

30 June 2019  
Interim Consolidated  
Financial Statements  
TeamSystem Group





**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTHS  
ENDED  
30 JUNE 2019**

<b>TABLE OF CONTENTS</b>
--------------------------

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

**DIRECTORS' REPORT**

Results of Operations.....	1
Consolidated Statement of Cash Flows .....	3
Working Capital.....	4
Capital Expenditure .....	4
Significant Events during first six months of 2019.....	5
Significant Subsequent Events.....	6
Ongoing Developments .....	6
Related Party Transactions .....	6
Board of Directors, Board of Statutory Auditors and Other Information .....	7

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

Consolidated Statement of Profit or Loss .....	9
Consolidated Statement of Comprehensive Income .....	10
Consolidated Statement of Financial Position - Assets.....	11
Consolidated Statement of Financial Position - Equity and Liabilities.....	11
Consolidated Statement of Cash Flows .....	12
Consolidated Statement of Changes in Equity.....	13
Notes to Interim Consolidated Financial Statements .....	14



**DIRECTORS’  
REPORT**



**► RESULTS OF OPERATIONS**

Euro thousands								
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>								
	30 Jun 2019	30 Jun 2018	Change	% Change	Quarter 2Q 2019	Quarter 2Q 2018	Change	% Change
Revenue	177,227	156,889	20,338	13.0%	90,625	82,778	7,847	9.5%
Other operating income	(264)	601	(865)	-143.8%	(636)	43	(680)	-1567.3%
<b>TOTAL REVENUE</b>	<b>176,963</b>	<b>157,490</b>	<b>19,473</b>	<b>12.4%</b>	<b>89,988</b>	<b>82,822</b>	<b>7,167</b>	<b>8.7%</b>
Cost of raw and other materials	(13,398)	(12,955)	(443)	3.4%	(6,857)	(6,984)	128	-1.8%
Cost of services	(44,217)	(41,561)	(2,655)	6.4%	(21,192)	(21,701)	509	-2.3%
Personnel costs	(54,799)	(55,695)	895	-1.6%	(27,240)	(28,622)	1,383	-4.8%
Other operating costs	(3,071)	(2,932)	(139)	4.7%	(1,732)	(1,645)	(87)	5.3%
Depreciation and amortization of non-current assets	(40,180)	(39,621)	(559)	1.4%	(20,203)	(20,105)	(98)	0.5%
Allowance for bad debts	(2,390)	(2,587)	197	-7.6%	(1,191)	(1,604)	413	-25.7%
Other provisions for risks and charges	(4)	0	(4)	0.0%	(4)	0	(4)	0.0%
<b>OPERATING RESULT</b>	<b>18,904</b>	<b>2,139</b>	<b>16,765</b>	<b>783.6%</b>	<b>11,571</b>	<b>2,159</b>	<b>9,411</b>	<b>435.8%</b>
Finance income	231	837	(605)	-72.3%	186	753	(566)	-75.2%
Finance cost	(23,241)	(72,895)	49,654	-68.1%	(11,203)	(54,894)	43,692	-79.6%
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(4,106)</b>	<b>(69,919)</b>	<b>65,813</b>	<b>-94.1%</b>	<b>554</b>	<b>(51,982)</b>	<b>52,536</b>	<b>-101.1%</b>
Current income tax	(9,954)	(7,339)	(2,615)	35.6%	(5,294)	(4,393)	(901)	20.5%
Deferred income tax	6,684	8,230	(1,546)	-18.8%	3,394	5,096	(1,703)	-33.4%
<b>TOTAL INCOME TAX</b>	<b>(3,270)</b>	<b>891</b>	<b>(4,161)</b>	<b>-466.9%</b>	<b>(1,901)</b>	<b>704</b>	<b>(2,604)</b>	<b>-370.1%</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(7,375)</b>	<b>(69,028)</b>	<b>61,652</b>	<b>-89.3%</b>	<b>(1,346)</b>	<b>(51,278)</b>	<b>49,932</b>	<b>-97.4%</b>
(Profit) Loss for the period Non-controlling interests	(43)	(198)	154	-78.1%	(20)	(117)	97	-83.0%
<b>PROFIT (LOSS) FOR THE PERIOD OWNERS OF THE COMPANY</b>	<b>(7,419)</b>	<b>(69,225)</b>	<b>61,806</b>	<b>-89.3%</b>	<b>(1,366)</b>	<b>(51,395)</b>	<b>50,029</b>	<b>-97.3%</b>
<b>ADJUSTED EBITDA</b>	<b>62,643</b>	<b>51,215</b>	<b>11,428</b>	<b>22.3%</b>	<b>33,521</b>	<b>28,472</b>	<b>5,049</b>	<b>17.7%</b>

TeamSystem Group adopted the International Financial Reporting Standards IFRS 9, 15 and 16 for the Consolidated Financial Statements ending 31 December 2018. In order to provide consistent comparatives to the results for the period ending 30 June 2019, TeamSystem Group adopted the International Financial Reporting Standards IFRS 9, 15 and 16 for the 30 June 2018 consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows. The 30 June 2018 comparative figures presented in 30 June 2019 Consolidated Financial Statements are therefore different from those reported in 30 June 2018 Consolidated Financial Statements.

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	30 Jun 2019	30 Jun 2018	Change	% Change	Quarter 2Q 2019	Quarter 2Q 2018	Change	% Change
<b>PROFIT (LOSS) FOR THE YEAR</b>	(7,375)	(69,028)	61,652	-89.3%	(1,346)	(51,279)	49,932	-97.4%
Income tax	3,270	(891)	4,161	-466.9%	1,901	(703)	2,604	-370.3%
Financial income and expenses	23,010	72,058	(49,049)	-68.1%	11,017	54,141	(43,125)	-79.7%
Other provisions for risks and charges	4	0	4	0.0%	4	0	4	0.0%
Depreciation and amortization of non-current assets	40,180	39,621	559	1.4%	20,203	20,106	97	0.5%
Allowance for bad debts	2,390	2,587	(197)	-7.6%	1,191	1,604	(413)	-25.7%
Costs for changing and closing locations	0	679	(679)	-100.0%	0	667	(667)	-100.0%
Advisory expenses related to reorganization and cost saving projects	0	3,019	(3,019)	-100.0%	0	1,511	(1,511)	-100.0%
Personnel redundancy	315	587	(273)	-46.5%	101	444	(344)	-77.4%
Acquisitions and mergers costs	276	229	47	20.7%	(14)	164	(178)	-108.4%
Cost for change management program	0	800	(800)	-100.0%	0	633	(633)	-100.0%
Cost for credit collection project	0	18	(18)	-100.0%	0	0	0	0.0%
Tax optimization costs	0	129	(129)	-100.0%	0	48	(48)	-100.0%
Settlements with clients and agents	452	975	(523)	-53.7%	392	855	(463)	-54.2%
Other minor items	123	431	(308)	-71.5%	73	280	(207)	-73.9%
<b>ADJUSTED EBITDA</b>	<b>62,643</b>	<b>51,215</b>	<b>11,428</b>	<b>22.3%</b>	<b>33,520</b>	<b>28,472</b>	<b>5,048</b>	<b>17.7%</b>

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.

□ □ □

**TOTAL REVENUE:** Total Revenue for the period ended 30 June 2019 amounts to € 176,963 thousand, up by € 19,473 thousand compared to the corresponding figure for the period ended 30 June 2018 (€ 157,490 thousand). The increase is mainly attributable to the organic growth experienced by the Group in the first six months of 2019.

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

- **Software Solutions:** includes the Group's core, historical activities, such as sales of software licences to professionals and small and medium businesses, support and maintenance, which are sold via the traditional sales networks pertaining to the direct, indirect and vertical channels;
- **Cloud Software Solutions:** relates to software solutions and related subscriptions handled by the new cloud channel;
- **Hardware:** includes the activities, revenue and costs pertaining to sales of hardware systems and related components. Note that, as part of the outsourcing arrangements made by the Group, effective 2018, this business, as far as TeamSystem S.p.A. is concerned, is partially managed via a service agreement, based on which the company earns commission income.

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

Euro thousands								
OPERATING SEGMENTS	30 Jun 2019	30 Jun 2018	Change	% Change	Quarter 2Q 2019	Quarter 2Q 2018	Change	% Change
Software Solutions	127,467	133,986	(6,519)	-4.9%	65,597	68,250	(2,653)	-3.9%
Cloud Software Solutions	48,798	22,119	26,679	120.6%	24,068	14,105	9,963	70.6%
Hardware	697	1,385	(688)	-49.7%	323	467	(144)	-30.8%
<b>TOTAL REVENUE</b>	<b>176,963</b>	<b>157,490</b>	<b>19,472</b>	<b>12.4%</b>	<b>89,988</b>	<b>82,822</b>	<b>7,166</b>	<b>8.7%</b>

**ADJUSTED EBITDA:** Adjusted Ebitda for the period ended 30 June 2019 amounts to € 62,643 thousand, up by € 11,428 thousand compared to the amount at 30 June 2018 (€ 51,215 thousand).

**COST OF RAW AND OTHER MATERIALS:** Cost of raw and other materials amounts to € 13,398 thousand for the period ended 30 June 2019, up by € 443 thousand compared to the amount at 30 June 2018 (€ 12,955 thousand).



**COST OF SERVICES:** Cost of services amounts to € 44,217 thousand for the period ended 30 June 2019, up by € 2,655 thousand from the amount of the period ended 30 June 2018 (€ 41,561 thousand). This is mainly due to the growth of the business experienced by the Group in the first six months of 2019.

**PERSONNEL COSTS:** Personnel costs for the period ended 30 June 2019 (€ 54,799 thousand), down by € 895 thousand, compared to the amount at 30 June 2018 (€ 55,695 thousand).

**OTHER OPERATING COSTS:** Other operating costs amount to € 3,071 thousand, up by € 139 thousand compared to the period ended 30 June 2018 (€ 2,932 thousand).

**FINANCE COST:** Financial charges for the period ended 30 June 2019 amount to € 23,241 thousand with a decrease of € 49,654 thousand, compared to the corresponding amount at 30 June 2018 (€ 72,895 thousand). This decrease is due to one-off financial costs (booked in 2018 Profit and Loss) arising from the operation of refinancing of TeamSystem Group's financial structure occurred in April 2018 (see Note 15 Net Financial Indebtedness).

□ □ □

### **CONSOLIDATED STATEMENT OF CASH FLOWS**

Euro thousands								
CONSOLIDATED STATEMENT OF CASH FLOWS	30 Jun 2019	30 Jun 2018	Change	% Change	Quarter 2Q 2019	Quarter 2Q 2018	Change	% Change
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>79,122</b>	<b>56,239</b>	<b>22,883</b>	<b>40.7%</b>	<b>66,170</b>	<b>48,049</b>	<b>18,121</b>	<b>37.7%</b>
Capital Expenditure	(13,928)	(15,794)	1,867	-11.8%	(6,669)	(7,182)	513	-7.1%
Acquisition of investments	(14,222)	(1,899)	(12,323)	648.9%	(11,202)	4	(11,206)	-280141.7%
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(28,150)</b>	<b>(17,693)</b>	<b>(10,456)</b>	<b>59.1%</b>	<b>(17,871)</b>	<b>(7,178)</b>	<b>(10,692)</b>	<b>149.0%</b>
Financial balance paid / cashed-in and change in financial assets / liabilities	(21,711)	(12,147)	(9,564)	78.7%	(12,288)	(8,960)	(3,328)	37.1%
Financing Fees paid	(0)	(15,424)	15,424	-100.0%	(0)	(15,424)	15,424	-100.0%
Contingent liabilities to non-controlling shareholders paid	(5,369)	(9,827)	4,459	-45.4%	(4,625)	(9,689)	5,064	-52.3%
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(27,080)</b>	<b>(37,398)</b>	<b>10,318</b>	<b>-27.6%</b>	<b>(16,913)</b>	<b>(34,073)</b>	<b>17,160</b>	<b>-50.4%</b>
<b>CONSOLIDATION OF NEW SUBSIDIARIES</b>	<b>0</b>	<b>13</b>	<b>(13)</b>	<b>-100.0%</b>	<b>0</b>	<b>13</b>	<b>(13)</b>	<b>-98.5%</b>
<b>CHANGES DUE TO EXCHANGE RATE MOVEMENTS</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0.0%</b>	<b>(6)</b>	<b>(2)</b>	<b>(4)</b>	<b>217.1%</b>
<b>INCREASE (DECREASE) IN CASH AND BANK BALANCES</b>	<b>23,892</b>	<b>1,160</b>	<b>22,732</b>	<b>1959.0%</b>	<b>31,381</b>	<b>6,809</b>	<b>24,572</b>	<b>360.9%</b>

**Cash flows from operating activities** amount to € 79,122 thousand for the period ended 30 June 2019, increasing by € 22,883 thousand, compared to the corresponding flows for the period ended 30 June 2018 (€ 56,239 thousand).

The balances are impacted by the fact that 30 June 2019, 30 June 2018 and 31 December 2017 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 € 88,816 thousand at 30 June 2019 and € 61,694 thousand at 30 June 2018, with an increase of € 27,122 thousand<sup>1</sup>.

**Cash flows from investing activities** changed from negative € 17,693 thousand in the period ended 30 June 2018 to negative € 28,150 thousand for the corresponding period of 2019.

The main investment activities for the first six months of 2019 are related to:

- capitalized development costs and capital expenditures on tangible and intangible assets;
- the investments in TeamSystem Financial Value Chain S.r.l., Factor@Work S.r.l., Whit-e S.r.l. and Skylab S.r.l.;
- a payment for the acquisition of 100% equity interests in Gi.esse Macchine Utensili S.r.l.. The acquisition will be completed in September 2019.

For more information about the investments in TeamSystem Financial Value Chain S.r.l., Factor@Work S.r.l., Whit-e S.r.l., Skylab S.r.l. and Gi.esse Macchine Utensili S.r.l., see "Significant events during the first six months of 2019" section.

<sup>1</sup> 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: € 9,694 thousand for the period ended 30 June 2019, € 9,335 thousand for the period ended 30 June 2018 and € 3,880 thousand for the period ended 31 December 2017.

**Cash flows from financing activities** amount to negative € 27,080 thousand for the period ended 30 June 2019, down by € 10,318 thousand compared to negative € 37,398 thousand for the period ended 30 June 2018.

The main cash items occurred in the first six months of 2019 are attributable to the payment of:

- financial interests on Notes;
- earn-outs to former shareholders of subsidiaries;
- leases liabilities, consisting of principal and interest.

□ □ □

### ► **WORKING CAPITAL**

Euro thousands				
	30 Jun 2019	31 Dec 2018	Change	% Change
Trade receivables	169,622	128,941	40,680	31.5%
Inventories	1,069	1,067	2	0.2%
Other receivables	30,433	24,847	5,585	22.5%
Trade payables	(34,488)	(38,928)	4,440	-11.4%
Other liabilities	(162,711)	(86,810)	(75,901)	87.4%
<b>WORKING CAPITAL</b>	<b>3,925</b>	<b>29,118</b>	<b>(25,193)</b>	<b>-86.5%</b>

At 30 June 2019 Working capital amounts to € 3,925 thousand, down by € 25,193 thousand compared to the balance at 31 December 2018 (€ 29,118 thousand). The decrease is primarily attributable to Trade receivables (which balance is € 169,622 thousand at 30 June 2019 compared to € 128,941 thousand at 31 December 2018) and to Other liabilities (which balance is € 162,711 thousand at 30 June 2019 compared to € 86,810 thousand at 31 December 2018).

The movement in Working capital balance is mainly explained by the seasonality of billings of subscription fees. Actually, TeamSystem Group invoicing of subscription fees is particularly concentrated in the first quarter of the financial year with a consequent impact on the amount of Deferred Revenue (see also Note 23 about Other current and non current liabilities and Note 17 relating to Trade receivables both in the section of Notes to the Consolidated Financial Statements).

The increase in Trade receivables is also due to the week-end effect: 30 June 2019 was not a business day, therefore the collection of trade receivables due at the end of this month was postponed to the beginning of the next month<sup>2</sup>. If Trade receivables balances were normalized for the week-end effect, they would amount to € 159,928 thousand at 30 June 2019; therefore the normalized Working capital would amount to minus € 5,769 thousand at 30 June 2019, with a decrease of € 34,887 thousand.

□ □ □

### ► **CAPITAL EXPENDITURE**

Euro thousand								
CAPEX EXPENDITURE	30 Jun 2019	30 Jun 2018	Change	% Change	Quarter 2Q 2019	Quarter 2Q 2018	Change	% Change
Tangible assets	1,842	2,183	(341)	-15.6%	969	1,106	(137)	-12.4%
Intangible assets	5,073	7,020	(1,947)	-27.7%	2,239	2,853	(614)	-21.5%
Capitalized development costs - personnel costs	5,406	5,349	57	1.1%	2,651	2,625	26	1.0%
Capitalized development costs - service costs	1,608	1,243	365	29.4%	811	599	212	35.4%
<b>CAPEX EXPENDITURE - TOTAL</b>	<b>13,928</b>	<b>15,794</b>	<b>(1,867)</b>	<b>-11.8%</b>	<b>6,669</b>	<b>7,183</b>	<b>(514)</b>	<b>-7.2%</b>

In the period ended 30 June 2019 the capital expenditure amounts to € 13,928 thousand with a decrease of € 1,867 thousand compared to 30 June 2018 balance (€ 15,794 thousand).

□ □ □

<sup>2</sup> The amount of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect is € 9,694 thousand for the period ended 30 June 2019.

**► SIGNIFICANT EVENTS DURING THE FIRST SIX MONTHS OF 2019**

**● INCORPORATION**

**Incorporation of TeamSystem Financial Value Chain S.r.l. and TeamSystem AM Holdco S.r.l.**

On 19 February 2019, TeamSystem S.p.A. incorporated the subsidiary TeamSystem Financial Value Chain S.r.l., which will become the competence center for TeamSystem Group in financial services.

The 100% of the capital of TeamSystem Financial Value Chain S.r.l. is owned by TeamSystem S.p.A..

On 15 May 2019, TeamSystem Financial Value Chain S.r.l. set up the subsidiary TeamSystem AM Holdco S.r.l., in which it holds a 51% stake

**Incorporation of TeamSystem Payments Holdco S.r.l. and TeamSystem Payments S.r.l.**

In order to optimise operations, on 6 March 2019, TeamSystem S.p.A. set up a company called TeamSystem Payments Holdco S.r.l., in which it holds a 100% stake.

On 14 May 2019, TeamSystem Payments Holdco S.r.l. set up a company called TeamSystem Payments S.r.l., in which it holds a 100% stake.

**Incorporation of TeamSystem 4 S.r.l.**

In order to optimise operations, in June 2019 TeamSystem S.p.A. set up a subsidiary named TeamSystem 4 S.r.l., in which it holds a 100% stake.

**● ACQUISITION OF INVESTMENT**

**Acquisition of Factor@Work S.r.l. and Whit-e S.r.l.**

In March 2019, TeamSystem S.p.A. acquired a 31% interest in Factor@Work S.r.l. and Whit-e S.r.l.. The former is a provider of portfolio management services to investors, the latter is a leading provider of technology solutions and platforms for invoice trading.

TeamSystem S.p.A. contributed these investments to TeamSystem Financial Value Chain S.r.l., a new company specifically incorporated by TeamSystem S.p.A. (see paragraph above).

TeamSystem Financial Value Chain S.r.l. then approved a capital increase whereby:

- 1) TeamSystem S.p.A. contributed the investments held in Factor@Work S.r.l. and in Whit-e S.r.l.;
- 2) Fintech Holding S.r.l. (owner of the remaining 69% equity interest in Factor@Work S.r.l. and in Whit-e S.r.l.), in turn, contributed its investments held in Factor@Work S.r.l. and Whit-e S.r.l..

On completion of TeamSystem Financial Value Chain S.r.l.'s capital increase:

- 1) TeamSystem Financial Value Chain S.r.l. has become the sole owner of Factor@Work S.r.l. and Whit-e S.r.l.;
- 2) TeamSystem S.p.A. has obtained a 51% controlling interest in TeamSystem Financial Value Chain S.r.l. (call/put option agreements have been entered into with respect to the remaining 49% interest).

**Acquisition of Skylab Italia S.r.l.**

On 12 April 2019 TeamSystem S.p.A. acquired a 60% interest in Skylab Italia S.r.l.

Skylab Italia S.r.l. is a company specialised in cloud solutions for personnel management. This acquisition will help TeamSystem Group to expand its cloud product portfolio, as well as reinforce its competitive position in that target market.

**Acquisition of Gi.esse Macchine Utensili S.r.l.**

In June 2019 Nuovamacut S.p.A. paid an amount for the acquisition of 100% equity interests in Gi.esse Macchine Utensili S.r.l., a leading company in the sale of industrial machinery in the north of Italy, already synergically integrated with Nuovamacut Automazione S.p.A..

The acquisition will be completed in September 2019.

**● MERGER**

**Merger by absorption of Nuovamacut Nord Ovest S.r.l. and Nuovamacut Centro Sud S.r.l. in Nuovamacut Automazione S.p.A.**

In February 2019 Nuovamacut Automazione S.p.A., with the aim of simplifying the Group structure, merged by absorption two companies of the Group, Nuovamacut Nord Ovest S.r.l. and Nuovamacut Centro Sud S.r.l. by means of a deed of merger dated 20 February 2019, effective for legal purposes as at the close of business on 28 February 2019.

**Merger by absorption of Metodo S.p.A. in TeamSystem S.p.A.**

In March 2019 TeamSystem S.p.A., with the aim of simplifying the Group structure, merged by absorption Metodo S.p.A. by means of a deed of merger dated 22 March 2019, effective for legal purposes as at the close of business on 30 June 2019.

□ □ □

**► SIGNIFICANT SUBSEQUENT EVENTS**

There are no significant subsequent events to be reported.

□ □ □

**► 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.

□ □ □

**► RELATED PARTY TRANSACTIONS**

In the first six months of 2019, 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.

□ □ □

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

**BOARD OF DIRECTORS  
30 June 2019**

**TITLE**

VINCENZO MORELLI	CHAIRMAN
FEDERICO LEPROUX	CHIEF EXECUTIVE OFFICER
PATRICK JOHN HEALY	DIRECTOR
VINCENZO FERRARI	DIRECTOR
TOMMASO COHEN	DIRECTOR
BLAKE CHRISTOPHER KLEINMAN	DIRECTOR
PHILIP RICHARD STERNHEIMER	DIRECTOR
LUCA VELUSSI	DIRECTOR
JEAN BAPTISTE BRIAN	DIRECTOR

**BOARD OF STATUTORY AUDITORS  
30 June 2019**

**TITLE**

CLAUDIO SANCHIONI	CHAIRMAN
FABIO LANDUZZI	STATUTORY AUDITOR
NICOLE MAGNIFICO	STATUTORY AUDITOR
ROBERTO PIERLEONI	ALTERNATIVE AUDITOR
CRISTINA AMADORI	ALTERNATIVE AUDITOR

**REGISTERED OFFICE and OTHER INFORMATION**

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

□ □ □

**UNAUDITED**  
**INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS**  
**ENDED**  
**30 JUNE 2019**

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

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Euro thousands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	30 Jun 2019	30 Jun 2018	NOTES
Revenue	177,227	156,889	1
Other operating income	(264)	601	1
<b>TOTAL REVENUE</b>	<b>176,963</b>	<b>157,490</b>	<b>1</b>
Cost of raw and other materials	(13,398)	(12,955)	2
Cost of services	(44,217)	(41,561)	3
Personnel costs	(54,799)	(55,695)	4
Other operating costs	(3,071)	(2,932)	5
Depreciation and amortization of non-current assets	(40,180)	(39,621)	
Allowance for bad debts	(2,390)	(2,587)	
Other provisions for risks and charges	(4)	0	
<b>OPERATING RESULT</b>	<b>18,904</b>	<b>2,139</b>	
Finance income	231	837	6
Finance cost	(23,241)	(72,895)	7
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(4,106)</b>	<b>(69,919)</b>	
Current income tax	(9,954)	(7,339)	
Deferred income tax	6,684	8,230	
<b>TOTAL INCOME TAX</b>	<b>(3,270)</b>	<b>891</b>	
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(7,375)</b>	<b>(69,028)</b>	
(Profit) Loss for the period - Non-controlling interests	(43)	(198)	
<b>PROFIT (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY</b>	<b>(7,419)</b>	<b>(69,225)</b>	
<b>ADJUSTED EBITDA</b>	<b>62,643</b>	<b>51,215</b>	

Euro thousands

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30 Jun 2019	30 Jun 2018	NOTES
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>(7,375)</b>	<b>(69,028)</b>	<b>20</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX</b>	<b>0</b>	<b>0</b>	
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>(7,375)</b>	<b>(69,028)</b>	<b>20</b>
Total comprehensive (income) loss for the period attributable to Non-controlling interests	(43)	(198)	20
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD - OWNERS OF THE COMPANY</b>	<b>(7,419)</b>	<b>(69,225)</b>	<b>20</b>



Euro thousands

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>NOTES</b>
Tangible assets	15,507	15,326	9
Intangible assets	658,064	681,539	10
Right of use	20,938	23,895	11
Goodwill	707,682	707,681	12
Other Investments	14,653	449	13
Investments in associates	133	133	13
Deferred tax assets	14,392	15,342	14
Financing fees prepayments - non-current	908	1,112	15
Other financial assets - non-current	3,741	50	15
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,436,018</b>	<b>1,445,528</b>	
Inventories	1,069	1,067	16
Trade receivables	169,622	128,941	17
Tax receivables	2,625	10,944	18
Other receivables - current	30,433	24,847	19
Financing Fees prepayments - current	413	413	15
Other financial assets - current	228	138	15
Cash and bank balances	48,466	24,574	15
<b>TOTAL CURRENT ASSETS</b>	<b>252,855</b>	<b>190,925</b>	
<b>TOTAL ASSETS</b>	<b>1,688,873</b>	<b>1,636,452</b>	

Euro thousands

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>EQUITY AND LIABILITIES</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>NOTES</b>
Share capital	5,450	5,450	20
Other reserves	444,261	500,289	20
Profit (Loss) attributable to Owners of the Company	(7,419)	(56,030)	20
<b>TOTAL EQUITY attributable to OWNERS OF THE COMPANY</b>	<b>442,292</b>	<b>449,709</b>	
Non-controlling interests - Capital and reserves	463	396	20
Non-controlling interests - Profit (Loss)	43	70	20
<b>TOTAL NON-CONTROLLING INTERESTS</b>	<b>507</b>	<b>466</b>	
<b>TOTAL EQUITY</b>	<b>442,799</b>	<b>450,175</b>	
Financial liabilities with banks and other institutions - non-current	755,431	757,000	15
Other financial liabilities - non-current	84,294	83,728	15
Staff leaving indemnity	14,598	14,892	21
Provisions for risks and charges	5,713	9,280	22
Deferred tax liabilities	174,372	182,018	14
Other liabilities - non-current	545	574	23
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,034,953</b>	<b>1,047,491</b>	
Financial liabilities with banks and other institutions - current	6,770	6,905	15
Other financial liabilities - current	4,026	4,402	15
Trade payables	34,488	38,928	
Tax liabilities - current	3,672	2,315	24
Other liabilities - current	162,166	86,235	23
<b>TOTAL CURRENT LIABILITIES</b>	<b>211,121</b>	<b>138,786</b>	
<b>TOTAL LIABILITIES</b>	<b>1,246,074</b>	<b>1,186,277</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,688,873</b>	<b>1,636,452</b>	

Euro thousands

CONSOLIDATED STATEMENT OF CASH FLOWS	30 Jun 2019	30 Jun 2018	NOTES
<b>Operating Result</b>	<b>18,904</b>	<b>2,139</b>	
Depreciation and amortization of non-current assets	40,180	39,621	
<b>Amortization, Depreciation, Write-off, Impairment</b>	<b>40,180</b>	<b>39,621</b>	
Trade receivables	(40,680)	(39,346)	8
Inventories	(2)	332	
Other receivables	(6,443)	(3,767)	
Trade payables	(5,432)	(3,745)	
Other liabilities	75,854	66,741	
<b>Change in Working capital</b>	<b>23,296</b>	<b>20,215</b>	8
Staff leaving indemnity	(404)	(921)	
Provisions for risks and charges	(2,575)	(3,632)	
<b>Change in provisions</b>	<b>(2,979)</b>	<b>(4,554)</b>	
<b>Income tax</b>	<b>(279)</b>	<b>(1,183)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>79,122</b>	<b>56,239</b>	8
Tangible assets	(1,842)	(2,183)	
Intangible assets	(5,073)	(7,020)	
Capitalized development costs - personnel costs	(5,406)	(5,349)	
Capitalized development costs - service costs	(1,608)	(1,243)	
<b>Capital Expenditure</b>	<b>(13,928)</b>	<b>(15,794)</b>	
<b>Acquisition of investments</b>	<b>(14,222)</b>	<b>(1,899)</b>	8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(28,150)</b>	<b>(17,693)</b>	
<b>Financial balance paid / cashed-in and change in financial assets / liabilities</b>	<b>(21,711)</b>	<b>(12,147)</b>	8
<b>Financing Fees paid</b>	<b>(0)</b>	<b>(15,424)</b>	
<b>Contingent liabilities to non-controlling shareholders paid</b>	<b>(5,369)</b>	<b>(9,827)</b>	8
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(27,080)</b>	<b>(37,398)</b>	
<b>CASH AND BANK BALANCES FROM CONSOLIDATION OF SUBSIDIARIES</b>	<b>0</b>	<b>13</b>	
<b>INCREASE (DECREASE) IN CASH AND BANK BALANCES</b>	<b>23,892</b>	<b>1,160</b>	
<b>CASH AND BANK BALANCES - BEGINNING OF THE YEAR</b>	<b>24,574</b>	<b>16,259</b>	
<b>CASH AND BANK BALANCES - END OF THE PERIOD</b>	<b>48,466</b>	<b>17,419</b>	

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**Euro thousands**

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
<b>31 Dec 2017</b>	5,450	558,928	0	(57,134)	507,244	1,023	508,267
IFRS 9 / 15 / 16 - first adoption		(405)			(405)		(405)
Loss allocation		(57,134)		57,134	0		0
Dividends					0	(59)	(59)
Total Comprehensive Income (Loss) for the period				(69,225)	(69,225)	198	(69,028)
<b>30 Jun 2018</b>	5,450	501,389	0	(69,225)	437,614	1,162	438,776

**Euro thousands**

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
<b>31 Dec 2018</b>	5,450	501,117	(826)	(56,030)	449,711	464	450,175
Loss allocation		(56,856)	826	56,030	0		0
Total Comprehensive Income (Loss) for the period				(7,419)	(7,419)	43	(7,375)
<b>30 Jun 2019</b>	5,450	444,261	0	(7,419)	442,292	507	442,799

# TeamSystem Group

## NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

### **►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 reminder equity interest held by the private equity firm HG Capital (8.5%) and by TeamSystem's senior and middle managers (3.6%).

□ □ □

### **►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 2019 are the same used for the preparation of TeamSystem Holding S.p.A. consolidated financial statements for the period ended 31 December 2018 (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 2019 show comparative figures as at 30 June 2018 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 2018 for the components of consolidated statement of financial position.

The interim consolidated financial statements for the period ended 30 June 2019 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 2018.

This interim consolidated financial report for the first six months ended 30 June 2019 is presented in Euro 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 2019 and for the period ended 30 June 2018 have not been audited.

□ □ □

**► CONSOLIDATED COMPARATIVES FOR THE PERIOD ENDEND 30 JUNE 2018**

TeamSystem Group adopted the International Financial Reporting Standards IFRS 9, 15 and 16 for the Consolidated Financial Statements ending 31 December 2018.

In order to provide a consistent comparatives to the results for the period ending 30 June 2019, TeamSystem Group adopted the International Financial Reporting Standards IFRS 9, 15 and 16 for the 30 June 2018 consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows. The 30 June 2018 comparative figures presented in 30 June 2019 Consolidated Financial Statements are different than those in 30 June 2018 Consolidated Financial Statements.

□ □ □

**► 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	642,832,064	(172,414)	EUR			
TeamSystem S.p.A.	Pesaro	24,000,000	404,237,128	(18,733,983)	EUR	100.00	100.00	
Inforyou S.r.l.	Castello di Godego (TV)	31,250	5,004,219	255,785	EUR	100.00	100.00	
TeamSystem Service S.r.l.	Campobasso	200,000	11,045,391	4,324,313	EUR	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	113,896	4,727	EUR	60.00	100.00	1
Danea Soft S.r.l.	Vigonza (PD)	100,000	13,956,090	5,751,366	EUR	70.00	100.00	1
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	5,204,278	3,123,080	EUR	51.00	100.00	1 / 3
MMData S.r.l.	Rome	10,000	158,425	19,109	EUR	100.00	100.00	3
Esa Napoli S.r.l.	Naples	10,000	319,483	66,800	EUR	100.00	100.00	
Mondora S.r.l.	Milan	105,000	2,393,191	360,951	EUR	100.00	100.00	
Voispeed Limited	Saint Albans - UK	1,000	129,664	29,869	GBP	85.00	85.00	4
Aliaslab S.p.A.	Milan	156,000	21,940,411	1,734,945	EUR	51.00	100.00	1
Reviso International ApS	Copenhagen	50,011	(3,677,148)	(5,945,638)	DKK	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	17,151	3,025	GBP	100.00	100.00	5
Reviso Soluciones Cloud S.L.	Madrid	3,000	8,319	5,037	EUR	100.00	100.00	5
Reviso Deutschland GmbH	Berlin	25,000	29,817	1,476	EUR	100.00	100.00	5
Evolis S.r.l.	Catania	887,000	1,266,638	46,355	EUR	51.00	100.00	1
Netlex S.r.l.	Velletri (RM)	12,500	409,505	19,686	EUR	51.00	100.00	1
Cassanova S.r.l.	Santarcangelo di Romagna (RN)	10,000	763,743	17,303	EUR	51.00	100.00	1
Evolution Fit S.r.l.	Turin	10,000	161,632	147,295	EUR	51.00	100.00	1 / 6
TeamSystem Active S.r.l.	Pesaro	15,000	93,878	21,918	EUR	100.00	100.00	
Gruppo Euroconference S.p.A.	Verona	300,000	14,434,619	1,243,786	EUR	96.87	96.87	2
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	15,544,687	1,865,608	EUR	100.00	100.00	

Amounts in Euro								
CONSOLIDATED COMPANIES								
EQUITY METHOD	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
Esadro S.r.l.	Parma	20,800	245,740	111,078	EUR	40.00	40.00	8
INTIT S.r.l.	Frosinone	20,800	459,668	49,901	EUR	35.00	35.00	8
Cesaco S.r.l.	Vicenza	90,000	174,614	23,069	EUR	48.00	48.00	7
Comysyst S.r.l.	Pesaro	10,000	22,043	9,976	EUR	49.00	49.00	8

- (1) = equity interest would be 100% should put/call option be exercised;
- (2) = takes account of treasury shares held by Gruppo Euroconference;
- (3) = investments held by Danea Soft S.r.l.;
- (4) = investments held by TeamSystem Communication S.r.l.;
- (5) = investments held by Reviso International ApS;
- (6) = investments held by Inforyou S.r.l.;
- (7) = Equity and Profit (Loss) figures updated to 31 December 2017;
- (8) = Equity and Profit (Loss) figures updated to 31 December 2018

□ □ □

**► CHANGES TO THE SCOPE OF CONSOLIDATION DURING THE FIRST SIX MONTHS OF 2019**

The 30 June 2019 scope of consolidation hasn't changed compared to the Consolidated financial statements for the year ended 31 December 2018.

As regards the investments in TeamSystem Financial Value Chain S.r.l., TeamSystem AM Holdco S.r.l., TeamSystem Payments Holdco S.r.l., TeamSystem Payments S.r.l., Factor@Work S.r.l., Whit-e S.r.l. and Skylab Italia S.r.l., TeamSystem 4 S.r.l. (see "Significant events during the first six months of 2019" section, in Directors' Report), their results and their financial position have not been consolidated for the purpose of TeamSystem Consolidated financial statements for the six months ended 30 June 2019.

□ □ □

**► 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 2019 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:

<b>EXCHANGE RATES</b>	<b>Average exchange rate for the first six months of 2019</b>	<b>Exchange rate as at 30 June 2019</b>	<b>Average exchange rate for the first six months of 2018</b>	<b>Exchange rate as at 31 December 2018</b>
<b>GBP</b>	<b>0.87363</b>	<b>0.89655</b>	<b>0.87977</b>	<b>0.89453</b>
<b>DKK</b>	<b>7.4651</b>	<b>7.4636</b>	<b>7.4476</b>	<b>7.4673</b>

□ □ □

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

□ □ □

**► 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;
- Right of use and Financial leases liabilities (IFRS 16).

□ □ □

**► ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS  
ENDORSED BY THE EUROPEAN UNION, APPLICABLE AND NOT ADOPTED BY THE GROUP AT  
30 JUNE 2019**

The Group has not applied the following new accounting standards and other amendments, which have been published, but not applied by TeamSystem Group:

- 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 was permitted. The directors do not believe that there will be any significant impact on the Group's consolidated financial statements as a result of the adoption of these amendments.
- On 12 October 2017, the IASB issued Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify the need to apply IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied. The amendments are applicable as from 1 January 2019, although early application was permitted.  
The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.
- On 12 December 2017, the IASB issued Annual Improvements to IFRSs: 2015-2017 Cycle, a collection of amendments to standards as part of the annual process of improvements thereto. The major amendments relate to:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendments clarify that, when an entity obtains control of a business that is a joint operation, it should remeasure previously held interests in that business. This is not required, however, when an entity obtains joint control.
  - IAS 12 Income Taxes: the amendments clarify that the income tax consequences of dividends (including payments on financial instruments classified as equity) should be recognised consistently with the transactions that generated the distributable profits (in profit or loss, OCI or equity).
  - IAS 23 Borrowing costs: the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are applicable as from 1 January 2019, although early application was permitted. The Directors are currently assessing the potential effect of the introduction of the aforementioned amendments.

- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (published on 7 February 2018). The document clarifies how an entity should recognise an amendment (i.e a curtailment or settlement) to a defined benefit plan. The amendments require an entity to update its assumptions and to remeasure the net liability or asset pertaining to the plan. The amendments clarify that, subsequent to the occurrence of such an event, an entity should use updated assumptions to measure current service cost and the net interest for the period after the remeasurement. The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.
  
- On 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 interpretation document is applicable as from 1 January 2019.  
The Directors are currently assessing the potential effect of the introduction of this interpretation on the Group's consolidated financial statements.

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

□ □ □



## 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 2019	30 Jun 2018	Change	% Change
Assistance and Maintenance	28.2	30.7	(2.5)	-8.1%
Licences	5.2	7.5	(2.3)	-30.5%
Services and Other	6.1	10.9	(4.8)	-44.3%
Direct Channel	<b>39.5</b>	<b>49.0</b>	<b>(9.6)</b>	<b>-19.5%</b>
Assistance and Maintenance and Licences	43.7	43.9	(0.2)	-0.5%
Services and Other	0.9	0.9	0.0	3.7%
Indirect Channel	<b>44.6</b>	<b>44.7</b>	<b>(0.2)</b>	<b>-0.4%</b>
<b>ERP AND BUSINESS MANAGEMENT SOFTWARE</b>	<b>84.0</b>	<b>93.8</b>	<b>(9.8)</b>	<b>-10.4%</b>
Assistance and Maintenance	16.7	14.6	2.1	14.2%
Licences	9.1	10.1	(1.0)	-10.4%
Services and Other	18.6	17.3	1.4	8.0%
Verticals channel	<b>44.4</b>	<b>42.0</b>	<b>2.4</b>	<b>5.8%</b>
<b>SOFTWARE SOLUTION RECONCILIATION</b>	<b>(1.0)</b>	<b>(1.8)</b>	<b>0.8</b>	<b>-46.6%</b>
<b>SOFTWARE SOLUTIONS</b>	<b>127.5</b>	<b>134.0</b>	<b>(6.5)</b>	<b>-4.9%</b>
<b>CLOUD SOFTWARE SOLUTIONS</b>	<b>48.8</b>	<b>22.1</b>	<b>26.7</b>	<b>120.6%</b>
<b>HARDWARE</b>	<b>0.7</b>	<b>1.4</b>	<b>(0.7)</b>	<b>-49.4%</b>
<b>TOTAL REVENUE</b>	<b>177.0</b>	<b>157.5</b>	<b>19.5</b>	<b>12.4%</b>

Total Revenue for the period ended 30 June 2019 amounts to € 177 millions, up by € 19.5 millions compared to the corresponding figure for the period ended 30 June 2018 (€ 157.5 millions).

This movement (attributable to the organic growth experienced by the Group in the first six months of 2019) is due to the increase in Cloud Software Solutions revenue (€ 26.7 millions) and is partially offset by:

- Software Solutions revenue, which decreases by € 6.5 millions;
- Hardware revenue, which decreases by € 0.7 millions.

### 2. COST OF RAW AND OTHER MATERIALS

	30 Jun 2019	30 Jun 2018	Change	% Change
Hardware purchases	2,122	1,554	568	36.5%
Third parties' software	9,910	9,484	426	4.5%
Handbooks and forms	39	38	0	0.1%
Materials for education	105	113	(8)	-7.1%
Fuel	914	1,116	(202)	-18.1%
Other materials	315	333	(18)	-5.5%
Change in inventory of raw materials	(6)	317	(323)	-101.8%
<b>Total</b>	<b>13,398</b>	<b>12,955</b>	<b>443</b>	<b>3.4%</b>

Cost of raw and other materials amounts to € 13,398 thousand for the period ended 30 June 2019, up by € 443 thousand compared to the amount at 30 June 2018 (€ 12,955 thousand). The increase is mainly attributable to the organic growth of the Group.

### 3. COST OF SERVICES

	30 Jun 2019	30 Jun 2018	Change	% Change
Agent commissions and other costs	7,337	6,631	706	10.7%
Consulting and third parties services	5,483	5,673	(190)	-3.4%
Software and Hardware maintenance costs	6,151	4,345	1,807	41.6%
Customer support service costs	3,728	991	2,737	276.3%
Administrative tax and legal	1,718	1,197	521	43.5%
Education - consulting and copyrights	2,058	2,332	(273)	-11.7%
Magazines - consulting and copyrights	762	788	(25)	-3.2%
Other costs for education services	714	891	(177)	-19.9%
Advertising and marketing	6,712	4,676	2,036	43.5%
Car rentals	1,668	1,565	103	6.6%
Utilities	1,905	1,977	(72)	-3.7%
Costs for mergers and acquisitions	276	229	47	20.5%
Tax optimization costs		129	(129)	-100.0%
Other minor items	167	334	(167)	-50.0%
Costs for strategic projects and reorganizations	141	4,748	(4,607)	-97.0%
Other services	7,004	6,299	705	11.2%
<b>Cost of services - Gross of capitalisation</b>	<b>45,824</b>	<b>42,804</b>	<b>3,021</b>	<b>7.1%</b>
Services capitalized development costs	(1,608)	(1,243)	(365)	29.4%
<b>Total</b>	<b>44,217</b>	<b>41,561</b>	<b>2,655</b>	<b>6.4%</b>

Cost of services for the period ended 30 June 2019 amounts to € 44,217 thousand, up by € 2,655 thousand from the amount of the period ended 30 June 2018 (€ 41,561 thousand), mainly related to the organic growth experienced by the Group in the first six months of 2019.

Compared to the corresponding period ended 30 June 2018, the main increases have been registered in Customer support service costs, Advertising and Marketing costs and Software and Hardware maintenance costs (as a consequence of the growth in Cloud Software Solutions Revenue) and are partially compensated by the decrease of Cost for strategic project and reorganizations, related to projects largely concluded during the financial year 2018.

As regards the capitalisation of cost of services recognised in the first six months of 2019, reference should be made to the Note 10 Intangible Assets.

### 4. PERSONNEL COSTS

	30 Jun 2019	30 Jun 2018	Change	% Change
Wages, salaries and social contributions	56,011	56,314	(304)	-0.5%
Staff leaving indemnities	2,374	2,520	(146)	-5.8%
Other personnel costs	97	112	(15)	-13.6%
Personnel costs for redundancy and reorganizations	179	358	(179)	-50.1%
<b>Employee costs</b>	<b>58,660</b>	<b>59,304</b>	<b>(644)</b>	<b>-1.1%</b>
Freelancers and collaborators fees	230	339	(109)	-32.2%
Directors' fees and related costs	1,316	1,400	(85)	-6.0%
<b>Directors and Collaborators</b>	<b>1,546</b>	<b>1,739</b>	<b>(194)</b>	<b>-11.1%</b>
<b>Personnel - Gross of capitalisation</b>	<b>60,205</b>	<b>61,043</b>	<b>(838)</b>	<b>-1.4%</b>
Personnel capitalized development costs	(5,406)	(5,349)	(57)	1.1%
<b>Total</b>	<b>54,799</b>	<b>55,695</b>	<b>(895)</b>	<b>-1.6%</b>

Personnel costs for the period ended 30 June 2019 (€ 54,799 thousand) have decreased by € 895 thousand, compared to the corresponding amount for the period ended 30 June 2018 (€ 55,695 thousand).

As regards the capitalisation of personnel costs recognised in the first six months of 2019, reference should be made to the Note 10 Intangible Assets.

## 5. OTHER OPERATING COSTS

	30 Jun 2019	30 Jun 2018	Change	% Change
Rents	621	364	257	70.5%
Rentals	145	225	(80)	-35.5%
Other expenses for use of third parties assets	199	243	(44)	-18.0%
Other tax	110	145	(36)	-24.6%
Losses from assets disposals	6	31	(25)	-80.5%
Other expenses and settlement costs	1,990	1,924	66	3.4%
<b>Total</b>	<b>3,071</b>	<b>2,932</b>	<b>139</b>	<b>4.7%</b>

Other operating costs for the period ended 30 June 2019 (€ 3,071 thousand) increase by € 139 thousand compared to the corresponding amount for the period ended 30 June 2018 (€ 2,932 thousand).

## 6. FINANCE INCOME

	30 Jun 2019	30 Jun 2018	Change	% Change
Interest and other finance income	3	61	(58)	-94.8%
Gains on foreign exchange	0	2	(2)	-98.4%
Interest from cash pooling and other loans		2	(2)	-100.0%
Interest from banks	2	0	2	740.4%
Depreciation - Contingent liab. non-controll. shareholders	136	764	(628)	-82.2%
MTM valuation of derivative instruments	90	0	90	n.s.
Dividends	0	7	(7)	-100.0%
<b>Total</b>	<b>231</b>	<b>837</b>	<b>(605)</b>	<b>-72.3%</b>

Finance income for the period ended 30 June 2019 (€ 231 thousand) have decreased for an amount of € 605 thousand compared to the corresponding amount at 30 June 2018 (€ 837 thousand).

## 7. FINANCE COST

	30 Jun 2019	30 Jun 2018	Change	% Change
Interest on bank loans	6	85	(78)	-92.5%
Interest on Notes	15,083	36,224	(21,141)	-58.4%
Interest on derivative instruments	153	14	139	1031.1%
Interest on financing fees	1,392	31,185	(29,793)	-95.5%
Revaluation - Contingent liab. non-controll. shareholders	1,562	593	969	163.4%
Bank commissions	1,095	841	254	30.2%
MTM valuation of derivative instruments		313	(313)	-100.0%
Interests on actuarial valuation of employees benefit	143	605	(462)	-76.4%
Other IFRS financial charges	2,901	2,911	(10)	-0.3%
Interests on cash pooling and other loans	0	20	(20)	-98.9%
Other financial charges	891	99	792	802.7%
Losses on foreign exchange	14	6	8	152.8%
<b>Total</b>	<b>23,241</b>	<b>72,895</b>	<b>(49,654)</b>	<b>-68.1%</b>

Finance cost for the period ended 30 June 2019 amount to € 23,241 thousand with a decrease of € 49,654 thousand, compared to the corresponding amount at 30 June 2018 (€ 72,895 thousand).

The decrease is due to the refinancing of TeamSystem Group's financial structure occurred in April 2018 (see Note 15 Net Financial Indebtedness), which caused one-off financial costs particularly impacting on the following line items:

- Interest on Notes (with a one-time financial cost of € 17,400 thousand booked in 2018);
- Interest on financing fees (with a one-time financial cost of € 30,512 thousand accounted for in 2018).

## 8. 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 2019.

**Cash flows from operating activities** = amount to € 79,122 thousand for the period ended 30 June 2019, increasing by € 22,883 thousand, compared to the corresponding flows for the period ended 30 June 2018 (€ 56,239 thousand).

The balances are impacted by the fact that 30 June 2019, 30 June 2018 and 31 December 2017 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 € 88,816 thousand at 30 June 2019 and € 61,694 thousand at 30 June 2018, with an increase of € 27,122 thousand<sup>3</sup> (see "Consolidated statement of cash flows" paragraph in Directors' Report).

**Acquisition of investments** = the balance mainly refers to:

- the investments in TeamSystem Financial Value Chain S.r.l., Factor@Work S.r.l., Whit-e S.r.l. and Skylab S.r.l.;
- a payment for the acquisition of 100% equity interests in Gi.esse Macchine Utensili S.r.l.. The acquisition will be completed in September 2019.

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

- the payment of Interests on Notes;
- the payment of leases liabilities, consisting of principal and interests, according to IFRS 16 (see Note 15 Net Financial Indebtedness);

**Contingent liabilities to non-controlling shareholders paid** = The main cash items occurred in the first six months of 2019 are attributable to the payment of earn-outs to former shareholders of subsidiaries.

## 9. TANGIBLE ASSETS

NET BOOK VALUE	30 Jun 2019	31 Dec 2018	Change	% Change
Land	948	948		
Buildings	3,206	3,338	(132)	-4.0%
Plant and machinery	4,228	3,462	766	22.1%
Equipment	902	972	(70)	-7.2%
Other assets	6,218	6,605	(388)	-5.9%
Tangible assets - in progress	5		5	
<b>Total</b>	<b>15,507</b>	<b>15,326</b>	<b>181</b>	<b>1.2%</b>

At 30 June 2019 Tangible fixed assets amount to € 15,507 thousand, up by € 181 thousand compared with the balance recorded at 31 December 2018 (€ 15,326 thousand). The increase results from the sum of disposals, additions and depreciation charge for the period (the latter amounts to € 1,661 thousand).

<sup>3</sup> 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: € 9,694 thousand for the period ended 30 June 2019, € 3,880 thousand for the period ended 31 December 2017 and € 9,335 thousand for the period ended 30 June 2018.

## 10. INTANGIBLE ASSETS

NET BOOK VALUE				
	30 Jun 2019	31 Dec 2018	Change	% Change
Capitalised development	29,302	28,188	1,115	4.0%
IFRS Assets	608,615	634,786	(26,172)	-4.1%
Other intangible assets	20,147	18,565	1,582	8.5%
<b>Total</b>	<b>658,064</b>	<b>681,539</b>	<b>(23,475)</b>	<b>-3.4%</b>

Intangible assets have gone from € 681,539 thousand at 31 December 2018 to € 658,064 thousand at 30 June 2019, with a decrease of € 23,475 thousand resulting from the aggregate of disposals, additions, capitalised development costs (€ 7,014 thousand) and amortisation (€ 35,562 thousand) for the period ended 30 June 2019.

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 2019.

This increase in Other Intangible Assets is mainly attributable to the purchase of softwares used in the operating activity.

## 11. RIGHT OF USE

At 30 June 2019 Right of use amounts to € 20,938 thousand, down by € 2,957 thousand compared to the balance as at 31 December 2018 (€ 23,895 thousand).

Right of use consists of the present value of future payments for the right of use of leased assets (mainly buildings and company cars) arising from the application of IFRS 16.

## 12. GOODWILL

At 30 June 2019 Goodwill amounts to € 707,682 thousand.

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 2019.

## 13. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

	30 Jun 2019	31 Dec 2018	Change	% Change
Investments in Associates	133	133	(0)	0.0%
Other Investments	14,653	449	14,204	3164.2%
<b>Total</b>	<b>14,786</b>	<b>582</b>	<b>14,204</b>	<b>2439.0%</b>

The balance of Investments in Associates and Other investments changed from € 582 thousand at 31 December 2018 to € 14,786 thousand at 30 June 2019, with a increase of € 14,204 thousand.

The increase mainly refers to:

- the investments in TeamSystem Financial Value Chain S.r.l., Factor@Work S.r.l., Whit-e S.r.l. and Skylab S.r.l.;
- a payment for the acquisition of 100% equity interests in Gi.esse Macchine Utensili S.r.l.. The acquisition will be completed in September 2019.

#### 14. DEFERRED TAX ASSETS AND LIABILITIES

	30 Jun 2019	31 Dec 2018	Change	% Change
Deferred tax assets	14,392	15,342	(950)	-6.2%
Deferred tax liabilities	174,372	182,018	(7,646)	-4.2%

At 30 June 2019 Deferred tax assets amount to € 14,392 thousand, down by € 950 thousand compared to the balance at 31 December 2018 (€ 15,342 thousand).

The main components for which the Group companies have recognised deferred tax assets relate to: the allowance for bad debts, the 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 2019 Deferred tax liabilities amount to € 174,372 thousand with a decrease of € 7,646 thousand compared to the balance at 31 December 2018 (€ 182,018 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 2019			31 Dec 2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Bank accounts and post office	48,423		48,423	24,508		24,508
Cash and bank balances	43		43	67		67
<b>Total Cash and bank balances</b>	<b>48,466</b>		<b>48,466</b>	<b>24,574</b>		<b>24,574</b>
Cash Pooling receivables	115		115	0		0
Other financial assets	113	3,741	3,854	138	50	188
<b>Total Other financial assets</b>	<b>228</b>	<b>3,741</b>	<b>3,969</b>	<b>138</b>	<b>50</b>	<b>188</b>
Loans with banks	(49)		(49)	(101)		(101)
Finance leases liabilities	(5,514)	(16,070)	(21,584)	(5,514)	(18,827)	(24,340)
Notes	(1,167)	(750,000)	(751,167)	(1,250)	(750,000)	(751,250)
Dividends to be settled	(40)		(40)	(40)		(40)
<b>Total Financial liabilities</b>	<b>(6,770)</b>	<b>(766,070)</b>	<b>(772,840)</b>	<b>(6,905)</b>	<b>(768,827)</b>	<b>(775,731)</b>
Financing Fees - bond		10,639	10,639		11,827	11,827
Financing Fees - prepayments	413	908	1,321	413	1,112	1,525
<b>Total Financing Fees</b>	<b>413</b>	<b>11,547</b>	<b>11,960</b>	<b>413</b>	<b>12,939</b>	<b>13,352</b>
Contingent liabilities to non-controlling shareholders	(2,252)	(84,055)	(86,308)	(4,112)	(83,412)	(87,524)
Derivative instruments - liabilities		(239)	(239)	(14)	(316)	(330)
Commission financial liabilities	(322)		(322)	(276)		(276)
Cash pooling liabilities	(1,452)		(1,452)	(0)		(0)
<b>Total Other financial liabilities</b>	<b>(4,026)</b>	<b>(84,294)</b>	<b>(88,320)</b>	<b>(4,402)</b>	<b>(83,728)</b>	<b>(88,130)</b>
<b>Total</b>	<b>38,311</b>	<b>(835,076)</b>	<b>(796,765)</b>	<b>13,818</b>	<b>(839,566)</b>	<b>(825,747)</b>

Net financial indebtedness as at 30 June 2019 amounts to negative € 796,765 thousand.

In consideration of the fact that 30 June 2019 was not working day, if the Net financial indebtedness was normalized for the week-end effect, it would amount to negative € 787,071 thousand as at 30 June 2019 (see "Cash and bank balances" paragraph below).

#### Cash and bank balances

The amount of cash and bank balances stands at € 48,466 thousand as at 30 June 2019 and at € 24,574 thousand at 31 December 2018. In consideration of the fact that 30 June 2019 was not working day, if the cash and bank balances were normalized for the week-end effect, they would amount to € 58,160 thousand as at 30 June 2019<sup>4</sup>.

#### Financial leases liabilities

Following the adoption of IFRS 16 – Leases, Financial leases liabilities at 30 June 2019 reflects the recognition of a financial liability of € 21,584 thousand (€ 24,340 at 31 December 2018), consisting of the present value of future lease payments.

#### 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 in 2018.

<sup>4</sup> The amount of trade receivables whose collection was postponed to the beginning of the next month, because of the week-end effect, is € 9,694 thousand for the period ended 30 June 2019.

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

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

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

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

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

**Interest Rate Swaps – Derivative instrument liabilities**

In order to hedge the exposure to the three month Euribor changes, in the month of April 2018 TeamSystem S.p.A. entered into some interest rate swaps with a principal amount of € 500 million and a maturity date of 15 April 2020. The mark-to-market value of the Interest Rate Swap has been accrued in the profit and loss accounts in the 30 June 2019 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.

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. Effective from 13th May 2019, the spread was reduced from 3.500% per annum to 3.2500% per annum following the delivery of the compliance certificate accompanying the March 31, 2019 financial statements.

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

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

**Contingent liabilities to non-controlling shareholders of subsidiaries**

The Contingent liabilities to non-controlling shareholders of subsidiaries (€ 86,308 thousand at 30 June 2019) 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., Evols S.r.l., Netlex S.r.l. and Cassanova S.r.l..

**16. INVENTORIES**

	30 Jun 2019	31 Dec 2018	Change	% Change
Raw and ancillary materials	635	608	27	4.4%
Finished products and goods	922	943	(21)	-2.2%
Advances	0	4	(4)	-98.5%
(Allowance for slow-moving inventory)	(488)	(488)	0	0.0%
<b>Total</b>	<b>1,069</b>	<b>1,067</b>	<b>2</b>	<b>0.2%</b>

At 30 June 2019 Inventories amount to € 1,069 thousand, essentially unchanged compared to the balance at 31 December 2018 (€ 1,067 thousand).

#### 17. TRADE RECEIVABLES

	30 Jun 2019	31 Dec 2018	Change	% Change
Trade receivables	190,323	147,843	42,480	28.7%
(Allowance for bad debts)	(20,701)	(18,901)	(1,800)	9.5%
<b>Total</b>	<b>169,622</b>	<b>128,941</b>	<b>40,680</b>	<b>31.5%</b>

At 30 June 2019 Trade receivables amount to € 169,622 thousand. The increase of € 40,680 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 in Directors’ Report).

Trade receivables are recorded net of an allowance for doubtful debts of € 20,701 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 2019	31 Dec 2018	Change	% Change
Tax credits	33	101	(68)	-67.5%
Other tax receivables	1	2	(1)	-44.7%
Withholding tax credit	41	0	41	n.s.
Tax consolidation receivables	(0)	29	(29)	-100.0%
Advances and income tax credits	2,550	10,812	(8,261)	-76.4%
<b>Total</b>	<b>2,625</b>	<b>10,944</b>	<b>(8,318)</b>	<b>-76.0%</b>

At 30 June 2019 Tax receivables amount to € 2,625 thousand, down by € 8,318 thousand compared to the balance at 31 December 2018 (€ 10,944 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 2019 .

#### 19. OTHER CURRENT RECEIVABLES

	30 Jun 2019	31 Dec 2018	Change	% Change
Deposits	456	472	(16)	-3.4%
Receivables from employees	355	284	72	25.3%
Other receivables	4,349	4,820	(471)	-9.8%
Accrued income	63	38	25	67.5%
Prepayments	24,977	18,717	6,260	33.4%
VAT receivables	232	516	(284)	-55.0%
<b>Total</b>	<b>30,433</b>	<b>24,847</b>	<b>5,870</b>	<b>23.6%</b>

At 30 June 2019 the Other current receivables balance amounts to € 30,433 thousand, up by € 5,870 thousand compared to the 31 December 2018 balance (€ 24,847 thousand). The increase is mainly due to Prepayments (€ 6,260 thousand), following the seasonality of the business of the Group.



## 20. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Share capital	Other reserves	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
<b>31 Dec 2017</b>	<b>5,450</b>	<b>558,928</b>	<b>(57,134)</b>	<b>507,244</b>	<b>1,023</b>	<b>508,267</b>
IFRS 9 / 15 / 16 - first adoption		(405)		(405)		(405)
Loss allocation		(57,134)	57,134	0		0
Dividends				0	(59)	(59)
Total Comprehensive Income (Loss) for the period			(69,225)	(69,225)	198	(69,028)
<b>30 Jun 2018</b>	<b>5,450</b>	<b>501,389</b>	<b>(69,225)</b>	<b>437,614</b>	<b>1,162</b>	<b>438,776</b>

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	TOTAL
<b>31 Dec 2018</b>	<b>5,450</b>	<b>501,117</b>	<b>(826)</b>	<b>(56,030)</b>	<b>449,711</b>	<b>464</b>	<b>450,175</b>
Loss allocation		(56,856)	826	56,030	0		0
Total Comprehensive Income (Loss) for the period				(7,419)	(7,419)	43	(7,375)
<b>30 Jun 2019</b>	<b>5,450</b>	<b>444,261</b>	<b>0</b>	<b>(7,419)</b>	<b>442,292</b>	<b>507</b>	<b>442,799</b>

At 30 June 2019 the Group's equity amounts to € 442,292 thousand.

## 21. STAFF LEAVING INDEMNITY

	30 Jun 2019	31 Dec 2018	Change	% Change
Staff leaving indemnity	14,598	14,892	(294)	-2.0%
<b>Total</b>	<b>14,598</b>	<b>14,892</b>	<b>(294)</b>	<b>-2.0%</b>

At 30 June 2019 Staff leaving indemnity amounts to € 14,598 thousand, down by € 294 thousand compared to the balance at 31 December 2018 (€ 14,892 thousand). The balance is the aggregate of utilisations, accruals and any other movements.

## 22. PROVISIONS FOR RISKS AND CHARGES

	30 Jun 2019	31 Dec 2018	Change	% Change
Provision for pension and similar obligation	1,345	1,269	76	6.0%
Provision for litigations	1,083	2,187	(1,104)	-50.5%
Other provision for risks and charges	3,285	5,824	(2,539)	-43.6%
<b>Total</b>	<b>5,713</b>	<b>9,280</b>	<b>(3,567)</b>	<b>-38.4%</b>

At 30 June 2019 Provisions for risks and charges amount to € 5,713 thousand, decreased by € 3,567 thousand compared to the balance at 31 December 2018 (€ 9,280 thousand). The balance is the aggregate of utilisations, accruals and any other movements. The utilisation mainly relates to Group restructuring and reorganization provisions and to provision for litigations.

Note that the Group companies are not party to any additional litigations 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 2019	31 Dec 2018	Change	% Change
VAT liabilities	2,394	3,857	1,799	46.7%
Withholdings liabilities	3,301	4,194	(220)	-5.3%
Employees payables and Social security liabilities	22,230	24,904	(2,674)	-10.7%
Advances	4,927	5,697	(770)	-13.5%
Other liabilities	3,689	2,358	1,331	56.4%
Accrued liabilities	357	527	(170)	-32.2%
Deferred revenues	125,267	44,699	80,568	180.2%
<b>Other current liabilities</b>	<b>162,166</b>	<b>86,235</b>	<b>79,864</b>	<b>92.6%</b>
Due to social securities - non-current	537	561	(24)	-4.2%
Other tax liabilities - non-current	8	13	(6)	-42.7%
<b>Other non-current liabilities</b>	<b>545</b>	<b>574</b>	<b>(29)</b>	<b>-5.1%</b>
<b>Total Other liabilities</b>	<b>162,711</b>	<b>86,810</b>	<b>79,835</b>	<b>92.0%</b>

At 30 June 2019 Other current liabilities amount to € 162,166 thousand, up by € 79,864 thousand compared to the balance at 31 December 2018 (€ 86,235 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 (€ 80,568 thousand).

At 30 June 2019 Other non-current liabilities amount to € 545 thousand (€ 574 thousand at 31 December 2018) and relate primarily to balances pertaining to TeamSystem S.p.A..

### 24. CURRENT TAX LIABILITIES

	30 Jun 2019	31 Dec 2018	Change	% Change
Income tax payables	3,659	2,305	1,353	58.7%
Liabilities from tax consolidation	(0)	(1)	1	-98.0%
Other tax liabilities	14	11	3	24.0%
<b>Total</b>	<b>3,672</b>	<b>2,315</b>	<b>1,357</b>	<b>58.6%</b>

At 30 June 2019 Current tax liabilities amount to € 3,672 thousand, up by € 1,357 thousand compared to the balance at 31 December 2018 (€ 2,315 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 2019.

□ □ □

### 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..

□ □ □

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



