Employees payables	12,550	11,326	1,223	10.8%
Advances	3,449	3,386	63	1.9%
Other liabilities	748	820	(72)	-8.8%
Accrued liabilities	185	84	101	n.s.
Deferred revenues	24,660	21,083	3,577	17.0%
Other current liabilities	**48,240**	**42,585**	**5,655**	**13.28%**
Social security liabilities - non current	706	755	(49)	-6.5%
Other tax liabilities - non current	54	67	(14)	-20.1%
Other non current liabilities	**760**	**823**	**(62)**	**-7.57%**
Total Other liabilities	**49,000**	**43,407**	**5,593**	**12.88%**

Other current and non current liabilities at 31 December 2015 amount to € 49,000 thousand, up by € 5,593 thousand compared to the balance at 31 December 2014 (€ 43,407 thousand). This increase is mainly due to a change in Deferred revenues (€ 3,577 thousand), to a change in Employees payables for € 1,223 thousand and to Social security liabilities (€ 762 thousand).

Employee payables of € 12,550 thousand relate to remuneration and 2015 performance bonuses (not yet paid at the year end) payable to employees, directors and collaborators, as well as accruals for holiday pay and leave of absence. It should be noted that there are no employee bonuses due beyond one year worthy of mention.

Advances at 31 December 2015 amount to € 3,449 thousand and mainly relate to advances received by the Education business unit relating to training services being provided at the consolidated statement of financial position date.

Deferred revenue (€ 24,660 thousand) mainly relates to the portion of revenue for software subscriptions (pertaining essentially to Nuovamacut Group companies and TSS S.p.A.) attributable to future financial years, based upon the contract duration.

Other non current liabilities at 31 December 2015 amount to € 760 thousand (€ 823 thousand at 31 December 2014) and relate primarily to the following balances pertaining to TeamSystem S.p.A.:

- € 54 thousand relating to income tax, VAT and other taxes of TeamSystem Fabriano, merged by absorption into TeamSystem in 2001;
- € 706 thousand relating to social contributions, of which € 691 thousand relates to the ancillary establishment in Campobasso and € 15 thousand relates to the ancillary establishment in Fabriano.

29. FINANCIAL INSTRUMENTS AND IFRS 7

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

Foreign exchange risks

The Group operate almost exclusively in Italy and, accordingly, are not exposed to foreign exchange risks.

Credit risk

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

In any case, the customer credit policy, by customer category (resellers and end-users), envisages:
a) the control and assessment of "credit standing";
b) 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 credit 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 2015 the Group does not have any guarantees covering trade receivables.

The tool most widely 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 writedown recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts.

Interest rate risk

Subsequent to the debt refinancing process (as described in Note 19), TeamSystem Group 's financial structure is essentially characterised by fixed rate debt, with the sole exception of a revolving credit facility which, in any case, has been drawn down for an amount of € 3 million at 31 December 2015.

Accordingly, as at the balance sheet date of 31 December 2015, there are no significant financial risks linked to fluctuations in market interest rates and, consequently, the Group has not performed any analysis of the sensitivity (of its funding costs) to fluctuations in market interest rates.

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 done by the Finance Department of TeamSystem Group.

Of the procedures adopted with the intention of optimising cash flow management and of reducing the liquidity risk, the following should be noted:
1) the maintenance of an adequate level of available liquidity;
2) the adoption of Cash-pooling at Group level;
3) the obtainment of adequate borrowing facilities;
4) the control of prospective liquidity conditions, in relation to the corporate planning process.

Set out below are details of the Group's financial assets and liabilities analysed according to the related due dates of the payment outflows. The flows indicated are non-discounted nominal cash flows, determined with reference to the residual contractual maturity for both capital and interest elements for which the assumed interest rates have remained unchanged from those existing at 31 December 2014 and 2015.

POSITION AT 31 DECEMBER 2014	31 Dec 2014	within 12 months	within 1 - 2 years	within 2 - 5 years	over 5 years	Total cash flows
Accruals and prepaid commissions						
Other financial assets	7	7				**7**
Loans with banks	(265)	(107)	(159)			**(265)**
Overdrafts with banks	(16)	(16)				**(16)**
Bond	(433,964)	(31,713)	(31,713)	(95,138)	(477,569)	**(636,131)**
Financial liabilities with other institutions						
Dividends to be paid	(1,000)	(1,000)				**(1,000)**
Commissions financial liabilities	(119)	(119)				**(119)**
Other financial liabilities	(0)					
Vendor loan	(21,390)	(825)	(10,785)	(3,689)	(10,658)	**(25,957)**
Total	**(456,747)**	**(33,772)**	**(42,656)**	**(98,826)**	**(488,227)**	**(663,481)**

POSITION AT 31 DECEMBER 2015	31 Dec 2015	within 12 months	within 1 - 2 years	within 2 - 5 years	over 5 years	Total cash flows
Accruals and prepaid commissions						
Other financial assets	450	100	100	250		**450**
Loans with banks	(3,147)	(3,147)				**(3,147)**
Overdrafts with banks	(4)	(4)				**(4)**
Bond	(433,964)	(31,717)	(31,717)	(509,281)		**(572,715)**
Financial liabilities with other institutions						
Dividends to be paid	(500)	(500)				**(500)**
Commissions financial liabilities	(115)	(115)				**(115)**
Other financial liabilities	(2)	(2)				**(2)**
Vendor loan	(29,300)	(9,719)	(2,547)	(2,068)	(22,608)	**(36,942)**
Total	**(466,582)**	**(45,104)**	**(34,164)**	**(511,099)**	**(22,608)**	**(612,975)**

The difference between the amounts presented in the consolidated financial statements and total cash flow is mainly attributable to the computation of interest over the contractual duration for amounts due to banks, bond-holders or for the vendor loan liabilities.

Financial instruments by category (IFRS 7 paragraph 8)

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

POSITION AT 31 DECEMBER 2014	31 Dec 2014	FVTPL	LAR	AFS	FLAC
Current and Non current Assets					
Financing fees prepayments - current and non-current	2,525				2,525
Other financial assets - current and non current	7	0	0	0	7
Trade receivables	81,312		81,312		
Cash and bank balances	17,888				
Total	**101,733**	**0**	**81,312**	**0**	**2,532**
Current and Non Current Liabilities					
Financial liabilities with banks and other institutions - current and non current	441,890	0	0	0	441,890
Financing Fees - current and non current	(14,456)	0	0	0	(14,456)
Other financial liabilities - current and non current	21,509	21,390	0	0	119
Trade payables	28,403				
Total	**477,346**	**21,390**	**0**	**0**	**427,553**

POSITION AT 31 DECEMBER 2015	31 Dec 2015	FVTPL	LAR	AFS	FLAC
Current and Non current Assets					
Financing fees prepayments - current and non-current	1,927				1,927
Other financial assets - current and non current	451	0	0	0	451
Trade receivables	89,850		89,850		
Cash and bank balances	16,534				
Total	**108,762**	**0**	**89,850**	**0**	**2,378**
Current and Non Current Liabilities					
Financial liabilities with banks and other institutions - current and non current	443,024	0	0	0	443,020
Financing Fees - current and non current	(11,904)	0	0	0	(11,904)
Other financial liabilities - current and non current	29,417	29,300	0	0	117
Trade payables	32,099				
Total	**492,635**	**29,300**	**0**	**0**	**431,233**

EXPLANATIONS OF FINANCIAL INSTRUMENTS' CATEGORIES

FVTPL = **Financial instruments at fair value through profit and loss**
LAR = **Loans and Receivables**

AFS = **Financial assets available for sale**
FLAC = **Financial liabilities measured at amortised cost**

Considering the features of the financial assets and liabilities recorded in the financial statements and shown by the above table, the fair value of many of these (current trade receivables and payables, current and non-current financial liabilities) do not differ from their carrying value with the exception of Bond for which the market quote as at 31 December 2015 (of approximately 104.04) consist of the best estimate of fair value as at 31 December 2015.

Levels of fair value hierarchy

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

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

POSITION AT 31 DECEMBER 2014	Level 1	Level 2	Level 3	TOTAL
Assets				
Other Investments			403	**403**
Total			**403**	**403**
Liabilities				
Vendor loan			21,390	**21,390**
Total			**21,390**	**21,390**

POSITION AT 31 DECEMBER 2015	Level 1	Level 2	Level 3	TOTAL
Assets				
Other Investments			433	**433**
Total			**433**	**433**
Liabilities				
Vendor loan			29,300	**29,300**
Total			**29,300**	**29,300**

During the year there have been no significant transfers from one level to another of the fair value categories presented.

The financial payable relating to the vendor loan represents the main category within the fair value level 3 and it is represented by the fair value of the estimated liability with respect to put and call or earnout agreements relating to various non-controlling interests in the 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 formed the basis for the computation of the consideration, are accounted for in the consolidated statement of profit or loss; the effect recorded in the 2015 consolidated statement of profit or loss resulting from the change in estimate of the fair value of the liability relating to the vendor loan amounts to approximately € 1,081 thousand as Vendor loan devaluation and approximately € 5,343 thousand as Vendor loan revaluation (included € 848 thousand of dividend paid) while € 1,094 thousand has been accounted for as Interest in the line Other IFRS financial charges (see Note 8 and Note 9 as to Finance Income and Finance Costs and Note 19 as to Net Financial Indebtedness).

Note that the discount rate applied for the measurement of the vendor loan at 31 December 2015 is that adopted for the performance of Group impairment tests at 31 December 2015 that is, the rate that equates to the cost of debt (gross of the tax effect) of 4.88% at 31 December 2015 (5.46% at 31 December 2014). This cost of debt is deemed representative of TeamSystem Group's specific credit risk at the balance sheet date. In this regard, the Group has also performed analysis of the sensitivity of the carrying amount of the vendor loan to interest rates applied. The results of this analysis are set out in the table below.

Vendor loan Sensitivity - 2015					
Cost of Debt - gross of tax	3.88%	4.38%	4.88%	5.38%	5.88%
Vendor loan	30,636	29,955	29,300	28,670	28,063

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

Guarantees Provided

Set out below are details of the collateral provided in connection with the TeamSystem S.p.A.'s Revolving credit facility (Note 19):

- Pledge over the shares of TeamSystem Holding S.p.A.;
- Pledge over the shares of TeamSystem S.p.A.;
- Assignment by way of security of receivables deriving from intercompany lending transactions (between TeamSystem Holding S.p.A. and TeamSystem S.p.A.) as per the loan agreements for the Funding Loan and Shareholders Loan;
- Pledge over the shares of Gruppo Euroconference S.p.A. held by TeamSystem S.p.A.;
- Pledge over industrial property rights of TeamSystem S.p.A.;
- Special lien granted by TeamSystem S.p.A..

The main elements of the collateral provided in connection with the Bond (Note 19) include:

- Pledge over the entire share capital of TeamSystem Holding S.p.A.;
- Pledge over the shares of TeamSystem S.p.A.;
- Assignment by way of security of receivables deriving from intercompany lending transactions (between TeamSystem Holding S.p.A. and TeamSystem S.p.A.) as per the loan agreements for the Funding Loan and Shareholders Loan.

In addition to unsecured guarantees provided by Titan Luxco 3 S.à.r.l. (which became TeamSystem Holding 2 S.p.A. and was merged into TeamSystem Holding S.p.A.) and by TeamSystem S.p.A. in order to guarantee, within the limits established by the Indenture, the redemption of the Bond.

Other significant commitments and contractual rights

Group companies are party to put/call option agreements in respect of the shares/quotas held by non-controlling share in the following companies and for the percentage holdings as indicated below:

Put / Call Options Outstanding	31 Dec 2015	31 Dec 2014
Lexteam S.r.l.		12.50%
Metodo S.p.A.	10.00%	10.00%
Inforyou S.r.l.	25.00%	25.00%
Gruppo Euroconference S.p.A.	0.14%	0.28%
TeamSystem Emilia S.r.l.	22.09%	22.09%
TeamSystem Communication S.r.l.	40.00%	40.00%
TeamSystem Ancona S.r.l.		15.72%
Danea Soft S.r.l.	49.00%	49.00%
H-Umus S.r.l.		15.00%
Digita S.r.l.	40.00%	40.00%
Paradigma S.r.l.		22.50%
Madbit Entertainment S.r.l.	49.00%	

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

In addition to the agreements indicated above, at the end of 2014 an agreement was entered into with the reseller TeamSystem C&D S.r.l., whereby the quotaholders of the latter granted TeamSystem S.p.A. a call option, by means of which the latter has the right, exercisable on specified dates, to acquire the entire capital of TeamSystem C&D. The company has considered the fair value of the option at 31 December 2015 and deemed it was immaterial, given that the exercise price thereof approximates the fair value of the investment and considering that no price was paid at the date of the subscription of the call option agreement.

Operating lease agreements and rental of property

Euro Million POSITION AT 31 DECEMBER 2014	within 1 year	2 - 4 years	over 5 years	Total
Leases for motor cars	3.0	3.3		**6.3**
Leases for operational premises	3.6	8.9	7.7	**20.2**
Total	**6.6**	**12.2**	**7.7**	**26.5**

Euro Million POSITION AT 31 DECEMBER 2015	within 1 year	2 - 4 years	over 5 years	Total
Leases for motor cars	2.9	3.0		**5.9**
Leases for operational premises	3.0	8.4	6.4	**17.8**
Total	**5.9**	**11.4**	**6.4**	**23.7**

The Group companies are party to operating lease agreements relating mainly to the use of motor cars. At 31 December 2015 the amount of outstanding instalments for operating leases was approximately € 5.9 million.

TeamSystem Group's operational premises are mostly leased. At 31 December 2015, the amount of outstanding lease instalments was approximately € 17.8 million, down by € 2.4 million with respect to the 2014 balance (€ 20.2 million) mainly due to the renegotiation of existing lease agreements rather than the rationalisation / efficiency improvements in the management of operational premises currently used by the Group companies.

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 and would thus impact the financial position.
The Group, in accordance with opinions provided by its legal advisers, has made specific provision as part of the provision for risks and charges (Note 26) for litigation for which it is believed that a disbursement of resources is probable and for which the amount is capable of being reliably estimated. Based on the information available, there are no further potentially significant contingent liabilities that could lead to significant disbursements for the Group.

Apart from the potential tax asset as disclosed in Note 18 (for approximately 22.8 million), the Group has not any further potential significant contingent asset as at 31 December 2015.

31. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON CONTROLLING INTERESTS

Investments in Associates

As requested by IFRS 12, additional disclosure regarding Investments in Associates are 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	2,652	2,502	150	4,397	10
Mondoesa Lazio S.r.l.	Frosinone	35.00	1,383	1,108	275	2,214	16
Mondoesa Milano Nordovest S.r.l.	Milan	49.00	1,683	1,989	(306)	1,884	(348)
Cesaco S.r.l.	Vicenza	48.00	596	249	347	539	10
Aldebra S.p.A.	Trento	17.65	13,202	11,676	1,525	27,954	14

(**) = figures updated to 31 December 2014 financial statements

Investments in Consolidated subsidiaries – material non controlling interests

As requested by IFRS 12, summarised financial disclosure in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial disclosure below represents amounts before intragroup elimination and consolidation entries. Please also note that the percentage held in the subsidiaries is the actual percentage held by the Group at the reporting date, therefore without taking into consideration the vendor loan agreements negotiated by the Group (see also the paragraph "Scope of consolidation" and paragraph "Basis of consolidation" for further details).

Euro thousands TEAMSYSTEM EMILIA	TEAMSYSTEM EMILIA --------- 31 Dec 2015	TEAMSYSTEM EMILIA --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	22.09	22.09	0.00
Total Current Assets	7,142	6,266	875
Total Non Current Assets	223	297	(74)
Total Current Liabilities	2,760	2,705	55
Total Non Current Liabilities	1,190	1,097	93
Total Equity	3,414	2,761	653
Total Equity attributable to non controlling interests	754	610	144
Total Revenue	11,483	10,956	527
Operating Result	2,348	1,503	844
Profit (Loss) for the year	1,553	915	637
Profit (Loss) for the year - Non controlling Interests	343	202	141

Euro thousands METODO	METODO --------- 31 Dec 2015	METODO --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	10	10	0.00
Total Current Assets	7,180	6,403	777
Total Non Current Assets	230	279	(49)
Total Current Liabilities	1,382	1,367	15
Total Non Current Liabilities	667	608	59
Total Equity	5,361	4,706	654
Total Equity attributable to non controlling interests	536	471	65
Total Revenue	6,405	6,739	(334)
Operating Result	1,490	1,371	119
Profit (Loss) for the year	1,104	865	239
Profit (Loss) for the year - Non controlling Interests	110	87	24

Euro thousands INFORYOU	INFORYOU --------- 31 Dec 2015	INFORYOU --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	25	25	0.00
Total Current Assets	3,423	3,092	330
Total Non Current Assets	103	122	(19)
Total Current Liabilities	572	893	(321)
Total Non Current Liabilities	66	61	5
Total Equity	2,888	2,260	628
Total Equity attributable to non controlling interests	722	565	157
Total Revenue	3,566	3,322	244
Operating Result	1,282	1,217	66
Profit (Loss) for the year	878	830	48
Profit (Loss) for the year - Non controlling Interests	220	207	12

Euro thousands TEAMSYSTEM COMMUNICATION	TEAMSYSTEM COMMUNICATION --------- 31 Dec 2015	TEAMSYSTEM COMMUNICATION --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	40	40	0.00
Total Current Assets	1,457	1,093	365
Total Non Current Assets	1,187	1,115	72
Total Current Liabilities	2,461	2,204	257
Total Non Current Liabilities	158	128	30
Total Equity	26	(125)	150
Total Equity attributable to non controlling interests	10	(50)	60
Total Revenue	2,080	1,715	365
Operating Result	84	(139)	223
Profit (Loss) for the year	2	(148)	150
Profit (Loss) for the year - Non controlling Interests	1	(59)	60

Euro thousands DANEA SOFT	DANEA SOFT --------- 31 Dec 2015	DANEA SOFT --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	49	49	0.00
Total Current Assets	4,553	4,775	(221)
Total Non Current Assets	1,494	86	1,409
Total Current Liabilities	2,792	2,351	441
Total Non Current Liabilities	141	137	5
Total Equity	3,114	2,373	742
Total Equity attributable to non controlling interests	1,526	1,163	363
Total Revenue	5,614	4,887	727
Operating Result	2,536	2,175	360
Profit (Loss) for the year	1,742	1,509	233
Profit (Loss) for the year - Non controlling Interests	853	739	114

Euro thousands DIGITA	DIGITA --------- 31 Dec 2015	DIGITA --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	40	40	0.00
Total Current Assets	947	499	449
Total Non Current Assets	36	39	(3)
Total Current Liabilities	288	239	49
Total Non Current Liabilities	87	68	19
Total Equity	608	230	378
Total Equity attributable to non controlling interests	243	92	151
Total Revenue	1,314	881	433
Operating Result	569	240	329
Profit (Loss) for the year	378	154	224
Profit (Loss) for the year - Non controlling Interests	151	62	89

Euro thousands MADBIT	MADBIT --------- 31 Dec 2015	MADBIT --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	49		49.00
Total Current Assets	457	0	457
Total Non Current Assets	6	0	6
Total Current Liabilities	336	0	336
Total Non Current Liabilities	2	0	2
Total Equity	125	0	125
Total Equity attributable to non controlling interests	61	0	61
Total Revenue	365	0	365
Operating Result	90	0	90
Profit (Loss) for the year	55	0	55
Profit (Loss) for the year - Non controlling Interests	27	0	27

Euro thousands GRUPPO EUROCONFERENCE	GRUPPO EUROCONFERENCE --------- 31 Dec 2015	GRUPPO EUROCONFERENCE --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	3.27	3.41	-0.14
Total Current Assets	13,786	13,406	380
Total Non Current Assets	1,187	1,004	183
Total Current Liabilities	6,308	6,607	(298)
Total Non Current Liabilities	366	357	9
Total Equity	8,299	7,446	853
Total Equity attributable to non controlling interests	271	254	17
Total Revenue	10,417	11,723	(1,307)
Operating Result	2,293	2,274	19
Profit (Loss) for the year	1,653	1,597	56
Profit (Loss) for the year - Non controlling Interests	54	54	(0)

Euro thousands NUOVAMACUT NORD OVEST	NUOVAMACUT NORD OVEST --------- 31 Dec 2015	NUOVAMACUT NORD OVEST --------- 31 Dec 2014	Change
% Held by Non Controlling Interests	13.66	13.66	0.00
Total Current Assets	13,111	9,745	3,366
Total Non Current Assets	116	68	48
Total Current Liabilities	10,839	7,690	3,149
Total Non Current Liabilities	450	431	19
Total Equity	1,938	1,692	246
Total Equity attributable to non controlling interests	265	231	34
Total Revenue	10,977	8,625	2,351
Operating Result	1,579	987	592
Profit (Loss) for the year	1,046	597	449
Profit (Loss) for the year - Non controlling Interests	143	82	61

32. RELATED-PARTIES TRANSACTIONS, BOARD OF DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT

Remuneration

As required by IAS 24 the table below shows the amounts due for 2015 and 2014 years to the members of TeamSystem Holding S.p.A.'s Board of Directors, those to statutory auditors and in addition those due to the Top Management of the Group.

	31 Dec 2014	31 Dec 2013
Directors	-	-
Statutory Auditors	38	38
Top Management	3,096	2,880
Total emoluments	**3,134**	**2,918**

	31 Dec 2015	31 Dec 2014
Directors	-	-
Statutory Auditors	38	38
Top Management	4,426	3,096
Total emoluments	**4,464**	**3,134**

In detail, compensations due to Top Management includes € 144 thousand at 31 December 2015 (€ 113 thousands at 31 December 2014) related to Italian T.F.R. allowance of the year.

As previously disclosed in these financial statements, on 1 March 2016 TeamSystem Group was acquired by Hellman & Friedman private equity funds. Following this transaction, TeamSystem's middle and senior Management hold an equity interest of 15.71%.

Receivables, payables, revenue and costs with TeamSystem Holdco S.à.r.l.

The table below summarises the balances at 31 December 2015 and the transactions occurred in 2015 with the parent company TeamSystem HoldCo S.à.r.l.

PARENT COMPANY	Trade payables	Other payables	Financial payables	31 Dec 2015
TeamSystem HoldCo S.à.r.l.			500	500
Total			**500**	**500**

Associates

A summary is provided below of balances at 31 December 2015 and transactions in the year then ended with associated companies.

	Trade and Other receivables	Financial receivables	31 Dec 2015	Trade and Other payables	Financial liabilities	31 Dec 2015
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	58		**58**	21		**21**
Mondoesa Lazio S.r.l.	17		**17**	30		**30**
Mondoesa Milano Nordovest S.r.l.	139		**139**			**0**
Cesaco S.r.l.			**0**	90		**90**
Aldebra S.p.A.	67		**67**			**0**
Total	**281**	**0**	**281**	**141**	**0**	**141**

	Total Revenues	Non recurring revenues	Finance income	31 Dec 2015
INVESTMENTS IN ASSOCIATES				
Mondoesa Emilia S.r.l.	846			**846**
Mondoesa Lazio S.r.l.	349			**349**
Mondoesa Milano Nordovest S.r.l.	960			**960**
Cesaco S.r.l.	8			**8**
Aldebra S.p.A.	351			**351**
Total	**2,514**	**0**	**0**	**2,514**

	Operating costs	Other provisions	Non recurring expenses	Finance cost	Income taxes	31 Dec 2015
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	117					**117**
Mondoesa Lazio S.r.l.	224					**224**
Mondoesa Milano Nordovest S.r.l.						**0**
Cesaco S.r.l.	171					**171**
Aldebra S.p.A.						**0**
Total	**512**	**0**	**0**	**0**	**0**	**512**

Related companies

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

33. INDEPENDENT AUDITORS

In addition to the above information, please note that fees payable to Deloitte & Touche S.p.A. as independent auditors, expensed by the Group in the 2015 financial year for the audit of the financial statements, amount approximately to € 235 thousand.

34. OVERSIGHT AND COORDINATION ACTIVITY

TeamSystem Holding S.p.A. is subject to oversight and coordination activity pursuant to article 2497 and subsequent articles of the Italian Civil Code by TeamSystem HoldCo S.à.r.l.
Attached are the financial statements for the year ended 31 December 2014 of TeamSystem HoldCo S.à.r.l.

TeamSystem HoldCo S.à.r.l.
Balance sheet as at 31 December 2014

(expressed in Euro)

ASSETS	31 Dec 2014	31 Dec 2013
Formation expenses	1,427	3,012
Fixed assets	341,505,111	319,925,111
Current assets	2,124,922	781,009
Prepayment and accrued income		
Loss for the financial year		
Total Assets	**343,631,460**	**320,709,132**

(expressed in Euro

LIABILITIES	31 Dec 2014	31 Dec 2013
Capital and Reserves	(200,704,587)	(142,662,832)
Provisions for liabilities and charges	3,235	6,435
Non subordinated debts	544,332,812	463,365,529
Total liabilities	**343,631,460**	**320,709,132**

(expressed in Euro

PROFIT AND LOSS ACCOUNT	31 Dec 2014	31 Dec 2013
CHARGES		
Value adjustments	1,585	1,585
Other operating charges	614,524	520,593
Interests and other financial charges	57,420,846	50,474,403
Income tax	3,210	3,210
Other tax	6,025	25
TOTAL CHARGES	**58,046,190**	**50,999,816**
INCOME		
Other interest and other financial income	4,435	256,495
TOTAL INCOME	**4,435**	**256,495**

35. SUBSEQUENT EVENTS

Acquisition of TeamSystem Group by Hellman & Friedman private equity funds

As previously disclosed in these financial statements, on 1 March 2016, TeamSystem Group was acquired by private equity funds affiliated with Hellman & Friedman, holders of a controlling interest of 76.83% (while the remaining interest is held by HG Capital, with a 7.46% stake and TeamSystem Management, with a 15.71% stake).

As a consequence of the acquisition of TeamSystem Group (as previously described), Management has announced its intention to redeem the outstanding Bond on or before 31 May 2016 at a redemption price compliant with that indicated in the Indenture governing the existing € 430 million Bond. This probable early redemption of the Bond would imply a potential charge (to the 2016 consolidated statement of profit or loss) relating to the residual carrying amount of the Bond Financing Fees at the date of the possible redemption (as at 31 December 2015, the carrying amount of Bond Financing Fees stands at € 11,767 thousand).

Again, as a result of the acquisition of TeamSystem Group, the Revolving Credit Facility agreement entered by TeamSystem S.p.A. was terminated on March 2016. The residual carrying amount of the Financing Fees relating to the agreement (at the termination date) will be charged to the Group's consolidated statement of profit or loss in 2016; note that the residual carrying amount of the Financing Fees at 31 December 2015 was € 2,065 thousand.

Acquisition of Lira and Euresys

Euresys

On 11 March, TeamSystem Group completed the acquisition of 60% of Euresys, a company that has operated in the HR management software market for more than twenty years. The consideration paid was € 1.2 million. The remaining 40% will be acquired subsequently through a put and call option mechanism. Euresys' total revenue in 2015 has been approximately € 2 million. The software solutions offered by Euresys permit the complete management of human resources within any Italian business thanks to its advanced capabilities in the following areas: attendance records, management of CVs and career paths, expense claims and access control. The company brings with it consolidated experience in the HR sector with more than 2,300 active customers in Italy. Its flagship products enable a more attentive and efficient management of human capital and are capable of interfacing in real time with TeamSystem 's management software.

Having completed the transaction close to the reporting date of these financial statements and given the insignificance of the company within the context of the Group, further analysis will be performed in the coming months and will be presented in the financial statements for the year ending 31 December 2016.

Lira

On 11 March, TeamSystem Group completed the acquisition of 100% of Lira, TeamSystem Group's historical Turin-based dealer, which focuses mainly on the accountants sector. The consideration paid has been € 2 million. Lira brings with it skills, know-how and direct experience with customers that will add to those of the Group's north west hub. Lira's total revenue in 2015 has been approximately € 2.4 million.

Having completed the transaction close to the reporting date of these financial statements and given the insignificance of the company within the context of the Group, further analysis will be performed in the coming months and will be presented in the financial statements for the year ending 31 December 2016.

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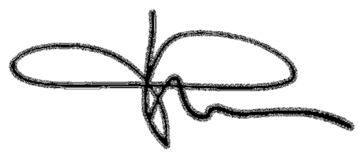
Sesto San Giovanni - Milan, 24 March 2016

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



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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries (the "TeamSystem Group"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the TeamSystem Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of TeamSystem Holding S.p.A., with the consolidated financial statements of the TeamSystem Group as at December 31, 2015. In our opinion the report on operations is consistent with the consolidated financial statements of the TeamSystem Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Jessica Lanari
Partner

Ancona, Italy
April 22, 2016

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