

30 June 2018
Interim Consolidated
Financial Statements
TeamSystem Group





**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS
ENDED 30 JUNE 2018**

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

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**DIRECTORS’
REPORT**

► RESULTS OF OPERATIONS

Euro thousands								
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	YTD	Restated YTD	Change	% Change	Quarter	Restated Quarter	Change	% Change
	30 Jun 2018	30 Jun 2017			2Q 2018	2Q 2017		
Revenue	156,832	152,055	4,778	3.1%	82,750	79,224	3,525	4.4%
Other operating income	716	1,144	(428)	-37.4%	100	632	(531)	-84.1%
TOTAL REVENUE	157,549	153,199	4,350	2.8%	82,850	79,856	2,994	3.7%
Cost of raw and other materials	(12,955)	(13,722)	767	-5.6%	(6,984)	(6,855)	(129)	1.9%
Cost of services	(42,723)	(37,931)	(4,792)	12.6%	(22,282)	(18,981)	(3,301)	17.4%
Personnel costs	(55,695)	(55,766)	71	-0.1%	(28,622)	(27,584)	(1,038)	3.8%
Other operating costs	(4,907)	(3,412)	(1,495)	43.8%	(2,632)	(1,711)	(922)	53.9%
Depreciation and amortization of non-current assets	(36,664)	(32,074)	(4,590)	14.3%	(18,627)	(16,282)	(2,345)	14.4%
Allowance for bad debts	(2,587)	(3,005)	417	-13.9%	(1,604)	(1,566)	(38)	2.4%
Other provisions for risks and charges	0	(501)	501	-100.0%	0	(501)	501	-100.0%
Impairment of non-current assets	0	0	0	0.0%	0	4	(4)	-100.0%
OPERATING RESULT	2,018	6,788	(4,771)	-70.3%	2,098	6,380	(4,281)	-67.1%
Finance income	837	600	236	39.4%	753	593	159	26.8%
Finance cost	(72,428)	(33,164)	(39,264)	n.s.	(54,661)	(17,076)	(37,585)	n.s.
PROFIT (LOSS) BEFORE INCOME TAXES	(69,574)	(25,775)	(43,798)	n.s.	(51,810)	(10,103)	(41,707)	n.s.
Current income tax	(7,339)	(6,973)	(366)	5.3%	(4,393)	(3,941)	(452)	11.5%
Deferred income tax	8,230	6,961	1,269	18.2%	5,096	3,497	1,599	45.7%
TOTAL INCOME TAX	891	(11)	903	n.s.	704	(444)	1,148	n.s.
PROFIT (LOSS) FOR THE PERIOD	(68,683)	(25,787)	(42,896)	n.s.	(51,106)	(10,547)	(40,559)	n.s.
(Profit) Loss for the period								
Non-controlling interests	(197)	(151)	(46)	30.5%	(116)	(98)	(18)	18.2%
PROFIT (LOSS) FOR THE PERIOD OWNERS OF THE COMPANY	(68,879)	(25,938)	(42,942)	n.s.	(51,223)	(10,646)	(40,577)	n.s.
ADJUSTED EBITDA	48,184	50,545	(2,360)	-4.7%	26,956	29,419	(2,462)	-8.4%

In the above table and elsewhere in these interim consolidated financial statements, the following performance indicator is used, with particular regard to the Group's earnings:

Adjusted EBITDA = This is calculated as follows:

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

Set out below is a reconciliation of **Adjusted EBITDA**.

Euro thousands								
ADJUSTED EBITDA RECONCILIATION	YTD	Restated YTD	Change	% Change	Quarter	Restated Quarter	Change	% Change
	30 Jun 2018	30 Jun 2017			2Q 2018	2Q 2017		
PROFIT (LOSS) FOR THE YEAR	(68,683)	(25,787)	(42,896)	n.s.	(51,106)	(10,547)	(40,559)	n.s.
Income tax	(891)	11	(903)	n.s.	(704)	444	(1,148)	n.s.
Financial income and expenses	71,591	32,564	39,027	n.s.	53,908	16,483	37,425	n.s.
Other provisions for risks and charges	0	501	(501)	-100.0%	0	501	(501)	-100.0%
Depreciation and amortization of non-current assets	36,664	32,074	4,590	14.3%	18,627	16,282	2,345	14.4%
Impairment of non-current assets	0	0	0	0.0%	0	(4)	4	-100.0%
Allowance for bad debts	2,587	3,005	(417)	-13.9%	1,604	1,566	38	2.4%
Strategic marketing expenses	0	1,404	(1,404)	-100.0%	0	648	(648)	-100.0%
Costs for changing and closing locations	727	273	454	n.s.	690	151	539	n.s.
Advisory expenses related to reorganization and cost saving projects	3,019	2,173	846	39.0%	1,511	687	824	n.s.
Personnel redundancy	587	513	74	14.5%	444	366	78	21.4%
IT Costs for system integration and transformation	0	537	(537)	-100.0%	0	291	(291)	-100.0%
Acquisitions and mergers costs	229	1,156	(927)	-80.2%	164	789	(625)	-79.2%
Cost for international project	0	131	(131)	-100.0%	0	79	(79)	-100.0%
Cost for change management program	800	929	(129)	-13.9%	633	759	(126)	-16.6%
Cost for credit collection project	18	107	(89)	-83.2%	0	107	(107)	-100.0%
Tax optimization costs	129	8	121	n.s.	48	8	40	n.s.
Settlements with clients and agents	975	351	624	n.s.	855	249	606	n.s.
Other minor items	431	594	(163)	-27.4%	280	559	(279)	-49.8%
ADJUSTED EBITDA	48,184	50,544	(2,360)	-4.7%	26,956	29,418	(2,461)	-8.4%

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

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The following comments refer to the changes between the Consolidated Statement of Profit or Loss as at 30 June 2018 and the corresponding figures for the period ended 30 June 2017, which have been restated to reflect the reclassification of certain non-recurring items impacting Cost of services and Other operating costs.

The results as at 30 June 2018 are affected by the consolidation of:

- the results of the companies acquired in 2017 (and not yet consolidated at 30 June 2017), which are: Evols S.r.l., Netlex S.r.l., Cassanova S.r.l., Evolution Fit S.r.l. and Software Time S.r.l.(merged by absorption by TeamSystem S.p.A. in 2017).
- the results of MMDATA S.r.l. (also defined in the Offering Memorandum as main Var of the Software XP carve-out business), which have been included for the first time in the Consolidated financial statements as at 30 June 2018. MMDATA S.r.l. was acquired by Danea Soft S.r.l. in February 2018 (see “Significant events during the first six months of 2018” section).

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TOTAL REVENUE: Total Revenue for the period ended 30 June 2018 amounts to € 157,549 thousand, up by € 4,350 thousand compared to the corresponding figure for the period ended 30 June 2017 (€ 153,199 thousand). The increase is attributable to the change in the consolidation area and to the organic growth experienced by the Group in the first six months of 2018.

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

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

Below, the allocation of Total Revenue to the operating segments.

Euro thousands								
OPERATING SEGMENTS	YTD 30 Jun 2018	YTD 30 Jun 2017	Change	% Change	Quarter 2Q 2018	Quarter 2Q 2017	Change	% Change
Software Solutions	134,187	137,376	(3,189)	-2.3%	68,243	72,049	(3,806)	-5.3%
Cloud Software Solutions	21,725	13,103	8,621	65.8%	13,992	6,443	7,550	n.s.
Hardware	1,637	2,720	(1,083)	-39.8%	615	1,365	(750)	-54.9%
TOTAL REVENUE	157,549	153,199	4,350	2.8%	82,850	79,856	2,994	3.7%

ADJUSTED EBITDA: Adjusted Ebitda for the period ended 30 June 2018 amounts to € 48,184 thousand, down by € 2,360 thousand compared to the amount at 30 June 2017 (€ 50,545 thousand).

COST OF RAW AND OTHER MATERIALS: Cost of raw and other materials amounts to € 12,955 thousand for the period ended 30 June 2018, down by € 767 thousand compared to the amount at 30 June 2017 (€ 13,722 thousand). The decrease is mainly due to the outsourcing of the business segment that handles hardware and systems (see “Significant events during the first six months of 2018” section).

COST OF SERVICES: Cost of services amounts to € 42,723 thousand for the period ended 30 June 2018, up by € 4,792 thousand from the amount of the period ended 30 June 2017 (€ 37,931 thousand). This is mainly due to the change in the consolidation area and to the growth of the business experienced by the Group in the first six months of 2018.

PERSONNEL COSTS: Personnel costs for the period ended 30 June 2018 (€ 55,695 thousand) decreased by € 71 thousand, compared to the amount at 30 June 2017 (€ 55,766 thousand).

OTHER OPERATING COSTS: Other operating costs amount to € 4,907 thousand, up by € 1,495 thousand compared to the period ended 30 June 2017 (€ 3,412 thousand).

FINANCE COST: Financial charges for the period ended 30 June 2018 amount to € 72,428 thousand with an increase of € 39,264 thousand, compared to the corresponding amount at 30 June 2017 (€ 33,164 thousand). This increase is mainly due to one-off financial costs (financing fees write-off and redemption premia) arising from the refinancing of TeamSystem Group's financial structure occurred in April 2018 (see also Note 15 Net Financial Indebtedness).

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CONSOLIDATED STATEMENT OF CASH FLOWS

Euro thousands								
CONSOLIDATED STATEMENT OF CASH FLOWS	YTD 30 Jun 2018	YTD 30 Jun 2017	Change	% Change	Quarter 2Q 2018	Quarter 2Q 2017	Change	% Change
CASH FLOWS FROM OPERATING ACTIVITIES	53,038	44,226	8,812	19.9%	46,448	15,820	30,628	n.s.
Capital Expenditure	(15,794)	(9,724)	(6,070)	62.4%	(7,183)	(5,447)	(1,736)	31.9%
Acquisition / dismissal of investments	(1,899)	(4,971)	3,072	-61.8%	4	(2,921)	2,925	n.s.
CASH FLOWS FROM INVESTING ACTIVITIES	(17,693)	(14,694)	(2,998)	20.4%	(7,178)	(8,368)	1,189	-14.2%
Financial balance paid / cashed-in	(8,946)	5,092	(14,038)	n.s.	(7,360)	11,173	(18,533)	n.s.
Financing Fees paid	(15,424)	(1,334)	(14,090)	n.s.	(15,424)	(1,334)	(14,090)	n.s.
Contingent liabilities to non-controlling shareholders of subsidiaries paid	(9,827)	(9,047)	(780)	8.6%	(9,690)	(8,914)	(776)	8.7%
Dividends paid	0	(198)	198	-100.0%	0	(198)	198	-100.0%
CASH FLOWS FROM FINANCING ACTIVITIES	(34,198)	(5,487)	(28,711)	n.s.	(32,474)	728	(33,201)	n.s.
CONSOLIDATION OF NEW SUBSIDIARIES	13	0	13	0.0%	13	0	13	0.0%
CHANGES DUE TO EXCHANGE RATE MOVEMENTS	0	0	0	0.0%	(1)	0	(1)	0.0%
INCREASE (DECREASE) IN CASH AND BANK BALANCES	1,160	24,044	(22,884)	-95.2%	6,808	8,179	(1,372)	-16.8%

Cash flows from operating activities amount to € 53,038 thousand for the period ended 30 June 2018, increasing by € 8,812 thousand, compared to the corresponding flows for the period ended 30 June 2017 (€ 44,226 thousand).

The increase is mainly due to the fact that 30 June 2018, 31 December 2017 and 31 December 2016 were not business day ("week-end effect"), therefore the collection of trade receivables due at the end of those months was postponed to the beginning of the next months. The cash flows from operating activities normalized for the week-end effect would amount to € 58,493 thousand at 30 June 2018 and € 40,232 thousand at 30 June 2017, with an increase of € 18,261 thousand¹.

Cash flows from investing activities changed from negative € 14,694 thousand in the period ended 30 June 2017 to negative € 17,693 thousand for the corresponding period of 2018. The main investment activities for the first six months of 2018 are related to:

- capitalized development costs and capital expenditures on tangible and intangible assets;
- equity investment in MMData S.r.l. (also defined in the Offering Memorandum as main Var of the Software XP carve-out business), acquired by Danae Soft S.r.l. for a paid consideration of approximately € 2.0 million.

Cash flows from financing activities amount to negative € 34,198 thousand for the period ended 30 June 2018, down by € 28,711 thousand compared to negative € 5,487 thousand for the period ended 30 June 2017. The main cash items occurred in the first six months of 2018 are attributable to:

- the refinancing of TeamSystem Group debt structure, occurred in April 2018, that consisted of the issuance of 2023 and 2025 Floating Rate Notes (see Note 15 Net Financial Indebtedness);

¹ The amounts of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: € 9,335 thousand for the period ended 30 June 2018, € 3,880 thousand for the period ended 31 December 2017 and € 3,994 thousand for the period ended 31 December 2016.

- the acquisition of further equity interests in Metodo S.p.A. and Euresys S.r.l. and the payment of a price adjustment for the acquisition of equity interests mainly in Cassanova S.r.l., Evolution Fit S.r.l. and Aliaslab S.p.A..

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► **WORKING CAPITAL**

Euro thousands				
	30 Jun 2018	31 Dec 2017	Change	% Change
Trade receivables	162,104	122,755	39,348	32.1%
Inventories	1,133	1,552	(419)	-27.0%
Other receivables	21,452	17,464	3,988	22.8%
Trade payables	(36,023)	(38,743)	2,721	-7.0%
Other liabilities	(131,477)	(63,445)	(68,031)	n.s.
WORKING CAPITAL	17,190	39,583	(22,393)	-56.6%

At 30 June 2018 Working capital amounts to € 17,190 thousand, down by € 22,393 thousand compared to the balance at 31 December 2017 (€ 39,583 thousand).

The movement is primarily attributable to Trade receivables (which balance is € 162,104 thousand at 30 June 2018 compared to € 122,755 thousand at 31 December 2017) and to Other liabilities (which balance is € 131,477 thousand at 30 June 2018 compared to € 63,445 thousand at 31 December 2017).

The increase in Trade receivables is mainly due to the week-end effect: 30 June 2018 and 31 December 2017 were not business day, therefore the collection of trade receivables due at the end of those months was postponed to the beginning of the next months². If Trade receivables balances were normalized for the week-end effect, they would amount to € 152,769 thousand at 30 June 2018 and € 118,875 thousand at 31 December 2017; therefore the normalized Working capital would amount to € 7,855 thousand at 30 June 2018 and to € 35,703 thousand at 31 December 2017, with a decrease of € 27,848 thousand.

This movement in Working capital balance can be mainly explained by the seasonality of billings for subscription fees, that characterises the companies of TeamSystem Group (see also Note 17 relating Trade receivables and Note 23 about Other current and non current liabilities both in the section of Notes to the Consolidated Financial Statements).

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► **CAPITAL EXPENDITURE**

Euro thousands				
	YTD 30 Jun 2018	YTD 30 Jun 2017	Change	% Change
Capex - Tangible Assets	2,183	1,925	258	13.4%
Capex - Intangible Assets	7,020	1,880	5,140	n.s.
Capitalized development costs - Personnel costs	5,349	4,645	704	15.1%
Capitalized development costs - Service costs	1,243	1,274	(31)	-2.5%
Capex	15,794	9,724	6,070	62.4%

Euro thousands				
	Quarter 2Q 2018	Quarter 2Q 2017	Change	% Change
Capex - Tangible Assets	1,106	1,193	(87)	-7.3%
Capex - Intangible Assets	2,854	1,087	1,767	n.s.
Capitalized development costs - Personnel costs	2,625	2,547	78	3.1%
Capitalized development costs - Service costs	598	620	(22)	-3.5%
Capex	7,183	5,447	1,736	31.9%

In the period ended 30 June 2018 the capital expenditure amounts to € 15,794 thousand with an increase of € 6,070 thousand compared to 30 June 2017 balance (€ 9,724 thousand).

This increase is mainly attributable to:

- the purchase of the software named “MynPrivacy” and all the rights connected, by TeamSystem S.p.A.. The software allows the compliance with new European regulation about the protection of personal data, which came into force in 2018;
- the purchase, made by the subsidiary Reviso International ApS, the software “PIGC” and “Rent Manager” and the related rights and assets (also defined as Software XP carve-out business in the Offering Memorandum for the issuing of Floating Rate Notes – see “Significant events during the first six months of 2018” paragraph), for a consideration of approximately € 2.0 million (of which € 1.0

² The amount of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: € 9,335 thousand for the period ended 30 June 2018 and € 3,880 thousand for the period ended 31 December 2017.

million paid in the first six months of 2018). The software mainly facilitates compliance with regulations applicable to condominium and property management.

- investments in Group IT system, which allow the compliance with new European regulation about the protection of personal data (GDPR).

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►SIGNIFICANT EVENTS DURING THE FIRST SIX MONTHS OF 2018

Outsourcing of hardware and systems business division

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

Definitive purchase of “MynPrivacy” software and related rights

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

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

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

Acquisition of MMData S.r.l.(or main Var of the Software XP carve-out business)

In February 2018, TeamSystem Group, through the subsidiary Danea Soft S.r.l., completed the acquisition of 100% of the capital of MMData S.r.l. (also defined in the Offering Memorandum as main Var of the Software XP carve-out business). MMData S.r.l. is a leading company in Italy in the provision of services and the distribution of software for condominium and property managers.

Definitive purchase of “PIGC” and “Rent Manager” software, related rights and assets

In February 2018, TeamSystem Group, through the subsidiary Reviso International ApS, definitively purchased the software, rights and assets pertaining to the applications named “PIGC” and “Rent Manager” (also defined as Software XP carve-out business in the Offering Memorandum for the issuing of Floating Rate Notes– see “Significant subsequent events” paragraph). The aim of the applications is to facilitate compliance with regulations applicable to condominium and property management, as well as facilitate the organisation and conduct of activities typical thereof.

Incorporation of Betoo S.r.l.

On 27 March 2018, TeamSystem S.p.A. incorporated the subsidiary Betoo S.r.l., to improve the operations management. The 100% of the capital of Betoo S.r.l. is owned by TeamSystem S.p.A..

Acquisition of residual 40% stake of Euresys S.r.l.

In April 2018, TeamSystem S.p.A. acquired the residual 40% stake in Euresys S.r.l and now is the fully owner of Euresys S.r.l.. The company operates in the HR management software market and develops software solutions for the complete management of human resources.

Floating Rate Notes and RCF – Refinancing

In order to optimize the costs of the Group financial debt and adjust the financial resources to the new Group’s business necessities, TeamSystem Group revised its financial structure.

On 4 April 2018, TeamSystem S.p.A. concurrently issued:

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

having an identical interest rate and practically identical terms and conditions to the 2023 Floating Rate Notes (ISIN XS1799545089 and XS1799545675).

The net proceeds of the offering were used to redeem TeamSystem S.p.A.'s senior secured floating rate notes due 2022, in an aggregate principal amount of € 570 million, and TeamSystem Holding S.p.A.'s senior floating rate notes due 2023, in an aggregate principal amount of € 150 million, and to pay accrued interest and redemption premia relating thereto.

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

In order to hedge the exposure to the three month Euribor changes, TeamSystem S.p.A. entered into an interest rate swap with a principal amount of € 500 million and a maturity date of 15 April 2020.

Furthermore, in connection with the issuance of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. (as the Parent), entered into a new € 90 million revolving credit facility agreement with a final maturity date of October 15, 2022. The interest rate payable on loans under the new revolving credit facility is based on the applicable Euribor or Libor, as the case may be and in either case subject to a 0% floor, plus an initial spread of 3.500% per annum.

Acquisition of residual 10% stake of Metodo S.p.A.

In June 2018, TeamSystem S.p.A. acquired the residual 10% stake in Metodo S.p.A. and now is the fully owner of Metodo S.p.A.. The company develops and markets, through a network of distributors in Italy, management softwares for businesses.

Outsourcing of delivery division – TeamSystem S.p.A.

To be able to meet new market challenges, to respond effectively to customer requests and to guarantee an even more effective and efficient delivery service, in mid June 2018 TeamSystem S.p.A. has outsourced the Delivery business division (that handles the installation, maintenance and assistance services) to different System Integrator/Delivery VAR. The agreements between TeamSystem S.p.A. and the System Integrator/Delivery VAR guarantee the total continuity of the operations of the delivery division as regards the customer base and territorial coverage.

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► SIGNIFICANT SUBSEQUENTS EVENTS

Outsourcing of delivery division – Esa Napoli S.r.l.

In July 2018 Esa Napoli S.r.l. has outsourced the business division that handles the installation, maintenance and assistance services to a historical partner of TeamSystem Group.

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► ONGOING DEVELOPMENTS

Acquisitions, Joint Ventures and Other Business Combinations

We believe that we have demonstrated the ability to successfully integrate acquisitions. As a result, our business strategy includes acquiring businesses and entering into joint ventures and other business combinations if there is a strategic product fit or an activity that would complement our product offering.

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► RELATED PARTY TRANSACTIONS

In the first six months of 2018, transactions with subsidiaries and the parent company Barolo Lux 1 S.à.r.l. formed part of the Group's normal operations and were entered into at arm's length. TeamSystem Group has not been party to any transactions with related companies that merit disclosure, other than those previously commented upon.

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

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

BOARD OF STATUTORY AUDITORS		TITLE
30 Jun 2018		
CLAUDIO SANCHIONI		CHAIRMAN
FABIO LANDUZZI		STATUTORY AUDITOR
NICOLE MAGNIFICO		STATUTORY AUDITOR
ROBERTO PIERLEONI		ALTERNATIVE AUDITOR
CRISTINA AMADORI		ALTERNATIVE AUDITOR

REGISTERED OFFICE and OTHER INFORMATION		
TEAMSYSTEM HOLDING S.p.A.		
REGISTERED OFFICE		PESARO - Via Sandro Pertini, 88
SHARE CAPITAL	Euro	5,450,000
ITALIAN TAX CODE		09290340968
REA - PESARO		196739
INDEPENDENT AUDITORS		DELOITTE & TOUCHE S.p.A.

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UNAUDITED
INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS
ENDED 30 JUNE 2018

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	30 Jun 2018	Restated 30 Jun 2017	NOTES
Revenue	156,832	152,055	1
Other operating income	716	1,144	1
TOTAL REVENUE	157,549	153,199	1
Cost of raw and other materials	(12,955)	(13,722)	2
Cost of services	(42,723)	(37,931)	3
Personnel costs	(55,695)	(55,766)	4
Other operating costs	(4,907)	(3,412)	5
Depreciation and amortization of non-current assets	(36,664)	(32,074)	
Allowance for bad debts	(2,587)	(3,005)	
Other provisions for risks and charges	0	(501)	
OPERATING RESULT	2,018	6,788	
Finance income	837	600	7
Finance cost	(72,428)	(33,164)	8
PROFIT (LOSS) BEFORE INCOME TAXES	(69,574)	(25,775)	
Current income tax	(7,339)	(6,973)	
Deferred income tax	8,230	6,961	
TOTAL INCOME TAX	891	(11)	
PROFIT (LOSS) FOR THE PERIOD	(68,683)	(25,787)	
(Profit) Loss for the period - Non-controlling interests	(197)	(151)	
PROFIT (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY	(68,879)	(25,938)	
ADJUSTED EBITDA	48,184	50,545	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30 Jun 2018	30 Jun 2017	NOTES
PROFIT (LOSS) FOR THE PERIOD	(68,683)	(25,787)	20
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX	0	0	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(68,683)	(25,787)	20
Total comprehensive (income) loss for the period attributable to Non-controlling interests	(197)	(151)	20
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY	(68,879)	(25,938)	20

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS	30 Jun 2018	31 Dec 2017	NOTES
Tangible assets	15,982	15,371	10
Intangible assets	708,227	728,699	11
Goodwill	707,798	705,849	12
Other Investments	449	447	13
Investments in associates	82	147	13
Deferred tax assets	14,718	17,066	14
Other financial assets - non-current	3,370	493	15
TOTAL NON-CURRENT ASSETS	1,450,626	1,468,071	
Inventories	1,133	1,552	16
Trade receivables	162,104	122,755	17
Tax receivables	1,772	5,330	18
Other receivables - current	21,452	17,464	19
Other financial assets - current	193	386	15
Cash and bank balances	17,419	16,259	15
TOTAL CURRENT ASSETS	204,073	163,748	
TOTAL ASSETS	1,654,698	1,631,819	

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
EQUITY AND LIABILITIES	30 Jun 2018	31 Dec 2017	NOTES
Share capital	5,450	5,450	20
Other reserves	501,794	558,928	20
Profit (Loss) attributable to Owners of the Company	(68,879)	(57,134)	20
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	438,365	507,245	
Non-controlling interests - Capital and reserves	965	678	20
Non-controlling interests - Profit (Loss)	197	346	20
TOTAL NON-CONTROLLING INTERESTS	1,162	1,023	
TOTAL EQUITY	439,526	508,268	
Financial liabilities with banks and other institutions - non-current	750,000	720,130	15
Financing Fees - non-current	(11,985)	(23,512)	15
Other financial liabilities - non-current	88,207	94,042	15
Staff leaving indemnity	16,267	18,280	21
Provisions for risks and charges	5,927	10,355	22
Deferred tax liabilities	190,006	200,604	14
Other liabilities - non-current	605	636	23
TOTAL NON-CURRENT LIABILITIES	1,039,028	1,020,535	
Financial liabilities with banks and other institutions - current	1,746	703	15
Financing Fees - current	(2,787)	(7,001)	15
Other financial liabilities - current	6,660	7,501	15
Trade payables	36,023	38,743	
Tax liabilities - current	3,631	258	24
Other liabilities - current	130,872	62,810	23
TOTAL CURRENT LIABILITIES	176,145	103,016	
TOTAL LIABILITIES	1,215,172	1,123,551	
TOTAL EQUITY AND LIABILITIES	1,654,698	1,631,819	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	30 Jun 2018	30 Jun 2017	NOTES
Operating Result	2,018	6,788	
Depreciation and amortization of non-current assets	36,664	32,074	
Amortization, Depreciation, Write-off, Impairment	36,664	32,074	
Trade receivables	(39,346)	(36,406)	9
Inventories	332	13	
Other receivables - current	(3,889)	(3,256)	
Trade payables	(3,745)	(2,515)	
Other liabilities - current	66,772	60,663	
Other liabilities - non-current	(31)	(31)	
Change in Working capital	20,093	18,468	9
Staff leaving indemnity	(921)	(99)	
Provisions for risks and charges	(3,632)	229	
Change in provisions	(4,554)	131	
Income tax	(1,183)	(13,235)	
CASH FLOWS FROM OPERATING ACTIVITIES	53,038	44,226	9
Tangible assets	(2,183)	(1,925)	
Intangible assets	(7,020)	(1,880)	
Capitalized development costs - personnel costs	(5,349)	(4,645)	
Capitalized development costs - service costs	(1,243)	(1,274)	
Capital Expenditure	(15,794)	(9,724)	
Acquisition / dismissal of investments	(1,899)	(4,971)	9
CASH FLOWS FROM INVESTING ACTIVITIES	(17,693)	(14,694)	
Financial balance paid / cashed-in and change in financial assets / liabilities	(8,946)	5,092	9
Financing Fees paid	(15,424)	(1,334)	9
Contingent liabilities to non-controlling shareholders of subsidiaries paid	(9,827)	(9,047)	9
Dividends paid	0	(198)	
CASH FLOWS FROM FINANCING ACTIVITIES	(34,198)	(5,487)	
CASH AND BANK BALANCES FROM CONSOLIDATION OF SUBSIDIARIES	13		
INCREASE (DECREASE) IN CASH AND BANK BALANCES	1,160	24,044	
INCREASE (DECREASE) IN CASH AND BANK BALANCES DUE TO EXCHANGE RATE MOVEMENTS	0	0	
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	16,259	19,406	
CASH AND BANK BALANCES - END OF THE PERIOD	17,419	43,451	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Euro thousands

	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2016	5,450	636,717	(75,771)	566,396	1,060	567,456
Loss allocation		(75,771)	75,771	(0)		(0)
Other movements		(679)		(679)		(679)
Change in Non-controlling interests IFRS 3		(823)		(823)	(157)	(980)
Dividends				0	(226)	(226)
Total Comprehensive Income (Loss) for the period			(25,938)	(25,938)	151	(25,787)
30 Jun 2017	5,450	559,443	(25,938)	538,955	828	539,783

Euro thousands

	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2017	5,450	558,928	(57,134)	507,245	1,023	508,268
Loss allocation		(57,134)	57,134	(0)		(0)
Dividends				0	(59)	(59)
Total Comprehensive Income (Loss) for the period			(68,879)	(68,879)	197	(68,683)
30 Jun 2018	5,450	501,794	(68,879)	438,365	1,162	439,526

TeamSystem Group

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

►COMPANY BACKGROUND

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

The company is a 100% directly held subsidiary of Barolo Lux 1 S.à.r.l., which, in its turn, is an approximately 87.9% indirectly held subsidiary of the private equity firm Hellman & Friedman (“H&F”), with the remainder equity interest held by the private equity firm HG Capital (8.5%) and by TeamSystem's senior and middle managers (3.6%).

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►BASIS OF PREPARATION

The Group's annual consolidated financial statements are prepared in accordance with international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union pursuant to Regulation No. 1606/2002.

The accounting standards adopted for the preparation of the TeamSystem Holding S.p.A. consolidated financial statements for the period ended 30 June 2018 are the same used for the preparation of TeamSystem Holding S.p.A. consolidated financial statements for the period ended 31 December 2017 (to which reference should be made).

These interim consolidated financial statements have not been prepared in compliance with IAS 34 “Interim financial reporting”. These financial statements do not include all the information required for annual financial statements.

The interim consolidated financial documents for the period ended 30 June 2018 show comparative figures as at 30 June 2017 for the components of the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and show comparative figures as at 31 December 2017 for the components of consolidated statement of financial position.

The interim consolidated financial statements for the period ended 30 June 2018 consist of a consolidated statement of profit or loss, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of cash flows, a consolidated statement of changes in equity and notes to the interim consolidated financial statements components.

The format used for the financial statements is the same as the one used for the preparation of the TeamSystem Holding S.p.A. consolidated financial statements for the year ended 31 December 2017.

This interim consolidated financial report for the first six months ended 30 June 2018 is presented in Euros and all

amounts have been rounded to Euro thousands, unless otherwise specified.

The consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries (TeamSystem Group) for the period ended 30 June 2018 and for the period ended 30 June 2017 have not been audited.

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► RESTATEMENT OF CONSOLIDATED COMPARATIVES FOR THE YEAR ENDED 30 JUNE 2017

The Group adopted a new accounting policy with respect to the classification of costs in the consolidated statement of profit or loss, in order to take account of best practice in use and, specifically, of ESMA recommendations on Alternative Performance Measures. Consequently, certain costs previously classified as “non-recurring”, relating to components deemed by Management to be non-core with respect to ordinary business operations, have been eliminated and have been classified within the corresponding cost category by nature. The new accounting policy has given rise to the reclassification of 30 June 2017 comparative figures due to costs previously classed as “non-recurring”, as described below:

- a) Of the costs specifically classed as “non-recurring” in the 30 June 2017 Consolidated financial statements, amounting to € 6,965 thousand, € 6,865 thousand has been allocated to cost of services and € 100 thousand has been allocated to other operating costs;
- b) The “non-recurring” components of personnel costs, finance costs and income tax have been eliminated.

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► SCOPE OF CONSOLIDATION

A listing of businesses consolidated on a line-by-line basis (or with equity method) is provided in the following table and it should be noted that the consolidation percentage takes account of any put and call options stipulated during the course of acquisitions:

Amounts in Euro								
CONSOLIDATED COMPANIES								
LINE BY LINE	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Pesaro	5,450,000	636,396,639	(6,278,364)	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	429,517,408	(69,916,219)	EUR	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	7,120,918	1,014,731	EUR	100.00	100.00	
Inforyou S.r.l.	Castello di Godego (TV)	31,250	4,387,135	175,733	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	3,394,200	994,730	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	21,337	(85,139)	EUR	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	7,735,669	1,114,021	EUR	70.00	100.00	1
H-Umus S.r.l.	Roncade (TV)	50,000	1,277,993	78,255	EUR	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	848,502	439,928	EUR	51.00	100.00	1 / 4
Esa Napoli S.r.l.	Naples	10,000	48,933	26,781	EUR	100.00	100.00	
Euresys S.r.l.	Turin	99,000	877,544	111,059	EUR	100.00	100.00	
Mondora S.r.l.	Milan	105,000	1,452,679	379,234	EUR	51.00	100.00	1
Voispeed Limited	Saint Albans - UK	1,000	125,200	27,514	GBP	85.00	85.00	5
TeamSystem C&D S.r.l.	Naples	10,000	14,117	(101,027)	EUR	100.00	100.00	
Aliaslab S.p.A.	Milan	156,000	15,966,528	2,700,899	EUR	51.00	100.00	1
Reviso International ApS	Copenhagen	50,011	6,794,546	(887,552)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	12,238	3,007	GBP	100.00	100.00	6
Reviso Soluciones Cloud S.L.	Madrid	3,000	8,767	400	EUR	100.00	100.00	6
Reviso Deutschland GmbH	Berlin	25,000	28,230	(1,706)	EUR	100.00	100.00	6
Evolis S.r.l.	Catania	887,000	1,112,697	(34,996)	EUR	51.00	100.00	1
Netlex S.r.l.	Velletri (RM)	12,500	198,127	(48,430)	EUR	51.00	100.00	1
Cassanova S.r.l.	Santarcangelo di Romagna (RN)	10,000	664,013	(147,129)	EUR	51.00	100.00	1
Evolution Fit S.r.l.	Turin	10,000	(25,093)	(56,878)	EUR	51.00	100.00	1 / 7
MMData S.r.l.	Rome	10,000	111,916	99,591	EUR	100.00	100.00	4
Betoo S.r.l.	Pesaro	10,000	(564,465)	(574,465)	EUR	100.00	100.00	
Gruppo Euroconference S.p.A.	Verona	300,000	12,193,429	1,340,855	EUR	96.87	96.87	2
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	10,121,572	1,046,576	EUR	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	3,895,960	826,504	EUR	86.34	86.34	3
Nuovamacut Centro Sud S.r.l.	Rome	10,000	389,147	131,245	EUR	70.00	70.00	3

Amounts in Euro								
CONSOLIDATED COMPANIES								
EQUITY METHOD	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	105,603	3,141	EUR	40.00	40.00	8
INTIT S.r.l.	Frosinone	20,800	369,119	75,289	EUR	35.00	35.00	8
Cesaco S.r.l.	Vicenza	90,000	151,545	(24,441)	EUR	48.00	48.00	8
Comsyst S.r.l.	Pesaro	10,000			EUR	49.00	49.00	9

- (1) = holding would be 100% should put/call option be exercised;
(2) = takes account of treasury shares held by Gruppo Euroconference;
(3) = investments held by Nuovamacut Automazione S.p.A.;
(4) = investments held by Danea Soft S.r.l.;
(5) = investments held by TeamSystem Communication S.r.l.;
(6) = investments held by Reviso International ApS;
(7) = investments held by Inforyou S.r.l.;
(8) = Equity and Profit (Loss) figures updated to 31 December 2016;
(9) = the company was set up in 2017.

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► CHANGES TO THE SCOPE OF CONSOLIDATION DURING THE FIRST SIX MONTHS OF 2018

The 30 June 2018 scope of consolidation has changed, compared to the Consolidated financial statements for the year ended 31 December 2017, because of the consolidation of MMDData S.r.l. results in the 30 June 2018 Consolidated Financial Statements.

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► TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

Assets and liabilities of consolidated foreign entities that are denominated in foreign currencies other than the Euro are translated at the rates of exchange prevailing at the reporting date; income and costs are translated at the average rates of exchange for the period. Any resulting translation differences are recognised in the foreign currency translation reserve included in equity.

The foreign companies included in the scope of consolidation at 30 June 2018 that use a currency other than the Euro are: Voispeed Limited and Reviso Cloud Accounting Limited, which use the British Pound (GBP), and Reviso International ApS, which uses the Danish Krone (DKK).

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

EXCHANGE RATES	Average exchange rate for the first six months of 2018	Exchange rate as at 30 June 2018	Average exchange rate for the first six months of 2017	Exchange rate as at 31 December 2017
GBP	0.87977	0.88605	0.86059	0.88723
DKK	7.4476	7.4525	7.436826	7.4449

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► SEGMENT INFORMATION

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

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

- **Hardware:** includes the activities, revenue and costs pertaining to sales of hardware systems and related components.

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►USE OF ESTIMATES

The preparation of consolidated financial statements requires the Management to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments, that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity as well as the disclosures provided. The actual amounts of the financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based.

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

- Business combinations (IFRS 3) and measurement of intangible assets;
- Goodwill and other intangible assets;
- Capitalised development costs;
- Deferred tax assets and liabilities;
- The measurement of Provisions for risks and charges and the Allowance for bad debts;
- Employee benefits;
- Contingent liabilities to non-controlling shareholders of subsidiaries.

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►ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, APPLICABLE AND NOT ADOPTED BY THE GROUP AT 30 JUNE 2018

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

- **IFRS 15 – Revenue from Contracts with Customers** (published on 28 May 2014 and supplemented by further clarifications published on 12 April 2016) which replaces IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue - Barter Transactions Involving Advertising Services. The standard provides a new revenue recognition model to be applied to all contracts with customers except for those that fall within the scope of application of other IAS/IFRS, such as leasing, insurance contracts and financial instruments. The fundamental steps for revenue recognition according to the model are as follows:
 - o identification of the contract with the customer;
 - o identification of the performance obligations in the contract;
 - o determination of the transaction price;
 - o allocation of the transaction price to the performance obligations in the contracts;
 - o revenue recognition criteria when the entity satisfies a performance obligation.

The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017.

The new standard is effective for annual periods beginning on or after 1 January 2018, but it wasn't applied in 30 June 2018 figures.

Besides, based on analysis performed and on assessments conducted during the year, the Directors do not believe that the application of IFRS 15 will have a significant impact on revenue recognition in the Group's

consolidated financial statements. The Directors are currently assessing whether to use, at the date of initial application, the fully retrospective or modified retrospective approach, bearing in mind the expected insignificant impact of both on the opening equity balance and on the Group's revenue and result for the year.

- **Final version of IFRS 9 – Financial Instruments** (published on 24 July 2014). The document contains the results of the IAS 39 replacement project:
 - o it introduces new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of non-substantial modifications of financial liabilities);
 - o 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;
 - o it introduces a new hedge accounting model (an increase in the types of transactions eligible for hedge accounting, a change in accounting for forwards and options included in a hedging relationship and replacement of the effectiveness test).

The new standard is effective for annual periods beginning on or after 1 January 2018, but it wasn't applied in 30 June 2018 figures.

Based on analysis performed, the Directors believe that the application of IFRS 9 will primarily have an impact on related disclosures in the Group's consolidated financial statements, with particular reference to the new classification criteria and categories applicable to financial assets and liabilities. No significant impact is expected on results and financial position.

- **IFRS 16 – Leases** (published on 13 January 2016) which replaces IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of a lease and introduces a criterion based on control (right of use) over an asset in order to differentiate lease contracts from service contracts, identifying the following features: identification of the asset, the right to replacement thereof, the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the underlying asset. The standard sets out a single model for the recognition and measurement of lease contracts for a lessee that requires the recognition of assets held under leases, inclusive of operating leases, as balance sheet assets with an opposite entry to financial liabilities and it also makes it possible not to recognise as leases contracts for low-value assets and leases with a contractual duration equal to or less than 12 months. On the other hand, the standard does not include any significant amendments for lessors.

The standard is applicable as from 1 January 2019, although early application is permitted, but only for companies that have already adopted IFRS 15 - Revenue from Contracts with Customers. The Directors believe that the application of IFRS 16 may have a significant impact on the amounts recognised and on the related disclosures provided in the Group's consolidated financial statements; in particular, on account of the various open rent and operating leases, the Directors believe that the application of the standard will give rise to the recognition of a right of use asset and a lease liability and a significant improvement in operating income. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis of the related contracts.

The standard wasn't applied in 30 June 2018 figures.

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

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

- On 7 June 2017 the IASB issued the interpretation document IFRIC 23 – Uncertainty over Income tax Treatments. The interpretation addresses uncertainty over income tax treatments. The interpretation envisages that uncertainties in the determination of tax liabilities or assets should be reflected in the financial statements only when it is probable that the entity will settle or recover the amount in question. Moreover, the interpretation does not contain any new disclosure obligation, but it emphasises that the entity must establish if there will be a need to provide information on considerations made by management

and relating to the inherent uncertainty in accounting for taxation, in accordance with the requirements of IAS 1.

The new interpretation is applicable as from 1 January 2019, although early application is permitted. The Directors are currently assessing the potential effect of the introduction of this interpretation on the Group's consolidated financial statements.

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

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Notes to Interim Unaudited Consolidated Financial Statement Components

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

1. TOTAL REVENUE AND OPERATING SEGMENTS

Euro Millions

OPERATING SEGMENTS	30 Jun 2018	30 Jun 2017	Change	% Change
Assistance and Maintenance	32.1	31.2	0.9	2.9%
Licences	8.0	11.8	(3.8)	-32.3%
Services and Other	11.3	12.4	(1.1)	-9.0%
Direct Channel	51.4	55.5	(4.1)	-7.3%
Assistance and Maintenance and Licences	45.0	44.2	0.7	1.6%
Services and Other	1.1	1.3	(0.1)	-10.5%
Indirect Channel	46.1	45.5	0.6	1.3%
ERP AND BUSINESS MANAGEMENT SOFTWARE	97.5	101.0	(3.5)	-3.4%
Assistance and Maintenance	14.1	12.7	1.5	11.7%
Licences	8.4	8.4	0.1	1.0%
Services and Other	17.2	16.3	0.9	5.6%
VERTICAL SOLUTIONS	39.8	37.3	2.5	6.6%
SOFTWARE SOLUTION RECONCILIATION	(3.1)	(0.9)	(2.2)	n.s.
SOFTWARE SOLUTIONS	134.2	137.4	(3.2)	-2.3%
CLOUD SOFTWARE SOLUTIONS	21.7	13.1	8.6	65.8%
HARDWARE	1.6	2.7	(1.1)	-39.8%
TOTAL REVENUE	157.5	153.2	4.3	2.8%

Total Revenue for the period ended 30 June 2018 amounts to € 157.5 millions, up by € 4.3 millions compared to the corresponding figure for the period ended 30 June 2017 (€ 153.2 millions).

This movement (attributable to the change in the consolidation area and to the organic growth experienced by the Group in the first six months of 2018) is due to the increase in Cloud Software Solutions revenue (€ 8.6 millions), that is partially offset by:

- Software Solutions revenue, which decreases by € 3.2 millions. This mainly because since January 2018, a new billing method has been adopted by the Group (especially for professional customers) and it consists in invoicing software subscriptions instead of software licences;
- Hardware revenue, which decreases by € 1.1 millions, following the outsourcing operation of the Hardware Division.

2. COST OF RAW AND OTHER MATERIALS

	30 Jun 2018	Restated 30 Jun 2017	Change	% Change
Hardware purchases	1,554	2,973	(1,419)	-47.7%
Third parties' software	9,484	9,206	278	3.0%
Handbooks and forms	38	33	6	18.0%
Materials for education	113	103	11	10.4%
Fuel	1,116	1,019	97	9.5%
Other materials	333	355	(22)	-6.3%
Change in inventory of raw materials	317	34	283	n.s.
Total	12,955	13,722	(767)	-5.6%

Cost of raw and other materials amounts to € 12,955 thousand for the period ended 30 June 2018, down by € 767 thousand compared to the amount at 30 June 2017 (€ 13,722 thousand). The decrease is mainly due to the outsourcing of the business segment that handles hardware and systems.

3. COST OF SERVICES

	30 Jun 2018	Restated 30 Jun 2017	Change	% Change
Agent commissions and other costs	6,631	6,349	282	4.4%
Consulting and third parties services	5,673	5,647	26	0.5%
Software and Hardware maintenance costs	4,526	2,809	1,717	61.1%
Customer support service costs	991		991	
Administrative tax and legal	1,197	1,302	(105)	-8.0%
Education - consulting and copyrights	2,332	1,741	591	34.0%
Magazines - consulting and copyrights	788	700	88	12.6%
Other costs for education services	891	607	284	46.8%
Advertising and marketing	4,676	3,077	1,599	52.0%
Car rentals	2,302	2,414	(112)	-4.6%
Utilities	1,977	1,822	156	8.6%
Costs for mergers and acquisitions	229	1,156	(927)	-80.2%
Tax optimization costs	129	8	121	n.s.
Strategic marketing expenses		1,404	(1,404)	-100.0%
Other minor items	334	574	(240)	-41.8%
Costs for strategic projects and reorganizations	4,796	3,723	1,073	28.8%
Other services	6,494	5,875	619	10.5%
Cost of services - Gross of capitalisation	43,966	39,205	4,760	12.1%
Services capitalized development costs	(1,243)	(1,274)	32	-2.5%
Total	42,723	37,931	4,792	12.6%

Cost of services for the period ended 30 June 2018 amounts to € 42,723 thousand, up by € 4,792 thousand from the amount of the period ended 30 June 2017 (€ 37,931 thousand), mainly related to the change in the consolidation area and to the organic growth experienced by the Group in the first six months of 2018.

Compared to the corresponding period ended 30 June 2017, the main increases have been registered in Software and Hardware maintenance costs, Advertising and Marketing (both as a consequence of the the growth in Cloud Software Solutions Revenue) and Customer support service costs (the latter due to the outsourcing operations undertaken by the Group in 2018).

As regards the capitalisation of cost of services recognised in the six months of 2018, reference should be made to the Note 11 Intangible Assets.

4. PERSONNEL COSTS

	30 Jun 2018	Restated 30 Jun 2017	Change	% Change
Wages, salaries and social contributions	56,314	55,315	999	1.8%
Staff leaving indemnities	2,520	2,431	88	3.6%
Other personnel costs	112	6	105	n.s.
Personnel costs for redundancy and reorganizations	358	1,212	(854)	-70.5%
Employee costs	59,304	58,965	339	0.6%
Freelancers and collaborators fees	339	112	226	n.s.
Directors' fees and related costs	1,400	1,333	67	5.0%
Directors and Collaborators	1,739	1,446	293	20.3%
Personnel - Gross of capitalisation	61,043	60,411	632	1.05%
Personnel capitalized development costs	(5,349)	(4,645)	(704)	15.1%
Total	55,695	55,766	(71)	-0.1%

Personnel costs for the period ended 30 June 2018 (€ 55,695 thousand) have decreased by € 71 thousand, compared to the corresponding amount for the period ended 30 June 2017 (€ 55,766 thousand).

As regards the capitalisation of personnel costs recognised in the first six months of 2018, reference should be made to the Note 11 Intangible Assets.

5. OTHER OPERATING COSTS

	30 Jun 2018	Restated 30 Jun 2017	Change	% Change
Rents	2,339	2,019	321	15.9%
Rentals	225	231	(6)	-2.7%
Other expenses for use of third parties assets	243	373	(131)	-35.0%
Other tax	145	177	(32)	-18.0%
Losses from assets disposals	31	5	26	n.s.
Other expenses and settlement costs	1,924	607	1,317	n.s.
Total	4,907	3,412	1,495	43.8%

Other operating costs for the period ended 30 June 2018 (€ 4,907 thousand) increase by € 1,495 thousand compared to the corresponding amount for the period ended 30 June 2017 (€ 4,853 thousand).

The increase is mainly due to the “Other expenses and settlement costs” line item, up by € 1,317 thousand, of which the amount of approximately € 0.9 million relates to settlement expenses not accrued in Adjusted EBITDA.

7. FINANCE INCOME

	30 Jun 2018	Restated 30 Jun 2017	Change	% Change
Interest and other finance income	61	7	54	n.s.
Gains on foreign exchange	2	12	(10)	-81.4%
Interest from cash pooling and other loans	2	11	(9)	-82.2%
Depreciation - Contingent liab. non-controll. shareholders	764	544	220	40.5%
Dividends	7	24	(17)	-71.5%
Revaluations of investments		1	(1)	-100.0%
Total	837	600	236	39.4%

Finance income for the period ended 30 June 2018 (€ 837 thousand) have increased for an amount of € 236 thousand compared to the corresponding amount at 30 June 2017 (€ 600 thousand).

The increase concerns the “Depreciation related to Contingent liabilities to non-controlling shareholders of subsidiaries” line item, which increases by € 220 thousand.

8. FINANCE COST

	30 Jun 2018	Restated 30 Jun 2017	Change	% Change
Interest on bank loans	85	496	(412)	-82.9%
Interest on Notes	36,224	25,340	10,884	43.0%
Interest on shareholders loan		280	(280)	-100.0%
Interest on derivative instruments	14		14	
Interest on financing fees	31,185	3,328	27,857	n.s.
Revaluation - Contingent liab. non-controll. shareholders	593	547	46	8.4%
Bank commissions	841	669	173	25.8%
MTM valuation of derivative instruments	313		313	
Interests on actuarial valuation of employees benefit	138	206	(68)	-33.1%
Other IFRS financial charges	2,911	2,212	699	31.6%
Interests on cash pooling and other loans	20		20	
Other financial charges	99	69	30	43.5%
Losses on foreign exchange	6	17	(12)	-68.0%
Total	72,428	33,164	39,263	n.s.

Financial cost for the period ended 30 June 2018 amount to € 72,428 thousand with an increase of € 39,263 thousand, compared to the corresponding amount at 30 June 2017 (€ 33,164 thousand).

The increase is mainly due to one-off financial costs (which impacted the line items “Interest on Notes” and “Interest on financing fees”) arising from the operation of refinancing of TeamSystem Group’s financial structure (see Note 15 Net Financial Indebtedness).

9. CONSOLIDATED STATEMENT OF CASH FLOWS

As regards the more significant components of the statement of cash flow, below a description of the main factors impacting the Group’s cash flows in the course of the first six months of 2018.

Cash flows from operating activities = They amount to € 53,038 thousand for the period ended 30 June 2018 and are impacted by the fact that 30 June 2018, 31 December 2017 and 31 December 2016 were not business day (“week-end effect”), therefore the collection of trade receivables due at the end of those months was postponed to the beginning of the next months.

The cash flows from operating activities normalized for the week-end effect would amount to € 58,493 thousand at 30 June 2018 and € 40,232 thousand at 30 June 2017, with an increase of € 18,261 thousand³ (see “Consolidated statement of cash flows” paragraph in “Operating and Financial review” section for further details).

Acquisition of investments = The balance refers to the acquisition of 100% stake of MMDData S.r.l. by the subsidiary Danaea Soft S.r.l., for a paid consideration of approximately € 2.0 million.

Financial balance paid /cashed-in and change in financial assets/liabilities = The main items included in the balance in question relate to the refinancing of TeamSystem Group debt structure, occurred in April 2018, that consisted of the issuance of 2023 and 2025 Floating Rate Notes (see Note 15 Net Financial Indebtedness).

Financing fees paid = The main items included in the balance in question relate to the payment of financing fees related to the Floating Rate Notes and to the Revolving Credit Facility (see Note 15 “Net Financial Indebtedness”).

Contingent liabilities to non-controlling shareholders of subsidiaries paid = The main cash items occurred in the first six months of 2018 are attributable to:

- the acquisition of further equity interests in Metodo S.p.A. and Euresys S.r.l.;
- the payment of a price adjustment for the acquisition of equity interests mainly in Cassanova S.r.l., Evolution Fit S.r.l. and Aliaslab S.p.A..

10. TANGIBLE ASSETS

NET BOOK VALUE	30 Jun 2018	31 Dec 2017	Change	% Change
Land	948	948		
Buildings	3,473	3,605	(132)	-3.7%
Plant and machinery	3,301	3,049	252	8.3%
Equipment	1,077	972	105	10.8%
Other assets	7,182	6,796	386	5.7%
Total	15,982	15,371	611	4.0%

At 30 June 2018 Tangible fixed assets amount to € 15,982 thousand, up by € 611 thousand compared with the balance recorded at 31 December 2017 (€ 15,371 thousand). The increase results from the sum of disposals, additions and depreciation charge for the period (the latter amounts to € 1,580 thousand).

³ The amounts of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: € 9,335 thousand for the period ended 30 June 2018, € 3,880 thousand for the period ended 31 December 2017 and € 3,994 thousand for the period ended 31 December 2016.

11. INTANGIBLE ASSETS

NET BOOK VALUE	30 Jun 2018	31 Dec 2017	Change	% Change
Capitalised development	27,598	26,195	1,403	5.4%
IFRS Assets	661,430	687,518	(26,088)	-3.8%
Other intangible assets	19,199	14,984	4,214	28.1%
Total	708,227	728,699	(20,470)	-2.8%

Intangible assets have gone from € 728,699 thousand at 31 December 2017 to € 708,227 thousand at 30 June 2018, with a decrease of € 20,470 thousand resulting from the aggregate of disposals, additions, capitalised development costs (€ 6,592 thousand) and amortisation (€ 35,084 thousand) for the period ended 30 June 2018.

IFRS assets include intangible assets identified on allocation of the price paid for the acquisition of TeamSystem Group (Software, Brands, Customer relationships and other IFRS assets). Their decrease is due to the amortisation for the first six months of 2018.

This increase in Other Intangible Assets is mainly attributable to:

- the purchase of the software named “MynPrivacy” and all the rights connected. The software allows the compliance with new European regulation about the protection of personal data, which came into force in 2018;
- the purchase of the software “PIGC” and “Rent Manager” and the related rights and assets (also defined as Software XP carve-out business in the Offering Memorandum for the issuing of Floating Rate Notes – see “Significant events during first six months of 2018” paragraph), by the subsidiary Reviso International ApS for a consideration of approximately € 2.0 million. The software mainly facilitates compliance with regulations applicable to condominium and property management.

12. GOODWILL

At 30 June 2018 Goodwill amounts to € 707,798 thousand, up by € 1,949 thousand compared with the balance recorded at 31 December 2017 (€ 705,849 thousand); the increase relates to the first time consolidation of MMDData S.r.l. results.

Goodwill consists mainly of the excess of the consideration paid by the new shareholders over the fair value of the assets acquired and the liabilities assumed.

In terms of Impairment test, the line-item Goodwill is subjected annually (or more frequently if certain events or circumstances indicate potential impairment) to impairment testing and TeamSystem Group will postpone a more thorough analysis with impairment testing to 31 December 2018.

13. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

	30 Jun 2018	31 Dec 2017	Change	% Change
Investments in Associates	82	147	(65)	-44.1%
Other Investments	449	447	2	0.4%
Total	531	594	(63)	-10.6%

The balance of Investments in Associates and Other investments has gone from € 594 thousand at 31 December 2017 to € 531 thousand at 30 June 2018, with a decrease of € 63 thousand.

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

14. DEFERRED TAX ASSETS AND LIABILITIES

	30 Jun 2018	31 Dec 2017	Change	% Change
Deferred tax assets	14,718	17,066	(2,348)	-13.8%
Deferred tax liabilities	190,006	200,604	(10,598)	-5.3%

At 30 June 2018 Deferred tax assets amount to € 14,718 thousand, down by € 2,348 thousand compared to the balance at 31 December 2017 (€ 17,066 thousand).

The main components for which the Group companies have recognised deferred tax assets relate to: the allowance for bad debts, the provision for agents' indemnity, the other provisions for risks and charges, the step-up for tax purposes of the goodwill recognized by TSS S.p.A. (merged by absorption into TeamSystem S.p.A. in 2016).

At 30 June 2018 Deferred tax liabilities amount to € 190,006 thousand with a decrease of € 10,598 thousand compared to the balance at 31 December 2017 (€ 200,604 thousand), primarily due to the reversal of the deferred tax component pertaining to the amortisation of intangible assets identified on allocation of the price paid for the acquisition of TeamSystem Group (Software, Brands, Customer relationships and other IFRS assets).

15. NET FINANCIAL INDEBTEDNESS

	30 Jun 2018			31 Dec 2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Bank accounts and post office	17,245		17,245	16,197		16,197
Cash and bank balances	174		174	62		62
Total Cash and bank balances	17,419		17,419	16,259		16,259
Loans				7	343	350
Derivative instruments - assets		2,688	2,688			
Other financial assets	193	682	875	380	150	530
Total Other financial assets	193	3,370	3,563	386	493	880
Loans with banks	(309)		(309)	(547)	(130)	(676)
Overdrafts with banks	(88)		(88)	(117)		(117)
Notes	(1,250)	(750,000)	(751,250)		(720,000)	(720,000)
Dividends to be settled	(99)		(99)	(40)		(40)
Total Financial liabilities	(1,746)	(750,000)	(751,746)	(703)	(720,130)	(720,833)
Financing Fees - bond	2,484	11,011	13,495	5,911	20,608	26,519
Financing Fees - banks	303	974	1,277	1,089	2,904	3,993
Total Financing Fees	2,787	11,985	14,772	7,001	23,512	30,513
Contingent liabilities to non-controlling shareholders	(6,388)	(87,973)	(94,361)	(7,406)	(94,042)	(101,448)
Derivative instruments - liabilities		(235)	(235)			
Commission financial liabilities	(261)		(261)	(90)		(90)
Other financial accruals				(5)		(5)
Other financial liabilities	(11)		(11)			
Total Other financial liabilities	(6,660)	(88,207)	(94,867)	(7,501)	(94,042)	(101,543)
Total	11,993	(822,852)	(810,859)	15,442	(790,166)	(774,725)

Net financial indebtedness as at 30 June 2018 amounts to negative € 810,859 thousand.

Cash and bank balances

The amount of cash and bank balances stands at € 17,419 thousand as at 30 June 2018 and at € 16,259 thousand as at 31 December 2017. In consideration of the fact that both 30 June 2018 and 31 December 2017 were not working days, if the cash and bank balances were normalized for the week-end effect, they would amount to € 26,754 thousand as at 30 June 2018 and to € 20,139 thousand as at 31 December 2017⁴.

Floating Rate Notes

In order to optimize the costs of the Group financial debt and adjust the financial resources to the new Group's business necessities, the Group revised its financial structure.

On 4 April 2018, TeamSystem S.p.A. concurrently issued:

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

⁴ The amount of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, are the following: € 9,335 thousand for the period ended 30 June 2018 and € 3,880 thousand for the period ended 31 December 2017.

- € 200 million in aggregate principal amount of senior secured floating rate notes due 15 April 2025 (the “**2025 Floating Rate Notes**” and, together with the 2023 Floating Rate Notes, the “**Floating Rate Notes**”), having an identical interest rate and practically identical terms and conditions to the 2023 Floating Rate Notes (ISIN XS1799545089 and XS1799545675).

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

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

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

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

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

Interest Rate Swaps – Derivative instrument liabilities

In order to hedge the exposure to the three month Euribor changes, in the month of April 2018 TeamSystem S.p.A. entered into an interest rate swap with a principal amount of € 500 million and a maturity date of 15 April 2020. The mark-to-market value of the Interest Rate Swap has been accrued in the profit and loss accounts in the 30 June 2018 consolidated accounts.

Loans with banks – Revolving Credit Facility (RCF)

In connection with the issuance of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. (as the Parent), entered into a new € 90 million revolving credit facility agreement with a final maturity date of 15 October 2022, and the previously existing € 65 million revolving credit facility, which had been entered into on 13 February 2016, was cancelled and discharged in full.

The interest rate payable on loans under the new RCF is based on the applicable Euribor or Libor, as the case may be and in either case subject to a 0% floor, plus an initial spread of 3.500% per annum.

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

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

Derivative Instruments - Assets

The amount reported in the line Derivatives Instruments – Assets mainly refers to the amount paid by the subsidiary TeamSystem S.p.A., in connection with the outsourcing operations of the Hardware and Delivery divisions, to acquire the option to sell these divisions at the end of the outsourcing contracts.

Contingent liabilities to non-controlling shareholders of subsidiaries

The Contingent liabilities to non-controlling shareholders of subsidiaries (€ 94,361 thousand at 30 June 2018) relates to put and call options and/or earn-outs due to non-controlling interest holders of certain consolidated subsidiaries. The main ones are: Danea Soft S.r.l., Madbit Entertainment S.r.l., Aliaslab S.p.A., Mondora S.r.l., Evols S.r.l., Netlex S.r.l. and Cassanova S.r.l..

16. INVENTORIES

	30 Jun 2018	31 Dec 2017	Change	% Change
Raw and ancillary materials	346	419	(73)	-17.4%
Finished products and goods	1,222	1,570	(348)	-22.2%
Advances	2	0	2	n.s.
(Allowance for slow-moving inventory)	(437)	(437)		
Total	1,133	1,552	(419)	-27.0%

At 30 June 2018 Inventories amount to € 1,133 thousand, down by € 419 thousand compared to the balance at 31 December 2017 (€ 1,552 thousand), following the outsource of the business segment that handles hardware and systems occurred at the beginning of 2018 (see “Significant events during the first six months of 2018” paragraph).

17. TRADE RECEIVABLES

	30 Jun 2018	31 Dec 2017	Change	% Change
Trade receivables	179,339	139,316	40,023	28.7%
(Allowance for bad debts)	(17,235)	(16,561)	(675)	4.1%
Total	162,104	122,755	39,348	32.1%

At 30 June 2018 Trade receivables amount to € 162,104 thousand. The increase of € 39,348 thousand is basically due to the seasonality of billings for subscription fees that characterises the business of the Group. Furthermore, the balance of this line item also affected by the week-end effect (see “Working capital” section).

Trade receivables are recorded net of an allowance for doubtful debts of € 17,235 thousand, that was recorded in the accounts after having analysed the specific risk associated with doubtful balances. The balance of Allowance for bad debts is the aggregate of utilisations, accruals and any other movements.

18. TAX RECEIVABLES

	30 Jun 2018	31 Dec 2017	Change	% Change
Tax credits	39	39	(0)	0.0%
Other tax receivables	101	118	(17)	-14.4%
Withholding tax credit	23	0	23	n.s.
Advances and income tax credits	1,609	5,173	(3,564)	-68.9%
Total	1,772	5,330	(3,558)	-66.8%

At 30 June 2018 Tax receivables amount to € 1,772 thousand, down by € 3,558 thousand compared to the balance at 31 December 2017 (€ 5,330 thousand).

The decrease in Advances and income tax credits is mainly due to the calculation of “IRES” income tax for the period ending at 30 June 2018.

19. OTHER CURRENT RECEIVABLES

	30 Jun 2018	31 Dec 2017	Change	% Change
Deposits	470	491	(21)	-4.2%
Receivables from employees	243	189	54	28.3%
Other receivables	3,067	2,055	1,012	49.3%
Accrued income	163	108	55	51.2%
Prepayments	17,472	14,333	3,139	21.9%
VAT receivables	38	290	(252)	-87.0%
Total	21,452	17,464	4,240	24.3%

At 30 June 2018 the Other receivables balance amounts to € 21,452 thousand, up by € 4,240 thousand compared

to the 31 December 2017 balance (€ 17,464 thousand). The increase is mainly due to Prepayments (€ 3,139 thousand), following the seasonality of the business of the Group.

20. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Euro thousands						
	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2016	5,450	636,717	(75,771)	566,396	1,060	567,456
Loss allocation		(75,771)	75,771	(0)		(0)
Other movements		(679)		(679)		(679)
Change in Non-controlling interests IFRS 3		(823)		(823)	(157)	(980)
Dividends				0	(226)	(226)
Total Comprehensive Income (Loss) for the period			(25,938)	(25,938)	151	(25,787)
30 Jun 2017	5,450	559,443	(25,938)	538,955	828	539,783

Euro thousands						
	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
31 Dec 2017	5,450	558,928	(57,134)	507,245	1,023	508,268
Loss allocation		(57,134)	57,134	(0)		(0)
Dividends				0	(59)	(59)
Total Comprehensive Income (Loss) for the period			(68,879)	(68,879)	197	(68,683)
30 Jun 2018	5,450	501,794	(68,879)	438,365	1,162	439,526

At 30 June 2018 the Group's equity amounts to € 438,365 thousand.

21. STAFF LEAVING INDEMNITY

	30 Jun 2018	31 Dec 2017	Change	% Change
Staff leaving indemnity	16,267	18,280	(2,014)	-11.0%
Total	16,267	18,280	(2,014)	-11.0%

At 30 June 2018 Staff leaving indemnity amounts to € 16,267 thousand, down by € 2,014 thousand compared to the balance at 31 December 2017 (€ 18,280 thousand). The balance is the aggregate of utilisations, accruals and any other movements.

22. PROVISIONS FOR RISKS AND CHARGES

	30 Jun 2018	31 Dec 2017	Change	% Change
Provision for pension and similar obligation	1,239	1,261	(22)	-1.7%
Provision for litigations	706	1,504	(797)	-53.0%
Other provision for risks and charges	3,981	7,591	(3,610)	-47.6%
Total	5,927	10,355	(4,428)	-42.8%

At 30 June 2018 Provisions for risks and charges amount to € 5,927 thousand, decreased by € 4,428 thousand compared to the balance at 31 December 2017 (€ 10,355 thousand). The balance is the aggregate of utilisations,

accruals and any other movements. The utilisation mainly relates to Group restructuring and reorganization provisions.

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

23. OTHER CURRENT AND NON-CURRENT LIABILITIES

	30 Jun 2018	31 Dec 2017	Change	% Change
VAT liabilities	3,002	1,035	1,799	n.s.
Withholdings liabilities	3,488	4,222	(220)	-5.76%
Employees payables and Social security liabilities	21,906	24,869	(2,963)	-11.9%
Advances	4,086	4,394	(308)	-7.0%
Other liabilities	2,518	515	2,003	n.s.
Accrued liabilities	206	176	29	16.7%
Deferred revenues	95,666	27,598	68,069	n.s.
Other current liabilities	130,872	62,810	68,408	n.s.
Due to social securities - non-current	585	609	(24)	-4.0%
Other tax liabilities - non-current	20	27	(7)	-25.3%
Other non-current liabilities	605	636	(31)	-4.87%
Total Other liabilities	131,477	63,445	68,377	n.s.

At 30 June 2018 Other current and non-current liabilities amount to € 131,477 thousand, up by € 68,377 thousand compared to the balance at 31 December 2017 (€ 63,445 thousand).

This increase is substantially due to the seasonality of billings for subscription fees that characterises the business of the Group and results in the increase in deferred revenues (€ 68,069 thousand).

At 30 June 2018 Other non-current liabilities amount to € 605 thousand (€ 636 thousand at 31 December 2017) and relate primarily to balances pertaining to TeamSystem S.p.A..

24. CURRENT TAX LIABILITIES

	30 Jun 2018	31 Dec 2017	Change	% Change
Income tax payables	3,610	245	3,365	n.s.
Other tax liabilities	22	13	9	65.84%
Total	3,631	258	3,373	n.s.

At 30 June 2018 Current tax liabilities amount to € 3,631 thousand, up by € 3,373 thousand compared to the balance at 31 December 2017 (€ 258 thousand). The movement is attributable to the increase in income tax payables, mainly due to the income taxes charged in the first six months of 2018.

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OVERSIGHT AND COORDINATION ACTIVITY

TeamSystem Holding S.p.A. is subject to management and coordination, in accordance with article 2497 et seq. of the Italian Civil Code, by Barolo Lux 1 S.à.r.l..

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



