LISTING PROSPECTUS | **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

TeamSystem®

€750,000,000

€550,000,000 Senior Secured Floating Rate Notes due 2023
€200,000,000 Senior Secured Floating Rate Notes due 2025

TeamSystem S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy (the "**Issuer**"), is offering €550.0 million aggregate principal amount of its Senior Secured Floating Rate Notes due 2023 (the "**2023 Floating Rate Notes**") and €200.0 million aggregate principal amount of its Senior Secured Floating Rate Notes due 2025 (the "**2025 Floating Rate Notes**" and, together with the 2023 Floating Rate Notes, the "**Notes**"). The offering of the Notes is referred to herein as the "**Offering**."

The Issuer will pay interest on the 2023 Floating Rate Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 4.00% per annum, reset quarterly. The Issuer will pay interest of the 2023 Floating Rate Notes quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on June 15, 2018. The 2023 Floating Rate Notes will mature on April 15, 2023. At any time prior to April 15, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the 2023 Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium. At any time on or after April 15, 2019 the Issuer may redeem all or a portion of the 2023 Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

The Issuer will pay interest on the 2025 Floating Rate Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 4.00% per annum, reset quarterly. The Issuer will pay interest on the 2025 Floating Rate Notes quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on June 15, 2018. The 2025 Floating Rate Notes will mature on April 15, 2025. At any time prior to April 15, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the 2025 Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium. At any time on or after April 15, 2019, the Issuer may redeem all or a portion of the 2025 Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law. See "*Description of Notes.*"

The Notes will be senior obligations of the Issuer and will be guaranteed (the "**Guarantee**") on a senior basis by the Parent (the "**Guarantor**"). Within one business day of the Issue Date, the Notes will be secured by first-ranking security interests over (i) all the issued capital stock of the Issuer, (ii) the Issuer's interest in the receivables in respect of certain intercompany loans by the Issuer to certain of its subsidiaries existing as of the Issue Date and (iii) certain material operating bank accounts of the Issuer (the "**Collateral**").

The Collateral will also secure on a super-priority basis our obligations under the Revolving Credit Facility (as defined herein) and certain hedging obligations, if any. Under the terms of the Intercreditor Agreement (as defined herein), in the event of an enforcement of the Collateral, holders of the Notes will receive proceeds from the enforcement only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full. In addition, the Guarantee and the security interests in the Collateral may be released under certain circumstances and the Guarantee and the Collateral will be subject to legal and contractual limitations. See "*Risk factors—Risks related to the Notes*," "*Description of certain financing arrangements—Intercreditor Agreement*," "*Description of Notes—Security*" and "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations.*"

Subject to and as set forth in "*Description of Notes—Withholding Taxes*", the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") where the Notes are held by a person resident in a country that is not included in the list issued under Article 11(4)(c) of Decree No. 239, and otherwise in the circumstances as described in "*Description of Notes—Withholding Taxes*".

This Offering Memorandum includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof.

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Each series of Notes will be represented on issue by one or more Global Notes (as defined herein) and the Initial Purchasers (as defined herein) expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on April 4, 2018 (the "**Issue Date**").

Investing in the Notes involves risks. See "*Risk factors*" beginning on page 30 of this Listing Prospectus.

2023 Floating Rate Notes Issue Price: 100.000% plus accrued interest, if any, from the Issue Date.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the laws of any other jurisdiction. In the United States, the Offering is being made only to "qualified institutional buyers" ("**QIBs**") in reliance on the exemption provided by Rule 144A under the U.S. Securities Act ("**Rule 144A**"). Outside the United States, the Offering is being made in reliance on Regulation S under the U.S. Securities Act. See "*Plan of distribution*" and "*Transfer restrictions*" for additional information about eligible offerees and transfer restrictions.

Global Coordinators and Joint Bookrunners

Goldman Sachs International (*Physical Bookrunner*) | **UniCredit Bank** (*Physical Bookrunner*) | **UBS Investment Bank**

Joint Bookrunners

HSBC | **J.P. Morgan** | **Mediobanca** | **Morgan Stanley**

The date of this Listing Prospectus is April 4, 2018

IMPORTANT INFORMATION

This Offering Memorandum is confidential. The Issuer has prepared this Offering Memorandum solely for use in connection with the Offering. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the Issuer's prior written consent, is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

You should rely only on the information contained in this Offering Memorandum. Neither the Issuer nor the Guarantor nor any of Goldman Sachs International, UniCredit Bank AG, UBS Limited, HSBC Bank plc, J.P. Morgan Securities plc, Mediobanca—Banca di Credito Finanziario S.p.A. and Morgan Stanley & Co. International plc (collectively, the "**Initial Purchasers**") have authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. Neither the Issuer nor the Guarantor nor any of the Initial Purchasers are making an offer of the Notes in any jurisdiction where the Offering is not permitted. None of Initial Purchasers make any representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this Offering Memorandum. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation by any Initial Purchasers as to the past or the future. You agree to the foregoing by accepting this Offering Memorandum.

Except as provided below, the Issuer accepts responsibility for the information contained in this Offering Memorandum. The Issuer has made all due inquiries and confirms that to the best of its knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-entry; delivery and form*," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, the Issuer does not accept further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Issuer. The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum, the Issuer does not represent that its affairs are the same as described or that the information in this Offering Memorandum is correct, the Issuer does not imply those things by delivering this Offering Memorandum or selling Notes to you. The contents of our website, and of any other website referred to herein, are not incorporated into, and do not form part of, this Offering Memorandum.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You may not use any information herein for any purpose other than considering an investment in the Notes.

The Issuer reserves the right to withdraw this Offering of the Notes at any time. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser.

This Offering Memorandum is not an offer to sell the Notes and it is not soliciting an offer to buy any Notes in any jurisdiction in which such offer or sale is not permitted. The distribution of this Offering

Memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. None of the Issuer, the Guarantor or the Initial Purchasers represents that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. None of the Issuer, the Guarantor or the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. In particular, no action has been taken by the Issuer, the Guarantor or the Initial Purchasers which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of the Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States and the United Kingdom and to persons connected therewith. See "*Transfer restrictions*." The Issuer does not make any representation to you that the Notes are a legal investment for you.

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof. In the course of any review by the competent authority, the Issuer may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to or deletions from the description of our business, financial statements and other information contained herein in producing listing particulars for such listing. The Issuer cannot guarantee that the application for the listing of the Notes on the Luxembourg Stock Exchange and admission to trading on the Euro MTF Market thereof will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information in the listing particulars. The Issuer may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects since the publication of this Offering Memorandum. Following the listing, the relevant listing particulars will be available at the offices of the Listing Agent (as defined herein). Any investor or potential investor in the European Economic Area should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS INTERNATIONAL (THE "**STABILIZING MANAGER**") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO U.S. INVESTORS

This Offering Memorandum is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

For the Offering, the Issuer and the Initial Purchasers are relying upon exemptions from registration under the U.S. Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the U.S. Securities Act. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the U.S. Securities Act and applicable U.S. state securities laws. See "*Transfer restrictions.*"

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Notes which are the subject of the Offering contemplated by this Offering Memorandum to the public in that Relevant Member State other than:

a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchaser nominated by the Issuer for any such offer; or

c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of the Manufacturers, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "distributor") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

The United Kingdom

The Initial Purchasers have represented and agreed that they have:

- only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by them in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

This Offering Memorandum is for distribution only to persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended the "**Financial Promotion Order**")); (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

Italy

The Offering has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to formal review by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as referred to in Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"), and as defined in CONSOB Regulation No. 20307 of February 15, 2018 ("**Regulation 20307**"), pursuant to Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of the Italian Financial Act; and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

The Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) and (b) above and must be:

a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, the Regulation 20307, as amended, Italian Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**"), the Issuer Regulation and any other applicable laws and regulations; and

b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) or any other relevant Italian competent authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum in the Republic of Italy, see "*Transfer restrictions.*"

AVAILABLE INFORMATION

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and we are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, we will furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, upon the written request of any such person, the information required to be delivered pursuant to Rule 144A(d)(4).

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture and so long as the Notes are outstanding, we will furnish periodic information to the holders of the Notes. See "*Description of Notes—Certain Covenants—Reports.*" We will also make available all reports required by the covenants described under "*Description of Notes—Certain Covenants—Reports*" (i) on the Group's website and (ii) if and so long as the relevant Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at the specified office of the Paying Agent (as defined herein).

FORWARD-LOOKING STATEMENTS

Forward-looking statements

This Offering Memorandum contains forward-looking statements, including statements about our markets and our strategy, future operations, industry forecasts and expected investments. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as "**anticipate**," "**believe**," "**continue**," "**ongoing**," "**estimate**," "**expect**," "**intend**," "**may**," "**plan**," "**potential**," "**predict**," "**project**," "**target**," "**seek**" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements for many reasons, including the factors described in the section entitled "*Risk factors*" in this Offering Memorandum. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to:

- our ability to maintain and expand our relationships with our customers, including our VARs;
- competition from large, established competitors and local specialized competitors;
- lower growth in the market for cloud-based applications than we expect;
- our ability to keep pace with technological, regulatory and market developments and customer expectations;
- our ability to maintain positive brand awareness;
- unfavourable economic conditions in Italy;
- delayed payments or non-payments by our customers;
- our ability to integrate and manage future acquisitions or other business combinations;
- the potential impact of non-controlling shareholders on the material business decisions of our majority-owned subsidiaries;
- third party infringement on our intellectual property rights;
- the seasonal nature of our business;
- long sales cycles relating to our direct SME customers;
- our ability to identify, mitigate and prevent data security breaches;
- system interruptions or defects in our partners' IT systems;
- undetected defects or delays in the introduction of new software products and enhancements;
- higher employment costs;
- our ability to attract and retain highly skilled employees;
- changes to the terms on which we sell third party software;
- third party claims that we are infringing on their intellectual property;
- the potential impact of consumer data privacy laws in the EU and Italy;
- our ability to maintain an effective system of internal controls;
- risks related to our outsourcing initiatives;
- risks related to changes to our sales organization and other corporate functions;
- regulatory changes related to the sales of certain of our products;
- labor disputes and work stoppages;
- the potential impact of our shareholders on certain material decisions concerning the Group;

- market perceptions concerning the stability of the Euro;
- potential goodwill impairments;
- the potential impact of litigation;
- liabilities associated with our directors, employees or other agents;
- competition and antitrust laws;
- changes to the corporate tax system;
- tax and social security audits; and
- other factors discussed under "*Risk factors*."

Accordingly, prospective investors should not rely on these forward-looking statements, which speak only as of the date of this Offering Memorandum or as otherwise indicated. We do not have any obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of such forward-looking statement or to reflect the occurrence of unanticipated events.

In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The risks described in the "*Risk factors*" section of this Offering Memorandum are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not place undue reliance on forward-looking statements as a prediction of actual results.

CERTAIN DEFINITIONS

In this Offering Memorandum, the following words and expressions have the following meanings, unless the context otherwise requires or unless otherwise so defined. In particular, capitalized terms set forth and used in the sections entitled "*Description of Notes*" may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

"**2023 Floating Rate Notes**" refers to the €550.0 million aggregate principal amount of the Issuer's Senior Secured Floating Rate Notes due 2023 offered hereby.

"**2025 Floating Rate Notes**" refers to the €200.0 million aggregate principal amount of the Issuer's Senior Secured Floating Rate Notes due 2025 offered hereby.

"**Agreed Security Principles**" refers to the "Agreed Security Principles" as set out in the schedule to the Revolving Credit Facility Agreement as applied *mutatis mutandis* with respect the Notes in good faith by the Issuer.

"**BPaaS**" refers to business process as a service, a form of business process outsourcing that employs a cloud computing service model.

"**BPO**" refers to business process outsourcing, which is the practice by which a business contracts out certain operations to a third-party service provider.

"**CAD/CAM**" refers to computer aided design and computer aided manufacturing.

"**CAF**" refers to *Centri di Assistenza Fiscale*, which are Italian authorized fiscal advisors for individuals.

"**CAGR**" refers to the year over year average growth rate over a specified period of time.

"**Clearstream**" refers to Clearstream Banking *société anonyme* as currently in effect or any successor securities clearing agency.

"**Cloud Software Solutions**" refers to the business segment through which we offer cloud-based software products. See "*Business—Our business segments, products and services—Cloud Software Solutions*."

"**Collateral**" refers to the rights, property and assets that will secure the Notes and the Guarantee, as further described in "*Description of Notes—Security*." The Collateral will also secure borrowings under the Revolving Credit Facility Agreement and the guarantees thereof, and certain hedging obligations, if any, on a first-ranking, super-priority basis pursuant to the Intercreditor Agreement.

"**Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries**" refers to the aggregate amount of our liabilities, reported in our Consolidated Financial Statements under the name "Vendor Loan," in connection with the put and call option and earn out arrangements under the acquisition agreements with our strategic partners relating to our majority-owned subsidiaries. See Notes 19 and 29 to our 2017 Financial Statements.

"**Customer Retention Rate**" relates to the Direct Channel of our ERP and Business Management Software Solutions business line and is calculated for any period as the ratio of (i) the number of customers at the beginning of each period less the number of churning customers during such period to (ii) the number of customers at the beginning of such period.

"**Direct Channel**" refers to our direct sales, distribution, maintenance and service network.

"**ERP**" refers to enterprise resource planning.

"**ERP and Business Management Software Solutions**" refers to our ERP and business management software solutions business line which is part of our Software Solutions business segment. Products from such business line are used by enterprises and professionals to manage day-to-day business activities, such as accounting, procurement, project management, customer relationship management, document management and archiving, etc. See "*Business—Our business segments, products and services—Software Solutions—ERP and Business Management Software Solutions*."

"**EU**" refers to the European Union.

"**EURIBOR**" refers to the Euro Interbank Offered Rate.

"**euro**" or "**€**" or "**EUR**" refers to the lawful currency of the participating member states of the European Economic and Monetary Union.

“**Euroclear**” refers to Euroclear Bank SA/NV, as currently in effect or any successor securities clearing agency.

“**Existing Intercompany Loan**” refers to the intercompany loan for a principal amount of €150,000,000 made available on February 24, 2016 by the Parent, as lender, to the Issuer, as borrower, as amended, accreted or partially repaid from time to time, which is to be entirely repaid and discharged with part of the proceeds from the Offering and available cash on balance sheet, as described under “*Use of proceeds*.”

“**Existing Notes**” refers to, collectively, the Existing Senior Notes and the Existing Senior Secured Notes, which are to be redeemed in full with part of the proceeds from the Offering and available cash on balance sheet.

“**Existing Revolving Credit Facility**” refers to the €65 million revolving credit facility agreement dated February 13, 2016 between, *inter alios,* the Parent, the Issuer and UniCredit Bank AG, Milan Branch as Agent, which is to be cancelled and discharged in full on the Issue Date.

“**Existing Senior Notes**” refers to the €150 million in aggregate principal amount of Senior Floating Rate Notes due 2023 issued by the Parent (formerly Barolo Midco S.p.A.) on March 1, 2016, which are to be redeemed in full with part of the proceeds from the Offering and available cash on balance sheet.

“**Existing Senior Secured Notes**” refers to the €570 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2022, which are to be redeemed in full with part of the proceeds from the Offering and available cash on balance sheet.

“**Forfait Fee**” refers to annual fees paid to us by VARs under multi-year contracts with pre-determined price schemes. For further information, see “*Business—Operating model—Indirect Channel—VAR distribution agreements and fee structure.”*

“**GDPR**” refers to the General Data Protection Regulation (Regulation (EU) 2016/679).

“**Group**,” “**us**,” “**we**” and “**our**” refers to the Parent and its consolidated subsidiaries, unless the context requires otherwise or is clear from the context.

“**Guarantee**” refers to the guarantee of the Notes provided by the Guarantor.

“**Guarantor**” refers to the Parent.

“**H&F Acquisition**” refers to the acquisition by H&F of a majority ownership interest in the Group on March 1, 2016. The H&F Acquisition was consummated through a special purpose vehicle, Barolo BidCo S.p.A., a company indirectly controlled by H&F (and which company was subsequently merged into the Issuer).

“**H&F**” or “**Hellman & Friedman**” refers to Hellman & Friedman LLC and, where applicable, the funds and limited partnerships owned or advised thereby.

“**Hardware**” refers to the business segment through which we resell hardware components and accessories. See “*Business—Our business segments, products and services—Hardware*.”

“**HgCapital**” refers to HgCapital LLP or to the limited partnerships comprising HgCapital 6, acting through their manager HgCapital LLP, a non-controlling shareholder of the Group.

“**IFRS**” refers to International Financial Reporting Standards as adopted by the European Union.

“**Indenture**” refers to the indenture governing the Notes to be dated as of the Issue Date, between, among others, the Issuer, the Guarantor, the Trustee and the Security Agent.

“**Indirect Channel**” refers to our indirect sales, distribution and service network composed of our VARs.

“**Initial Purchasers**” refers to, collectively, Goldman Sachs International, UniCredit Bank AG, UBS Limited, HSBC Bank plc, J.P. Morgan Securities plc, Mediobanca—Banca di Credito Finanziario S.p.A. and Morgan Stanley & Co. International plc.

“**Intercreditor Agreement**” refers to the intercreditor agreement to be entered into on the Issue Date between, *inter alios*, the Issuer, the Parent, the Trustee, the agent under the Revolving Credit Facility Agreement and the Security Agent, as further described under “*Description of certain financing arrangements—Intercreditor Agreement.*”

“**ISIN**” refers to International Securities Identification Number.

“**Issue Date**” refers to the date of issuance of the Notes offered hereby.

“**Issuer**” refers to TeamSystem S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy.

“**Italian Civil Code**” means the Italian civil code *(codice civile),* enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

“**LD 231/2001**” means Italian Legislative Decree No. 231 of June 8, 2001, governing the administrative liability of legal entities.

“**Notes**” refers to, collectively, the 2023 Floating Rate Notes and the 2025 Floating Rate Notes offered hereby.

“**Offering**” refers to the offering of the Notes hereby.

“**Online Channel**” refers to our online sales and distribution network represented by our TeamSystem online store, where customers can subscribe for all of our cloud products and services.

“**organic revenue**” refers to our total revenue for any given year less the revenue of the companies we acquired in such year that resulted in a change of our consolidation perimeter.

“**Parent**” refers to TeamSystem Holding S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy, which is the Group’s holding company and the Issuer’s sole direct shareholder.

“**Purchase Agreement**” refers to the purchase agreement to be entered into on the date of this Offering Memorandum, by and among, the Issuer, the Guarantor and the Initial Purchasers, in connection with the sale of the Notes by the Issuer to the Initial Purchasers.

“**Refinancing**” refers to the redemption of all the outstanding Existing Notes with a portion of the proceeds from the Offering and available cash on balance sheet, as described under “*Use of proceeds.*”

“**Regulatory LTAs**” refers to the temporary annual licenses (*licenze temporanee annuali*) that we sell to our customers whenever the Italian government introduces a new regulatory obligation (*e.g.* a new tax digital reporting obligation or tax payment) that requires a dedicated feature to be added to our software products.

“**Revolving Credit Facility Agreement**” refers to the revolving credit facility agreement expected to be entered into on or prior to the Issue Date among, *inter alios*, the Issuer, the Parent, the Security Agent and the original lenders named therein, which is described in more detail in “*Description of certain financing arrangements—Revolving Credit Facility Agreement*.”

“**Revolving Credit Facility**” refers to the €90.0 million revolving credit facility available pursuant to the Revolving Credit Facility Agreement, which is described in more detail in “*Description of certain financing arrangements—Revolving Credit Facility Agreement*.”

“**SaaS**” means software as a service, a software delivery model in which software and associated data are centrally hosted by a service over a network.

“**Security Agent**” refers to UniCredit Bank AG, Milan Branch, in its capacity as security agent under the Indenture, the Intercreditor Agreement and the Revolving Credit Facility Agreement and as representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under article 2414-*bis*, paragraph 3, of the Italian Civil Code.

“**Security Documents**” refers to any pledges, agreements and related documents that will be signed and entered into in connection with the granting of the Collateral to secure the obligations of the Issuer under the Notes in accordance with the terms of the Indenture and the Intercreditor Agreement (see also “*Description of Notes—Security*”).

“**SMEs**” refers to small to medium sized enterprises. We consider small enterprises to be those that employ between ten and 49 individuals and medium enterprises to be those that employ between 50 and 499 individuals.

“**Software Solutions**” refers to the business segment through which we offer products related to our ERP and Business Management Software Solutions and Vertical Solutions, as well as related services. See “*Business—Our business segments, products and services—Software Solutions*.”

"**Transactions**" refers to the Offering, the Refinancing, the entering into of the Revolving Credit Facility Agreement and the Intercreditor Agreement, the cancellation and discharge of the Existing Revolving Credit Facility Agreement in full and the payment of related commissions, fees and expenses, as further described under "*Summary—The Transactions.*"

"**Trustee**" refers to The Law Debenture Trust Corporation p.l.c. as trustee and legal representative of the holders of the Notes (*mandatario con rappresentanza*) under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code.

"**U.S. dollars**," "**USD**" and "**$**" refers to the lawful currency of the United States of America.

"**United States**" or "**U.S.**" refers to the United States of America, its territories and possessions, and any state of the United States of America and the District of Columbia.

"**VARs**" refers to value added resellers.

"**VAT**" refers to value-added tax.

"**Vertical Solutions**" refers to our vertical software solutions business line which is part of our Software Solutions business segment. Products from such business line are designed to address the needs of specific industries, such as the mechanical and manufacturing, construction, CAF/public sector, wellness, legal and professional education industries. See "B*usiness—Our business segments, products and services—Software Solutions—Vertical Solutions*."

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical financial information

The historical financial information contained in this Offering Memorandum is the consolidated financial information of TeamSystem Holding S.p.A. (formerly, Barolo Midco S.p.A.) or its predecessor entity, as described below under "*—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*"). Such historical financial information is derived from TeamSystem Holding S.p.A.'s, or its predecessor entity's, consolidated financial statements for the years ended December 31, 2015, 2016 and 2017, in each case prepared in accordance with IFRS. TeamSystem Holding S.p.A. is the Group's holding company and the Issuer's sole direct shareholder.

In particular, the TeamSystem Holding S.p.A. historical financial information included in this Offering Memorandum has been extracted or derived from:

- the audited consolidated financial statements of TeamSystem Holding S.p.A. as of and for the year ended December 31, 2017, included elsewhere in this Offering Memorandum (the "**2017 Financial Statements**");
- the unaudited restated comparative financial information of TeamSystem Holding S.p.A. as of and for the year ended December 31, 2016, included in the 2017 Financial Statements (the "**2016 Restated Financial Information**"), which reflects the results of the Group for the ten months ended December 31, 2016 (*i.e.*, beginning from the date of the completion of the H&F Acquisition);
- the unaudited *pro forma* consolidated income statement of TeamSystem Holding S.p.A. for the year ended December 31, 2016, included elsewhere in this Offering Memorandum (the "**2016 Pro Forma Income Statement**") that gives *pro forma* effect to, among other things, the H&F Acquisition as if it had occurred on January 1, 2016 (as described below under "*—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*"); and
- the audited restated consolidated financial statements of the former TeamSystem Holding S.p.A. (which was extinguished and merged into TeamSystem S.p.A. with an effective date of March 1, 2016) as of and for the year ended December 31, 2015, included elsewhere in this Offering Memorandum (the "**2015 Financial Statements**").

The audited consolidated financial statements of TeamSystem Holding S.p.A. as of and for the ten months ended December 31, 2016 (the "**2016 Financial Statements**") are set forth in this Offering Memorandum exclusively in the financial statements section. See "*Index to financial statements*." We have instead presented herein the 2016 Restated Financial Information mainly because, starting from the 2017 financial year, in accordance with best practices in use, such as the ones recommended under ESMA/2015/1415 "*ESMA Guidelines on Alternative Performance Measures*" dated October 5, 2015, we have reclassified certain line items of our income statement. In particular, we have divided the various components of the "non-recurring expenses" line item of our income statement and have allocated them to the other cost items of our income statement for 2017 and the prior year based on such cost components' source, thus eliminating the "non-recurring expenses" line item. As a result, the income statement information presented herein for the ten months ended December 31, 2016, which is derived from the comparative data for 2016 included in the 2017 Financial Statements, differs from the income statement information presented in the 2016 Financial Statements set forth in the financial statements section of this Offering Memorandum. In addition, the 2016 Restated Financial Information reflects (i) the effects of the final purchase price allocation related to the acquisitions that we made during the 2016 financial year, with particular reference to that of AliasLab S.p.A. (acquired at the end of December 2016), which were considered as provisional in our 2016 Financial Statements and (ii) a correction in our 2016 consolidated statements of cash flow of a non-cash transaction related to the H&F Acquisition.

To improve the comparability of our results across the periods under review and for the purposes of their inclusion in this Offering Memorandum, the 2015 Financial Statements included herein have also been restated to give effect to the above mentioned reclassification of certain income statement line items. Accordingly, the income statement information presented throughout this Offering Memorandum for the year ended December 31, 2015 has been prepared on the same basis of, and is comparable with, the income statement information for the years ended December 31, 2016 and 2017 derived from the 2017 Financial Statements.

In this Offering Memorandum, we define the 2015 Financial Statements, the 2016 Financial Statements and the 2017 Financial Statements, collectively, as the "**Consolidated Financial Statements**."

TeamSystem Holding S.p.A., while a guarantor of the Notes, will not be part of the Notes restricted group and, therefore, will be subject to only a limited number of the provisions of the Indenture. In addition, pursuant to the reporting covenant of the Indenture, separate financial information of the Issuer and its subsidiaries will not be required to be reported going forward, unless material differences exist between the financial condition or results of operations of the Issuer and its restricted subsidiaries and TeamSystem Holding S.p.A., in which case the Group's annual and quarterly financial reports shall include a reasonably detailed presentation of such material differences.

The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement

In March 2016, H&F acquired control of the Group from HgCapital (the "**H&F Acquisition**"). More specifically, on March 1, 2016, 100% of the share capital of the former TeamSystem Holding S.p.A. was acquired by Barolo BidCo S.p.A., an indirect subsidiary of funds advised by H&F, HgCapital and TeamSystem management. Subsequent to the H&F Acquisition, on October 6, 2016, reverse mergers took place among Barolo Bidco S.p.A., the former TeamSystem Holding S.p.A. and TeamSystem S.p.A. (with TeamSystem S.p.A. (i.e., the Issuer) as the surviving company). For accounting purposes, the reverse mergers' effective date was March 1, 2016 (the date on which Barolo Bidco S.p.A. effectively acquired ownership of the Group). Following these reverse mergers, Barolo Midco S.p.A., the new parent and holding company of the Group and the sole direct shareholder of the Issuer, was renamed TeamSystem Holding S.p.A.

As a consequence of the H&F Acquisition and in accordance with IFRS, our 2016 Financial Statements and 2016 Restated Financial Information only reflect our results of operations for the ten months ended December 31, 2016, *i.e.* from March 1, 2016 (the date of completion of the H&F Acquisition) to December 31, 2016. To facilitate the comparability of our results across the periods under review, the 2016 income statement tables presented in this Offering Memorandum include the 2016 Pro Forma Income Statement, which reflects our results of operations for the entire 2016 financial year, as if the H&F Acquisition had occurred on January 1, 2016. The 2016 Pro Forma Income Statement has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Exchange Act, the Prospectus Directive or generally accepted accounting principles, including U.S. GAAP. The 2016 Pro Forma Income Statement has not been audited nor reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. The 2016 Pro Forma Income Statement is based on the 2016 Restated Financial Information, prepared in accordance with IFRS, and on certain assumptions and applicable adjustments that we believe are reasonable to reflect the Group's results as if the H&F Acquisition had occurred on January 1, 2016. In particular, we have (i) assumed that the Existing Notes had been issued on January 1, 2016 and that the refinancing of the pre-existing debt of the Group had occurred on such date, and have calculated the interest expense for the financial year accordingly; (ii) backdated the amortization of intangible assets resulting from the final purchase price allocation; (iii) eliminated all the costs incurred in connection with the H&F Acquisition that were recognized in the Group's income statement for the period March 1, 2016 to December 31, 2016 and (iv) taken into account the Group's income statement for the two months ended February 29, 2016. Moreover, the 2016 Pro Forma Income Statement further adjusts for the acquisitions made by the Group in the year ended December 31, 2016, as if such acquisitions had also occurred on January 1, 2016 (see "*—Impact of other acquisitions carried out by the Group in the periods under review*").

The 2016 Pro Forma Income Statement is presented for illustrative purposes only and addresses a hypothetical situation; it, therefore, does not purport to represent what our actual results of operations for 2016 would have been if the H&F Acquisition and the acquisitions made by the Group in 2016 had occurred on January 1, 2016. If the H&F Acquisition and the acquisitions made by the Group in 2016 had occurred on January 1, 2016, our results of operations for 2016 could have deviated, even materially, from those described in the 2016 Pro Forma Income Statement. Moreover, the 2016 Pro Forma Income Statement does not include all information required for financial statements under IFRS and should be read in conjunction with the 2016 Financial Statements and the 2017 Financial Statements, including the notes related thereto, included elsewhere in this Offering Memorandum. For further information, see also "*Annex A—2016 Pro Forma Income Statement*." In addition, the cash flow and capital expenditure figures for 2016 presented in this Offering Memorandum relate to the ten months ended December 31, 2016 and are therefore not directly comparable to the cash flow and capital expenditure figures for 2015 and 2017, which reflect the respective full year.

As the scope of the Group's consolidation at the Group's holding level changed in 2016 in connection with the H&F Acquisition, the 2015 Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the Group, TeamSystem Holding S.p.A., which was extinguished and merged into TeamSystem S.p.A. (the Issuer) with an effective date of March 1, 2016. Furthermore, the 2015 Financial Statements do not reflect the impact of the purchase price adjustments recorded in connection with the H&F Acquisition, further affecting the comparability of such financial statements to the 2016 Financial Statements and the 2017 Financial Statements.

Other *pro forma* financial information for the Transactions

We present in this Offering Memorandum certain financial information on an adjusted basis, to give *pro forma* effect to the Transactions, as if the Transactions had occurred on December 31, 2017 for the *pro forma* statement of financial position information and on January 1, 2017 for the pro forma income statement information. For a description of the *pro forma* effect of the Transactions, including the issuance of the Notes offered hereby and the application of the proceeds therefrom, see "*Summary historical financial information and other data—Other financial and pro forma data*," "*Capitalization*" and "*Use of proceeds*." Such pro forma financial information is based on available information and certain assumptions and estimates that we believe are reasonable and may differ from actual amounts. It is for informational purposes only and does not purport to present what our results would actually have been had the Transactions occurred on the dates presented or to project our results of operations or financial position for any future period or our financial condition at any future date. This pro forma information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Directive or any generally accepted accounting principles, including U.S. GAAP. Neither the adjustments nor the resulting *pro forma* financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. The *pro forma* information should be read in conjunction with our Consolidated Financial Statements, including the notes thereto, included elsewhere in this Offering Memorandum, and "*Management's discussion and analysis of financial condition and results of operations*."

Business segment reporting

Our current business segment reporting under IFRS 8 consists of three segments: (i) Software Solutions, (ii) Cloud Software Solutions and (iii) Hardware.

This segment structure, which we adopted in our 2017 Financial Statements, is the result of an in-depth review of our reporting structure following the H&F Acquisition in 2016. Previously, our business segments were (i) Software and Services (consisting of all the Group companies operating in the software production and marketing market), (ii) Education (consisting of the Group companies operating in the professional education sector) and (iii) CAD/CAM (consisting of the Nuovamacut Group companies). Our 2015 Financial Statements and 2016 Financial Statements reflect our old business segments whereas our 2017 Financial Statements reflect the current business segment structure but also include information on the basis of our old business segments to facilitate comparison with our 2016 Financial Statements. However, in this Offering Memorandum, to facilitate comparability of our business segments' results across the periods under review, we have presented certain financial information on our current business segments for the years ended December 31, 2015 and 2016, including total revenue for each our current business segments. Such financial information is included for information purposes only, has been derived from our management accounts and is unaudited.

See "*Business—Our business segments, products and services*" and note 2 to our 2017 Financial Statements for further information on our business segments.

Impact of other acquisitions carried out by the Group in the periods under review

In addition to the H&F Acquisition, our operating results and their comparability for the periods under review are impacted by the effects of other acquisitions made by the Group. In addition to the H&F Acquisition, between 2015 and 2017, we acquired majority stakes in or the entire capital stock of 17 companies (excluding the transactions where we only increased our stake in previously acquired companies). In particular, we made three acquisitions in 2015, nine acquisitions in 2016 and five acquisitions in 2017. Due to the changes in our scope of consolidation as a consequence of each of such acquisitions, our results of operations in the periods under review may not be entirely comparable. In particular, prospective investors should note that the 2016 Pro Forma Income Statement adjusts, among other things, for the acquisitions made by the Group during the year ended December 31, 2016, as if such acquisitions had occurred on January 1, 2016 and that the period-to-period discussion under "*Management's discussion and analysis of financial condition and results of operations*" utilizes the 2016 Pro Forma Income Statement for the purpose of comparing our results for the year ended December 31, 2016 to our results for the years ended December 31, 2015 and 2017, respectively. Prospective investors should therefore exercise particular caution when comparing our results for the year ended December 31, 2016, derived from the 2016 Pro Forma Income Statement, to our results for the years ended December 31, 2015 and 2017, also due to the fact that our results for the years ended December 31, 2015 and 2017 have not been adjusted for the acquisitions made by the Group in those years. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—Bolt-on acquisitions made by the Group*."

Non-IFRS financial measures

In this Offering Memorandum, we present certain non-IFRS measures, including Adjusted EBITDA, Pro Forma Adjusted EBITDA, Adjusted EBITDA margin, Pro Forma Adjusted EBITDA margin, working capital, capital expenditure, total financial debt, net financial debt, adjusted net financial debt, organic revenue, recurring revenue, adjusted operating cash flow and cash flow conversion rate that are not required by, or presented in accordance with, IFRS (the "**Non-IFRS Measures and Ratios**"). We believe that the presentation of these Non-IFRS Measures and Ratios is helpful to investors because these and other similar measures and ratios are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. However, investors should not place any undue reliance on these Non-IFRS Measures and Ratios as financial indicators and should not consider these measures as: (a) alternatives to operating income or net income as determined in accordance with IFRS, or as measures of operating performance; (b) alternatives to cash flows from operating, investing or financing activities (as determined in accordance with IFRS), or as measures of our ability to meet cash needs; or (c) alternatives to any other measures of performance under IFRS. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used by management to monitor our underlying performance and our business and operations. Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies. In addition, the presentation of this Non-IFRS Measures and Ratios is not intended to, and does not comply with, the reporting requirements of the U.S. Securities and Exchange Commission (the "**SEC**") and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information. Therefore, investors should not place undue reliance on the Non-IFRS Measures and Ratios.

In particular, our EBITDA-based measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for the analysis of our results or any performance measures under IFRS as set forth in our Consolidated Financial Statements. Some of the limitations relating to EBITDA-based measures are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;

- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA-based measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our results reported under IFRS and using these EBITDA-based measures only to supplement your evaluation of our performance. These indicators should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. See "*Risk Factors—Risks related to our business—We have presented certain pro forma financial information in this Offering Memorandum that are based upon management estimates in respect of certain savings and revenue generating initiatives, and the resulting effect on Pro Forma Adjusted EBITDA for the year ended December 31, 2017. The relevance of these measures depends upon the accuracy of a series of estimates and assumptions involving factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors.*"

For a description of Adjusted EBITDA, Pro Forma Adjusted EBITDA, Adjusted EBITDA margin, Pro Forma Adjusted EBITDA margin, capital expenditure, adjusted net financial debt, organic revenue, recurring revenue, adjusted operating cash flow and cash flow conversion rate, see "*Summary historical financial information and other data*."

Pro Forma Adjusted EBITDA

We do not, as a matter of course, make public projections as to future sales, earnings or other results. In connection with the Offering, however, we have presented in this Offering Memorandum certain Pro Forma Adjusted EBITDA measures for the purposes of illustrating, among other things, the impact of certain initiatives that we have recently taken in order to improve our profitability. We believe that Pro Forma Adjusted EBITDA provides a useful indication of what our Adjusted EBITDA for the year ended December 31, 2017 would have been under certain circumstances and assumptions as described herein. See "*Summary historical financial information and other data—Other financial and pro forma data*" and "*Risk factors—Risk related to our business—We have presented certain pro forma financial information in this Offering Memorandum that are based upon management estimates in respect of certain savings and revenue generating initiatives, and the resulting effect on Pro Forma Adjusted EBITDA for the year ended December 31, 2017. The relevance of these measures depends upon the accuracy of a series of estimates and assumptions involving factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors*."

The assumptions used in estimating these Pro Forma Adjusted EBITDA components are forward-looking in nature, inherently uncertain and subject to a variety of business, economic and competitive risks and uncertainties. We cannot assure you that the information on which we have based our assumptions will not change or that we will be able to realize any of the as-yet unrealized cost savings synergies or other benefits we believe are possible based on these management estimates and assumptions. Furthermore, the costs we incur in trying to realize these cost savings initiatives and other benefits may be higher than our current estimates and may outweigh any benefit. Accordingly, the Pro Forma Adjusted EBITDA information does not represent the results such cost saving initiatives or additional revenue streams would have achieved had the initiatives been implemented or revenue streams been in place as of January 1, 2017. Pro Forma Adjusted EBITDA was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information; however, in the view of our management, this information was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of our managements' knowledge and belief, our expected course of action and expected future financial performance.

Neither our independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the Pro Forma Adjusted EBITDA measures contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Customers and Customer Retention Rate

The statements regarding the number of our customers contained in this Offering Memorandum are derived from company internal data from our licensing system, Direct Channel centers and VARs. Our Direct Channel centers compile information on our customers for the purpose of invoicing them. Our VARs compile information on their customers for their own records and furnish it to us for the purpose of negotiating our contractual arrangements, which provide for fees payable to us based also on the size of their customer base. In calculating the number of customers, each person or entity that purchases one or more products from one of our business lines or segments is considered one customer. Should such customer purchase products from multiple business segments or business lines (*e.g.* a customer of our Software Solutions business segment purchasing a product from our Cloud Software Solutions business segment), such customer may appear in our system as more than one customer.

The statements and data regarding Customer Retention Rate contained in this Offering Memorandum are derived from internal company surveys and management estimates and relate to the Direct Channel of our ERP and Business Management Software Solutions business line, unless otherwise specified. We calculate the Customer Retention Rate for any given period as the ratio of (i) the number of customers at the beginning of each period less the number of churning customers during such period to (ii) the number of customers at the beginning of such period. We believe that our estimates regarding the number of our customers and our retention rates are fair and adequate. However, they are not part of our Consolidated Financial Statements and have not been audited or otherwise have not been verified by an outside auditor, consultant or independent expert.

Rounding

The figures included in this Offering Memorandum are expressed in millions of euros (except where otherwise indicated) since this is the currency used in the conduct of the Group’s operations. Certain amounts reported in this Offering Memorandum, including financial information and certain operating data, have been subject to rounding adjustments due to the presentation of figures in millions of euros. Accordingly, in certain cases, the sum of the numbers in a column or a row in tables may not correspond exactly to the total figure given for that column or row.

INDUSTRY AND MARKET DATA

In this Offering Memorandum, information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business was, unless otherwise noted, estimated or derived based on a report prepared at our request by industry consultant IDC Consulting in 2016. Such report from IDC Consulting uses data for the financial year ended December 31, 2015 and remains the most recently available market data as of the date of this Offering Memorandum. Industry publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of these studies and publications is reliable, neither we nor the Initial Purchasers have independently verified such data and cannot guarantee their accuracy or completeness. When we refer to the small-and-medium enterprise ("**SME**") customer segment, microbusiness customer segment, professional customer segment or other similar market in which we operate, we refer specifically to the markets for enterprise resource planning ("**ERP**") and business management software for SMEs**,** microbusinesses and professionals (*i.e.*, labor advisors, accountants and fiscal consultants), respectively. The market share and other market data included in this Offering Memorandum do not include digitalization products and services (such as those provided through our digital platform, Agyo, including e-signatures) and products and services for certain specific industries (such as our Vertical Solutions products and services). Market share is estimated based on the number of seats, that is, the number of users within each customer.

Information regarding Italian GDP and on the number of SMEs in the EU is derived or based on data from the Italian National Institute for Statistics (ISTAT) and the European Commission (Eurostat).

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring us to rely on our own internally developed estimates regarding the industries in which we operate, our position in the relevant industry, our market share and the market shares of various industry participants based on our experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. Neither we nor any of the Initial Purchasers can assure you of the accuracy and completeness of, or take any responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources and neither we nor the Initial Purchasers can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk factors,*" "*Industry*" and "*Business*" for further discussion regarding our industry and market data and the risks related thereto.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period-end Bloomberg Composite Rate (New York) expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on March 21, 2018, was U.S. $1.2338 per €1.00.

	U.S. dollars per €1.00			
Year ended December 31,	**High**	**Low**	**Average(1)**	**Period end**
2013	1.3803	1.2780	1.3284	1.3743
2014	1.3932	1.2098	1.3285	1.2098
2015	1.2103	1.0497	1.1102	1.0856
2016	1.1532	1.0389	1.1069	1.0520
2017	1.2036	1.0406	1.1300	1.2005
Month	**High**	**Low**	**Average(2)**	**Period end**
September 2017	1.2026	1.1752	1.1904	1.1803
October 2017	1.1846	1.1590	1.1754	1.1648
November 2017	1.1928	1.1583	1.1744	1.1891
December 2017	1.2022	1.1724	1.1837	1.2022
January 2018	1.2492	1.1921	1.2195	1.2415
February 2018	1.2479	1.2209	1.2348	1.2209
March 2018 (through March 21, 2018)	1.2411	1.2241	1.2330	1.2338

(1) The average of the closing Bloomberg Composite Rate on the last business day of each month during the relevant period.

(2) The average of the closing Bloomberg Composite Rate on each business day during the relevant period.

Neither the Issuer nor the Initial Purchasers represent that the U.S. dollar amounts referred to above could be or could have been converted into euro at any particular rate indicated or any other rate. These rates may differ from the actual rates used in the preparation of other financial information appearing in this Offering Memorandum. Fluctuations in the exchange rate between the euro and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

SUMMARY

This summary highlights information from this Offering Memorandum. It is not complete and does not contain all of the information that you should consider before investing in the Notes. You should read this Offering Memorandum carefully in its entirety, including the sections entitled "Risk factors," "Management's discussion and analysis of financial condition and results of operations," "Industry" and "Business," as well as the Consolidated Financial Statements, and the related notes therein.

Overview

We are the leading provider of mission critical business management software for SME, microbusiness and professional customers in Italy. Our mission is to improve the competitiveness of our customers, supporting them with the digitalization of their business processes through our product offering. Our products include software solutions for the core business processes of accountants and labor consultants (such as the provision of tax and accounting advice and payroll services) and a suite of financial management, enterprise asset management, human capital management and supply chain management software solutions for SMEs and microbusinesses. We provide assistance and maintenance support services for our products and we assist our customers with software implementation and integration.

Across industries, our customers are seeking to take advantage of a paradigm shift in technology that enables them to employ digitalization solutions for business processes that, until recently, have not been automated or digitalized. Customers who utilize our cloud-based software products may digitally execute a variety of tasks, such as invoicing and document signing, which allows them to reduce their overall expenses and increase their business efficiency. In addition, our cloud-based software products have enabled us to target microbusiness customers who have historically not utilized higher-functionality and more integrated on premise business management software. We believe we are the leading provider of cloud products in Italy.

For the year ended December 31, 2017, we generated total revenue and Pro Forma Adjusted EBITDA of €316.0 million and €133.1 million, respectively. In the same period, approximately 70.8% of our total revenue was generated from recurring sources. As of December 31, 2015, we had a 25.7% market share in the SME and microbusiness customer segment (which is more than three times the market share of our next largest competitor) and a 40.5% market share in the professional customer segment (which is more than two times the market share of our next largest competitor), in each case based on number of seats.

We offer the majority of our products and services through two primary business segments: (a) Software Solutions and (b) Cloud Software Solutions. Our Software Solutions business segment is composed of our ERP and Business Management Software Solutions business line and our Vertical Solutions business line. Our Software Solutions and Cloud Software Solutions business segments represented 87.4% and 10.8% of our total revenue for the year ended December 31, 2017, respectively. From 2015 to 2017, our total revenue grew at a CAGR of 11.6%, with our Software Solutions and our Cloud Software Solutions business segments contributing to this growth with a revenue CAGR of 8.0% and 88.5%, respectively, in the same period. Revenue from our Software Solutions business segment is derived from the sale of our ERP and Business Management Software Solutions products and services (representing 64.7% of our total revenue for the year ended December 31, 2017, including intra-segment revenue) and of our Vertical Solutions products and services (representing 25.5% of our total revenue for the year ended December 31, 2017, including intra-segment revenue). Our Vertical Solutions products are designed to address the needs of specific industries, such as the mechanical and manufacturing, construction, CAF/public sector, legal, wellness and professional education industries. Our Cloud Software Solutions business segment mainly consists of our systems management software solutions delivered as software-as-a-service ("**SaaS**"), along with other cloud software digitalization services, such as electronic invoicing, electronic signature and authentication services provided through a cloud-based platform.

We market and sell all of our products and services through our direct and indirect channels ("**Direct Channel**" and "**Indirect Channel**," respectively) and our online channel ("**Online Channel**"). Our Direct Channel includes a sales force of approximately 100 in-house sales agents, distributed throughout our four regions and twelve territories spread across Italy, and an additional 50 sales agents, whereas our Indirect Channel is composed of more than 650 value added resellers ("**VARs**") which are located and service customers across virtually the entire Italian territory. Our Online Channel is represented by our TeamSystem online store, where customers can subscribe for a majority of our Cloud Software Solutions products and services.

Our three key end-customer groups are SMEs, microbusinesses and professionals, in addition to our VARs, which resell our products via our Indirect Channel to these three end-customer groups. Our end-customer base, which includes both Direct Channel and Indirect Channel end-customers, excluding VARs, increased from approximately 88,000 as of December 31, 2009 to approximately 247,000 as of December 31, 2017. Of this total figure, approximately 83,000 are SMEs, approximately 86,000 are microbusinesses and approximately 79,000 are professionals. Our large and diverse end-customer base is highly fragmented and spread across a variety of industries, including the accountant and labor advisors, manufacturing and industrial, construction and housing, legal and other professional services sectors. For the year ended December 31, 2017, the ten largest customers in the Direct Channel of our ERP and Business Management Software Solutions business line and our ten largest VARs represented 2.1% and 4.0% of our total revenue, respectively. Over the past three years, we have experienced a high and stable Customer Retention Rate for SMEs and professionals of approximately 95.4% and 94.3%, respectively, per year on average. Over this period, we estimate that approximately one half of churning customers related to voluntary customer churn, such as customers switching to a competitor, with the remainder as a result of exogenous effects, such as a customer merging, choosing to outsource this function or going out of business. Most of our products are deeply integrated into our end-customers' IT systems and business processes and their replacement is normally a complicated, time-consuming and expensive process, requiring extensive training for users.

For the year ended December 31, 2017, we generated approximately 70.8% of our total revenue from recurring sources, which are primarily related to annual software maintenance and subscription contracts, annual fees from our multi-year contracts with VARs and fees from temporary annual licenses (*licenze temporanee annuali*) that we sell to our customers whenever the Italian government introduces a new regulatory obligation (e.g. a new tax digital reporting obligation or tax payment) that requires a dedicated feature to be added to our software products (we refer to such temporary annual licenses as "**Regulatory LTAs**"). We believe that our technology leadership, the mission-critical nature of our products and the significant switching costs associated with changing software providers have contributed, and will continue to contribute going forward, to our high renewal rates for the contracts with our customers.

In order to provide our customers with fully integrated and digitalized software solutions, we began investing in cloud-based and SaaS products in 2014 and we were among the first to do so. Over time, we have developed a significant competitive advantage in the Italian ERP and business management software market and we believe we lead our national competitors in terms of quality, breadth of cloud offering and market penetration. We have developed a comprehensive set of cloud-based software products, including cloud-based versions of our most successful on premise software products such as Alyante and Lynfa, as well as new products such as Reviso and Fatture in Cloud. We believe that these two new cloud-native software products have allowed us to penetrate the large, untapped market of microbusiness customers in Italy who have not historically utilized on premise software solutions mainly due to their relative complexity. In addition, due to our technologically advanced and fully developed digital platform Agyo, we believe we are better positioned than our competitors to exploit the growing demand for digitalization solutions in the Italian ERP and business management software market. We expect that future demand for digitalization solutions will also be positively affected by certain regulatory changes and incentives introduced by the Italian government, such as "*Impresa 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and microbusinesses, "*Industry 4.0*", which provides for, among other things, certain tax benefits to support enterprises that invest in new technologies, and the Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy to provide electronic invoices to other businesses with whom they conduct transactions.

Our strengths

We believe that our key strengths and competitive advantages include:

Leadership position in resilient and fragmented Italian ERP and business management software Market with strong fundamentals across all business segments and highly attractive growth prospects

We are the leading Italian ERP and business management software solutions provider for SMEs, microbusinesses and professionals based on number of seats. As of December 31, 2015, we had a 25.7% market share in the SME and microbusiness customer segment (which is more than three times the market share of our next largest competitor) and a 40.5% market share in the professional customer segment (which is more than two times the market share of our next largest competitor). From December 31, 2006 to December 31, 2015, we grew our market share of SME and microbusiness customers by approximately 18 percentage points and of professional customers by approximately 14 percentage points, in both cases primarily due to our organic (*i.e.*, non-acquisition related) growth. In particular, we have increased our market share over time with a strong and consistent strategy focused on both organic and inorganic growth throughout the resilient and fragmented Italian management software market. Italy represents the largest SME and microbusiness software market in Europe, composed of approximately four million companies, with the second largest SME and microbusiness software market in Europe, France, composed of approximately three million companies.

The Italian ERP and business management software market for both enterprises and professionals has historically shown significant resilience. We believe that the mission-critical nature of our software products and services, which are deeply embedded in our customers' workflows and IT systems, has historically provided a degree of insulation from economic uncertainties. Our customers' operations depend upon our products to facilitate data flow, not only in-house, with respect to internal business management data analysis and storage, but also externally, between our customers and other businesses or between our customers, banks, tax authorities and other public administration organizations. In addition, we experience a high Customer Retention Rate due to the significant switching costs associated with changing software providers in light of: (i) the mission-critical nature of software and the possibility that customers may be exposed to data migration risk during a transition to an alternative supplier; (ii) the cost and length of time required to transition to an alternative platform given that ERP systems are integral to the various operational segments of an organization; and (iii) the training required to familiarize employees with new software.

Other important characteristics of the Italian software market are: (i) a large addressable market, as Italy is the largest SME market in Europe and there is significant untapped potential, with a microbusiness penetration rate of approximately 15%; (ii) frequent, significant regulatory changes requiring new software modules; (iii) limited price sensitivity, as customers are primarily concerned with the quality of services and the availability of product support; (iv) local market participants, which play an important role in both building strong distribution networks to maximize market penetration (this is particularly true in the case of cloud solutions for microbusinesses) and addressing the different functionalities needed across different geographies given local requirements (such as regulatory requirements); and (v) new areas of growth, particularly with respect to cloud products and digitalization.

The cloud software solutions market in Italy, in line with a global trend, has experienced significant growth over the past few years, from approximately €229.0 million in 2013 to approximately €587.0 million in 2016. We believe the growth of the cloud software solutions market has been and will continue to be driven by the following key factors: (i) the availability of new technology, such as cloud software, with very high levels of accessibility; (ii) a readiness of the market to adopt broader software solutions due to the decline of security and privacy concerns and the widespread use of cloud technology on smartphones, which have primed the market to be more accepting of broad-based software solutions; (iii) the increased availability of high-quality infrastructure services such as broadband; and (iv) the trend towards digitalization of dataflow. For example, in recent years, the number of Italian electronic signatures increased from approximately 5.3 million in 2014 to approximately 18.9 million in 2017. Moreover, as part of the Italian government digitalization program and following the introduction in 2015 of the obligation for businesses to submit invoices to Italian public administration organizations electronically, the number of electronic invoices processed by such organizations increased by approximately 28 million from approximately two million in 2014 to approximately 30 million in 2016.

We believe that the cloud market will be positively affected by the introduction of new regulations and financial incentives. For example, in the context of the so called "*Impresa 4.0*" and "*Industry 4.0*" programs, at the beginning of 2018, the Italian government incentivized the digitalization of SMEs and microbusinesses through the introduction of vouchers for the purchase of new software, hardware and related services. In addition, Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*) introduced the obligation for businesses in Italy to provide electronic invoices to other businesses with whom they conduct transactions, which we believe has the potential to lead to a further increase in the number of Italian electronic signatures and electronic invoicing products. This legislation is expected to come into force for most companies on January 1, 2019.

Resilient organic growth coupled with recurring and visible revenues

Between 2011 and 2017, our total revenue increased at a CAGR of approximately 14.2% and our organic total revenue increased at an average annual rate of approximately 5.0%, outperforming the Italian GDP growth over the same period by an average of 5.3% per year. In 2012, when the effects of the financial crisis that adversely affected global financial markets and economies from 2008 were particularly strong, Italy's GDP declined by 2.8% whereas we delivered organic revenue growth of 1.7% (outperforming GDP by 4.5 percentage points), demonstrating the resilience of our business.

We believe that such resilience is mainly due to (i) the type of contracts that we enter into with our customers and the related fee structure, which is based on fees from annual assistance and maintenance and subscription contracts, annual fees from our multi-year contracts with VARs and fees from Regulatory LTAs; (ii) our customers' loyalty demonstrated by our high Customer Retention Rate; and (iii) the mission critical nature of the software which makes migration to alternative suppliers a particularly difficult and time-consuming process. For the year ended December 31, 2017, we generated approximately 70.8% of our total revenue from recurring sources, which we believe provide significant visibility of future earnings.

Large, highly diversified and fragmented customer base characterized by high retention rates

From 2009 to 2017, our end-customer base increased at a CAGR of 13.9% from approximately 88,000 customers in 2009 to approximately 247,000 customers in 2017. Overall, we have a low customer concentration and, for the year ended December 31, 2017, the ten largest customers in the Direct Channel of our ERP and Business Management Software Solutions business line and our ten largest VARs represented 2.1% and 4.0% of our total revenue, respectively. Our growing customer base contributes significantly to revenue growth and allows us to benefit from economies of scale related to, for example, product development and updates. Additionally, we believe our diverse and fragmented customer base mitigates the risks related to declines in product demand in any one particular industry and reliance on revenues from a small number of key customers.

We have historically experienced a high Customer Retention Rate. For the years ended December 31, 2015, 2016 and 2017, our Customer Retention Rate was approximately 94.0%, 95.6% and 96.5%, respectively, for our SME customers and approximately 94.5%, 94.1% and 94.3%, respectively, for our professional customers. Of our end-customers who do churn, we believe that approximately one half relates to customers switching to a competitor, with the remainder as a result of exogenous effects, such as a customer merging, choosing to outsource this function or going out of business. We believe that our high Customer Retention Rates are attributable to both customer satisfaction and high switching costs, related to the fact that most ERP and management software products are deeply integrated into our end-customers' IT systems and their replacement is normally a complicated, time-consuming and expensive process on the part of the customers. For this reason, our end-customer base has historically been very loyal.

Retention rates for our VARs are typically higher than retention rates for our Direct Channel clients, and this is due to the multi-year length of our VAR distribution agreements (typically three year) and higher switching costs. In particular, our contracts with VARs normally prevent them from selling competitors' products, which means that churning VARs would need to migrate all their end-customers to a new software provider, which would likely be complex, costly and time consuming. In addition, attracting new customers may be difficult for churning VARs, as they generally have a limited knowledge base and credibility in the market in relation to our competitors' products. Accordingly, a churning VAR incurs a high level of risk for its business. As a result, we rarely lose a VAR to a competitor and VAR churn is primarily driven by the consolidation of VARs or by VARs going out of business or becoming insolvent. Moreover, in cases of churning VARs, we have historically maintained a significant percentage of our end-users.

Well invested cloud platform, targeting new incremental markets and maintaining our existing customer base

In order to provide our customers with fully integrated and digitalized software solutions, we began investing in cloud-based and SaaS products in 2014 and we were among the first to do so. We believe that over time we have developed a significant competitive advantage in the Italian ERP and business management software market and that we lead our national competitors in terms of quality, breadth of cloud offering and market penetration. We believe that we are well-positioned to capitalize on this paradigm shift in technology as a result of the key role that our software products play in facilitating the data flow exchange between enterprises, professionals, banks, public administration organizations and tax authorities in the Italian economic ecosystem, as well as the superior quality and selection of our cloud-based software products.

We have developed a comprehensive set of cloud-based software products, including the cloud version of our most successful on premises software solutions such as Alyante and Lynfa, as well as new cloud-native products such as Reviso and Fatture in Cloud. Our investment in the cloud business has been driven by our "dual-track approach" to cloud solutions, through which we aim to (i) maintain our traditional on premise customer base and assist such customers with the transition to cloud technology, if and when they request it, with an evolutionary approach and (ii) develop a range of innovative cloud-native products and applications (including our digitalization solutions) to target a large, untapped market of microbusiness customers in Italy. We intend to take advantage of this growing market by leveraging each of our five strategic cloud pillars (microbusinesses and small enterprises, digitalization, transition to cloud, BPaaS and complementary products). See "*—Our strategy—Exploit range of available cloud opportunities*." In particular, we plan to expand the penetration of our cloud services by offering cloud complementary products that seamlessly and efficiently integrate with our non-cloud ERP and management software solutions.

We believe there is still significant room for further growth in the Italian cloud software solutions market also because microbusinesses, which make up the bulk of the Italian economy, remain significantly underpenetrated. We estimate that the microbusiness market for cloud software solutions had only a 15% penetration rate for management software solutions in 2015. Due to this low penetration rate, we estimate that there are upwards of three million potential new microbusiness customers in Italy. Until we began investing in cloud products in 2014, we had historically not focused on the microbusiness market as the industry lacked attractive entry-level solutions to meet the streamlined software needs of microbusinesses. Now, however, as result of our market-leading position in the Italian cloud software solutions market, we believe we are well positioned to take advantage of the previously untapped microbusiness segment as we are able to provide new, easy to use and competitively priced cloud products, tailored to the needs of microbusinesses. In addition, we are able to further expand the reach of our Cloud Software Solutions business segment by cross selling new cloud products to our existing customer base, which enables us to integrate our product offering across our business segments by leveraging the hybrid architecture of our main ERP.

Excellent financial profile, with further scope for improvement and consistently visible cash flows

We believe that we have historically been able to achieve a high level of profitability. For the year ended December 31, 2017, our Adjusted EBITDA and Pro Forma Adjusted EBITDA were €113.0 million and €133.1 million, respectively, and our Adjusted EBITDA margin and Pro Forma Adjusted EBITDA margin were 35.8% and 42.1%, respectively. We believe there is a correlation between margins and market share, therefore, we believe there is a strong upside as we consolidate our multi-platform offerings. Based on publicly available information, we believe that our profitability level for the year ended December 31, 2016, was approximately twice that of each of our two next-largest Italian competitors. As a result of our recurring revenue streams, we have consistently visible cash flows. Our cash flow conversion rates were 88.7% and 76.7% (or 81.4% excluding the effect of new headquarters expenses) for the years ended December 31, 2015 and 2017, respectively, and 92.9% for the ten months ended December 31, 2016, driven by our leading market position and high profitability. In particular, we believe that our healthy and growing profits, our low capital expenditure needs and favorable working capital dynamics drive significant cash flow generation.

We believe that our billing pattern contributes to the overall visibility of our cash flows. In particular, in our Direct Channel, most of our contracts with customers are automatically renewed at the beginning of each calendar year (during our annual budgeting process), are invoiced in January and the related trade receivables are mainly collected during the second quarter, thus providing a high level of visibility with respect to revenue generated by this channel. Typically, our Direct Channel contracts are renewed unless customers provide a written termination notice at least six or, to a lesser extent, three months prior to the expiration of such contracts. In our Indirect Channel, revenue is almost entirely of a recurring nature as it primarily consist of the annual Forfait Fees that we invoice each VAR quarterly or, to a lesser extent, annually. Similarly, revenue in our Online Channel is almost entirely of a recurring nature as it primarily consists of annual subscription fees. We believe that our billing pattern enables us to effectively predict and monitor our revenue and cash flow levels.

Successful and disciplined bolt-on acquisition track record

Our historical acquisition strategy successfully enabled us to expand our business in terms of customers, market segments and geographic coverage while also complementing our product offering. The main goals we intend to pursue when acquiring businesses going forward are to: (i) support the expansion of our cloud operations, (ii) strengthen our market position in high-growth potential vertical markets, (iii) further consolidate our market leadership in Italy for ERP and business management software solutions through selected opportunities, (iv) potentially expand our offering in adjacent markets where we see exploitable synergy opportunities and (v) potentially expand our footprint outside of Italy in connection with certain selected areas (e.g. cloud). We have a dedicated team focused on sourcing, evaluating, planning and executing external growth opportunities, and have developed a disciplined and structured approach to making and integrating acquisitions, which we believe has allowed us to successfully integrate and extract revenue and cost synergies. In particular, the integration process involves all aspects of the acquired businesses, including finance, reporting, personnel, research and development and product integration, marketing and sales, procurement and facility management integration. In addition, we have historically engaged opportunistically in acquisitions that represent a source of growth at attractive valuations of an Adjusted EBITDA multiple of around five to six times. As the leading player in the Italian ERP and business management software solutions provider for both SMEs and professionals, we believe we are well-positioned to take advantage of future consolidation opportunities in the Italian market, including with respect to more significant transactions.

We have made a number of selected and, we believe, highly strategic bolt-on acquisitions over the past few years which we believe have contributed to our success. For example, in 2015, we bolstered our cloud operations by acquiring Fatture in Cloud, an innovative start-up specialized in electronic invoicing for microbusinesses and professionals using a cloud-based platform and, in 2016, we acquired ECI Denmark ApS, which allowed us to launch Reviso, our cloud based ERP software dedicated to SMEs, in the Italian market in 2017, and AliasLab, a group specialized in electronic signature and authentication services, with advantageous market positioning in Italy. Our acquisitions have contributed positively to our revenue increases, with acquired incremental revenues of €0.4 million, €21.5 million and €3.5 million for the years ended December 31, 2015, 2016 and 2017, respectively (with the revenue figure for 2016 being adjusted for all acquisitions we made in 2016, as if the relevant companies had been acquired as of January 1, 2016). We believe that the acquisitions we made in the periods under review have generated synergies for our business and have contributed to our organic growth. Such acquisitions have given us, for example, the ability to cross-sell the products we acquired to our existing customer base (*e.g.* AliasLab) and, especially in the case of Fatture in Cloud and Reviso, to sell new products to a new customer base (microbusinesses), which we have historically had less success targeting with our higher-functionality and more integrated on premise business management software and which has grown significantly in the past three years.

Experienced management team with a proven track record in delivering growth and profitability

We are managed by a strong executive team, which comprises individuals with many years of relevant experience and provides leadership across all functional areas of our business. Our management team includes members who benefit from experience in leading international groups, members who have been with us for more than ten years and who have developed a strong knowledge of the industry and high-performing talents with experience in leading international consultancy firms. Our management team has demonstrated its ability to grow our business and improve operating performance as evidenced by the increase in our revenues and Adjusted EBITDA over a long period, including in the face of a global economic downturn and economic instability. We believe the industry knowledge and leadership of our management team, combined with their long-term experience, provide us with a significant competitive advantage. We also benefit from the strong expertise in the software industry of our main shareholders, H&F and HgCapital.

Our strategy

Our goals are to further consolidate our leadership in the Italian ERP and business management software market and the Italian cloud software and digitalization markets by leveraging our existing advantage in cloud products and digitalization processes, continuing to offer high-quality products and cultivating our reputation as a premium brand and an attractive place to work. We intend to achieve these goals by pursuing the following strategies:

Software Solutions strategies

Further consolidate long and lasting relationships with our customer base

We believe that our long-standing and robust relationships with our customers are the result of our superior product offering coupled with our commitment to the development and optimization of new product platforms and technologies, as well as our responsive and high quality customer service. We intend to continue to build on each of these pillars of our business in order to maintain and further develop relationships with our existing customers and widen our customer base. For example, among other actions, we plan to introduce premium customer service solutions aimed at providing our customers with quicker customer service response and service availability during business and off-business hours at a premium price. Furthermore, we currently manage a portion of our customer service operations through a joint venture with a strategic partner in order to provide more efficient responses to assistance requests from our customers during peak times, such as the final window before a regulatory deadline (including tax filings). We also intend to proactively nurture the relationships with our customers through customer success management initiatives, such as offering training services to enable our customers to obtain the value that they expect from our products and at the same time encouraging them to provide continuous feedback on our products and services.

Grow our sales network by expanding the reach of our Direct and Indirect Channels through enhanced coordination

We plan to grow our sales networks by expanding our Direct and Indirect Channels. We have recently unified the governance structure of our Direct and Indirect Channels in order to enhance coordination and create synergies between the two channels. In particular, we aim at setting growth goals which are more aligned between both channels and implementing common marketing initiatives and investments, which we believe will support the further expansion of our business.

We also intend to expand the reach of our Direct and Indirect Channels to cover those areas of Italy where we see growth opportunities, in terms of both number and type of addressable customers (*i.e.* SMEs, microbusinesses or professionals) and the level of penetration of each area. We believe that such targeted expansion will allow us to further increase our market shares. Moreover, we intend to share the customer success management practices we employ in our Direct Channel with our VARs in order to enhance customer engagement and satisfaction across our entire end-customer base.

Continue improving our operating model in order to optimize profitability

From 2015 to 2017, our Adjusted EBITDA margin increased from 30.7% to 35.8%. We believe that this increase was attributable to, among other things, several initiatives that we have implemented aimed at achieving organizational synergies and cost savings, as well as improving the way we run our business and interact with customers. As part of these initiatives, over the past two years, we have made certain changes to our organizational structure in order to improve the efficiency and effectiveness of our sales organizations. In addition, we are currently undergoing a process of reorganization of certain internal functions, including our customer service, research and development, marketing, human resource and other staff functions. As part of such reorganization efforts, we have created a unified marketing department for the entire Group, centralized other support functions, including administration, and streamlined our customer service processes.

In 2017, we also made significant changes to our geographic footprint, reducing the number of the Issuer's offices from 42 to 17, relocating part of our workforce and reducing redundant workforce. In the last two years, we also merged 16 wholly owned subsidiaries into TeamSystem S.p.A., simplifying our organization and reducing administrative costs.

New commercial approach with balanced growth of product features and maintenance pricing

We believe our products benefit from industry-leading innovations that provide our customers with premium ERP and management software solutions for the entire spectrum of SME, microbusiness and professional software needs. We believe the superior quality of our products and our efforts to continuously improve our product offering and the customer experience enable us to adjust our pricing policies from time to time. We call this our "more-for-more" strategy. As part of our "more-for-more" value proposition and in connection with our continuous provision of product upgrades and increased functionality, in January 2017 and 2018 we increased the price in our Direct Channel. As we intend to continue pursuing our more-for-more strategy, we plan to keep enhancing our existing products and offering our customers increasingly higher product functionalities.

In addition, we plan to implement a new pricing model in connection with our VAR distributions agreements in order to maximize the revenue generating potential of our VARs. Under our new Forfait Fee model, the Forfait Fee will be subject to pre-determined annual increases that will be subject to annual upward or downward adjustment on the basis of the VAR's performance, as determined through an algorithm agreed upon at the start of the contract. See "*Business—Operating model—Indirect Channel—VAR distribution agreements and fee structure*." We believe that this new Forfait Fee model will incentivize VARs to increase their customer base, therefore contributing to further expansion of our Indirect Channel.

Cloud Software Solutions strategies

Demand for cloud-based applications is increasing in our markets and the development, increasing availability and speed of the broadband infrastructure around the world is facilitating the spread of cloud technology. In contrast to traditional software systems, cloud-based ERP and business management software solutions do not require on premise software installations, increasing simplicity and reducing costs for our customers, as no infrastructure needs to be deployed or updated in connection with the software usage. We intend to take advantage of the growing cloud market by leveraging each of our five cloud strategic pillars, explained in detail below:

Microbusinesses and small enterprises

We intend to further consolidate our leadership in the largely untapped microbusiness and small enterprise software market in Italy, leveraging Fatture in Cloud and Reviso, which are particularly attractive to these customers as they provide an easy-to-use, low cost, entry-level solution for mission-critical business functionalities such as invoicing, reporting and collaboration with business accountants.

Digitalization

We plan to benefit from the growing demand for digitalization solutions in the Italian ERP and business management software market by leveraging Agyo, our digital platform which allows our ERP and business management software customers, as well as users of any other third-party software, to send, receive, register, sign and store electronic invoices from and to private customers, public entities and external accountants and send tax filings to the relevant tax authorities electronically. We expect that the entry into force of the new European General Data Protection Regulation (Regulation

(EU) 2016/679 (the "**GDPR**")), in May 2018 will drive increased adoption of cloud solutions among both our existing and new customers, who we believe will seek to comply with the GDPR by adopting a dedicated Regulatory LTA, which we are offering through Agyo.

Transition to cloud

Our transition to cloud strategy aims at maintaining those customers who are willing to shift from an on premise to a cloud-based software environment. More precisely, we provide assistance and support to our non-cloud customers who wish to transition to our Cloud Software Solutions products from our traditional on premise Software Solutions products. For example, we are offering users of the on premise versions of Alyante and Lynfa the ability to switch to the cloud version of such products with our assistance, in order to minimize migration impacts. For our existing Direct Channel customers, we believe that the transition to cloud has limited impact on our revenues given that our maintenance and assistance recurring revenue model of our Software Solutions business segment is similar to the subscription recurring revenue model of our Cloud Software Solutions business segment.

BPaaS

Business Process as a Service ("**BPaaS**") solutions provide our labor advisor customers with payroll outsourcing services through a cloud computing service model. Through our payroll BPaaS, we offer labor advisors a way to improve their efficiency by leveraging our scale and expertise in payroll processing while allowing them to focus their relationships with their customers on value-added activities.

Complementary products

We intend to leverage the hybrid architecture of our ERP and business management software solutions by cross-selling our wide range of cloud complementary products (including cloud-based applications and solutions for customer relationship management, document management and archiving, business intelligence, e-commerce and mobile sales, timesheet and expense management and human resources management) to all of our on premise and cloud customers.

We also plan to increase our cloud customer base by providing additional sales focus and marketing support for our cloud products. For example, at the end of 2017 we launched a marketing campaign targeted at microbusinesses (the largest customer group of our Cloud Software Solutions business segment), which included television advertisements. We believe that this campaign will increase the market visibility of our cloud products and that we will see the results of this campaign throughout 2018. We intend to continue to engage in further marketing campaigns going forward.

Principal shareholder

H&F is a leading private equity investment firm with offices in San Francisco, New York, and London. Since its founding in 1984, H&F has raised over $35 billion of committed capital. H&F focuses on investing in superior business franchises and serving as a value-added partner to management in select industries including financial services, software, internet and media, business and information services, energy and industrials, retail and consumer, and healthcare. In recent years, H&F has completed 16 investments in the software industry since its foundation in 1984, including Applied Systems (a US-based provider of insurance software), Genesys (a US-based provider of customer engagement software to large enterprises), IRIS (a UK-based provider of industry-specific software solutions to accountancy practices, law firms and not-for-profit organizations) and Kronos (a US-based provider of human capital management software and services). H&F indirectly owns approximately 87.9% of the share capital of the Parent as of the date of this Offering Memorandum.

As of the date of this Offering Memorandum, the remaining interest in our share capital was indirectly held by HgCapital (approximately 8.5%) and Group management (approximately 3.6%). See "*Principal shareholders*."

The Transactions

The gross proceeds from the Offering and certain available cash on balance sheet will be used to redeem all the outstanding Existing Notes (the "**Refinancing**") and to pay related redemption premia, commissions and other fees and expenses related to the Transactions (as defined below). See "*Use of proceeds.*" We refer to the Offering, the Refinancing, the entering into of the Revolving Credit Facility Agreement and the Intercreditor Agreement, the cancellation and discharge of the Existing Revolving Credit Facility Agreement in full and the payment of related redemption premia, commissions, fees and expenses as the "**Transactions**" in this Offering Memorandum.

The following table summarizes our expected estimated sources and uses of funds in connection with the Transactions. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses and of redeeming the Existing Notes and the ultimate timing thereof.

Sources of funds	€ in millions	Uses of funds	€ in millions
Notes offered hereby	750.0	Redemption of Existing Notes(1)	720.0
Cash on balance sheet	11.7	Redemption premia and accrued interest(2)	28.3
		Transaction fees and expenses(3)	13.4
Total Sources	**761.7**	**Total Uses**	**761.7**

(1) Represents the outstanding aggregate principal amount of the Existing Notes. On the Issue Date, the Issuer will use a portion of the proceeds from the Notes offered hereby and available cash on balance sheet to (i) deposit with the trustee for holders of the Existing Senior Secured Notes an amount sufficient to redeem the Existing Senior Secured Notes in full (including redemption premia and accrued interest to, but excluding, the expected date of redemption) and (ii) entirely repay and discharge the Existing Intercompany Loan between the Parent, as lender, and the Issuer, as borrower. On the Issue Date, the Parent will use the proceeds from the repayment of the Existing Intercompany Loan to deposit with the trustee for holders of the Existing Senior Notes an amount sufficient to redeem the Existing Senior Notes in full (including redemption premia and accrued interest to, but excluding, the expected date of redemption). We may draw the Existing Revolving Credit Facility prior to the Issue Date to make an interest payment on the Existing Notes which falls due on April 1, 2018, in which case cash from operations is expected to be used to repay any such drawn amount on or around the Issue Date. We expect that the Existing Notes will be redeemed in full on or about the business day following the Issue Date, as notified to the holders of the Existing Notes pursuant to the conditional notices of redemption in respect of the Existing Notes dated March 19, 2018. See "*Capitalization*."

(2) Represents (i) redemption premia with respect to the redemption of the Existing Notes and (ii) accrued and unpaid interest on the Existing Notes to, but excluding March 31, 2018.

(3) Represents the estimated fees and expenses associated with the Transactions, including any underwriting fees or investor discount fees and commissions, financial advisory fees and other transaction costs and professional fees. See "*Plan of distribution*" for further details.

On or prior to the Issue Date, we expect that the Issuer and the Parent will enter into the Revolving Credit Facility Agreement with, *inter alios*, the original lenders named therein and the Security Agent, which will provide for the €90.0 million Revolving Credit Facility. See "*Description of certain financing arrangements—Revolving Credit Facility Agreement*." The Revolving Credit Facility is expected to be undrawn on the Issue Date. However, given the seasonality of our billing pattern, in the event that freely available cash on the balance sheet on or about the Issue Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Issue Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and early second quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Seasonal billing pattern*."

Recent developments

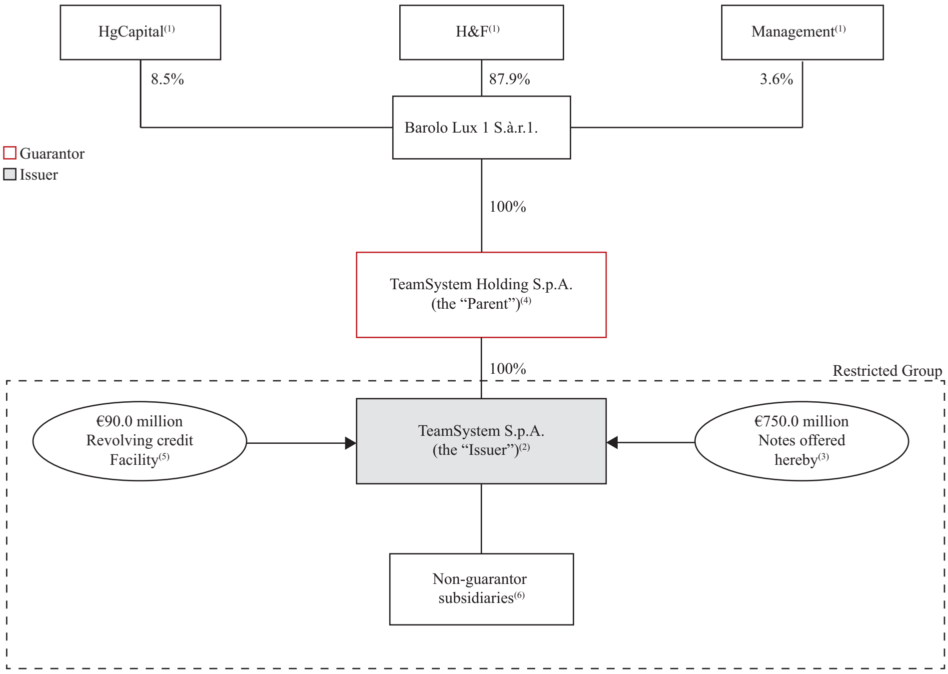
Current trading

The preliminary results and estimates presented below for the month ended January 31, 2018 have not been audited or reviewed, are derived from internal management accounts, do not consider potential effects from the application of the new IFRS 15 accounting principle to revenue recognition, and are subject to our financial closing procedures once the quarter ending March 31, 2018 has completed. These results are subject to the risks related to our business, including those set forth under "Risk factors" and "Forward looking statements" in this Offering Memorandum and, because they are preliminary, are inherently subject to modification. While we believe these preliminary results and *estimates to be reasonable, our actual consolidated financial results for the month ended January 31, 2018 may differ materially from the preliminary estimates presented below and remain subject to change.*

Based on preliminary results derived from unaudited management accounts and other information currently available, we estimate that for the month ended January 31, 2018, we generated total revenue of approximately €24.1 million, an increase of approximately €0.9 million (or 4.0%) compared to total revenue of approximately €23.2 million for the month ended January 31, 2017. This increase in total revenue was partially offset by (i) a decrease in revenue from our hardware operations as a consequence of the outsourcing of such activities in December 2017 and (ii) a decrease in revenue from the sale of licenses to our professional customers, as from 2018 our new professional customers are required to enter into annual subscription agreements with us, as opposed to having to purchase the software license upfront and pay for annual maintenance and assistance services thereafter, which is the model we used for these customers until the end of 2017. We estimate that, excluding these two effects, our total revenue for the month ended January 31, 2018 would have reached approximately €24.6 million, a 6.1% increase from the month ended January 31, 2017.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes our corporate and principal outstanding financing arrangements after giving *pro forma* effect to the Transactions as described in "*Use of proceeds.*" Certain of the subsidiaries of the Group are not wholly-owned directly or indirectly by the Parent. See our 2017 Financial Statements and the notes thereto for further information. For a summary of the debt obligations referenced in this diagram, see "*Description of certain financing arrangements*" and "*Description of Notes*."



(1) For a description of our principal shareholders, see "*Principal shareholders*."

(2) The Issuer is a joint stock corporation (*società per azioni*) organized under the laws of the Republic of Italy. As of December 31, 2017, after giving *pro forma* effect to the Transactions, the Issuer and the Guarantor (as defined below) would have had €0.2 million in outstanding financial debt (excluding €81.3 million of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries), other than the Notes, none of which was secured. See "*Description of certain financing arrangements*." As of and for the year ended December 31, 2017, the Issuer and the Guarantor accounted for 85.8% of our consolidated total assets, 68.4% of our total revenue and 72.7% of our Adjusted EBITDA, after the elimination of intercompany balances.

(3) The Notes will be senior obligations of the Issuer and will be guaranteed (the "**Guarantee**") on a senior basis by the Parent (the "**Guarantor**"). Within one business day of the Issue Date, the Notes will be secured by first-ranking security interests over (i) all the issued capital stock of the Issuer, (ii) the Issuer's interest in the receivables in respect of certain intercompany loans by the Issuer to certain of its subsidiaries existing as of the Issue Date and (iii) certain material operating bank accounts of the Issuer (the "**Collateral**"). The Guarantee and the Collateral will be subject to contractual and legal limitations and may be released under certain circumstances. The Collateral will be subject to the Agreed Security Principles. See "*Risk factors—Risks related to the Notes*" and "*Description of Notes—Guarantees*." The Collateral will also secure on a super-priority basis our obligations under the Revolving Credit Facility and certain hedging obligations, if any, pursuant to the Intercreditor Agreement. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral, holders of the Notes will receive proceeds from the enforcement only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full. The Collateral currently secures the Existing Notes. We expect that all security interests over the collateral securing the Existing Notes will be released on or about the Issue Date in connection with the redemption of the Existing Notes.

(4) The Parent is a joint stock corporation (*società per azioni*) organized under the laws of the Republic of Italy, is the reporting entity of the Group and is a holding company with no operations of its own. The Parent will be a Guarantor of the Notes but will not be part of the Notes restricted group and, therefore, will be subject to only a limited number of the provisions of the Indenture. The Existing Intercompany Loan between the Parent, as lender, and the Issuer, as borrower, will be entirely repaid with a portion of the proceeds from the Offering and available cash on balance sheet. The Parent will use the proceeds from the repayment of the Existing Intercompany Loan to redeem the Existing Senior Notes.

(5) On or prior to the Issue Date, the Issuer will enter into the Revolving Credit Facility Agreement, which will provide for the €90.0 million Revolving Credit Facility. The Issuer will be the initial borrower under the Revolving Credit Facility. We expect the Revolving Credit Facility to be undrawn on the Issue Date. However, given the seasonality of our billing pattern, in the event that freely available cash on the balance sheet on or about the Issue Date is lower than our estimate or insufficient

to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Issue Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and early second quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Seasonal billing pattern*." For more information about the Revolving Credit Facility, see "*Description of certain financing arrangements—Revolving Credit Facility.*"

(6) None of the Issuer's subsidiaries will guarantee the Notes. As of December 31, 2017, after giving *pro forma* effect to the Transactions, the Issuer's subsidiaries would have had €0.7 million in outstanding financial debt (excluding €20.1 million of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries), which would have ranked structurally senior to the Notes and the Guarantee. The Notes will be structurally subordinated to the liabilities of such non-guarantor subsidiaries. In the event of a bankruptcy or liquidation of any of the non-guarantor subsidiaries, such non-guarantor subsidiaries will pay the holders of their respective debt and their respective trade creditors before they will be able to distribute any of their assets to their respective parent and ultimately to the Issuer. See "*Risk factors—Risks related to the Notes—The Notes and the Guarantee will be structurally subordinated to the liabilities of our subsidiaries who are not guarantors*." As of and for the year ended December 31, 2017, the Issuer's subsidiaries accounted for 14.2% of our consolidated total assets, 31.6% of our total revenue and 27.3% of our Adjusted EBITDA, after the elimination of intercompany balances. Certain of the Issuer's subsidiaries are operated through strategic partnerships with other investors who hold a non-controlling interest in such subsidiaries. See "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*" and "*Risk Factors—Risks related to our business—Certain of our subsidiaries have non-controlling shareholders whose interests may differ from our interests. In addition, the contractual arrangements with such non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn out arrangements*."

THE OFFERING

The following overview of the Offering contains basic information about the Notes, the Guarantee and the Collateral. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, the Guarantee and the Collateral, including certain definitions of terms used in this overview, please see "*Description of Notes*."

Issuer	TeamSystem S.p.A.
Notes offered	
2023 Floating Rate Notes	€550,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2023.
2025 Floating Rate Notes	€200,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2025.
Issue date	April 4, 2018.
Issue price	
2023 Floating Rate Notes	100.0% plus accrued and unpaid interest, if any, from the Issue Date.
Maturity date	
2023 Floating Rate Notes	April 15, 2023.
2025 Floating Rate Notes	April 15, 2025.
Interest rate and payment dates	
2023 Floating Rate Notes	The interest rate on the 2023 Floating Rate Notes will be equal to three month EURIBOR (with a floor of 0%) plus 4.00% per annum, reset quarterly. Interest on the 2023 Floating Rate Notes will accrue from the Issue Date and will payable quarterly in arrears on March 15, on June 15, on September 15 and on December 15 of each year, commencing on June 15, 2018.
2025 Floating Rate Notes	The interest rate on the 2025 Floating Rate Notes will be equal to three month EURIBOR (with a floor of 0%) plus 4.00% per annum, reset quarterly. Interest on the 2025 Floating Rate Notes will accrue from the Issue Date and will be payable quarterly in arrears on March 15, on June 15, on September 15 and on December 15 of each year, commencing on June 15, 2018.
Form and denomination	The Issuer will issue the Notes in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, maintained in book-entry form.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer; • be secured by the Collateral (as described below under "—*Security*") on a first-priority basis along with obligations under the Revolving Credit Facility and certain hedging obligations, if any (but pursuant to the Intercreditor Agreement holders of Notes will receive proceeds from the enforcement of security over the Collateral only after all obligations under the Revolving Credit Facility and certain hedging obligations, if any, have been paid in full); • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;

- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including indebtedness incurred under the Revolving Credit Facility and certain hedging obligations, if any;
- be effectively subordinated to any existing and future indebtedness of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing and future indebtedness and other obligations of subsidiaries of the Issuer that do not guarantee the Notes, including obligations owed to trade creditors and obligations under the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries.

Guarantee .... The Issuer's obligations under the Notes will be guaranteed on a senior basis by the Parent on the Issue Date.

As of and for the year ended December 31, 2017, the Issuer and the Guarantor accounted for 85.8% of our consolidated total assets, 68.4% of our total revenue and 72.7% of our Adjusted EBITDA, after the elimination of intercompany balances. None of the Issuer's subsidiaries will guarantee the Notes. As of December 31, 2017, after giving *pro forma* effect to the Transactions, the Issuer's subsidiaries would have had €0.7 million in outstanding financial debt (excluding €20.1 million of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries), which would have ranked structurally senior to the Notes and the Guarantee.

The obligations of the Guarantor will be contractually limited under the Guarantee to reflect limitations under applicable law. See "*Risk factors—Risks related to the Notes—The Guarantee may be limited by Italian law or subject to certain limitations or defenses that may adversely affect its validity and enforceability*" and "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations*."

The Guarantee will be subject to the terms of the Intercreditor Agreement and may be released under certain circumstances. See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of Notes—Guarantees.*"

Ranking of the Guarantee .... The Guarantee will:

- be a general senior obligation of the Guarantor;
- be secured by the Collateral (as described below under "*—Security*") on a first-priority basis along with obligations under the Revolving Credit Facility and certain hedging obligations, if any (but pursuant to the Intercreditor Agreement holders of Notes will receive proceeds from the enforcement of security over the Collateral only after all obligations under the Revolving Credit Facility and certain hedging obligations, if any, have been paid in full);
- rank senior in right of payment to any existing and future indebtedness of the Guarantor that is expressly

subordinated in right of payment to the Guarantor's Guarantee;

- rank *pari passu* in right of payment with any existing and future indebtedness of the Guarantor that is not subordinated in right of payment to the Guarantor's Guarantee, including obligations under the Revolving Credit Facility and certain hedging obligations, if any;
- be effectively subordinated to any existing and future indebtedness of the Guarantor that is secured by property or assets that do not secure the Guarantor's Guarantee, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Guarantor that do not guarantee the Notes.

Security . . . . Within one business day of the Issue Date, the Notes will be secured by first-ranking security interests over (i) all the issued capital stock of the Issuer, (ii) the Issuer's interest in the receivables in respect of certain intercompany loans by the Issuer to certain of its subsidiaries existing as of the Issue Date and (iii) certain material operating bank accounts of the Issuer.

The Collateral will also secure on a super-priority basis our obligations under the Revolving Credit Facility and certain hedging obligations, if any. The Collateral will be granted subject to the terms of the Intercreditor Agreement, the Agreed Security Principles and the terms of the relevant Security Documents.

Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral, holders of the Notes will receive proceeds from the enforcement only after the lenders under the Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full. See "*Description of certain financing arrangements—Intercreditor Agreement*."

The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Risk factors—Risks related to the Notes—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations.*"

The security interests in the Collateral may be released under certain circumstances. See *"Risk factors—Risks related to the Notes—There are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically without your consent or the consent of the Trustee," "Description of certain financing arrangements—Intercreditor Agreement," and "Description of Notes—Security—Release of Liens."*

Optional redemption

2023 Floating Rate Notes . . . . At any time prior to April 15, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the 2023 Floating Rate

	Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, plus a "make-whole" premium, as described under "*Description of Notes—Optional Redemption*."
	At any time on or after April 15, 2019, the Issuer may redeem all or a portion of the 2023 Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
2025 Floating Rate Notes	At any time prior to April 15, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the 2025 Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, plus a "make-whole" premium, as described under "*Description of Notes—Optional Redemption*."
	At any time on or after April 15, 2019, the Issuer may redeem all or a portion of the 2025 Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
Change of Control	Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the outstanding Notes at a purchase price of 101% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if a specified consolidated net leverage ratio is not exceeded in connection with such event, as described under "*Description of Notes—Certain Definitions—Specified Change of Control Event.*" See also "*Description of Notes—Change of Control.*"
Optional redemption for taxation reasons	If certain changes in the law (or in its interpretation) of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem such Notes in whole, but not in part, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "*Description of Notes—Redemption for Taxation Reasons.*"
Withholding taxes	Except as provided in "*Description of Notes*," all payments the Issuer makes with respect to the Notes, or the Guarantor with respect to its Guarantee, will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment on the Notes or the Guarantee, subject to certain exceptions, the Issuer or Guarantor, as the case may be, will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See "*Description of Notes—Withholding Taxes.*"

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of Notes—Withholding Taxes,*" the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239 or Decree No. 461, where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer or its agents. See "*Description of Notes—Withholding Taxes*."

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of the Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified currently in Ministerial Decree of September 4, 1996 as subsequently amended and supplemented and, in the future, in any decree to be issued under Article 11(4)(c) of Decree No. 239; any such decree, the "**White List**") and such holder of the Notes complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 or in Decree No. 461 after the date hereof, including any change in the White List. See "*Tax considerations—Certain Italian tax considerations*."

Certain covenants . . . . The Indenture will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Issuer or its restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- impair the security interests for the benefit of holders of the Notes; and
- amend certain documents.

Each of these covenants are subject to a number of important limitations and exceptions as described under "*Description of*

	Notes—Certain Covenants." The Parent will be a guarantor of the Notes but will not be part of the Notes restricted group and, therefore, will be subject to only a limited number of the provisions of the Indenture. Certain of the covenants will be suspended if and for as long as we achieve investment-grade ratings. See "*Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*." There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained. See "*Risk factors—Risks related to the Notes—Certain covenants will be suspended upon the occurrence of a change in our ratings*."
Transfer restrictions	The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer). See "*Transfer restrictions*" and "*Plan of distribution*."
Use of proceeds	The gross proceeds from the Offering and available cash on balance sheet will be used to redeem all the outstanding Existing Notes and to pay related redemption premia, commissions and other fees and expenses related to the Transactions. See "*Use of proceeds.*"
No established market	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market thereof.
Governing law	The Indenture, the Notes and the Guarantee will be governed by the laws of the State of New York. The Intercreditor Agreement will be governed by the laws of England and Wales. The Security Documents will be governed by the laws of the Republic Italy.
Trustee	The Law Debenture Trust Corporation p.l.c.
Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
Registrar and Luxembourg Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Security Agent	UniCredit Bank AG, Milan Branch

Investing in the Notes involves substantial risks. Prospective investors should refer to "*Risk factors*" for a discussion of certain factors that they should carefully consider prior to deciding to invest in the Notes.

SUMMARY HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following tables present the summary historical consolidated financial information and operating data of TeamSystem Holding S.p.A. (or its predecessor entity), the Group's holding company and the Issuer's sole direct shareholder. The summary historical consolidated financial information in the tables below is derived from the Consolidated Financial Statements except that (i) the 2016 Restated Financial Information is unaudited and is derived from the comparative data for 2016 included in the 2017 Financial Statements and (ii) the *pro forma* historical consolidated income statement information for the year ended December 31, 2016 is unaudited and is derived from the 2016 Pro Forma Income Statement. See "*Presentation of financial and other information.*"

As a consequence of the H&F Acquisition and in accordance with IFRS, the income statement included in our 2016 Financial Statements only reflects our results of operations for the ten months ended December 31, 2016, *i.e.* from March 1, 2016 (the date of completion of the H&F Acquisition) to December 31, 2016. The income statement table presented below includes, for the 2016 financial year, in addition to the 2016 Restated Financial Information and to facilitate the comparability of our results across the periods under review, the 2016 Pro Forma Income Statement, which reflects our results of operations for the entire 2016 financial year, as if the H&F Acquisition had occurred on January 1, 2016. The 2016 Pro Forma Income Statement further adjusts for the other acquisitions made by the Group during the year ended December 31, 2016, as if such acquisitions had also occurred on January 1, 2016. Prospective investors should therefore exercise particular caution when comparing our results for the year ended December 31, 2016, derived from the 2016 Pro Forma Income Statement, to our results for the years ended December 31, 2015 and 2017, also due to the fact that our results for the years ended December 31, 2015 and 2017 have not been adjusted for the acquisitions made by the Group in those years. The 2016 Pro Forma Income Statement is presented for illustrative purposes only and addresses a hypothetical situation. It has not been audited nor reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards and should be read in conjunction with the 2016 Financial Statements and the 2017 Financial Statements, including the notes related thereto, included elsewhere in this Offering Memorandum. For a description of the assumptions underlying the 2016 Pro Forma Income Statement, see "*Presentation of financial and other information*" and "*Annex A—2016 Pro Forma Income Statement*." In addition, the cash flow and capital expenditure figures for 2016 presented in this Offering Memorandum relate to the ten months ended December 31, 2016 and are therefore not directly comparable to the cash flow and capital expenditure figures for 2015 and 2017, which reflect the respective full year.

To improve the comparability of our results across the periods under review and for the purposes of their inclusion in this Offering Memorandum, the 2015 Financial Statements included herein have also been restated to give effect to the reclassification of certain income statement line items previously named as "non-recurring" that have been allocated to other cost items of our income statements for 2015, thus resulting in the elimination of the "non-recurring expenses" line item. Accordingly, the income statement information presented throughout this Offering Memorandum for the year ended December 31, 2015 has been presented on the same basis as the income statement information for the years ended December 31, 2016 and 2017 derived from the 2017 Financial Statements.

As the scope of the Group's consolidation at the Group's holding level changed in 2016 in connection with the H&F Acquisition, the 2015 Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the Group, TeamSystem Holding S.p.A. (referred to as the "predecessor"), which was extinguished and merged into the Issuer with an effective date of March 1, 2016. Furthermore, the 2015 Financial Statements do not reflect the impact of the purchase price adjustments recorded in connection with the H&F Acquisition, further affecting the comparability of such financial statements to the 2016 and 2017 Financial Statements.

Our current business segment structure, which we adopted in our 2017 Financial Statements, is the result of an in-depth review of our reporting structure following the H&F Acquisition in 2016. Previously, our business segments were (i) Software and Services (consisting of all the Group companies operating in the software production and marketing market), (ii) Education (consisting of the Group companies operating in the professional education sector) and (iii) CAD/CAM (consisting of the Nuovamacut Group companies). Our 2015 Financial Statements and 2016 Financial Statements reflect our old business segments whereas our 2017 Financial Statements reflect the current business segment structure but also include information on the basis of our old business segments to facilitate comparison with our 2016 Financial Statements. However, in the tables below, to facilitate comparability of our business segments' results across the periods under review, we have presented certain financial information on our current business segments for the years ended December 31, 2015 and 2016, including total revenue for each our current business segments. Such financial information is included for information purposes only, has been derived from our management accounts and is unaudited.

The following tables should be read in conjunction with the Consolidated Financial Statements and with the information set forth under the headings "*Presentation of financial and other information*," "*Use of proceeds*," "*Capitalization*," "*Selected historical financial information*" and "*Management's discussion and analysis of financial condition and results of operations*."

Summary consolidated statement of profit or loss data

	Year ended December 31, 2015 (predecessor)	Ten months ended December 31, 2016[(1)]	Year ended December 31, 2016[(2)] (*pro forma*)	Year ended December 31, 2017
		(*€ in million*)		
Revenue	251.4	227.2	287.5	314.1
Other operating income	2.5	2.2	2.6	1.9
Total revenue	**253.9**	**229.4**	**290.1**	**316.0**
Cost of raw and other materials	(23.7)	(22.6)	(27.8)	(29.6)
Cost of services	(62.9)	(64.4)	(65.2)	(76.8)
Personnel costs	(93.9)	(79.0)	(100.0)	(109.6)
Other operating costs	(6.7)	(5.5)	(6.4)	(7.3)
Depreciation and amortization of non-current assets	(39.1)	(54.2)	(68.3)	(72.5)
Allowance for bad debts	(5.1)	(3.6)	(5.3)	(3.9)
Other provisions for risks and charges	(0.2)	(0.5)	(0.5)	(7.0)
Impairment of non-current assets	—	—	—	(0.2)
Operating result	**22.3**	**(0.4)**	**16.6**	**9.1**
Gain (loss) on disposal of subsidiaries	(3.5)	—	—	—
Share of profit (loss) of associates	(0.1)	(0.1)	(0.1)	—
Finance income	1.2	0.1	0.3	7.6
Finance cost	(42.1)	(76.9)	(69.2)	(79.7)
Profit (Loss) before income taxes	**(22.2)**	**(77.3)**	**(52.3)**	**(62.9)**
Current income taxes	(10.7)	(13.7)	(18.7)	(6.0)
Deferred income taxes	14.7	15.4	16.1	12.1
Total income taxes	**4.0**	**1.8**	**(2.6)**	**6.1**
Profit (Loss) for the year	**(18.2)**	**(75.5)**	**(54.9)**	**(56.8)**
Loss (Profit) attributable to non-controlling interests	(0.2)	(0.3)	(0.4)	(0.3)
Profit (Loss) attributable to owners of the Company	**(18.4)**	**(75.8)**	**(55.3)**	**(57.1)**

(1) Our 2016 Restated Financial Information and the related income statement set forth above reflect the Group's results of operations for the ten months ended December 31, 2016, *i.e.* from March 1, 2016 (the date of completion of the H&F Acquisition) to December 31, 2016. For further information, see "*Presentation of financial and other information—Historical financial information,*" "*—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*" and "*Index to financial statements*."

(2) For further information on the 2016 Pro Forma Income Statement, see "*Presentation of financial and other information—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*" and "*Annex A—2016 Pro Forma Income Statement*."

Summary consolidated statement of financial position data

	As of December 31,		
	2015 (predecessor)	**2016**	**2017**
	(€ in million)		
Total non-current assets	672.3	1,500.2	1,468.1
Total current assets	127.1	141.9	163.7
Total assets	**799.4**	**1,642.1**	**1,631.8**
Total equity attributable to owners of the company	152.8	566.4	507.2
Total non-controlling interests	0.8	1.1	1.0
Total equity	**153.6**	**567.5**	**508.3**
Total non-current liabilities	541.1	929.8	1,020.5
Total current liabilities	104.7	144.8	103.0
Total liabilities	**645.8**	**1,074.6**	**1,123.6**
Total equity and liabilities	**799.4**	**1,642.1**	**1,631.8**

Summary consolidated cash flow statement data

	Year ended December 31, 2015 (predecessor)	**Ten months ended December 31, 2016[1]**	**Year ended December 31, 2017**
		(€ in million)	
Cash flow from operating activities	50.8	42.8	61.8
Cash flow from (used in) investing activities	(18.6)	(714.2)	(30.5)
Cash flow from (used in) financing activities	(33.5)	690.7	(34.4)
Total cash flow generated in the period	**(1.4)**	**19.3**	**(3.1)**
Cash and cash balances at the beginning of the period	**17.9**	**0.1**	**19.4**
Cash and cash balances at the end of the period	**16.5**	**19.4**	**16.3**

(1) Our 2016 Restated Financial Information and the related cash flow information set forth above reflect the Group's results of operations for the ten months ended December 31, 2016, *i.e.* from March 1, 2016 (the date of completion of the H&F Acquisition) to December 31, 2016. For further information, see "*Presentation of financial and other information—Historical financial information,*" "*—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*" and "*Index to financial statements*."

Other financial and pro forma data

	As of and for the year ended December 31,		
	2015 (predecessor)	2016[(1)]	2017
	(€ in million, except percentages and ratios)		
Total revenue	253.9	290.1	316.0
Adjusted EBITDA[(2)]	77.9	98.8	113.0
Adjusted EBITDA margin[(2)]	30.7%	34.1%	35.8%
Adjusted net financial debt[(3)]	414.2	631.7	673.3
Pro Forma Adjusted EBITDA[(4)]			133.1
Pro Forma Adjusted EBITDA margin[(5)]			42.1%
Pro forma cash, cash equivalents and other financial assets[(6)]			5.5
Pro forma adjusted net financial debt[(7)]			745.4
Pro forma adjusted net interest expense[(8)]			30.0
Ratio of *pro forma* adjusted net financial debt to Pro Forma Adjusted EBITDA			5.6x
Ratio of Pro Forma Adjusted EBITDA to *pro forma* net interest expense			4.4x

(1) Total revenue, Adjusted EBITDA and Adjusted EBITDA margin for 2016 are derived from the 2016 Pro Forma Income Statement, whereas Adjusted net financial debt as of December 31, 2016 is derived from the 2016 Restated Financial Information. For further information, see "*Presentation of financial and other information*."

(2) Adjusted EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, IFRS. This measure is not a measurement of our financial performance under IFRS and should not be considered in isolation or as an alternative to income from continuing operations, cash flows or any other measures of performance or liquidity prepared in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity.

"Adjusted EBITDA" refers to Profit (Loss) for the year excluding the effect of (i) income taxes, (ii) gain (loss) on disposal of subsidiaries, share of profit (loss) of associates, finance income and finance cost, (iii) impairment of non-current assets, (iv) other provisions for risks and charges, (v) depreciation and amortization of non-current assets, (vi) allowance for bad debts and (vii) certain items that we consider not to be core to our ongoing business, as described in the table below. "Adjusted EBITDA margin" refers to Adjusted EBITDA divided by total revenue.

We believe Adjusted EBITDA provides useful information with respect to our overall operating performance and debt service capacity by facilitating comparisons of operating performance on a consistent basis by removing the impact of items not directly resulting from core operations. Adjusted EBITDA is the main measure management uses to assess the trading performance of our business and, therefore, we believe it may be helpful to securities analysts, investors and other interested parties to assist in their assessment of the trading performance of our business. We note, however, that Adjusted EBITDA has limitations as an analytical tool, and should not be considered a substitute measure to operating profit, operating profit margin, as an indicator of operating performance, as an alternative to operating cash flows or as a measure of our liquidity. See "*Presentation of financial and other information—Non-IFRS financial measures.*"

The following table provides a reconciliation of our Profit (Loss) to Adjusted EBITDA for the periods indicated:

	Year ended December 31,		
	2015 (predecessor)	2016 (*pro forma*)	2017
	(€ in million)		
Profit (Loss) for the year	**(18.2)**	**(54.9)**	**(56.8)**
Income taxes	(4.0)	2.6	(6.1)
Gain (loss) on disposal of subsidiaries, share of profit (loss) of associates, finance income and finance cost	44.4	68.9	72.0
Impairment of non-current assets	—	—	0.2
Other provisions for risks and charges[(a)]	0.2	0.5	7.0
Depreciation and amortization of non-current assets	39.1	68.3	72.5
Allowance for bad debts[(b)]	5.1	5.3	3.9
Costs for acquisitions and mergers[(c)]	1.7	1.6	1.3
Costs for international activities[(d)]	—	—	0.3
Strategic marketing expenses[(e)]	0.9	0.4	1.7
Settlements with clients and agents[(f)]	0.5	—	2.4
Personnel rationalization[(g)]	4.0	1.3	2.8
Costs for changing and closing locations[(h)]	0.7	0.8	1.4
Advisory expenses related to reorganization and cost saving projects[(i)]	2.7	2.0	5.9
IT costs for system integration and transformation[(j)]	—	0.9	1.9
Costs for change management program[(k)]	0.2	0.3	1.7
Tax optimization costs[(l)]	—	0.2	0.3
Cost for receivable collection project[(m)]	0.2	0.1	0.4
Other minor items[(n)]	0.4	0.4	0.2
Adjusted EBITDA	**77.9**	**98.8**	**113.0**

(a) Represents the provisions for risks and charges accrued for the periods indicated. For the year ended December 31, 2017, amounts primarily relates to restructuring and reorganization costs that will be incurred in the following years, including costs for €3.5 million relating to personnel rationalization initiatives and other external costs related to reorganization projects that we launched and partially implemented in the year ended December 31, 2017.

(b) Represents the allowance of the period for bad or doubtful debts. The allowance for bad debts is determined by us on the basis of historical trends of overdue receivables and percentages of unpaid receivables as well as specific analysis of overdue receivables with respect to certain customers.

(c) For the year ended December 31, 2015, these costs primarily relate to legal advisor and due diligence costs associated with acquisitions we made in in the relevant period. For the year ended December 31, 2016, these costs primarily relate to external and advisory costs associated with intra-Group mergers and, in particular, the reverse mergers performed by the Group following the H&F Acquisition. For the year ended December 31, 2017, these costs primarily relate to mergers (in particular, the merger of TSS S.p.A. and ACG S.p.A. into TeamSystem S.p.A.) and acquisitions we made in such period.

(d) Represents advisory costs incurred in the year ended December 31, 2017 in connection with international activities mainly aimed at assisting certain Italian customers with their operations outside of Italy.

(e) Represents external advisory costs incurred for a three year marketing project launched in 2015 primarily relating to the rationalization of the Group's brands following several bolt-on acquisitions made in previous years.

(f) Represents costs incurred for settlements with certain customers and agents. For the year ended December 31, 2017, amounts include costs incurred in connection with a settlement with the company that, before the settlement, managed our agents' network (Il Sole 24 Ore S.p.A.) and relating to the operation of such agents.

(g) For the year ended December 31, 2015, these costs are primarily related to personnel restructuring activities at the level of recently acquired subsidiaries (ACG S.r.l. and TSS S.p.A.). For the year ended December 31, 2016, these costs are primarily related to personnel rationalization initiatives implemented by the Issuer and some minor subsidiaries and, for the year ended December 31, 2017, they mainly represent severance costs incurred in connection with the launch of reorganization activities affecting certain internal functions (such as customer service, research and development, marketing, human resource and other staff functions) and the unification of the governance of our Direct and Indirect Channels.

(h) For the years ended December 31, 2015 and 2016, amounts represent costs incurred in connection with the closing of several of the Group's offices and the transfer of the relevant assets and workforce to new or existing offices, including costs related to rent for abandoned offices and expenses to secure and refurbish new offices. For the year ended December 31, 2017, these costs primarily relate to real estate brokerage fees in connection with the new Milan office and the new headquarters in Pesaro, as well as the closing of several Group offices, as part of our reorganization and simplification initiatives, including losses incurred in relation to the sale of a building in Campobasso.

(i) Represents costs related to certain reorganization, cost saving and other special projects. For the year ended December 31, 2015, we incurred advisory expenses primarily in connection with the review of our general and administration ("**G&A**") function and our software delivery processes. For the year ended December 31, 2016, we incurred external costs in relation to (i) our G&A project, launched in 2015 and completed in 2016, (ii) the launch of a new project on analytical accounting, (iii) the introduction of certain new reporting requirements, (iv) the introduction of a new customer service model and (v) certain preliminary advisory activities regarding reorganization activities which we officially launched in 2017. For the year ended December 31, 2017, the increase in such costs was primarily due to the full implementation of our reorganization activities, as described in footnote (g) above. Most of these costs relate to advisory services provided by leading advisors.

(j) Represents external costs related to the improvement of our IT services and the IT integration of new companies merged and/or acquired in the periods indicated. For the year ended December 31, 2017, IT costs also included advisory IT expenses in connection with our reorganization activities in such period.

(k) For the years ended December 31, 2015 and 2016, these cost primarily relate to advisory costs for management recruitment. For the year ended December 31, 2017, they relate to human resource advisory services in connection with the Group reorganization and, additionally, a special bonus recognized in connection with this program.

(l) Represents tax advisory costs incurred for the analysis of certain tax benefits associated with the deduction of development costs and financing costs.

(m) Represents consultancy and implementation costs incurred for the rationalization and streamlining of our credit collection processes. For the year ended December 31, 2015, these costs primarily relate to advisory costs for the assessment of the project. For the years ended December 31, 2016 and 2017, these costs primarily relate to the actual implementation of this new credit collection program.

(n) Represents other minor expenses, including advisory costs of banks and rating agencies related to our Existing Notes.

(3) Adjusted net financial debt represents the sum of loans with banks, overdrafts with banks, notes, dividends to be paid and other financial liabilities, less financing fees, net of total cash and bank balances and other financial assets, less the financial liabilities relating to the aggregate amount of our liabilities, as reported in our Consolidated Financial Statements, in respect of the put and call option and earn out arrangements under the acquisition agreements with our strategic partners relating to certain of our majority-owned subsidiaries ("**Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries**"). Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries is defined as "Vendor Loan" in our Consolidated Financial Statements. For a description of how the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries are calculated, see "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*." The following table sets forth a calculation of adjusted net financial debt as of the dates indicated:

	As of December 31,		
	2015 (predecessor)	2016	2017
		(€ in million)	
Total financial liabilities	443.0	687.9	720.8[a]
Total other financial liabilities	29.4	92.4	101.5
Of which			
Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries	*29.3*	*92.4*	*101.4*
Total financing fees	(11.9)	(35.5)	(30.5)
Total financial debt	**460.5**	**744.9**	**791.9**
Total cash and bank balances	(16.5)	(19.4)	(16.3)
Total other financial assets	(0.5)	(1.4)	(0.9)
Net financial debt	**443.5**	**724.1**	**774.7**
Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries	(29.3)	(92.4)	(101.4)
Adjusted net financial debt	**414.2**	**631.7**	**673.3**

(a) Reflects the aggregate principal amount of the Existing Notes (€720.0 million) and certain other minor unsecured indebtedness.

(4) Pro Forma Adjusted EBITDA is subject to the same limitations as Adjusted EBITDA. Pro Forma Adjusted EBITDA is presented for illustrative purposes only and does not purport to project our results of operations or financial condition for any historical or future period. Our presentation of Pro Forma Adjusted EBITDA may be different from the presentation used by other companies and therefore comparability may be limited.

Certain line items used to calculate Pro Forma Adjusted EBITDA are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. In particular, (i) the estimated cost savings from personnel savings initiatives, external non-personnel cost expense reduction initiatives and certain business process outsourcing ("**BPO**") initiatives with respect to our hardware operations and (ii) the additional annualized revenue estimated to be generated by Regulatory LTAs in 2018 and the price increase we engaged in at the beginning of the 2018 financial year, are presented herein for informational purposes only. The available information is preliminary and the assumptions used in estimating these Pro Forma Adjusted EBITDA components are inherently uncertain, forward looking in nature and subject to a wide variety of significant business, economic, and competitive risks and uncertainties. We cannot assure you that the information on which we have based our assumptions will not change or that we will be able to realize any of the as-yet unrealized cost savings synergies, as well as revenue benefits, we believe are possible based on these management estimates and assumptions. Furthermore, the costs we incur in trying to realize these cost savings initiatives and revenue benefits may be substantially higher than our current estimates and may outweigh any benefit. Accordingly, this information does not represent the results such cost saving initiatives or additional revenue streams would have achieved had the initiatives been implemented or revenue streams been in place as of January 1, 2017. In addition, Pro Forma Adjusted EBITDA includes the Adjusted EBITDA for the year ended December 31, 2017 of Software XP, a carve-out business, and MMData, its main VAR, that we acquired on February 14, 2018. Such adjustment does not reflect the costs we will incur to, among other things, integrate such business into the Group or any potential synergies or other impacts related to or expected to derive from such acquisition, and, therefore, is not meant to represent what the EBITDA contribution of Software XP would have been for the year ended December 31, 2017 if we had acquired such business on January 1, 2017. Neither our independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the Pro Forma Adjusted EBITDA measures contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. In addition, Pro Forma Adjusted EBITDA and the underlying calculations thereof have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. Pro Forma Adjusted EBITDA is included in this Offering Memorandum because we believe that it provides a useful indication of what our Adjusted EBITDA for the year ended December 31, 2017 would have been under certain circumstances and assumptions as described herein; however, this information does not constitute a measure of financial performance under IFRS or any other auditing standard, and you should not consider Pro Forma Adjusted EBITDA as an alternative to net income or any other performance measure derived in accordance with IFRS or any other auditing standard or as a measure of our results of operations or liquidity. See "*Risk factors—Risks related to our business—We have presented certain pro forma rate financial information in this Offering Memorandum that are based upon management estimates in respect of certain savings and revenue generating initiatives, and the resulting effect on Pro Forma Adjusted EBITDA for the year ended December 31, 2017. The relevance of these measures depends upon the accuracy of a series of estimates and assumptions involving factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors*" and "*Forward-looking statements*."

The following table provides a reconciliation from Adjusted EBITDA to Pro Forma Adjusted EBITDA for the year ended December 31, 2017:

	Year ended December 31, 2017
	(€ in millions)
Adjusted EBITDA	**113.0**
Acquisition of Software XP and its main VAR[(a)]	1.1
Personnel savings[(b)]	6.3
External non-personnel costs and hardware BPO initiatives[(c)]	2.5
Annualized revenues[(d)]	4.9
Regulatory-LTAs[(e)]	1.5
2018 Price increase[(f)]	3.8
Pro Forma Adjusted EBITDA	**133.1**

(a) Represents the Adjusted EBITDA for the year ended December 31, 2017 of (i) Software XP, a carve-out business and (ii) MMData S.r.l., a VAR specialized in the resale of Software XP products. We acquired such businesses on February 14, 2018 for a total consideration of €2.0 million and €1.8 million, respectively.

(b) Represents (i) €3.6 million of estimated cost savings that we expect to achieve in 2018 from a personnel rationalization initiative involving 134 employees that we completed in 2017 (the "**2017 Personnel Rationalization Initiative**"); the adjustment does not include an additional €3.0 million of cost savings that we achieved in 2017 from this initiative and that are reflected in our 2017 Financial Statements plus (ii) €2.7 million of additional estimated cost savings we expect to achieve in 2018 from a further personnel rationalization initiative involving additional 135 employees that we planned in 2017, are implementing and expect to complete in 2018 as part of our operating model optimization strategy, relating to customer service, research and development and marketing and other support functions (the "**2018 Personnel Rationalization Initiative**"). Our estimate of these cost savings is based on (a) the actual annual salary of the employees that have already been made redundant, (b) the actual annual salary of the employees who we have identified as employees to be made redundant, (c) the average annual salary of employees in the employee classes that have been identified as subject to redundancy but for which we have only identified the number of employees to be made redundant, but not the particular employees and (d) the fact that we do not intend to replace such employees. The total costs we incurred in 2017 in connection with the 2017 Personnel Rationalization Initiative were equal to €2.6 million and we do not expect to incur any additional costs for 2018. In connection with the 2018 Personnel Rationalization Initiative, we expect to be able to benefit from additional cost savings in 2019 that have not been adjusted for herein. We estimate that the total costs of achieving the cost savings from the 2018 Headcount Reduction will be approximately €6.4 million, which we expect to incur during the course of 2018.

(c) Represents (i) €2.0 million of estimated average savings which we expect to realize in 2018 from ongoing external non-personnel cost reduction initiatives that we launched in 2017. We estimate that the total average annual cost base targeted by these saving initiatives is equal to approximately €49.4 million. Such initiatives refer to the renegotiation of certain service contracts with third parties, including in connection with our vehicle fleet, specialist application developers, management consultants and a number of other third-party service providers. We believe these initiatives will result in ongoing savings following 2018. We estimate that the total costs of achieving these savings will be €1.1 million (primarily represented by consultancy costs), approximately €0.4 million of which had already been incurred as of December 31, 2017, with the remaining approximately €1.0 million in costs expected to be incurred in 2018; and (ii) €0.5 million of estimated cost savings we expect to realize in 2018 from our BPO initiative relating to the outsourcing of our hardware sales, delivery and maintenance business to a third-party hardware resale specialist, which we completed in December 2017. As part of this BPO initiative, we transferred 19 employees to the service provider and released additional six employees, and the related estimated savings are reflected in our estimate. We did not incur material costs in 2017, and expect to incur no additional costs in 2018, in connection with this initiative.

(d) Represents the difference between (i) the revenue generated by the subscription agreements relating to our key cloud products and services in November 2017 multiplied by twelve (€23.5 million) and (ii) the revenue generated by such agreements in 2017 (€18.6 million). We believe that this a reasonable estimate given that the revenue from the sale of such key cloud products and services derives from the payment of recurring annual subscription fees and is accounted for on a monthly basis, and that the last month for which such revenue data is available is November 2017.

(e) Represents revenue which we expect to generate in 2018 from the sale of Regulatory LTAs in connection with the entry into force of the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") in the EU in May 2018. For the purposes of calculating such estimated revenue, we have assumed that approximately 13,000 Regulatory LTAs will be activated in 2018, based on an estimated 29% penetration rate, which we believe to be a conservative rate. We did not incur material costs in 2017, and expect to incur no additional costs in 2018, in connection with this initiative.

(f) Represents additional revenue that we expect to generate in 2018 from the price increases that we invoiced in January 2018 for our professional, enterprise and vertical customers as part of the continuous improvement of our product offering. We expect the price increases to generate revenue of approximately €2.7 million from our ERP and Business Management Software Solutions customers and approximately €1.1 million from our Vertical Solutions customers. For more information on the risks potentially associated with our price increases and the right of our customers to terminate their contracts with us, see "*Risk Factors—Risks related to our business—If we fail to maintain, expand or develop our relationships with our customers, including VARs, our business, financial condition and results of operations could be adversely affected*."

(5) Pro Forma Adjusted EBITDA margin represents Pro Forma Adjusted EBITDA divided by total revenues.

(6) *Pro forma* cash, cash equivalents and other financial assets represents cash and bank balances plus other current and non-current financial assets as of December 31, 2017 as adjusted for the Transactions, as if the Transactions had occurred on December 31, 2017, as further described in footnote (1) under "*Capitalization*." See also "*Use of proceeds.*"

(7) *Pro forma* adjusted net financial debt represents adjusted net financial debt (before the deduction of financing fees) as further adjusted for the Transactions. See "*Capitalization*." *Pro forma* adjusted net financial debt does not include amounts outstanding as of the Issue Date under the Revolving Credit Facility. Although we expect our Revolving Credit Facility to be undrawn at the Issue Date, given the seasonality of our billing pattern, in the event that freely available cash on the balance sheet on or about the Issue Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Issue Date or shortly thereafter. *Pro forma* net financial debt has not been prepared in accordance with IFRS or any other generally accepted accounting principles and has been presented for illustrative purposes only and does not purport to represent what our net financial debt would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our net financial debt for any future period or our financial condition at any future date. Net financial debt is not a recognized measure of financial performance or liquidity under IFRS and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial and other information—Non-IFRS financial measures*." See "*Capitalization*."

(8) *Pro forma* adjusted net interest expense represents finance cost less finance income, excluding the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries component, and adjusted for the Transactions, as if the Transactions had occurred on January 1, 2017, based on (i) the margin over three-month EURIBOR (with a 0% floor) in respect of the 2023 Floating Rate Notes of 4.00% applied across the full 2017 fiscal year, (ii) the margin over three-month EURIBOR (with a 0% floor) in respect of the 2025 Floating Rate Notes of 4.00% applied across the full 2017 fiscal year, and assuming that the Revolving Credit Facility was undrawn during such period. *Pro forma* adjusted net interest expense does not include commitment fees on undrawn amounts under the Revolving Credit Facility and is calculated gross of the debt issuance costs in connection with the Transactions. See "*Use of proceeds*" and "*Capitalization*."

Other financial and operating data

	Year ended December 31, 2015 (predecessor)	Ten months ended December 31, 2016(*)	Year ended December 31, 2016 (*pro forma*)(*)	Year ended December 31, 2017
	(€ in millions, except percentages)			
Total revenue	253.9	229.4	290.1	316.0
of which				
Software Solutions	*236.8*		*257.3*	*276.3*
Cloud Software Solutions	*9.6*		*26.7*	*34.0*
Hardware	*7.5*		*6.1*	*5.7*
Software Solutions contribution to total revenue	93.3%		88.7%	87.4%
Cloud Software Solutions contribution to total revenue	3.8%		9.2%	10.8%
Recurring revenue(1)	69.0%		70.0%	70.8%
Organic revenue growth(2)	6.9%		5.8%	7.7%
Customer Retention Rate(3)	94.2%		94.9%	95.5%
Adjusted operating cash flow(4)	55.0	59.0		73.4
Adjusted operating cash flow excluding the effect of new headquarters' expenses(4)				77.9
Cash flow conversion rate(5)	88.7%	92.9%		76.7%
Cash flow conversion rate excluding the effect of new headquarters' expenses(5)				81.4%

(*) For the ten months ended December 31, 2016, we do not present the breakdown of total revenue by segment, Software Solutions contribution to total revenue, recurring revenue, organic revenue growth and Customer Retention Rate, and, for the year ended December 31, 2016, we do not present adjusted operating cash flow and cash flow conversion rate. In addition, adjusted operating cash flow excluding the effect of new headquarters' expenses and cash flow conversion rate excluding the effect of new headquarters' expenses are presented only for the year ended December 31, 2017.

(1) Represents the percentage of total revenue for each of the years indicated that we generated from assistance and maintenance fees paid by our Software Solutions customers, subscription fees paid by our Cloud Software Solutions customers and the annual fixed fees paid by VARs under our multi-year distribution agreements with them and Regulatory LTAs paid by all our customers. Recurring revenue is not a recognized measure of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial and other information—Non-IFRS financial measures*."

(2) Represents growth in our total revenue in each of the years indicated excluding the effect of acquisitions made by the Group in the relevant year, compared to total revenue in the relevant previous year. Organic revenue is not a recognized measure of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial and other information—Non-IFRS financial measures*."

(3) Relates to the Direct Channel of our ERP and Business Management Software Solutions business line and is calculated for any period as the ratio of (i) the number of customers at the beginning of each period less the number of churning customers during such period to (ii) the number of customers at the beginning of such period.

(4) Adjusted operating cash flow represents Adjusted EBITDA less allowance for bad debts and capital expenditure and adjusted for change in working capital. Adjusted operating cash flow excluding the effect of new headquarters' expenses reflects Adjusted operating cash flow for the year ended December 31, 2017 plus €4.5 million of expenses we made in such year in connection with our new headquarters in Pesaro. Adjusted operating cash flow and Adjusted operating cash flow excluding the effect of new headquarters' expenses are not recognized measures of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial and other information—Non-IFRS financial measures*." The following table sets forth a calculation of Adjusted operating cash flow and Adjusted operating cash flow excluding the effect of new headquarters' expenses for the periods indicated:

	Year ended December 31, 2015 (predecessor)	**Ten months ended December 31, 2016**	**Year ended December 31, 2017**
		(€ in millions)	
Adjusted EBITDA	77.9	77.5[(a)]	113.0
Allowance for bad debts	(5.1)	(3.6)	(3.9)
Change in working capital[(b)]	(2.2)	2.2	(10.4)
Capital expenditure	(15.7)	(17.2)	(25.3)
of which			
Investments in tangible assets	*(1.7)*	*(3.1)*	*(6.6)*
Investments in intangible assets	*(3.1)*	*(3.6)*	*(5.4)*
Capitalized development costs	*(10.8)*	*(10.5)*	*(13.4)*
Adjusted operating cash flow	**55.0**	**59.0**	**73.4**
New headquarters' expenses			4.5
Adjusted operating cash flow excluding the effect of new headquarters' expenses			**77.9**

(a) Adjusted EBITDA for the ten months ended December 31, 2016 represents Loss for the period (€75.5 million) excluding the effect of (i) income taxes (€1.8 million), (ii) gain (loss) on disposal of subsidiaries, share of profit (loss) of associates, finance income and finance cost (€76.9 million), (iii) other provisions for risks and charges (€0.5 million), (iv) depreciation and amortization of non-current assets (€54.2 million), (v) allowance for bad debts (€3.6 million) and (vi) certain items that we consider not to be core to our ongoing business, comprised of costs for acquisitions and mergers (€13.6 million) that include the costs incurred in connection with the H&F Acquisition and the other acquisitions occurred in the period, strategic marketing expenses (€0.3 million), personnel rationalization (€1.3 million), costs for changing and closing locations (€0.6 million), advisory expenses related to reorganization and cost saving projects (€1.9 million), IT costs for system integration and transformation (€0.9 million), costs for change management program (€0.3 million), tax optimization costs (€0.2 million), cost for receivable collection project (€0.1 million) and other minor items (€0.4 million).

(b) Change in working capital is part of the calculation of our cash flows from operating activities, as reported in the consolidated statement of cash flows of our Consolidated Financial Statements, and accordingly does not include the change in working capital, if any, associated to the items that we consider not to be core to our ongoing business and that are included in the calculation of our Adjusted EBITDA.

(5) Cash flow conversion rate represents the ratio of (i) Adjusted operating cash flow to (ii) Adjusted EBITDA less allowance for bad debts and capitalized development costs. Cash flow conversion rate excluding the effect of new headquarters' expenses represents the ratio of (i) Adjusted operating cash flow excluding the effect of new headquarters' expenses to (ii) Adjusted EBITDA less allowance for bad debts and capitalized development costs. Cash flow conversion rate and Cash flow conversion rate excluding the effect of new headquarters' expenses are not recognized measures of financial performance or liquidity under IFRS or any other internationally accepted accounting principles and therefore no undue reliance should be placed on such data contained in this Offering Memorandum. See "*Presentation of financial and other information—Non-IFRS financial measures*."

RISK FACTORS

An investment in the Notes is subject to a number of risks. Prospective investors should consider carefully the risks described below and the other information contained in this Offering Memorandum prior to making any investment decision with respect to the Notes. Each of the risks discussed below could have a material adverse effect on our business, financial condition, results of operations or prospects which, in turn, could have a material adverse effect on the principal amount and interest which investors will receive in respect of the Notes. In addition, each of the risks discussed below could adversely affect the trading or the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment. Prospective investors should note that the risks described below may not be the only risks we face. We have described only those risks that we currently consider to be material and there may be additional risks and uncertainties not presently known to us, or that we currently consider immaterial, that might also have a material adverse effect on our business, financial condition or results of operations.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. See "*Forward-looking statements*."

Risks related to our business

If we fail to maintain, expand or develop our relationships with our customers, including VARs, our business, financial condition and results of operations could be adversely affected.

The success of our business depends largely on our ability to maintain good relationships with our existing customers, including our VARs, to leverage such relationships in order to increase our sales to the existing customer base and to attract and develop relationships with new customers. For example, our strategy to exploit our range of available cloud opportunities contemplates increased cross-selling of our products and services to our existing customer base. Moreover, we have been developing relationships with both existing and new customers by introducing new software delivery models such as SaaS in response to the changing technological environment. There can be no assurance that we will be successful in maintaining, expanding or developing our relationships with customers and VARs, and if we are not successful, we may lose important sales opportunities, customers and market share.

In our Direct Channel, our Customer Retention Rate can be driven by a variety of factors, such as our ability to continue to (i) develop and maintain our products, (ii) recruit and retain qualified personnel to assist customers and (iii) promote the value of technical assistance and customer service for our products. The Customer Retention Rate may also decrease as a consequence of product and service price increases which we engage in from time to time as part of our continuous improvement of our product offering. For example, we increased prices for our customers in January 2017 and 2018. Generally, customers who wish to cancel their contracts following a price increase have a two week period following the price increase to do so, otherwise, they are able to cancel their contract by giving six months' notice of the cancellation prior to their next contract annual renewal date. Some end-customer churn driven by price increases may therefore occur several months after the price increase, and as a result it could be difficult for us to estimate the impact of future price increases on our Customer Retention Rate. We cannot guarantee that the price increase we applied in January 2018 or any future price increases will not decrease our Customer Retention Rate.

In our Indirect Channel, as of December 31, 2017, we relied on approximately 650 VARs. Our financial results could be adversely affected if our relationship with VARs were to deteriorate, if any of our competitors acquire a significant VAR, if our contracts with VARs are not renewed or are terminated, or if the financial condition of our VARs were to weaken. Retention rates for our VARs are typically higher than retention rates for our Direct Channel clients, and this is due to the nature of our contractual arrangements with them, which are mainly multi-year arrangements with an average duration of three years. Such agreements provide for annual fees paid to us by VARs on the basis of a pre-determined price scheme. We are in the process of revising the fee structure of our contracts with VARs, such that the fees paid by VARs to us will be re-assessed yearly based on the individual VAR performance. For further details, see "*Business—Operating model—Indirect Channel—VAR distribution agreements and fee structure.*" We cannot assure you that the change to the VAR fee model will not adversely affect the relationship with our VARs and result in decreased VAR Customer Retention Rates. Further, in our Indirect Channel, technical assistance and customer services *vis-à-vis* the end-customers are performed by VARs and the level at which VARs perform such services may be outside of our control. A deterioration of the quality of technical assistance or customer service provided by our VARs to such end-customers or a decrease of the end-customer renewal rates with VARs, could have material adverse effect on our business, financial condition and results of operations.

Competition from large or established competitors and local specialized competitors could have a negative impact on our business and financial condition.

The Italian ERP and business management software market is highly competitive and we compete with a variety of smaller local software companies that specialize in specific aspects of the highly fragmented software industry, including the Zucchetti group, Sistemi, Gruppo WKI and Dylog. If any of our competitors offer lower prices or more favorable payment or other contractual terms, warranties or functionality which we are not able to match or currently do not offer, we may be required to lower our prices or offer other favorable terms in order to compete successfully and avoid a decrease in our Customer Retention Rate, which could lower our margins and negatively affect our results of operations and market share.

In addition, although well-established industry players such as Microsoft Corporation, Oracle, Sap and Gruppo Wolters Kluwer have historically focused on large enterprises and do not currently compete directly with us, if such players were to enter the Italian SME, microbusiness or professional ERP and business management software market, we may be unable to compete effectively against them, due to the fact that such players have greater financial, technical, marketing and human resources, greater brand recognition, greater international presence and a longer operating and product development history than we do. For example, large operating and database system developers, such as Microsoft Corporation and Oracle, could introduce new operating systems, database systems, systems software and computer hardware that incorporate features that perform functions currently performed by our products, which could adversely affect our competitive position, or could require substantial modification of our products to maintain compatibility with these companies' hardware or software.

The risks deriving from competition are higher in the microbusiness segment, as software for microbusinesses, such as our Fatture in Cloud software, is simpler, more standardized and requires less customization compared to software solutions for larger enterprises. As a result, one or a number of our current or future competitors could introduce new cloud-based database systems or systems software that perform functions currently performed by our products, or that incorporate features that our products cannot perform, which could adversely affect our competitive position and would require us to increase our spending on product development.

In addition, our competitors may consolidate or form alliances with each other in the future, either internationally or with local software companies. The successful consolidation of two or more of our competitors could result in the combination of their resources and technological capabilities, improved access to a wider customer base and improved economies of scale. This could lead to intensified competition in our markets and a loss of market share for us. If we are unable to compete effectively against such consolidated companies or alliances, our business, prospects, financial condition and results of operations could be adversely affected.

The market for cloud-based applications may develop more slowly than we expect.

We offer certain of our software applications and functionality within a cloud-based information technology ("**IT**") environment. We believe that cloud technology is increasingly crucial for growing and sustaining our business, and part of our product offering, including Fatture in Cloud, our invoicing software for microbusinesses, and Reviso, our ERP software for small enterprises, is available only on the cloud. Although our Cloud Software Solutions business segment is currently our fastest-growing business segment, we cannot guarantee that it will continue to experience similar growth going forward. Our success in growing revenue and market share from our cloud-based offerings will depend, among other things, on the success of our "*dual-track approach*," aimed at both (i) maintaining our traditional on premise customer base and assist such customers with the transition to cloud technology, if and when they request it, with an evolutionary approach and (ii) developing a range of innovative cloud products and applications to target a large, untapped market of microbusiness customers in Italy. Our ability to transition our traditional customer base to cloud technology will be limited by the willingness of such customers and the markets that we serve to accept this model for commercializing applications that they view as critical to the success of their business. Many companies have invested substantial effort and financial resources to integrate traditional enterprise software and IT staffing into their businesses and may be reluctant or unwilling to switch from a license and maintenance fee model to a subscription fee model for our software applications or to migrate these applications to cloud-based services. Other factors that may affect market acceptance of our cloud-based applications include:

- the security capabilities, reliability and availability of cloud-based services;
- customer concerns with entrusting a third party to store and manage their data, especially confidential or sensitive data;
- the fact that, in the cloud, our products are dependent upon third-party hardware, software and cloud hosting vendors, all of which must interoperate for end users to achieve their computing goals;
- our ability to maintain high levels of customer satisfaction, including with respect to maintaining uptime and system availability standards consistent with market expectations;
- our ability to implement upgrades and other changes to our software without disrupting our service;
- the level of customization and configuration we offer;
- our ability to provide rapid response time during periods of intense activity on customer websites;
- the price, performance and availability of competing products and services; and
- the effectiveness and efficiency of our advertising and marketing programs

The market for these services may not develop further, or may develop more slowly than we expect, either of which could harm our business. In addition, since the cloud computing market is in the early stages of development, we expect other companies to enter this market and to introduce their own initiatives that may compete with, or not be compatible with, our cloud solutions. Our business model continues to evolve and we may not be able to compete effectively, generate significant revenues or maintain profitability for our cloud-based offerings. We incur expenses associated with the development and marketing of our cloud-based offerings in advance of our ability to recognize the revenues associate with these offerings. We must therefore manage our advertising and marketing costs effectively in order to maintain acceptable operating margins and return on our marketing investment for our cloud products and convert customer awareness into actual product purchases. Our marketing efforts might not generate the expected degree of brand recognition, promote growth in the number of customers or expand the volume of sales. In addition demand for our cloud-based offerings may unfavorably impact demand for certain of our other products and services including new software licenses and software license updates and product support services traditionally provided with our on premise offerings, which could limit our growth.

If we are unable to keep pace with technological, regulatory and market developments and the expectations of our customers, we may not be able to compete as effectively as our competitors and our business could be adversely affected.

The Italian market for ERP and business management software is characterized by rapid technological progress, evolving industry standards and changing customer needs, which are driven by regulatory developments, and the frequent introduction of new products, technologies and enhancements. Accordingly, our future success will depend, in part, on our ability to further develop our strategic and technical expertise, influence and respond in a timely manner to emerging industry standards and other technological and regulatory changes, enhance our current services and develop new software products, technologies and services that meet changing customer needs. For example, although we develop and design our software products for use with a variety of industry-standard system platforms, there may be existing or future platforms or new development tools of existing platforms that are not compatible with our software products. Moreover, certain existing or future operating environments or user interfaces that are not architecturally compatible with our current software product design may achieve popularity within the business application marketplace. Developing and maintaining consistent software product performance across these various platforms, operating environments and interfaces could require significant investment. We may need to significantly increase our expenditures in order to maintain and adapt software performance across widely-used platforms and operating environments, as well as to achieve market acceptance of platforms, operating environments and interfaces that are compatible with our products, or to adapt to popular new platforms, operating environments, interfaces and new development tools, and our revenues and results of operations may, as a result, be adversely affected.

In order for our business to remain competitive and grow in this rapidly evolving market, we must continually adapt, enhance and expand our existing technological and service offerings, as well as develop new products and services to keep pace with technological, regulatory and market developments, by, among other things, dedicating significant efforts and resources to our research and development activities. See "*Business—Research and development.*" If we fail to accurately foresee the direction of the ERP and business management software industry or if we do not dedicate adequate and sufficient resources to our research and development efforts, any new software products or service we develop may not achieve the broad market acceptance necessary to generate significant revenues, or even sufficient revenues to cover the costs incurred in developing such software or service. Further, the success of new software in our industry also often depends on the ability to be first to market, and our failure to be first to market with any particular product or service offering could limit our ability to recover the development expenses associated with such product or service.

In addition, if we are unable to predict or adapt to emerging industry standards and other technological and regulatory changes and do not succeed in producing high quality software products, enhancements, and releases in a timely and cost-effective manner to compete with applications and other technologies offered by our competitors, our revenue and results of operations might be adversely affected. We may also experience increased customer churn and the subsequent migration of our customers to our competitors' products and services. Such migration may lead to a loss of market share which could have a further material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Our results of operations, business and financial condition may be affected by adverse macroeconomic and market conditions in Italy.

Our performance is influenced by the macroeconomic situation of Italy, the country where we conduct almost all our operations and generate virtually all of our revenue. A downturn in the Italian economy could affect IT spending generally as well as demand and pricing for our products and services, the creditworthiness of our customers and other counterparties (such as VARs), the ability of other software companies to compete effectively, and the availability and cost of debt financing. For example, from 2011 to 2014, when the effects of the financial crisis that adversely affected global financial markets and economies from 2008 were particularly strong, Italy's GDP decreased at a CAGR of 1.5%. Although from 2015 to 2017 Italy's GDP showed signs of recovery, if such recovery does not continue or if another period of financial crisis or economic instability occurs, our results of operations may be adversely affected. Moreover, the current political instability in Italy, aggravated by the uncertainty following the outcome of the general election held at the beginning of March 2018, could also adversely affect the Italian overall economic situation. Weak economic conditions and prolonged instability may result in a decrease in demand for our products and services. This in turn may give rise to a decrease in prices and profitability levels, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, most of our customers use our products and services as part of their business operations, which often times are affected by the state of the economy. As businesses face decreasing volumes of activity and experience cash flow problems, the demand for our services and products could decrease. In addition, as we continue to make acquisitions and grow in size, we may become increasingly exposed to macroeconomic conditions, particularly those in Italy.

Data security breaches could have a significant negative impact on our business and our customers.

We operate in the IT industry and, as part of our business, we collect and retain large volumes of data, including financial, personally identifying and other sensitive information, pertaining to us, our customers and personnel and our customers' customers and personnel. Our IT systems enter, process, store, summarize and report such data. Our and our customers' collection and use of this data might raise privacy and security concerns and negatively impact our business or the demand for our products and services. Moreover, despite our efforts to protect sensitive, confidential and personal data and information, unauthorized users could gain access to our systems through cyber-attacks and introduce backdoors or steal, use without authorization, destroy or sabotage such data. There is a growing trend of advanced persistent threats being launched by organized and coordinated groups against corporate networks to breach security for malicious purposes. Computer hackers may also be able to develop and deploy computer viruses, worms, and other malicious software programs that could attack our products and services, exploit potential security vulnerabilities of our products and services, create system disruptions and cause shutdowns or denials of service. In addition, data security thefts or other cyber-attacks may target the third-party infrastructure operators that manage the servers underlying our cloud platform, such as Microsoft, Amazon and Aruba, which could in turn adversely affect our operations and relationships with our customers. Any of these events could lead to reputational damage, litigation brought by our customers or business partners and inquiries and investigations from governmental authorities.

Data may also be accessed or modified improperly as a result of employee or supplier error or malfeasance and third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our data, our customers' data or our IT systems. Any breach of our IT security or the IT security of our third-party service providers could have a material adverse effect on our business, financial condition and results of operations.

These risks will increase as we continue to grow our Cloud Software Solutions business segment and expand our product offerings and services and store and process increasingly large amounts of our customers' confidential information and data and host or manage parts of our customers' businesses in cloud-based IT environments, especially in customer sectors involving particularly sensitive data. We also have acquired a number of companies, products, services and technologies over the years and, while we make significant efforts to address any IT security issues with respect to such acquisitions, we may still inherit such risks when we integrate these acquisitions within our business.

Damages, interruptions and lack of redundancy of our or our partners' IT systems may cause us to lose customers or business opportunities.

We rely on IT systems and applications to develop and maintain our software products and run our day-to-day operations. If we are unable to maintain and improve our IT systems and applications, we may experience delays in software and product development, breaches of data security, loss of critical data and system interruptions. Our systems and operations are also vulnerable to damage or interruption from power loss or other telecommunications failures, earthquakes, fires, floods, hurricanes and other natural disasters, computer viruses or software defects, physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events and errors by our employees or third-party service providers.

We have experienced and may in the future experience system interruptions. Any interruptions, outages or delays in our systems or deterioration in their performance could impair our ability to develop our software products, fulfil customer orders or maintain certain service level requirements. In particular, because many of our services play a mission-critical role for our customers, any damage to or failure of the infrastructure we rely on (even if temporary), could disrupt our ability to deliver information to and provide services for our customers in a timely manner, which could harm our reputation and result in the loss of current and/or potential customers or reduced business from current customers. Enhancing our IT systems and applications to achieve improved stability and redundancy may be time-consuming and expensive and may require resources and expertise that are difficult to obtain. If we are unable to invest in maintaining and improving our IT systems and applications, the likelihood of the occurrence of system interruptions would increase.

Moreover, while we have developed certain contingency and disaster recovery plans and maintain backup systems to reduce the potentially adverse effect of these types of events, such plans and systems might not be fully redundant or sufficient. Any event that results in damages, interruptions or other disruptions of our IT systems and applications could severely affect our ability to conduct normal business operations which, in turn, would have a material adverse effect on our business, financial condition and results of operations.

In addition, for our cloud-based products, the infrastructure on the basis of which such products run is owned and operated by third party service providers, such as Microsoft, Amazon and Aruba. Any interruptions or other disruptions affecting the systems or servers operated by such providers would adversely affect our cloud business and, consequently, the business of our customers, which could harm our reputation and lead to customer claims and litigation. It may be difficult or impossible for us to obtain contractual damages from or enforce other claims against such providers on the basis of our contracts with them.

Delayed payments or non-payments by our customers could adversely affect us.

Our ability to receive payment for the products and services we sell depends on the continued creditworthiness of our customers. We may experience a higher than normal level of delayed payments or non-payments by our customers if their economic conditions are weakened, which could negatively impact our working capital as our trade payables remain outstanding for a significant period of time. For the year ended December 31, 2015, 2016 and 2017, the average days sales outstanding in connection with our trade receivables remained substantially unchanged and our allowance for bad debts was €5.1 million (or 2.0% of our total revenue), €5.3 million (or 1.8% of our total revenue) and €3.9 million (or 1.2% of our total revenue), respectively. Should the Italian economy experience economic volatility or tightening credit markets, the risk that we may not be able to collect payments on a timely basis from our customers could increase. Further, a deterioration of economic conditions in Italy could lead to financial difficulties or even bankruptcy filings by our customers, including VARs. Accordingly, if we underestimate the amounts needed for our allowance for bad debts or if our customers delay or fail to pay a significant amount of our outstanding receivables, we may not be able to meet our working capital or debt service requirements and our business, prospects, financial condition, cash flows and results of operations could be materially adversely affected.

Our strategy of selectively pursuing acquisitions of businesses may present unforeseen integration obstacles or cost.

Our business strategy includes the acquisition of businesses and entering into joint ventures and other business combinations and our future growth and performance will partly depend on our ability to successfully select and integrate such acquisitions and business combinations. In particular, we may not be able to successfully identify suitable acquisitions or joint venture opportunities or complete any particular acquisition, combination, joint venture or other transaction on acceptable terms. Acquisitions pose additional risks, including overpayment in relation to purchase price, incurrence of unexpected costs or the assumption of unexpected liabilities and undisclosed risks. In addition, our ability to engage in strategic acquisitions may depend on our ability to raise substantial capital and we may not be able to raise the funds necessary to implement our acquisition strategy on terms satisfactory to us, if at all.

In evaluating potential acquisitions, we make certain assumptions regarding the future combined results of the existing and acquired operations, the consolidation of operations and the improved operating cost structures for the combined operations. There can be no assurance that we will be able to profitably operate the acquired businesses and that the expected synergies or benefits will be achieved on the assumed time schedule or in the assumed amount, if at all. We cannot predict the timing and success of our efforts to acquire any particular business and fully integrate the acquired business into our existing organizational set-up or our production and logistical operations. Further, our efforts to select, acquire and integrate other businesses may divert managerial resources away from our business operations.

In addition, the integration of an acquired business and its systems, operations and personnel, particularly in respect of businesses operating in new and adjacent markets, could be more difficult and time-consuming than anticipated. These integrations can be difficult and unpredictable also because of the complexity of software and given the acquired technology is typically developed independently and may not have been designed to integrate with our products. The difficulties are compounded when the products involved are well-established, as compatibility with the existing base of installed products must be preserved, and/or when the size of the acquired business is significant as compared to the size of the acquirer. Successful integration also requires coordination of different development and engineering teams. This too can be difficult and unpredictable because of possible cultural conflicts and different opinions on technical decisions and product roadmaps. Any of these factors could lead to increased operating costs, the loss of key employees, suppliers, agents, VARs and other customers and a failure to realize anticipated synergies, any of which could adversely affect our business, financial condition and results of operations

Furthermore, certain of the businesses we have acquired are operated through strategic partnerships with other investors who hold a non-controlling interest in the relevant company and might have interests conflicting with ours. For further information on the related risks, see "*—Certain of our subsidiaries have non-controlling shareholders whose interests may differ from our interests. In addition, the contractual arrangements with such non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn out arrangements.*"

Certain of our subsidiaries have non-controlling shareholders whose interests may differ from our interests. In addition, the contractual arrangements with such non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn out arrangements.

We operate a number of our businesses through strategic partnerships with other investors who hold a non-controlling interest in the relevant Group subsidiary. Our relationships with these strategic partners are governed by various contractual arrangements, which regulate, *inter alia*, the corporate governance, management and administration of such businesses. In certain circumstances, certain material decisions regarding such subsidiaries' operations, such as capital increases, relocation of corporate domicile and other relevant matters, require the consent of non-controlling shareholders. In selected cases, we have also undertaken to make yearly dividend distributions. For the year ended December 31, 2017, payments of dividends to non-controlling shareholders of our subsidiaries amounted to €0.8 million. Our strategic partners may not necessarily share our views on the manner in which the relevant business should operate and may exercise their rights in a manner which is adverse to us, which, in turn, may adversely affect our business. Moreover, if we are unable to resolve such conflicts of interest or disputes with strategic partners in an amicable way, we may be required to initiate legal proceedings, which would require us to incur significant costs and expose us to substantially uncertain outcomes. As a result, any disputes with our strategic partners could cause a material adverse effect on our business, financial condition and results of operations.

In addition, our agreements with our strategic partners normally provide for put and call option arrangements on the non-controlling interest in the relevant Group subsidiary which give our partners the right to cause us to purchase the non-controlling interest within predetermined periods, as well as for certain earn-out arrangements or other types of deferred consideration based on the performance of such businesses. Our overall liability with respect to such put and call option and earn-out arrangements relating to non-controlling holdings of certain Group companies (the "**Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries**") is accounted for as financial debt in our Consolidated Financial Statements (under the caption "*Vendor Loan*") and, as of December 31, 2017, amounted to €101.4 million (on a discounted basis). The Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries reflect our estimate of discounted future disbursements in connection with such options and earn-out arrangements, based on the applicable contractual provisions. As of the date of this Offering Memorandum, management estimates that most of our Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries recorded in our Consolidated Financial Statements will become payable between 2020 and 2021. The strike price of the put and call options is determined based on normalized earnings parameters of the relevant companies plus or minus the net financial position for the period in which the put or call option will be exercised. The discount rate applied for the measurement of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries as of any given date is the cost of debt for the Group (gross of the tax effect) that is adopted for the performance of Group impairment tests, as the cost of this debt is considered to be representative of the Group's credit risk as of such date. The value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries is subject to change over time as the exercise price of each put and call option and earn out arrangement is dependent on, among other things, the performance of the relevant company in a given future period, which could differ from the performance that we estimate when determining the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries for accounting purposes. If the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries change, the change is accounted for in our income statement as finance income (if the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries decreases) or finance expense (if the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries increases). If we underestimate the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries for any reasons, our financial liabilities would be higher than the ones reported in our Consolidated Financial Statements and the cash amounts we would be required to pay our strategic partners would be higher than expected. If we are required to make any such payments, our liquidity position would be adversely affected. In addition, we may not have available cash on our balance sheet to acquire the relevant non-controlling interests at the time we are contractually required to do so and we may otherwise be unable to obtain financing at favorable terms and conditions or at all. If we do not comply with our contractual obligations to purchase non-controlling interests, we may become subject to legal proceedings and incur substantial costs and expenses, which, in turn, may have a material adverse effect on our business, financial condition and results of operations.

Third parties may infringe upon our intellectual property rights. Italian and EU intellectual property law offers limited protection for our products and we may suffer competitively or expend significant resources enforcing our intellectual property rights.

Our success increasingly depends on establishing and protecting our intellectual property rights. Our intellectual property rights include copyrights, patents, database rights, national and EU trademarks, domain names and trade secrets, as well as confidentiality provisions and licensing arrangements. Italian and EU intellectual property law may not provide sufficient protection for our products. Aspects of our intellectual property contribute to our identity, and the recognition of our products and services are an integral part of our business. If we are unable to enforce our intellectual property rights successfully, our competitive position may suffer which could harm our operating results.

We may need to spend significant resources monitoring or enforcing our intellectual property rights and we may or may not be able to detect infringement by third parties. In addition, our intellectual property may also be infringed by our employees through error or malfeasance. Employees may use our intellectual property to establish competing businesses or may disclose sensitive information regarding our software products or our IT systems. Our competitive position may be harmed if we cannot detect infringement and enforce our intellectual property rights quickly or at all. Moreover, potential actions taken to enforce our intellectual property rights, both in Italy and abroad, may not be effective and, in some circumstances, enforcement may not be available to us because an infringer has a dominant intellectual property position or for other business reasons. In addition, competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. The occurrence of any of these events could have a material adverse effect on our cash flows, business, prospects, financial condition and results of operations.

Our billing pattern is seasonal and our working capital needs are subject to fluctuations, which could negatively impact our results of operations.

Our operating results and working capital needs vary, sometimes substantially, due to our seasonal billing patterns. In particular, our Direct Channel customers are typically invoiced in January and most of the related trade receivables are collected in the second quarter, mainly in April and May. Given that we are required to pay the VAT charges on such invoices upon issuance (and thus before collecting the related receivables) our working capital needs are particularly high in the first quarter, reaching their peak at the beginning of the second quarter (before we start collecting receivables from our Direct Channel), and gradually decrease through the end of the year. Contracts with VARs in our Indirect Channel generate more frequent cash inflows, as they are typically invoiced on a quarterly basis and the related receivables are usually collected in approximately three months. If we do not effectively manage our working capital, by ensuring that alternative sources of capital or cash are available to address our working capital needs, especially in the first quarter of each year, our liquidity position, cash flows, business, financial condition and results of operations could be adversely affected.

The long sales cycles relating to our direct SME customers may make it difficult to predict our growth.

We normally face long selling cycles to secure new contracts with SME customers for our Software Solutions products. Our SME customers often take significant time evaluating our software products before licensing our software. The period between initial customer contact and purchase in our sales distribution channels normally varies from two to eight months. This is particularly true with purchases by larger SME customers of more elaborate software products. During the sales evaluation period, such prospective customers may delay purchases, may decide not to purchase and may scale down proposed orders for reasons that we do not control and cannot predict, including:

- changes in economic conditions;
- changes in customer personnel;
- reduced demand for enterprise software solutions;
- introduction of products by our competitors;
- seasonality of a customer's IT purchases;
- lower prices offered by our competitors;
- changes in the budgets and purchasing priorities of our customers;

- need for education of customer personnel;
- changes in the information systems of our customers; and
- changes in regulation.

As a result of these factors, our revenue, and in particular our non-recurring software revenue from direct SME customers, may be difficult to forecast, and we could experience variations in our results of operations from quarter to quarter or year to year. Moreover, the loss or delay of one or a few large sales to SME customers could have a significant negative impact on our revenue results for a given quarter or year. The extended lengths of our selling cycles in relation to SME customers may result in the incurrence of significant time resources in pursuing a particular sale or customer that does not result in revenue. If we are unable to obtain contractual commitments after a selling cycle, maintain contractual commitments after the implementation period or limit upfront expenses, our business, financial condition and results of operations could be adversely affected.

Undetected defects or delays in the introduction of new software products and product enhancements may harm our reputation, result in increased costs to us and reduce demand for our products and services.

Our new products and product enhancements are highly complex and often require long development and testing periods. Development work is subject to various risks, including the possible delay of scheduled market launches. Additionally, new products may fail to satisfy our quality standards, meet market needs or the expectations of customers, or comply with regulatory requirements. Software products also frequently contain errors or security flaws, especially when first introduced or when new versions are released. If we are not able to rectify such errors or flaws or meet the expectations of our customers, we may experience a material adverse effect on our business, financial condition and results of operations.

Our customers use our software products for critical aspects of their business (such as the calculation of accounting, financial and tax information) and any errors, defects or other performance problems with our software products may adversely affect our customers' businesses and we might be faced with customer claims for cash refunds, damages, replacement software, or other concessions. Moreover, our customers who experience a defective or delayed product may elect to not renew contractual arrangements relating to our software products and services and/or they may delay or withhold payment of software licensing and assistance and maintenance fees. Additionally, the detection and correction of software errors and security flaws can be time-consuming and costly and we may be required to divert resources away from development projects to remedy defects in new or already-existing software products. Significant undetected defects or delays in the introduction of new products or product enhancements could affect market acceptance of our software products which, in turn, could adversely affect our reputation, business, financial condition and results of operations.

While the contractual arrangements governing the sale of our software products in our Direct, Indirect and Online Channels typically contain provisions that purport to limit our liability for defects and errors in our software, such provisions may not be enforceable in all instances or may otherwise fail to protect us from liability damages. In addition, although we maintain general liability insurance, including coverage for errors and omissions, this coverage may not be sufficient to cover liabilities resulting from such product liability claims and our insurer may disclaim coverage. Our liability insurance also may not continue to be available to us on reasonable terms, cover sufficient value, or at all. Any product liability claims successfully brought against us would adversely affect our business and publicity surrounding such claims could also affect our reputation and the demand for our software.

Higher employment costs may have a material adverse effect on our business, financial condition and results of operations.

Labor costs have been increasing steadily in our business over the past several years primarily due to our growth, including in connection with the expansion of our cloud operations which require particularly highly skilled workers. Our personnel costs represented 54% of our total operating costs for the year ended December 31, 2017. Our labor costs may rise faster than expected or at an increasing rate in the future as a result of increased workforce activism, salary increases, headcount increases, government decrees and changes in social and pension contribution rules (provided either by law or collective agreements) implemented to reduce government budget deficits or to increase welfare benefits to employees. We may not manage to offset the increase in labor costs through productivity gains or other measures. If labor costs increase further, our operating costs will increase and we may be unable to recover these increased costs from our customers through increased selling prices or offset them through productivity gains or other measures, which could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Our future success depends on our ability to continue to retain and attract highly skilled employees. The loss of key personnel could have an adverse effect on our operations.

We believe that the members of our senior management team are key to our business. We have put in place policies and remuneration designed to retain and incentivize management; however, there can be no guarantee that we will be able to retain and properly incentivize management or to find suitable replacements should any of them leave us. Should senior management leave in significant numbers or if a critical member of senior management were to leave unexpectedly, this could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We believe that our future success also depends upon our ability to continue to train, retain, effectively manage and attract highly skilled technical, managerial, sales and marketing personnel. If our efforts in these areas are not successful, the level of services offered to our customers, and therefore customer satisfaction, may decline, which could harm our reputation and, in turn, adversely affect our business and results of operations. Although we invest significant resources in recruiting and retaining highly skilled employees, there is intense competition for personnel in the software industry and many of our competitors are larger and have greater financial resources for attracting highly skilled employees. Moreover, the supply of experienced cloud software developers in Italy is limited and, as our cloud business expands, we may have difficulties in attracting qualified candidates. A material loss of key employees or the failure to retain and attract suitably qualified employees could have a material adverse effect on our continued ability to compete effectively.

Furthermore, although certain of our managers and employees have undertaken non-compete obligations with respect to the activities carried out by the Group, such undertakings may be deemed not enforceable by the competent courts or tribunals under applicable law.

A portion of the revenue from our Vertical Solutions business line is cyclical.

A portion of the revenue from the sale of our Vertical Solutions products and services, in particular our professional education, CAD/CAM and construction products and services, is cyclical due to a number of factors. For example, in relation to our professional education products, such factors include: (i) the perception of our professional education products and services offering as being, to a large extent, non-essential to business in periods of economic downturn; (ii) our ability to attract customers to enroll in our training programs and attend our seminars and conventions; (iii) customers completing training programs in which they are enrolled; and (iv) changes in the legal or regulatory requirements in Italy governing accreditation of our professional education products and services offering and requiring certain professionals to attend a minimum number of and/or certain prescribed training programs with accredited providers in order to maintain their license to practice in their respective profession. In addition, sales of our software solutions for property construction and management, as well as sales of CAD/CAM products, are particularly affected by economic cycles, as the industries which these products target, such as the mechanical and manufacturing and construction industries, tend to suffer more than others when macroeconomic conditions are challenging. As such, adverse changes in macroeconomic conditions which impact GDP and industrial production growth may affect demand for our Vertical Solutions.

Accordingly, if our Vertical Solutions customers stop using our products and services due to difficult economic conditions or if the uptake of our Vertical Solutions otherwise declines, then the revenues generated from the sale of products and services would decline.

We sell CAD/CAM software solutions that we license from SolidWorks and any changes in the terms on which we license such software or in our relationships with SolidWorks could adversely affect our business.

We are a non-exclusive distributor of CAD/CAM software products in Italy. For the year ended December 31, 2017, total revenue of the NuovaMacut group companies (our subsidiaries which distribute CAD/CAM software products) was €36.3 million (or 11.5% of our total revenue). We market and deliver such products pursuant to two distribution and licensing arrangements (the "**SolidWorks Distribution Agreements**"). The first, entered into by and between our subsidiary Nuovamacut Automazione S.p.A. ("**Nuovamacut**") and Dassault Systemes SolidWorks Corporation ("**SolidWorks USA**"), is automatically renewed each year, unless either party gives to the other written notice, at least 60 days prior to the end of the relevant term, of its intention not to renew the agreement. The second, entered into by and between Nuovamacut and Dassault Systemes SA ("**SolidWorks France**" and, together with SolidWorks USA, "**SolidWorks**"), is automatically renewed each year unless (i) SolidWorks France gives Nuovamacut written notice, at least nine months prior to the end of the relevant term, of its intention not to renew the agreement or (ii) Nuovamacut gives SolidWorks France written notice, at least two months prior to the end of the relevant term, of its intention not to renew the agreement. The SolidWorks Distribution Agreements (i) provide for the right of SolidWorks to change at its discretion upon prior notice the wholesale prices paid by Nuovamacut and (ii) include a non-compete clause that prohibits Nuovamacut from developing, licensing, marketing and/or distributing competing products, also outside the exclusive territory. There can be no assurance that the SolidWorks Distribution Agreements will not be terminated by SolidWorks or that the licenses thereunder will be available in the future on terms acceptable to us or at all. In addition, should SolidWorks decide to increase the wholesale prices of their CAD/CAM products, we might be unable to pass such increased prices on to our customers, which would adversely affect our profitability in connection with the sale of these products. Moreover, a deterioration of our relationships with SolidWorks or changes to the SolidWorks Distribution Agreements or the loss of the licenses that allow us to sell CAD/CAM software in Italy could adversely affect our revenue stream and, if we are unable to secure alternative software vendors on attractive terms or at all, or within the time frames we require, or if such alternatives are not as widely accepted or as effective as the software provided by SolidWorks, our business, financial condition and results of operations could be adversely affected.

Third parties may claim that we are infringing their intellectual property and we could become subject to significant litigation or licensing expenses or be prevented from selling products or services.

From time to time, third-parties may claim that one or more of our products, services, systems or databases infringe their intellectual property rights. We analyze and take action in response to such claims on a case-by-case basis. Any dispute or litigation regarding trademarks or other intellectual property right could be costly and time-consuming due to the complexity of our technology and the uncertainty of intellectual property litigation. In addition, such actions could divert our management and key personnel from our business operations. A claim of intellectual property infringement could force us to enter into a costly or restrictive license agreement, which might not be available under acceptable terms or at all, or could subject us to significant damages or to an injunction against development and the sale of certain of our products or services. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license in response to a claim of intellectual property infringement. Although our policy is to obtain licenses or other rights where necessary, we cannot provide assurance that we have obtained all required licenses or rights. If a successful claim of intellectual property infringement is brought against us we may be unable to develop non-infringing products or services, or to obtain licenses on a timely and cost-effective basis. For the reasons mentioned above, intellectual property infringement claims could have a material adverse effect on our cash flows, business, prospects, financial condition and results of operations.

More stringent regulations in the area of consumer data privacy could adversely affect our business, financial condition and results of operations.

We are subject to laws and regulations regarding consumer data protection. In the ordinary course of business, the Group is required to process personal data of its customers. Any processing of the personal data of individuals located in the European Economic Area in the course of the provision of services is governed by the European Union data protection regime. In Italy, the collection, storage and any form of use of personal data are regulated by Legislative Decree No. 196/2003 (the "**Italian Personal Data Protection Code**"), implementing European Directive 95/46/CE, and are subject to the Italian Personal Data Protection Authority. The Italian Personal Data Protection Code applies to data controllers and data processors; its scope is broad and it applies to any processing of personal data, defined as any information relating to an identified or identifiable natural person. In the event of violation of the Italian Data Protection Code, the persons and entities processing personal data may be held liable for unlawfully processing data, including in the form of lack of or insufficient information and notification, violation of laws on adopting securities measures and false statements. If we were held liable for violation of personal data laws or regulations, we could be subject to criminal sanctions, claims for compensation, as well as administrative sanctions by the Personal Data Protection Authority.

On May 24, 2016, the EU adopted the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") with the aim to, among other things, strengthen and unify data protection for all individuals within the EU. The GDPR will be directly effective in each EU Member State as of May 25, 2018 and will replace the former European data protection regulatory framework. The GDPR increases our regulatory burden, in terms of compliance with the new rules, as well as the maximum level of fines for non-compliance. In particular, the new regulation provides for more stringent consumer data privacy legislation compared to the existing regulatory framework, including in connection with the solicitation, collection, processing and use of consumer data. We are currently assessing the possible effect arising from the first-time adoption of the GDPR and we are undertaking a process to conform our internal policies and procedures on the collection, processing and use of personal data to the GDPR. The GDPR, as well as any future national or international data protection laws or regulations, could reduce the demand for our software products if we fail to design or enhance our products to enable our customers to comply with the privacy and security measures required by such legislations. Moreover, we may be exposed to increased liability under the new laws, including in the form of larger pecuniary sanctions in the event of breach of such laws. In particular, under the GDPR, breaches of data protection rules may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company. Even technical violations of these laws can result in penalties that are assessed for each non-compliant transaction. If we or our customers were found to be subject to and in violation of any of these laws or other data privacy laws or regulations, we and/or our customers would likely have to change our business practices and might be exposed to litigation and regulatory penalties and fines, which could have a material adverse effect on our business, financial condition and results of operations. In addition, new rules and regulations on privacy matters could impose significant compliance and other costs on us and our customers, which could adversely affect our margins.

Finally, the European Commission has proposed to replace Directive 2002/58/EC on Privacy and Electronic Communications (the "**E Privacy Directive**") with a new regulation primarily aimed at aligning certain provisions of the E Privacy Directive to the GDPR. The Proposal for a Regulation on Privacy and Electronic Communications (the "**E Privacy Regulation**") was published by the European Commission on January 10, 2017 and is currently under analysis before the European Parliament and the European Council. The draft E Privacy Regulation proposes heightened regulatory requirements in connection with unsolicited communications, the use of cookies, security of personal data, confidentiality of communications, consent, data security and data integrity. In line with the GDPR, breaches of the E Privacy Regulation may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. This risk is increased as a result of our frequent acquisitions. Certain entities that we acquired in the past did not have internal control procedures in certain respects (including authorization over financial matters, accounting entries, expense claims, conflict of interest management and human resource management) to the same standard as our procedures. If we fail to maintain adequate internal controls, as such standards are modified, supplemented or amended from time to time, our financial statements may not accurately reflect our financial condition.

The outsourcing of part of our customer service operations, our hardware resale operations and other functions to third parties raises the risk that such outside parties could fail to perform as expected.

We outsource a small part of our customer service operations to a joint venture with a third-party customer service provider, to which we transferred approximately 10% of our customer service employees in 2017, to help us more efficiently manage increased assistance requests from our customers during peak times, such as the final window before any regulatory deadlines (such as tax filings). Customer assistance services help us build and maintain good relationships with our customers, which is critical to our reputation and, ultimately, our business. As of the date of this

Offering Memorandum, we own a 49% stake in the joint venture; however, in the future we may decide to sell our full stake in the joint venture, at which time the joint-venture company will become a third-party service provider. In December 2017, we also signed a contract for the outsourcing of our hardware resale operations to a third party hardware vendor. This outsourcing project has resulted, and any other future outsourcing project may result, in, among other things, the transfer of certain of our employees dedicated to the outsourced services and related know-how to the relevant third-party service provider.

The outsourcing of services and functions exposes us to certain risks. For example, the third-party providers may try to increase their prices or impose contractual terms to our detriment. We will also face the risk that the third party providers will fail to deliver the services that we require or that services will fail to meet required operating and quality standards. In the event that the services become inadequate at any future time, it may be difficult or impossible to recover monies paid to the third-party service providers, obtain contractual damages to which we may be entitled (if any) or enforce other claims against such providers on the basis of our contracts with them, especially if they become insolvent, in whole or in part.

In addition, if our contractual arrangements with any third-party provider are terminated or no longer offered on reasonable terms, we may not be able to find an alternative supplier on a timely basis, or at all. In particular, especially when part of our workforce and the related knowhow is transferred to the third party provider as part of the outsourcing, it could be extremely difficult for us to replace the provider in a timely manner, on equivalent terms, without significant expense or at all in the event that such provider ceases to provide the support that we require entirely or at the quality standards that we require, or if the relationship with such provider deteriorates for any other reason. In addition, our employees who have been or will be in the future transferred to outsourcers may make a claim to be re-transferred to us under certain circumstances. As a result of these factors, our ability to build and maintain satisfactory relationships with our customers may be limited due to disruption, delay, defect, quality issues, capacity shortage, or other issues adversely affecting the service quality of the third party provider. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Changes to our sales organization and other corporate functions can be disruptive and may negatively impact our results of operations.

From time to time, we make changes in our organizational structure in order to improve the effectiveness of our sales organizations, which may disrupt our operations and increase the risk of sales personnel turnover. For example, over the past two years, we have made certain changes to our organizational structure in order to improve the effectiveness of our sales organizations. In particular, we have recently reorganized the governance structure of our Direct and Indirect Channels in order to enhance coordination and create synergies between the two channels, including through the re-organization of our direct salesforce into regions (large offices that engage in both sales and managerial functions). In 2017, we also made significant changes to our geographic footprint, reducing the number of the Issuer’s offices from 42 to 17.

Although the relationship with our personnel throughout these processes has remained generally positive, we cannot assure you that our restructuring and reorganization initiatives, as well as any future initiatives that we might decide to implement to further enhance the efficiency of our sales channel, will not result in strikes, the loss of valuable personnel or adversely affect the productivity of our sales force, which could lead to revenue declines. In addition, turnover within our sales force can cause disruption in sales cycles leading to delay or loss of business. It can also take time to implement new sales management plans and to effectively recruit and train new sales personnel.

Moreover, we are also currently undergoing a process of reorganization of certain other internal functions, such as our customer service, research and development, marketing, human resource and other staff functions. As part of such reorganization efforts, we created a unified marketing department for the entire Group. We may additionally decide to reassign some of our staff to other functions within our organization. In addition, some members of our customer service team have been relocated to a joint venture which provides part of our customer support services and we are currently in the process of outsourcing our hardware resale operations (see “*—The outsourcing of part of our customer service operations and our hardware resale operations to third parties raises the risk that such outside parties could fail to perform as expected*”). Although the aim of our reorganization efforts is to obtain organizational synergies and improve the way we run our business and interact with customers, we cannot assure you that the relationship with our personnel will not be adversely impacted or that our operations will not be disrupted as a result of such reorganization, and any such disruptions could have a material adverse effect on our business, financial condition and results of operations.

New regulations as well as the absence or reduction of regulatory changes may adversely affect the sale of certain of our products.

The revenue from the sale of certain of our products and services is in part affected by the introduction of new rules and regulations. For example, whenever the Italian government introduces a new regulatory obligation (*e.g.* a new tax digital reporting obligation or tax payment) that requires a dedicated feature to be added to our software products, we create such additional software feature and sell it through temporary annual licenses ("**Regulatory LTAs**"), aimed at upgrading the relevant software to facilitate compliance with the new regulatory requirements.

Fees from the sale of Regulatory LTAs are paid by our customers on an annual basis, separately from and on top of the relevant customer's base contract fee (*i.e.* under assistance and maintenance contracts, subscription agreements or VAR distribution agreements, as applicable) and, accordingly, represent an important source of recurring revenue for us. Should the government cease to introduce changes to the regulatory framework that justify the introduction of Regulatory LTAs, or if the number or frequency of such changes decreases, or if existing Regulatory LTAs become useless following the introduction of new rules, our revenue derived from Regulatory LTAs would be adversely affected, which, in turn, could adversely affect our results of operations.

In addition, the sale of our professional education products is in part dependent on the existence of rules that require Italian professionals, such as labor advisors, accountants and fiscal consultants, to comply with continuing professional education requirements. If legal or regulatory requirements change such that any of our current professional education providers no longer qualify as an accredited provider or the products that we offer are no longer required for certain of our professional clients to maintain their professional license, our sales of such products could be adversely affected.

Other regulatory obligations that may have an impact on our business include, for example, Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy to provide electronic invoices to other businesses with whom they conduct transactions. This legislation is expected to come into force for most companies on January 1, 2019 and, for companies in certain industries, during the course of 2018. We expect this new requirement will have a positive impact on our business, and in particular on our sales to microbusinesses; however, such obligation may be amended or eliminated before its entry into force. If this new regulation does not enter into force on the expected timeline or at all, our business may not grow as expected.

Any negative impact on the reputation of, and value associated with, our brand names could adversely affect our business.

Our brand names represent an important business asset and our product portfolio consists of leading brands in each of our customer markets. We believe that the brand awareness, preference and loyalty that our end-customers exhibit for these brands are an important competitive advantage. We rely on marketing to strengthen our brand names and our marketing initiatives may prove to be ineffective. Any future negative perceptions of our brands could have an adverse effect on our reputation, business, results of operation and financial condition.

Maintaining the reputation of and the value associated with our brand names is central to the success of our business and there can be no assurance that we will be able to accomplish this objective. Substantial erosion in the reputation of or value associated with our brand names could have a material adverse effect on our business, results of operations and financial condition.

If we experience labor disputes or work stoppages, our business could be materially adversely affected.

The Italian constitution provides that all employees of Italian companies have the right to set up and join trade unions and to carry on trade union activities, including appointing workers' representatives to negotiate with their employer. As of December 31, 2017, approximately 8% of our employees belonged to trade unions. The right to go on strike is provided for under Italian law and there can be no assurance that there will not be any strikes in the future, such as in connection with our current and future reorganization efforts. Any work stoppages resulting from employee strikes could hinder our ability to provide our standard level of customer service. In addition, we have been in the past and could in the future be party to, labor disputes with certain of our employees. There can be no assurance that these disputes or future disputes by employees will not have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

In addition, from time to time, we have and may in the future, carry out collective dismissals. Such collective dismissals may result in disputes with or claims by trade unions and our employees and we may be required to pay additional amounts to resolve or settle such disputes or claims.

The interests of our principal shareholders may not correspond with the interests of the holders of the Notes.

Our principal shareholders are investment funds and entities that are controlled, directly or indirectly, by Hellman & Friedman, which, together, indirectly own a majority of our share capital. In addition, our former controlling shareholders, HgCapital, owns a minority interest in our share capital. See "*Principal shareholders.*" The interests of our principal shareholders and their respective affiliates could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders or their respective affiliates may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might also involve risk to the holders of the Notes. In addition, our principal shareholders or their respective affiliates may, in the future, own businesses that directly compete with ours.

Certain actions relating to the management and administration of the affairs of the Group may require the approval of our principal shareholders, who may be unable to agree on whether we should engage in any of these transactions or other matters. Disagreements among our principal shareholders on any such actions may limit our ability to respond to market opportunities, or make certain commercial or financial decisions, as quickly as needed, which could have a material adverse effect on our business, financial condition and results of operations.

Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, could negatively impact our business or our ability to refinance our liabilities.

Economic and political events in recent years affecting European economies have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Credit risk in these countries and in other Eurozone countries could have a negative impact on our business. Concerns also remain regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual euro member states. In addition, continued hostilities in the Middle East and tensions in North Africa and Eastern Europe and other world events could adversely affect the economies of the European Union and those of other countries. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the European Commission and EU member states to address debt burdens of certain countries in Europe, the overall stability of the Eurozone, the future relationship between the United Kingdom and the European Union, the future situation in Spain with respect to Catalonia's declaration of independence in October 2017, the influx of refugees in certain European countries and the rise of populism in Europe.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The terms of the withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process pursuant to Article 50 of the Treaty on European Union, which occurred in March 2017. As a result, the referendum result has created significant uncertainty about the future relationship between the United Kingdom and the European Union and its remaining member states and with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws. This uncertainty could increase costs, depress economic activity and restrict our access to capital. If the United Kingdom and the EU are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access across the European Economic Area could be diminished or eliminated and could adversely affect European and worldwide economic and market conditions, as well as possibly contribute to further instability in global financial markets.

The departure or risk of departure from the euro by one or more Eurozone countries or the abandonment of the euro as a currency, or the reintroduction of an individual currency in Italy, could have major negative effects on our existing contractual relations with our customers, and could adversely affect the economy in Italy, where we provide products and services to our customers. In particular, the departure of Italy from the euro would increase our exposure to changes in currency rates. In addition, the departure of Italy from the Eurozone may lead to the imposition of, *inter alia*, exchange rate control laws. Any of these developments could affect our ability to refinance our liabilities and have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. The potentially severe impact of these events on Europe and the global financial system could also have a negative impact on the value and marketability of the Notes.

Goodwill represents a significant portion of our total assets.

Historically, we have recognized a significant amount of goodwill on our consolidated financial statements in connection with the acquisitions of various businesses and strategic assets. As of December 31, 2017, our goodwill was €705.8 million, representing 43.3% of our total assets as of such date.

Our goodwill is tested annually (or more frequently if specific events or changes in circumstance indicate the possibility that value has been impaired) for impairment, and our goodwill is not subject to amortization. With respect to intangible assets that are not amortized, an impairment loss may have to be recognized if the expectations on which the current carrying amount are based are not fulfilled and the recoverable amount of any cash generating unit is less than the Group's carrying amount.

When calculating value-in-use, the board of directors estimates the cash flows expected from a cash generating unit or a group of cash generating units and determines the applicable discount rate in order to calculate the present value of the cash flows. The impairment test is performed using forecasts of cash flow included in the business plan approved by our board of directors at the relevant date.

We may be required to record additional goodwill impairments in the future in the event that business forecasts are cut significantly. Such impairments may also result from, among other factors, (i) deterioration in performance, (ii) adverse changes in applicable laws or regulations, including changes that restrict our business activities or affect the products and services we sell and (iii) negative changes in applicable discount rate, due to adverse changes in interest rates. Such circumstances could have a material adverse effect on our business, prospects, financial condition and results of operations.

Potential liabilities and costs from litigation and other proceedings could adversely affect our business.

From time to time, we have been party as defendant or plaintiff in various legal proceedings incidental to the ordinary course of our business. The results of pending or future legal proceedings are inherently difficult to predict and we can provide no assurance that we will not incur losses in connection with current or future civil, administrative or employment suits or other types of judicial, regulatory or administrative proceedings that exceed any provision we have set aside in our financial statements or that exceed any insurance coverage available. As of December 31, 2017, we had set aside provisions relating to pending legal proceedings of €1.5 million.

In addition, even if a litigation claim (of any nature) is without merit, does not prevail or is not pursued, any negative publicity surrounding assertions against our business or products could adversely affect our reputation. Regardless of its final outcome, litigation may also result in substantial costs and expenses we would have to incur to defend ourselves, divert the attention of our management or cause an interruption of our normal business operations, which could have a material adverse effect on our business, financial condition and results of operations.

We may incur liabilities for the actions of our directors, employees, agents, representatives and intermediaries.

Conducting our business in an ethically acceptable manner is important to our reputation and business prospects. Any contact by our directors, employees or agents with public administration organizations as well as with private individuals, under certain circumstances, involves risks associated with, among others, fraud, bribery, corruption and other fraudulent activities by our employees and related investigations. Furthermore, we are exposed to the risk that our directors, employees or agents could commit IT related crimes, which may consist in violating our IT systems or those of our competitors, unlawful access to banking data (including that of our clients) and damages to IT systems and documents.

Although we maintain and update internal monitoring systems (including the internal control model pursuant to LD 231/2001 aimed at, *inter alia*, preventing direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, deception, tax evasion and any other illegal or otherwise unethical conducts), we may be unable to detect or prevent every instance of such conducts involving our directors, employees, consultants, agents and third party agents representatives and intermediaries. Any of the foregoing circumstances (including our failure to adequately implement and update such monitoring systems) may expose us to civil, administrative and criminal penalties, also pursuant to the provisions of LD 231/2001, as well as to reputational damage as a result of such occurrences.

In particular, pursuant to LD 231/2001, we may be held responsible for certain crimes committed in our interest or for our benefit by individuals having a functional relationship with us, including third party agents or intermediaries, unless we were able to prove that such individuals fraudulently violated our internal control model and it would have been impossible for us to avoid such violation. In such circumstances, we may be subject to fines, confiscation of profits or legal sanctions (applied in certain cases as interim measures—*i.e.* during the investigations), including the termination of financing arrangements suspension of our operations and confiscation of profits. The duration of these disqualifications range from a minimum of three months to a maximum of two years, although in very serious cases some of these disqualifications can be applied permanently. Finally, none of our subsidiaries have adopted or fully implemented a compliance system pursuant to LD 231/01; therefore, there is no guarantee that we will be successful in defending against possible proceedings in relation to the administrative liability pursuant to LD 231/2001.

Any of the foregoing events may have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain competition and antitrust laws.

Our business is subject to applicable competition and antitrust laws, rules and regulations of the EU and Italy. The Italian software market is currently regarded as a single market; however, should that position be redefined, we may become subject to an investigation into the strength of our market position. In such cases, a potential investigation could give rise to certain obligations or restrictions on our market behavior if we are deemed to have a dominant position. Such obligations could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Additionally, we may become subject to investigations and proceedings by national and supranational competition and antitrust authorities for alleged infringements of antitrust laws, which could result in fines or other forms of liability or otherwise damage our reputation. Such laws and regulations could limit or prevent our ability to grow in certain markets, in particular Italy.

Additional tax expense or additional tax exposure may affect our future profitability.

We are subject to various taxes, including corporate income tax ("**IRES**"), regional business tax and related surcharges ("**IRAP**"), value added tax ("**VAT**"), tax on financial activities, tax on financial transactions, stamp duty and substitutive taxes. Our tax expense includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions. In addition, these assumptions include assessments of our future earnings that may impact the valuation of its deferred tax assets. Our future results of operations may be adversely affected by changes in the effective tax rate, changes in our overall profitability, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessment of our tax exposures. Corporate tax reform and tax law changes continue to be analyzed in Italy. Significant changes to the corporate tax system in Italy and any country in which we operate, or may operate, may have a material adverse effect on our business, financial condition and results of operations.

We are from time to time involved in various tax and social security audits and investigations and we may face tax and social security liabilities in the future.

We are from time to time subject to tax and social security audits and investigations by the tax, social security and other public authorities, which may include, without limitation, investigations with respect to the direct tax and indirect tax regime of any of our transactions and value-added tax classification and social security contributions. Adverse developments in laws or regulations, or any change in position by the relevant authorities regarding the application, administration or interpretation of these laws or regulations, could have a material adverse effect on our business, financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. In addition, the relevant authorities may disagree with the positions we have taken or intend to take regarding the tax and social security treatment or characterization of any of our transactions, including the treatment or characterization of our indebtedness, including the Notes, existing and future intercompany loans and guarantees or the deduction of interest expenses. We may also fail, whether inadvertently or for reasons beyond our control, to comply with tax and social security laws and regulations relating to the treatment of any of our transactions or financing arrangements, which could result in unfavorable tax and social security treatment for such transactions or arrangements, and possibly lead to significant fines or penalties. Whenever a reasonable settlement with the relevant tax and social securities authorities cannot be reached, we may have to defend ourselves before the competent courts, which could be costly and distract management from the other affairs of our business. In addition, audits and investigations by the competent authorities may generate negative publicity which could harm our reputation with customers, suppliers and counterparties. We can provide no assurance that the financial impact of any adverse tax or social security adjustment in connection with our business would not have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Our estimates or judgments relating to our critical accounting policies are based on assumptions that may change or prove to be incorrect. In addition, we may need to implement additional finance and accounting systems, procedures and controls as we grow our business and organization and to satisfy new reporting requirements.

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, stockholders' equity, revenues and expenses, the amounts of charges accrued by us and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to business combinations, goodwill and other intangible assets, allowance for bad debts, employee benefits and Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries, (referred to as the "Vendor Loan" in the 2017 Financial Statements). For further information on the assumptions pertaining to such financial statements components, see our Consolidated Financial Statements and the notes thereto included elsewhere in this Offering Memorandum. In addition, actual performance may be higher or lower than our estimates for a variety of reasons, including unanticipated competition, regulatory actions or changes in one or more of our contractual relationships. We cannot assure you that any of our estimates, or the assumptions underlying them, will be correct.

We are required to comply with a variety of reporting, accounting and other rules and regulations. Compliance with existing requirements is expensive and further requirements may increase our costs and require additional management time and resources. We may need to implement additional finance and accounting systems, procedures and controls to satisfy our reporting requirements. If our internal control over financial reporting is determined to be ineffective, such failure could cause investors to lose confidence in our reported financial information and subject us to regulatory investigations and penalties, which could have a material adverse effect on our business, financial condition and results of operations.

Certain financial information included in this Offering Memorandum regarding our 2016 financial year and our business segments for 2015 and 2016 has not been audited and needs to be carefully considered. In addition, our results of operations over the periods under review may not be entirely comparable.

As a consequence of the H&F Acquisition and in accordance with IFRS, our 2016 Financial Statements and 2016 Restated Financial Information only reflect our results of operations for the ten months ended December 31, 2016, *i.e.* from March 1, 2016 (that date of completion of the H&F Acquisition) to December 31, 2016. To facilitate the comparability of our results among certain of the periods under review, we present in this Offering Memorandum the 2016 Pro Forma Income Statement that reflects our results of operations for the entire 2016 financial year, as if the H&F Acquisition had occurred on January 1, 2016. Prospective investors should also note that the 2016 Pro Forma Income Statement further adjusts for the acquisitions made by the Group in the year ended December 31, 2016, as if such acquisitions had also occurred on January 1, 2016 and that the period-to-period discussion under "*Management's discussion and analysis of financial condition and results of operations*" utilizes the 2016 Pro Forma Income Statement for the purpose of comparing our results for the year ended December 31, 2016 to our results for the years ended December 31, 2015 and 2017, respectively. Prospective investors should therefore exercise particular caution when comparing our results for the years ended December 31, 2016, derived from the 2016 Pro Forma Income Statement, to our results for the years ended December 31, 2015 and 2017, due to the fact that our results for the years ended December 31, 2015 and 2017 have not been adjusted for the acquisitions made by the Group in those years. Moreover, the 2016 Pro Forma Income Statement has not been audited nor reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. Although the 2016 Pro Forma Income Statement is based on the 2016 Restated Financial Information (which is prepared in accordance with IFRS but is unaudited) and on certain assumptions and applicable adjustments that we believe are reasonable, it addresses a hypothetical situation and, therefore, does not purport to represent what our actual results of operations for 2016 would have been if the H&F Acquisition and the acquisitions made by the Group in 2016 had occurred on January 1, 2016. If the H&F Acquisition and the acquisitions made by the Group in 2016 had occurred on January 1, 2016, our results of operations for 2016 could have deviated, perhaps materially, from those described in the 2016 Pro Forma Income Statement. Moreover, the 2016 Pro Forma Income Statement does not include all information required for financial statements under IFRS and should be read in conjunction with the 2016 Financial Statements and the 2017 Financial Statements, including the notes related thereto, included elsewhere in this Offering Memorandum.

Investors should also consider that, given that the scope of the Group's consolidation changed in 2016 as a consequence of the H&F Acquisition, the 2015 Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the Group, TeamSystem Holding S.p.A., which was extinguished and merged into the Issuer with an effective date of March 1, 2016. Furthermore, the 2015 Financial Statements do not reflect the impact of the purchase price adjustments recorded in connection with the H&F Acquisition, further affecting the comparability of such financial statements to the 2016 and 2017 Financial Statements.

Additionally, our current financial segment reporting reflected in the 2017 Financial Statements differs from the financial segments reporting included in our 2015 Financial Statements and 2016 Financial Statements. We have adopted our current business segment structure since the year ended December 31, 2017. Previously, our business segments were (i) Software and Services (consisting of all the Group companies operating in the software production and marketing market), (ii) Education (consisting of the Group companies operating in the professional education sector) and (iii) CAD/CAM (consisting of the Nuovamacut Group companies). Our 2015 Financial Statements and 2016 Financial Statements reflect our old business segments whereas our 2017 Financial Statements reflect the current business segment structure but also include information on the basis of our old business segments to facilitate comparison with our 2016 Financial Statements. However, in this Offering Memorandum, to facilitate comparability of our business segments' results across the periods under review, we have presented certain financial information on our current business segments for the years ended December 31, 2015 and 2016, including total revenue breakdown for each of our current business segments. Such financial information is included for information purposes only, has been derived from our management accounts and is unaudited.

We have presented certain pro forma financial information in this Offering Memorandum that are based upon management estimates in respect of certain savings and revenue generating initiatives, and the resulting effect on Pro Forma Adjusted EBITDA for the year ended December 31, 2017. The relevance of these measures depends upon the accuracy of a series of estimates and assumptions involving factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors.

This Offering Memorandum contains management estimates with respect to (i) savings expected to be generated in 2018 from certain personnel rationalization and other initiatives and (ii) additional revenue expected to be generated in 2018 from the sale of our cloud products and the Regulatory LTAs associated with the GDPR and the price increases we applied in January 2018. These expected savings and additional revenue have been included in the calculation of our Pro Forma Adjusted EBITDA for the year ended December 31, 2017. We have prepared this information as a means to estimate what our Pro Forma Adjusted EBITDA for the year ended December 31, 2017 may have been when adjusting for such effects as described herein.

Pro Forma Adjusted EBITDA for the year ended December 31, 2017 is based upon management estimates and a series of assumptions, conditions and qualifications. These assumptions are inherently subject to significant uncertainties and actual results could differ materially from those estimated. We cannot assure you that these assumptions are correct or that the estimates will reflect actual results of operations. After the issuance of the Notes, we will not provide Holders with analysis of any differences between the estimates contained herein and actual results later achieved, and we expressly disclaim any duty to update such estimates under any circumstances. Furthermore, these estimates and assumptions involve factors that are beyond our control, may relate to future events and are subject to known and unknown risks, uncertainties and other factors. These factors include, in particular:

- our ability to successfully re-negotiate our contracts with third party service providers (*e.g.*, utilities);
- claims and litigation that might be initiated by our workforce or the unions to which our workforce belongs, in connection with our personnel rationalization initiatives;
- our ability to achieve the expected benefits of our completed 2017 outsourcing initiatives relating to our hardware resale operations;
- decisions by our customers to not renew their contracts with us following the price increase we implemented in January 2018;
- whether our assumptions regarding the annualized revenues of our 2017 cloud products and the effect on our revenue of the Regulatory LTAs associated with the GDPR are reasonable for purposes of preparing our Pro Forma Adjusted EBITDA; and
- other risk factors identified in this Offering Memorandum.

Although we believe the estimates and assumptions we have used to calculate our Pro Forma Adjusted EBITDA are reasonable and are based either on our historical experience or our knowledge of the marketplace, if one or more of these assumptions is inaccurate, we may be unable to achieve these estimates, which may render the estimates, and any of the management assumptions, partly or completely inaccurate. Furthermore, the costs we incur in trying to realize these cost savings initiatives and other benefits described herein may be substantially higher than our current estimates and may outweigh any benefit. Pro Forma Adjusted EBITDA is forward-looking in nature and is provided for information purposes only and is based on estimates and assumptions made by management that are inherently uncertain and, although considered reasonable by management, are subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. Accordingly, there can be no assurance that the estimated results will be realized. Moreover, neither our independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the Pro Forma Adjusted EBITDA measures contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Therefore, investors should not unduly rely on any of these calculations or measures as our underlying estimates and assumptions could significantly differ from what will be our actual future performance.

Pro Forma Adjusted EBITDA and the underlying calculations were not prepared with a view to compliance with the published guidelines of the SEC or the guidelines published by any other regulatory or industry body regarding estimates, and therefore have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. These measures are included in this Offering Memorandum because we believe that they provide a useful indication of what our results may be upon the completion of our initiatives; however, this information does not constitute a measure of financial performance under IFRS or other generally accepted accounting principles, and you should not consider any of this information as an alternative to net income or any other performance measure derived in accordance with IFRS or as a measure of our results of operations or liquidity. If any of our assumptions or estimates prove to be incorrect, we may not generate sufficient cash flow to pay the principal of and interest on the Notes.

The Group's reporting entity, TeamSystem Holding S.p.A., changed in 2016 following the H&F Acquisition. TeamSystem Holding S.p.A. will guarantee the Notes but will be subject to only a limited number of the provisions of the Indenture.

The historical financial information contained in this Offering Memorandum is that of TeamSystem Holding S.p.A. (the Group's holding company and the Issuer's sole direct shareholder) and its consolidated subsidiaries. As the scope of the Group's consolidation at the Group's holding level changed in 2016 in connection with the H&F Acquisition, the 2015 Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the Group, TeamSystem Holding S.p.A., which was extinguished and merged into TeamSystem S.p.A. with an effective date of March 1, 2016. See "*Presentation of financial and other information—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum.*"

In addition, TeamSystem Holding S.p.A. will be a Guarantor of the Notes but will not be part of the Notes restricted group and, therefore, will be subject to only a limited number of the provisions of the Indenture. Pursuant to the reporting covenant of Indenture, separate financial information of the Issuer and its subsidiaries will not be required to be reported going forward, unless material differences exist between the financial condition or results of operations of the Issuer and its restricted subsidiaries and the Parent, in which case the Group's annual and quarterly financial reports shall include a reasonably detailed presentation of such material differences.

Risks related to our indebtedness

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantee.

We have a significant amount of outstanding indebtedness with substantial debt service requirements. As of December 31, 2017, after giving *pro forma* effect to the Offering and the application of the proceeds therefrom, we would have had €750.9 million of total debt, including €750.0 million in aggregate principal amount of the Notes, excluding €101.4 million of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries and excluding €90.0 million available for drawing under our Revolving Credit Facility. Although we expect our Revolving Credit Facility to be undrawn at the Issue Date, given the seasonality of our billing pattern, in the event that freely available cash on the balance sheet on or about the Issue Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Issue Date or shortly thereafter.

Our significant leverage could have important consequences for you as a holder of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes, the Guarantee and our other debt and liabilities;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of our cash flow, and limiting our ability to obtain additional financing, to fund working capital, capital expenditure, acquisitions, joint ventures, or for other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged;
- restricting us from pursuing acquisitions or exploiting other business opportunities; and
- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the costs of any such borrowing.

Any of these or other consequences or events may have a material adverse effect on our business, financial condition and results of operations and therefore our ability to make payments under the Notes.

Despite our significant leverage, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including secured indebtedness and indebtedness under the Revolving Credit Facility. Although the Revolving Credit Facility Agreement and the Indenture contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face, as described in these "*Risk factors,*" would increase. In addition, the Indenture and the Revolving Credit Facility Agreement do not prevent us from incurring obligations that do not constitute indebtedness under those respective agreements.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Indenture will restrict, among other things, the ability of the Issuer and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends or make other distributions or purchase or redeem our stock;
- make investments or other restricted payments;
- enter into agreements that restrict our ability to pay dividends;
- transfer or sell assets;
- engage in certain transactions with affiliates;
- create liens on assets to secure indebtedness;
- impair the security interests for the benefit of the holders of the Notes; or
- merge or consolidate with other entities.

All of these limitations will be subject to significant exceptions and qualifications. In addition, we are subject to the affirmative and negative covenants contained in the Revolving Credit Facility Agreement and may in the future be subject to other affirmative and negative covenants under other debt instruments. A breach of any of those covenants or restrictions could result in an "event of default" under any such debt instruments. Upon the occurrence of any event of default that is continuing under any such debt instruments, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the credit facilities thereunder and/or elect to declare all amounts outstanding thereunder, together with accrued interest, immediately due and payable. In addition, a default under any such debt instruments could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Credit Facility or other debt instruments, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries that would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

The covenants in the Indenture and the Revolving Credit Facility Agreement could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could materially adversely affect our ability to finance our operations, pursue acquisitions, investments or alliances, restructure our organization or finance our capital needs. In addition, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to become due and payable immediately, which in turn could result in cross-defaults or cross-acceleration under our other debt instruments, including the Indenture. In those circumstances, our assets and cash flow may not be sufficient to repay in full that debt and our other debt, including the Notes then outstanding, if some or all of these instruments were accelerated, which could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event.

We may not be able to generate sufficient cash to meet our debt service obligations.

Our ability to make scheduled principal or interest payments when due on our indebtedness and to meet our debt service obligations, including under the Notes and the Revolving Credit Facility, or to refinance our debt, depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors, many of which are beyond our control, as well as the factors described under this "*Risk factors*" section. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes and the Revolving Credit Facility, obtain additional debt or equity financing, delay planned capital expenditures or investments or sell material assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. If we are unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as:

- selling assets;
- obtaining additional debt or equity capital;
- restructuring or refinancing all or a portion of our debt on or before maturity;
- foregoing opportunities such as joint ventures or acquisitions of other businesses; or
- reducing or delaying our business activities and capital expenditures.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not be able to satisfy our debt obligations, including under the Notes. Any failure to make payments on the Notes on a timely basis would likely result in a downgrade of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes and the Revolving Credit Facility, limit or will limit, and any future debt may limit, our ability to pursue any of these alternatives. There can be no assurance that any assets that we may elect to sell can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations, which could cause an event of default under our debt and result in:

- our debt holders declaring all outstanding principal and interest to be due and payable;
- the lenders under our Revolving Credit Facility Agreement being able to terminate their commitments to lend us money and foreclose against the assets securing our borrowings; and
- our being forced into bankruptcy or liquidation, which could result in you losing your investment in the Notes.

The ability of our majority-owned operating subsidiaries to upstream dividends for debt service is reduced by the presence of non-controlling shareholders.

Our ability to service our debt, including the Notes, depends in part upon cash distributions from our operating subsidiaries, including in the form of dividends. Given some of our operating subsidiaries, such as AliasLab S.p.A., Gruppo Euroconference S.p.A., Danea Soft S.r.l., MadBit Entertainment S.r.l., Metodo S.p.A., Evols S.r.l., TeamSystem Communication S.r.l., Voispeed Ltd, Netlex S.r.l., Euresys S.r.l., Cassanova S.r.l., Mondora S.r.l. and Nuovamacut Nord Ovest S.r.l., are minority owned by third-party shareholders, any upstream cash distribution from such subsidiaries to the Group would generate a leakage as the relevant non-controlling shareholders would receive their pro rata share of such distribution, reducing the amounts we receive and therefore the amounts available for debt service and/or to fund continuing operations.

We are exposed to interest rate risk and shifts in such rates may adversely affect our debt service obligations.

We are, and following the Transactions will be, exposed to the risks of fluctuations in interest rates. The 2023 Floating Rate Notes and the 2025 Floating Rate Notes offered hereby and the Revolving Credit Facility bear interest at floating rates of interest equal to the applicable EURIBOR for the relevant interest period plus a margin adjusted at regular intervals. We may also enter into additional indebtedness bearing floating rates of interest in the future, including by issuing additional 2023 Floating Rate Notes and the 2025 Floating Rate Notes. EURIBOR, LIBOR and/or any other floating interest rate applicable to such indebtedness could rise significantly in the future, which could reduce our cash flow available for capital expenditures and hinder our ability to make payments on the Notes. Moreover, in connection with the 2023 Floating Rate Notes and the 2025 Floating Rate Notes, a floor of 0% applies to the calculation of EURIBOR. Accordingly, should the relevant EURIBOR decrease below 0%, we would not be able to benefit from such decrease. In addition, we may enter into certain interest rate hedging obligations designed to fix a portion of these rates but are not required to do so. In addition, there can be no assurance that hedging will continue to be available on commercially reasonable terms or, if available, will be successful in mitigating the risks related to increasing interest rates.

Risks related to the Notes

The Collateral may not be sufficient to secure the obligations under the Notes and the Collateral may be reduced or diluted under certain circumstances.

The holders of the Notes will be secured only to the extent of the value of the assets underlying their security interests in the Collateral. No appraisal of the value of the Collateral has been prepared by us or on our behalf in connection with the Refinancing, and the book value of the Collateral should not be relied on as a measure of the realizable value for such assets. Not all our assets will secure the Notes. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend on many factors, including the ability to sell the Collateral in an orderly sale, prevailing market and other economic conditions, the availability of suitable buyers at the time of any such sale and any fees, taxes or duties required to be paid under applicable law in connection with the enforcement of the Collateral. Similarly, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in the liquidation of the Collateral.

By its nature, the Collateral may be illiquid and have no ascertainable market value. In particular, the value of pledged capital stock that constitutes the Collateral could be impaired in the future as a result of changing economic conditions, failure to implement our business strategy, competition and other future trends and may be without any value if the relevant pledged entity is subject to a bankruptcy or insolvency proceeding.

In the future, the obligations (if any) to provide additional guarantees and grant additional security over assets, or a particular type or class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries, the designation of a previously unrestricted subsidiary as a restricted subsidiary or otherwise, will be subject to the Agreed Security Principles. The Agreed Security Principles set out a number of limitations on the rights of the holders of the Notes to require granting of, or payment or enforcement under, a guarantee or security in certain circumstances. See "*Description of Notes—Guarantees*" and "*Description of Notes—Security*." The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any guarantee or security provided by any subsidiary being limited or security not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the Collateral. The validity and enforceability of the Collateral may also be affected by Italian law limitations. See "*—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

The Collateral may also secure additional debt on a super priority or *pari passu* with the Notes, including by issuing additional notes issued under the Indenture, in each case to the extent permitted by the terms of the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement. Your direct and indirect rights to the Collateral may therefore be diluted by any increase in such debt secured by the Collateral.

The Indenture will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Collateral, such as certain pre-existing or statutory liens and other permitted liens under the Indenture. Holders of such other secured indebtedness may have rights and remedies which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes or adversely affect the ability of the Security Agent to realize or foreclose on the Collateral.

We cannot assure you that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay the obligations due under the Notes. If the proceeds of Collateral are not sufficient to repay amounts outstanding under the Notes and the Guarantee, then holders of Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets.

It may be difficult to realize the value of the Collateral.

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under applicable law.

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease. Furthermore, because the Indenture, the Notes, the Intercreditor Agreement and the security interests in the Collateral will be governed by the laws of a number of different jurisdictions, respective realization and enforcement may be further delayed by court proceedings being taken in multiple jurisdictions.

The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer's shares may result in the release of the Issuer's debt obligations, which could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer may be limited.

Creditors under the Revolving Credit Facility Agreement and certain hedging obligations are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes.

To the extent permitted under applicable law, and subject to the Agreed Security Principles, the Notes and the Guarantee will be secured on a first-ranking basis by the same Collateral that will secure the obligations under the Revolving Credit Facility Agreement and certain hedging obligations, if any.

Pursuant to the Intercreditor Agreement, lenders under the Revolving Credit Facility Agreement, providers of certain additional super priority indebtedness and certain hedging obligations, if any, are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes. As such, in the event of a foreclosure of the Collateral or any other distressed disposal, you may not be able to recover on the Collateral if the aggregate of the then outstanding claims under super priority indebtedness are greater than or equal to the proceeds realized. In addition, under the terms of the Indenture and the Intercreditor Agreement we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* basis with the Notes and, to a lesser extent, on a super priority basis, including the Revolving Credit Facility. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under super priority indebtedness have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes and any other obligations secured by the Collateral which are permitted to rank *pari passu* with the Notes and are secured on a *pari passu* basis with the Notes. As a result, proceeds from the sale of Collateral in connection with any enforcement action may be insufficient to pay claims under the Notes.

Holders of the Notes may not control certain decisions regarding the Collateral.

The Intercreditor Agreement regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent may act upon the instructions of the class of secured creditors that first delivers a notice to enforce the Collateral to the Security Agent, provided that it receives written consent to do so or the same enforcement instructions from: (i) creditors holding more than 66 2/3% of the indebtedness and commitments under the Revolving Credit Facility, any other Credit Facility secured by the Collateral on a super-priority basis that is permitted to be incurred by the Indenture and the Intercreditor Agreement and certain priority hedging obligations (the "**Enhanced Majority Super Senior Creditors**"); and (ii) creditors holding more than 50% of the indebtedness under the Notes, including indebtedness secured by the Collateral on a *pari passu* with the Notes (the "**Majority Senior Secured Creditors**") (in each case acting through their respective creditor representative). The Intercreditor Agreement further provides that the Enhanced Majority Super Senior Creditors and the Majority Senior Secured Creditors must consult with each other in good faith for a period of 15 days to agree on joint enforcement instructions. Although enforcement instructions given by holders of the Notes and certain other creditors may prevail after such 15-day consultation period, under certain circumstances, enforcement instructions by the lenders under our Revolving Credit Facility and certain other creditors will prevail. In addition, there may be a default under the Revolving Credit Facility that does not constitute a default under the Indenture, in which case the Revolving Credit Facility lenders would be able to take enforcement action without any consent by the Majority Senior Secured Creditors.

If the creditor representatives are not able to agree on joint enforcement instructions by the end of the consultation period, the Security Agent shall enforce the Collateral in accordance with the terms of the enforcement instructions (if any) given by the Majority Senior Secured Creditors, provided that if: (i) the super senior creditors (comprised of the creditors in respect of our Revolving Credit Facility and any other credit facility secured by the Collateral on a super-priority basis that is permitted to be incurred by the Indenture and the Intercreditor Agreement and the counterparties to certain of our priority hedging arrangements) have not been fully repaid within six months of the end of the consultation period (or within six months of the event of default giving rise to such right to commence an enforcement, if no consultation period is required); (ii) the Security Agent has not commenced any enforcement action within three months of the end of the consultation period (or within three months of the event of default giving rise to such right to commence an enforcement, if no consultation period is required); or (iii) the Issuer or certain of its subsidiaries becomes subject to insolvency or similar proceedings and the Security Agent has not commenced any enforcement action at that time then the instructions given by the Enhanced Majority Super Senior Creditors will prevail. To the extent that we incur indebtedness that is secured by the Collateral on a *pari passu* basis with the Notes, your voting interest in the Majority Senior Secured Creditors will be diluted commensurate with the amount of indebtedness we incur.

As these other creditors and counterparties (including the lenders under the Revolving Credit Facility) may have interests that are different from the interests of holders of the Notes and may elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Notes to do so, these arrangements could result in the enforcement of the Collateral in a manner that results in lower recoveries by holders of the Notes. Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Issuer or its subsidiaries during such period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value. In addition, if the Security Agent sells Collateral comprising the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantee and the liens over any other assets securing the Notes and the Guarantee may be released. See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of Notes—Security—Release of Liens*."

The Notes and the Guarantee will be structurally subordinated to the liabilities of our subsidiaries who are not guarantors.

On the Issue Date, the Notes will not be guaranteed by any of our subsidiaries. Our subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose unless they guarantee the Notes. Generally, claims of creditors of a subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders under the Notes or the Guarantee. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to their parent entity and ultimately to the Issuer. As such, the Notes and the Guarantee will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our subsidiaries. In addition, the terms of the Notes as well as our other indebtedness will allow our subsidiaries to incur additional debt in the future that is structurally senior to the Notes. See "*Description of certain financing arrangements*" and "*Description of Notes*".

As of December 31, 2017, after giving *pro forma* effect to the Transactions, our subsidiaries would have had total debt of €20.9 million (of which €20.1 million would have been outstanding under the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries), which would have ranked structurally senior to the Notes and the Guarantee. In addition, given the financial information included in this Offering Memorandum and our Consolidated Financial Statements refers to the Group (which also includes the Guarantor and our subsidiaries), such financial information may be of limited use in assessing the financial position of the Issuer and the Guarantor separate from our subsidiaries.

The claims of holders of the Notes will be effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness which does not constitute Collateral.

Within one business day of the Issue Date, the Collateral will secure the Notes. The Indenture will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes to the extent of the value of the assets that secure such other indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding, the proceeds from the sale of assets securing any indebtedness that does not secure the Notes on a senior or *pari passu* basis will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of such secured indebtedness. As of December 31, 2017, after giving *pro forma* effect to the Transactions, we would not have had any indebtedness outstanding secured over assets other than the Collateral.

The ability of the Security Agent to enforce the Collateral may be restricted by Italian law.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent has the right to enforce the Security Documents in the name and on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral and in accordance with the Intercreditor Agreement. See "*Description of Notes—Security.*"

The Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Security Agent, acting also in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

The rights of holders of Notes in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or the holder of the security interest having difficulty enforcing such holder's rights in the Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral, which may have a material adverse effect on the ability of the holders of Notes to receive proceeds from any enforcement of the Collateral. None of the Trustee or the Security Agent has any obligation or responsibility to monitor the perfection of, or to take steps to perfect, any security interest in the Notes.

The granting of the security interests in the Collateral or the occurrence of certain permitted reorganizations of the Group may create hardening periods for such security interests in accordance with applicable law.

The granting of new security interests in connection with the issuance of the Notes and the Revolving Credit Facility may create hardening periods for such security interests in certain jurisdictions, including in the Republic of Italy. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). In addition, granting a shared security interest (including security interest in the Collateral) to secure existing, new or future indebtedness (such hedging obligations or any additional notes issued under the Indenture) or the transfer or the assignment of a security interest, including in connection with any release and retake of any such security interest, may restart or reopen hardening periods in certain jurisdictions, including in the Republic of Italy. In each instance, if the security interest granted, perfected or recreated were to be enforced before the end of the relevant hardening period applicable in Italy, such security interest may be declared void, clawed back and/or it may not be possible to enforce it. In addition, under Italian law, in case any security interests (including security interests in the Collateral) is released and retaken at any time, such release and retaking of security interests may give rise to the start of a new hardening period in respect of such security interests. Under certain circumstances, other creditors, bankruptcy trustees, insolvency administrators or courts could challenge the validity and enforceability of the grant of such security interests. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations*."

The Indenture will also permit the Group to undertake certain internal "permitted reorganizations", which allow for the release and retake of certain Collateral to consummate such transactions. In the event that such permitted reorganizations are completed as described under the caption "*Description of Notes*," new hardening periods may be created in respect of the relevant security interests in the Collateral that are granted, perfected or released and retaken in connection with such permitted reorganizations, and the security interests in the relevant Collateral would be subject to the same risks described in the preceding paragraph.

The security interests in the Collateral may not be granted on the Issue Date.

The security interests in the Collateral are expected to be granted within one business day of the Issue Date. To the extent any Collateral is not granted on the Issue Date, if we were to become subject to insolvency proceedings or would otherwise be considered insolvent under the insolvency test discussed under "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations—Italy*" between the Issue Date and the date on which such Collateral is granted, any interests in such assets would face a greater risk of being invalidated which could impair your recovery under the Notes and the Guarantee, as applicable. Furthermore, if we are unable to grant such security interests for any reason, including reasons beyond our control, it could constitute a covenant breach under the Notes.

The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

The obligations of the grantor of security and enforcement of the Collateral will be limited to the maximum amount that can be secured by such grantor of security under Italian law, including limitations to the extent that the grant of such pledge of security could be construed as not being in the relevant grantor's corporate interests, or otherwise would result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value.

Accordingly, enforcement in respect of the Collateral against the relevant grantor would be subject to certain defenses available to security providers generally or, in some cases, to limitations contained in the terms of the pledge of security designed to ensure compliance with statutory requirements applicable to the relevant grantors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, the liability of a grantor of security of could be materially reduced or eliminated, depending on the law applicable to it.

It is possible that the grantor of security, or a creditor of a grantor of security, or the bankruptcy trustee or insolvency administrator in the case of a bankruptcy or insolvency of a grantor of security, may contest the validity and enforceability of the grantor's pledge of security on any of the aforementioned grounds and that the applicable court may determine that the security should be limited or voided. To the extent such limitations on the security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable grantor, including trade payables of such grantor to the extent of such limitations. Future security may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes and the Guarantee may be voidable by the grantor or by a bankruptcy trustee or insolvency administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified "clawback" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claims. The enforcement on the Collateral located in Italy or governed by Italian law is subject to mandatory provisions of Italian law, including in relation to procedures in respect thereof. Enforcement of the Collateral may also be subject to certain statutory limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements. In addition, a parallel debt structure in financing transactions, including credit facilities and bond issuances, has not been tested in Italian courts and the validity and enforceability of certain rights of a security agent benefiting from a parallel debt structure is untested in Italian courts. For a more detailed description of various limitations on the security under Italian law and certain Italian insolvency law considerations, see "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations—Italy.*"

The Guarantee may be limited by Italian law or subject to certain limitations or defenses that may adversely affect its validity and enforceability.

The Guarantor is organized and validly existing under the laws of the Republic of Italy. The obligations of any guarantor of the Notes, including the Guarantor, and the enforcement of any guarantee of the Notes, including the Guarantee, will be limited to the maximum amount that can be guaranteed by any guarantor under the applicable laws of each jurisdiction, to the extent that the granting of the guarantee is not in the guarantor's corporate interests, or the burden of such guarantee exceeds the benefit to the guarantor, or the guarantee would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws and would cause the directors of the guarantor to contravene their fiduciary duties and incur civil or criminal liability. An increase in the amount of debt that benefits from the guarantee without a corresponding increase in the amount of the guarantee will dilute the value of the guarantee to its beneficiaries, including the holders of the Notes.

Accordingly, enforcement of any guarantee of the Notes, including the Guarantee against the Guarantor, would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the guarantee designed to ensure compliance with statutory requirements applicable to the guarantor. As a result, the Guarantor's liability under the Guarantee could be materially reduced or eliminated, depending upon the law applicable to it.

It is possible that any guarantor of the Notes, including the Guarantor, or a creditor of such guarantor, or the bankruptcy trustee or insolvency administrator in the case of a bankruptcy or insolvency of such guarantor, may contest the validity and enforceability of such guarantor's guarantee on any of the above grounds and that the applicable court may determine that the relevant guarantee should be limited or voided. To the extent that agreed limitations on the relevant guarantee apply, the Notes would be effectively subordinated to that extent to the liabilities of the relevant guarantor, including trade payables of such guarantor. See "*Description of Notes—Guarantees*" and "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations*."

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void a guarantee or security interest provided by a guarantor or collateral provider, as applicable and, if payment has already been made under the relevant guarantee or security interest, require that the recipient return the payment to the relevant guarantor, if the court found that:

- the guarantee was granted or the security interest created with actual intent to hinder, delay or defraud creditors or shareholders of the guarantor or other person or, in certain jurisdictions, even when the recipient was simply aware that the guarantor or the collateral provider was insolvent when it granted the guarantee or security interest;
- the guarantee was entered into or, as the case may be, the security interest was created without a legal obligation to do so, is prejudicial to the interests of the other creditors and both the guarantor or collateral provider and the beneficiary of the guarantee were aware of or should have been aware of the fact that it was prejudicial to the other creditors;
- the guarantor or, as the case may be, the collateral provider did not receive fair consideration or reasonably equivalent value for the guarantee or the granting of the security and/or the guarantor or collateral provider: (i) became insolvent before the granting of the security or was insolvent or rendered insolvent because of the issuance of the guarantee or the creation of the security interest; (ii) was undercapitalized or became undercapitalized because of the issuance of the guarantee or the creation of the security interest; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the guarantee or security interest was held to exceed the objects of the guarantor or not to be in the best interests or for the corporate benefit of the guarantor;
- the guarantee or security interest was entered into within a certain time period prior to the opening date of insolvency proceedings of the guarantor; or
- the amount paid or payable was in excess of the maximum amount permitted under applicable law.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that the Issuer was solvent immediately after the issuance of the Notes.

Under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests granted to secure the Notes could be subject to potential challenges by an insolvency administrator or by other creditors under the rules of avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "**suspect period**"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or security taken after the creation of the secured obligations, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action, (ii) security granted in order to secure a debt due and payable, whereby the creditor must prove his lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action during the suspect period of six months prior to the declaration of the insolvency, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the insolvency administrator must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations*" for further information.

Under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. In addition, under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective vis-à-vis creditors, if made by the insolvent entity in the two-year period prior to insolvency. In addition, the EC Regulation No. 2015/848 on Insolvency Proceedings (the "**Insolvency Regulation**") contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the EU.

If challenged successfully, the security interest in the Collateral may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, the holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

For a description of fraudulent conveyance and similar laws in the European Union and Italy, see "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations.*"

There are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Collateral securing the Notes will be released automatically, including:

- in connection with any sale or other disposition of Collateral (other than the security interest in respect of the Issuer's share capital), if such sale or other disposition does not violate the "*Limitation on Sales of Assets and Subsidiary Stock*" covenant or is otherwise permitted in accordance with the Indenture;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- as described under "*Description of Notes—Amendments and Waivers*";
- as permitted by "*Description of Notes—Certain Covenants—Impairment of Security Interests*" or "*Description of Notes—Merger and Consolidation*";

- in connection with one or more Permitted Reorganizations (as defined under "*Description of Notes—Certain Definitions*"); or
- as otherwise permitted in accordance with the Indenture.

See "*Description of Notes—Security—Release of Liens*".

The Intercreditor Agreement also provides that the Collateral securing the Notes may be released and retaken in connection with the incurrence of additional secured indebtedness and/or the refinancing of certain indebtedness, including the Notes. In Italy, such a release and retaking of collateral may give rise to the start of a new hardening period in respect of such collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Collateral and thus reduce your recovery under the Notes. The Intercreditor Agreement will also provide that the Guarantee and the security interests in the Collateral may be released in connection with a distressed disposal. See "*Description of certain financing arrangements—Intercreditor Agreement.*"

The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of Notes—Meeting of Holders of Notes*," the majority required to pass an extraordinary resolution at any meeting of holders of Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution, to bind all holders of the Notes, including holders of Notes who did not attend and vote at the relevant meeting, and holders of Notes who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the quorum requirements relating to meetings and/or to change the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold may be reduced from 75% to 50%.

Enforcing your rights as a holder of the Notes or under the Guarantee or the Collateral across multiple jurisdictions may prove difficult.

The Issuer and the Guarantor are organized and validly existing under the laws of the Republic of Italy. The Security Documents with respect to the Collateral will initially be governed by the laws of the Republic of Italy. Furthermore, your rights under the Notes will be governed by the laws of the state of New York and the federal laws of the United States and your rights with respect to enforcement of the Guarantee or the Collateral under the Intercreditor Agreement will be governed by the laws of England and Wales. As a result, your rights under the Notes, the Guarantee and the Collateral are likely to be subject to the laws of several jurisdictions, and there can be no assurance that you will be able to enforce effectively your rights in such complex proceedings. In addition, the multi-jurisdictional nature of enforcement over the Collateral may limit the realizable value of the Collateral.

The insolvency, administration and other laws of the jurisdiction of organization of the Issuer and the Guarantor may be materially different from, or conflict with, the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the guarantees and the security documents in these jurisdictions or limit any amounts that you may receive. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations*."

The insolvency laws of the Republic of Italy may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.

The Issuer is incorporated and is likely to have its center of main interests under the laws of the Republic of Italy. The insolvency laws of the Republic of Italy may not be as favorable to your interests as those of the United States, England and Wales or another jurisdiction with which you may be familiar. In particular, the Indenture and the Intercreditor Agreement could be limited in scope and effect by Italian courts to the extent its covenants and provisions, which are untested under Italian case law, could be considered to conflict with mandatory provisions of Italian law. In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings or their duration (which may be significantly longer than the duration of analogous proceedings in jurisdictions you may be familiar with). As a consequence, enforcement of rights under the Notes, the Guarantee and the Collateral in an insolvency situation may be delayed and be complex and costly for creditors. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations—Italy.*"

We may not be able to obtain the funds required to repurchase the Notes upon a change of control.

The Indenture will contain provisions relating to certain events constituting a "change of control" of the Issuer. Upon the occurrence of certain events constituting a change of control, we will be required to offer to repurchase all outstanding Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase.

If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the Revolving Credit Facility Agreement, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default, or acceleration of the debt, under the Revolving Credit Facility Agreement and agreements governing our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The source of funds for any repurchase required will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets or sales of equity or funds provided by subsidiaries. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our subsidiaries' then existing debt instruments. If we required third-party financing to make an offer to repurchase the Notes upon a change of control, we cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility Agreement. See "*Description of Notes—Change of Control.*"

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control, provided that upon consummation thereof, a certain consolidated net leverage ratio of the Issuer and its restricted subsidiaries is met. Except as described under "*Description of Notes—Change of Control*," the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may materially adversely affect the cost and terms and conditions of our financings and could materially adversely affect the value and trading of the Notes.

Italian tax legislation may restrict the deductibility of all or a portion of the interest expense on our indebtedness, including interest expense in respect of the Notes.

Current tax legislation in Italy (Article 96 of Presidential Decree No. 917 of December 22, 1986, as amended and restated) allows for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of a company modified with certain adjustments (i.e. *risultato operativo lordo della gestione caratteristica*) ("**ROL**") as recorded in such company's profit and loss account. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Net interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. If the tax regime (*consolidato fiscale)* applies, interest expense not deducted by an entity in the Italian tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other Italian resident companies pertaining to the same tax group.

Our ability to deduct interest expense in respect of the Notes and other indebtedness incurred by companies within the Group will therefore depend on the ROL and our ability to have tax group arrangements. Any delay in the effectiveness of a tax group will impact the ability to deduct interest expense. The failure to achieve such a tax group could adversely impact our ability to use ROL to offset interest expense, including, inter alia, in respect of any borrowings under the Revolving Credit Facility. In addition, there can be no assurance that in the case of a tax audit, the relevant tax authorities would not try to challenge the deductibility of interest expenses arising in connection with the component of any financing used, in whole or in part, to refinance an outstanding loan or debt, when the terms and conditions of the refinancing transaction appear less favorable than the ones of the previous financing transaction. In particular, in such circumstances, the relevant tax authorities could argue that the interest expenses arising from such financing do not relate to the business of the borrowing entity (as the relevant transaction is deemed to be "antieconomic" and as such not compliant with the business relationship principle (*principio di inerenza*) set out under Italian tax law).

Moreover, (i) any future changes in Italian tax laws or in their interpretation or application (including any future limitation on the use of the ROL of the Issuer and its subsidiaries), or (ii) the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or (iii) a change in the interpretation and application by Italian tax authorities of Italian tax law may result in our inability to fully deduct our interest expense, which may have an adverse impact on our financial condition. Furthermore, if the Italian tax authorities were to successfully challenge the tax treatment or characterization of any of the transactions performed or of our indebtedness, including the Notes or the use of proceeds from the Offering, including on anti-abuse grounds, we may be unable to fully deduct our interest expense and could be subject to significant penalties, or other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. For more information, see "*Risks related to our industry and business—We are from time to time involved in various tax and social security audits and investigations and we may face tax and social security liabilities in the future*."

You generally will not be entitled to a gross-up for any Italian withholding taxes, unless the Italian withholding tax is caused by a failure of the Issuer or the Guarantor to comply with certain procedures.

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments made by or on behalf of the Issuer in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, the Issuer will pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.

The Issuer is not liable to pay any additional amounts to holders of the Notes under certain circumstances, including if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Decree No. 461, except where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer, or the Guarantor or its agents. In such circumstances, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of Notes—Withholding Taxes*" and "*Certain tax considerations—Certain Italian tax considerations*."

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where the Notes are listed on a regulated market or multilateral trading facility upon issuance and a holder of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as included in the White List and such holder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of Notes will bear the risk of any change in Decree No. 239 or Decree No. 461 after the date hereof, including any change in the White List countries.

No assurance can be given that the listing of the Notes will satisfy the listing requirement of Decree No. 239.

No assurance can be given that the listing of the Notes on the Official List of the Luxembourg Stock Exchange will satisfy the listing requirement of Decree No. 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax. The Italian tax authorities issued an interpretive circular relating to, among others, the listing requirement of the aforementioned legislation that may be interpreted to require that the Notes be listed upon their issuance to benefit from the aforementioned provisions, including the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed or that such listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax, currently at a rate of 26% and, subject to certain exceptions, see "*Description of Notes—Withholding Taxes*," we would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The Italian tax authorities may, however, interpret the applicable legislation that requires listing to be effective at closing (upon issuance of the Notes) and we cannot assure you that the listing can be achieved by the Issue Date. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay, subject to certain exemptions, additional amounts to holders of the Notes could have a material adverse effect on our financial condition and results of operations.

No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Decree No. 239 in respect of the Notes will be met by the relevant foreign intermediaries.

The regime provided by Decree No. 239 and in particular the exemption from withholding tax, which is in principle granted to holders of the Notes who are the beneficial owners of the proceeds from the Notes and who are resident in a country or territory included in the White List, applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to comply with the procedural rules set for the application of the exemption regime or fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Certain tax considerations—Certain Italian tax considerations*."

Italian withholding taxes or deduction may be payable on amounts paid by the Guarantor.

Under a certain interpretation, payments made to non-resident entities without an Italian permanent establishment to which the Notes are effectively connected by the Guarantor may be subject to Italian withholding taxes or deduction of taxes. The possible imposition of withholding taxes or deduction of taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to noteholders could have a material adverse effect on our financial condition and results of operations.

Changes in tax laws or regulations or in positions by the relevant Italian authority regarding the application, administration or interpretation of tax laws or regulations, particularly if applied retrospectively, could have negative effects on our current business model and have a material adverse effect on our operating results, business and financial condition.

Tax laws are complex and subject to subjective evaluations and interpretative decisions, and we will be periodically subject to tax audits aimed at assessing our compliance with direct and indirect taxes. The tax authorities may not agree with our interpretations of, or with the positions we have taken or intend to take on, tax laws applicable to our ordinary activities and extraordinary transactions. In case of objections by the tax authorities to our interpretations, we could face long tax proceedings that could result in the payment of penalties or sanctions and have a material adverse effect on our operating results, business and financial condition. We may also inadvertently or for reasons beyond our control fail to comply with certain tax laws or regulations in connection with a particular transaction. This may have a negative tax impact and may also result in the application of penalties or sanctions. We cannot therefore rule out that claims by the tax authorities may give rise to burdensome and long tax litigation and to the payment of significant amounts for taxes, penalties and interest for late payment. This might negatively affect our economic and financial condition.

The transferability of the Notes may be limited under applicable securities laws, which may adversely affect their liquidity and value.

The Notes and the Guarantee have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws or laws of any other jurisdiction, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes are not being offered for sale in the United States except to QIBs in accordance with Rule 144A, and we have not agreed to or otherwise undertaken to register the Notes with the SEC (including by way of an exchange offer). In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Notice to U.S. Investors*" and "*Transfer restrictions*."

You may be unable to enforce judgments obtained in U.S. courts against the Issuer.

None of the directors, officers and other executives of the Issuer and the Guarantor are residents or citizens of the United States. Furthermore, significantly all of the assets of the Issuer and the Guarantor are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Guarantor or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, each of the Issuer and the Guarantor has appointed, or will appoint, an agent for the service of process in New York. Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer, the Guarantor and the directors, officers and other executives who are not residents of the United States predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the U.S. federal or state securities laws. See "*Service of process and enforcement of foreign judgments*."

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global form and held through Euroclear and Clearstream. We refer to beneficial interests in such global notes as "**Book-Entry Interests**."

Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or Definitive Registered Notes, will be issued in exchange for Book-Entry Interests only in very limited circumstances. Owners of Book-Entry Interests will not be considered owners of the Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to The Bank of New York Mellon, London Branch, as Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, such payments will be credited to participants' accounts that hold Book-Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, none of the Issuer, the Guarantor, the Trustee, the Registrar, the Transfer Agent or the Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts by Euroclear and Clearstream or to owners of Book-Entry Interests. Accordingly, if you own a Book-Entry Interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike holders of the Notes themselves, owners of Book-Entry Interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book-Entry Interest, you will be reliant on the common depositary (as registered holder of the Notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis. Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all Book-Entry Interests, you will be restricted to acting through Euroclear and Clearstream and the procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry; delivery and form*."

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

The Notes are new securities for which there is currently no market. We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you may be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including the liquidity of the market for the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as third-party recommendations. Historically, the market for non-investment grade securities has from time to time been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes will depend on the number of holders of the Notes and may be adversely affected by a general decline in the market for similar securities. In addition, the trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. The Initial Purchasers have informed us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue such market-making at any time without notice. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained, and any disruption in the trading market for the Notes may have a negative effect on your investment regardless of our prospects and financial performance. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will be or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, failure to be approved for listing or the delisting of the Notes (whether or not for an alternative admission to listing on another stock exchange), as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

You may face currency exchange risks or adverse tax consequences by investing in the Notes denominated in currencies other than your reference currency.

The Notes will be denominated and payable in euro. If you are a pounds sterling, U.S. dollar or other non-euro investor, an investment in the Notes will entail currency exchange-related risks due to, among other factors, possible significant changes in the value of the euro to pounds sterling, U.S. dollar or other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the euro against pounds sterling, U.S. dollar or other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investments in the Notes by U.S. investors may also have important tax consequences as a result of foreign currency exchange gains or losses, if any. See "*Certain tax considerations—Certain U.S. federal income tax considerations.*"

Certain covenants will be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of Baa3 or better by Moody's or a rating of BBB- or better from Standard & Poor's or Fitch and no default or event of default has occurred and is continuing, then beginning that day the provisions of the Indenture described in "*Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*" will not apply to the Notes. Notwithstanding the foregoing, if the rating assigned by any such rating agency to such Notes should subsequently decline to below such ratings, the foregoing covenants will be reinstituted as of and from the date of such rating decline. If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

The market value of the Notes may be adversely affected if additional notes are considered to have OID and are not distinguishable from the Notes.

The Issuer may issue additional notes ("**Additional Notes**") as described under "*Description of Notes*." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases, may be treated as a separate series for U.S. federal income tax purposes. In such a case, the Additional Notes may be considered to have OID which may adversely affect the market value of the original Notes of such series. In such a case, the original Notes of such series may be treated as having OID even if they were issued without OID in the Offering. Consequently U.S. holders of the Notes of such series may be required to include OID in their gross income as ordinary income as it accrues in advance of the receipt of cash payments attributable to such income and may recognize a corresponding capital loss upon the sale, exchange, retirement, redemption or other taxable disposition of a Note (but the deductibility of such capital loss is subject to limitations).

USE OF PROCEEDS

We estimate that the net proceeds from the Offering will be €736.6 million. The gross proceeds from the Offering and certain available cash on balance sheet will be used to redeem all the outstanding Existing Notes and to pay related redemption premia, commissions and other fees and expenses related to the Transactions.

The following table summarizes our expected estimated sources and uses of funds in connection with the Transactions. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses and of redeeming the Existing Notes and the ultimate timing thereof.

Sources of funds	*€ in millions*	Uses of funds	*€ in millions*
Notes offered hereby	750.0	Redemption of Existing Notes(1)	720.0
Cash on balance sheet	11.7	Redemption premia and accrued interest(2)	28.3
		Transaction fees and expenses(3)	13.4
Total Sources	**761.7**	**Total Uses**	**761.7**

(1) Represents the outstanding aggregate principal amount of the Existing Notes. On the Issue Date, the Issuer will use a portion of the proceeds from the Notes offered hereby and available cash on balance sheet to (i) deposit with the trustee for holders of the Existing Senior Secured Notes an amount sufficient to redeem the Existing Senior Secured Notes in full (including redemption premia and accrued interest to, but excluding, the expected date of redemption) and (ii) entirely repay and discharge the Existing Intercompany Loan between the Parent, as lender, and the Issuer, as borrower. On the Issue Date, the Parent will use the proceeds from the repayment of the Existing Intercompany Loan to deposit with the trustee for holders of the Existing Senior Notes an amount sufficient to redeem the Existing Senior Notes in full (including redemption premia and accrued interest to, but excluding, the expected date of redemption). We may draw the Existing Revolving Credit Facility prior to the Issue Date to make an interest payment on the Existing Notes which falls due on April 1, 2018, in which case cash from operations is expected to be used to repay any such drawn amount on or around the Issue Date. We expect that the Existing Notes will be redeemed in full on or about the business day following the Issue Date, as notified to the holders of the Existing Notes pursuant to the conditional notices of redemption in respect of the Existing Notes dated March 19, 2018. See "*Capitalization*."

(2) Represents (i) redemption premia with respect to the redemption of the Existing Notes and (ii) accrued and unpaid interest on the Existing Notes to, but excluding March 31.

(3) Represents the estimated fees and expenses associated with the Transactions, including any underwriting fees or investor discount fees and commissions, financial advisory fees and other transaction costs and professional fees. See "*Plan of distribution*" for further details.

On or prior to the Issue Date, we expect that the Issuer and the Parent will enter into the Revolving Credit Facility Agreement with, *inter alios*, the original lenders named therein and the Security Agent, which will provide for the €90.0 million Revolving Credit Facility. See "*Description of certain financing arrangements—Revolving Credit Facility Agreement*." The Revolving Credit Facility is expected to be undrawn on the Issue Date. However, given the seasonality of our billing pattern, in the event that freely available cash on the balance sheet on or about the Issue Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Issue Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and early second quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Seasonal billing pattern*."

CAPITALIZATION

The following table sets forth the cash and cash equivalents and the consolidated capitalization of the Group as of December 31, 2017, on an actual basis and on an as adjusted basis to give effect to the Transactions. The table below should be read in conjunction with the sections of this Offering Memorandum entitled "*Use of proceeds*," "*Selected historical financial information*" and "*Management's discussion and analysis of financial condition and results of operations*," "*Description of certain financing arrangements*" and "*Description of Notes*" and with the Consolidated Financial Statements and the related notes therein.

	As of December 31, 2017	
	Actual	As adjusted
	(€ in million)	
Cash, cash equivalents and other financial assets(1)	**17.2**	**5.5**
Adjusted financial debt(2)		
Notes offered hereby(3)	—	750.0
Existing Notes(4)	720.0	—
Revolving Credit Facility(5)	—	—
Existing Revolving Credit Facility(6)	—	—
Other financial debt(7)	0.9	0.9
Total adjusted financial debt(2)	**720.9**	**750.9**
Total equity	**508.3**	**508.3**
Total adjusted capitalization(8)	**1,229.2**	**1,259.2**

(1) The as adjusted cash, cash equivalents and other financial assets figure reflects €17.2 million of cash and bank balances (€16.3 million) and other current financial assets (€0.4 million) and non-current financial assets (€0.5 million) as of December 31, 2017 less €11.7 million of available cash we expect to use in connection with the Transactions (see "*Use of proceeds*"). Such amounts do not reflect any working capital swing between December 31, 2017 and the Issue Date, cash flow generated from operating activities or the payment of the consideration for the acquisition of Software XP and its main VAR (MMData S.r.l.) that we made in February 2018 for an aggregate amount of €3.8 million.

(2) Does not include €101.4 million of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries as of December 31, 2017. See "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*." In addition, it does not reflect the amount of amortized financing fees, equal to €30.5 million as of December 31, 2017 and expected to be equal to €13.4 million following the Transactions.

(3) Reflects the aggregate principal amount of the Notes offered hereby excluding the effect of capitalized debt issue costs.

(4) Reflects the sum of the aggregate principal amount of the Issuer's Existing Senior Secured Notes (€570.0 million) and the Parent's Existing Senior Notes (€150.0 million). The €150.0 million Existing Intercompany Loan between the Parent, as lender, and the Issuer, as borrower, will be entirely repaid and discharged with a portion of the proceeds from the Offering and available cash on balance sheet. The Parent will use the proceeds from the repayment of the Existing Intercompany Loan to redeem the Existing Senior Notes.

(5) On or prior to the Issue Date, we expect that the Issuer will enter into the Revolving Credit Facility Agreement, which will provide for the €90.0 million Revolving Credit Facility. See "*Description of certain financing arrangements—Revolving Credit Facility Agreement*." We expect the Revolving Credit Facility to be undrawn as of the Issue Date. However, given the seasonality of our billing pattern, in the event that freely available cash on the balance sheet on or about the Issue Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Issue Date or shortly thereafter. For more information regarding our net working capital requirements, which normally reach their peak in the first and early second quarters of each financial year, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Seasonal billing pattern*."

(6) The Existing Revolving Credit Facility will be cancelled and discharged in full on the Issue Date.

(7) Reflects the outstanding aggregate principal amount of other minor financial debt.

(8) Total adjusted capitalization is defined as total adjusted financial debt plus total equity.

SELECTED HISTORICAL FINANCIAL INFORMATION

Summary consolidated statement of profit or loss data

	Year ended December 31, 2015 (predecessor)	Ten months ended December 31, 2016[1]	Year ended December 31, 2016[2] (*pro forma*)	Year ended December 31, 2017
		(€ in million)		
Revenue	251.4	227.2	287.5	314.1
Other operating income	2.5	2.2	2.6	1.9
Total revenue	**253.9**	**229.4**	**290.1**	**316.0**
Cost of raw and other materials	(23.7)	(22.6)	(27.8)	(29.6)
Cost of services	(62.9)	(64.4)	(65.2)	(76.8)
Personnel costs	(93.9)	(79.0)	(100.0)	(109.6)
Other operating costs	(6.7)	(5.5)	(6.4)	(7.3)
Depreciation and amortization of non-current assets	(39.1)	(54.2)	(68.3)	(72.5)
Allowance for bad debts	(5.1)	(3.6)	(5.3)	(3.9)
Other provisions for risks and charges	(0.2)	(0.5)	(0.5)	(7.0)
Impairment of non-current assets	—	—	—	(0.2)
Operating result	**22.3**	**(0.4)**	**16.6**	**9.1**
Gain (loss) on disposal of subsidiaries	(3.5)	—	—	—
Share of profit (loss) of associates	(0.1)	(0.1)	(0.1)	—
Finance income	1.2	0.1	0.3	7.6
Finance cost	(42.1)	(76.9)	(69.2)	(79.7)
Profit (Loss) before income taxes	**(22.2)**	**(77.3)**	**(52.3)**	**(62.9)**
Current income taxes	(10.7)	(13.7)	(18.7)	(6.0)
Deferred income taxes	14.7	15.4	16.1	12.1
Total income taxes	**4.0**	**1.8**	**(2.6)**	**6.1**
Profit (Loss) for the year	**(18.2)**	**(75.5)**	**(54.9)**	**(56.8)**
Loss (Profit) attributable to non-controlling interests	(0.2)	(0.3)	(0.4)	(0.3)
Profit (Loss) attributable to owners of the Company	**(18.4)**	**(75.8)**	**(55.3)**	**(57.1)**

(1) Our 2016 Restated Financial Information and the related income statement set forth above reflect the Group's results of operations for the ten months ended December 31, 2016, *i.e.* from March 1, 2016 (the date of completion of the H&F Acquisition) to December 31, 2016. For further information, see "*Presentation of financial and other information—Historical financial information,*" "*—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*" and "*Index to financial statements*."

(2) For further information on the 2016 Pro Forma Income Statement, see "*Presentation of financial and other information—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*" and "*Annex A—2016 Pro Forma Income Statement*."

Summary consolidated statement of financial position data

	As of December 31,		
	2015 (predecessor)	2016	2017
		(€ in million)	
Total non-current assets	672.3	1,500.2	1,468.1
Total current assets	127.1	141.9	163.7
Total assets	**799.4**	**1,642.1**	**1,631.8**
Total equity attributable to owners of the company	152.8	566.4	507.2
Total non-controlling interests	0.8	1.1	1.0
Total equity	**153.6**	**567.5**	**508.3**
Total non-current liabilities	541.1	929.8	1,020.5
Total current liabilities	104.7	144.8	103.0
Total liabilities	**645.8**	**1,074.6**	**1,123.6**
Total equity and liabilities	**799.4**	**1,642.1**	**1,631.8**

Summary consolidated cash flow statement data

	Year ended December 31, 2015 (predecessor)	Ten months ended December 31, 2016(1)	Year ended December 31, 2017
		(€ in million)	
Cash flow from operating activities	50.8	42.8	61.8
Cash flow from (used in) investing activities	(18.6)	(714.2)	(30.5)
Cash flow from (used in) financing activities	(33.5)	690.7	(34.4)
Total cash flow generated in the period	**(1.4)**	**19.3**	**(3.1)**
Cash and cash balances at the beginning of the period	**17.9**	**0.1**	**19.4**
Cash and cash balances at the end of the period	**16.5**	**19.4**	**16.3**

(1) Our 2016 Restated Financial Information and the related cash flow information set forth above reflect the Group's results of operations for the ten months ended December 31, 2016, *i.e.* from March 1, 2016 (the date of completion of the H&F Acquisition) to December 31, 2016. For further information, see "*Presentation of financial and other information—Historical financial information,*" "*—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*" and "*Index to financial statements*."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the years ended December 31, 2015, 2016 and 2017. The following discussion should be read together with, and is qualified in its entirety by reference to, the Consolidated Financial Statements and the related notes thereto and the 2016 Pro Forma Income Statement included elsewhere in this Offering Memorandum. The following discussion should also be read in conjunction with the sections entitled "Presentation of financial and other information," "Summary historical financial information and other data" and "Selected historical financial information." Except for the historical information contained herein, the discussions in this section contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly in "Risk factors" and "Forward-looking statements."

Some of the measures used in this Offering Memorandum are not measurements of financial performance under IFRS and should not be considered an alternative to cash flow from operating activities as a measure of liquidity or an alternative to gross operating margin for the period as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

Overview

We are the leading provider of mission critical business management software for SME, microbusiness and professional customers in Italy. Our mission is to improve the competitiveness of our customers, supporting them with the digitalization of their business processes through our product offering. Our products include software solutions for the core business processes of accountants and labor consultants (such as the provision of tax and accounting advice and payroll services) and a suite of financial management, enterprise asset management, human capital management and supply chain management software solutions for SMEs and microbusinesses. We provide assistance and maintenance support services for our products and we assist our customers with software implementation and integration.

Across industries, our customers are seeking to take advantage of a paradigm shift in technology that enables them to employ digitalization solutions for business processes that, until recently, have not been automated or digitalized. Customers who utilize our cloud-based software products may digitally execute a variety of tasks, such as invoicing and document signing, which allows them to reduce their overall expenses and increase their business efficiency. In addition, our cloud-based software products have enabled us to target microbusiness customers who have historically not utilized higher-functionality and more integrated on premise business management software. We believe we are the leading provider of cloud products in Italy.

For the year ended December 31, 2017, we generated total revenue and Pro Forma Adjusted EBITDA of €316.0 million and €133.1 million, respectively. In the same period, approximately 70.8% of our total revenue was generated from recurring sources. As of December 31, 2015, we had a 25.7% market share in the SME and microbusiness customer segment (which is more than three times the market share of our next largest competitor) and a 40.5% market share in the professional customer segment (which is more than two times the market share of our next largest competitor), in each case based on number of seats.

We offer the majority of our products and services through two primary business segments: (a) Software Solutions and (b) Cloud Software Solutions. Our Software Solutions business segment is composed of our ERP and Business Management Software Solutions business line and our Vertical Solutions business line. Our Software Solutions and Cloud Software Solutions business segments represented 87.4% and 10.8% of our total revenue for the year ended December 31, 2017, respectively. From 2015 to 2017, our total revenue grew at a CAGR of 11.6%, with our Software Solutions and our Cloud Software Solutions business segments contributing to this growth with a revenue CAGR of 8.0% and 88.5%, respectively, in the same period. Revenue from our Software Solutions business segment is derived from the sale of our ERP and Business Management Software Solutions products and services (representing 64.7% of our total revenue for the year ended December 31, 2017, including intra-segment revenue) and of our Vertical Solutions products and services (representing 25.5% of our total revenue for the year ended December 31, 2017, including intra-segment revenue). Our Vertical Solutions products are designed to address the needs of specific industries, such as the mechanical and manufacturing, construction, CAF/public sector, legal, wellness and professional education industries. Our Cloud Software Solutions business segment mainly consists of our systems management software solutions delivered as software-as-a-service ("**SaaS**"), along with other cloud software digitalization services, such as electronic invoicing, electronic signature and authentication services provided through a cloud-based platform.

We market and sell all of our products and services through our direct and indirect channels ("**Direct Channel**" and "**Indirect Channel**," respectively) and our online channel ("**Online Channel**"). Our Direct Channel includes a sales force of approximately 100 in-house sales agents, distributed throughout our four regions and twelve territories spread across Italy, and an additional 50 sales agents, whereas our Indirect Channel is composed of more than 650 value added resellers ("**VARs**") which are located and service customers across virtually the entire Italian territory. Our Online Channel is represented by our TeamSystem online store, where customers can subscribe for a majority of our Cloud Software Solutions products and services.

Our three key end-customer groups are SMEs, microbusinesses and professionals, in addition to our VARs, which resell our products via our Indirect Channel to these three end-customer groups. Our end-customer base, which includes both Direct Channel and Indirect Channel end-customers, excluding VARs, increased from approximately 88,000 as of December 31, 2009 to approximately 247,000 as of December 31, 2017. Of this total figure, approximately 83,000 are SMEs, approximately 86,000 are microbusinesses and approximately 79,000 are professionals. Our large and diverse end-customer base is highly fragmented and spread across a variety of industries, including the accountant and labor advisors, manufacturing and industrial, construction and housing, legal and other professional services sectors. For the year ended December 31, 2017, the ten largest customers in the Direct Channel of our ERP and Business Management Software Solutions business line and our ten largest VARs represented 2.1% and 4.0% of our total revenue, respectively. Over the past three years, we have experienced a high and stable Customer Retention Rate for SMEs and professionals of approximately 95.4% and 94.3%, respectively, per year on average. Over this period, we estimate that approximately one half of churning customers related to voluntary customer churn, such as customers switching to a competitor, with the remainder as a result of exogenous effects, such as a customer merging, choosing to outsource this function or going out of business. Most of our products are deeply integrated into our end-customers' IT systems and business processes and their replacement is normally a complicated, time-consuming and expensive process, requiring extensive training for users.

For the year ended December 31, 2017, we generated approximately 70.8% of our total revenue from recurring sources, which are primarily related to annual software maintenance and subscription contracts, annual fees from our multi-year contracts with VARs and fees from temporary annual licenses (*licenze temporanee annuali*) that we sell to our customers whenever the Italian government introduces a new regulatory obligation (e.g. a new tax digital reporting obligation or tax payment) that requires a dedicated feature to be added to our software products (we refer to such temporary annual licenses as "**Regulatory LTAs**"). We believe that our technology leadership, the mission-critical nature of our products and the significant switching costs associated with changing software providers have contributed, and will continue to contribute going forward, to our high renewal rates for the contracts with our customers.

In order to provide our customers with fully integrated and digitalized software solutions, we began investing in cloud-based and SaaS products in 2014 and were among the first to do so. Over time, we have developed a significant competitive advantage in the Italian ERP and business management software market and we believe we lead our national competitors in terms of quality, breadth of cloud offering and market penetration. We have developed a comprehensive set of cloud-based software products, including cloud-based versions of our most successful on premise software products such as Alyante and Lynfa, as well as new products such as Reviso and Fatture in Cloud. We believe that these two new cloud-native software products have allowed us to penetrate the large, untapped market of microbusiness customers in Italy who have not historically utilized on premise software solutions mainly due to their relative complexity. In addition, due to our technologically advanced and fully developed digital platform Agyo, we believe we are better positioned than our competitors to exploit the growing demand for digitalization solutions in the Italian ERP and business management software market. We expect that future demand for digitalization solutions will also be positively affected by certain regulatory changes and incentives introduced by the Italian government, such as "*Impresa 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and microbusinesses, "*Industry 4.0*", which provides for, among other things, certain tax benefits to support enterprises that invest in new technologies, and the Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy to provide electronic invoices to other businesses with whom they conduct transactions.

Presentation of financial information

This "*Management's discussion and analysis of financial condition and results of operations*" discusses the consolidated financial condition and results of operations for the years ended December 31, 2015, 2016 and 2017 of the Parent (or its predecessor), the Group's holding company and the Issuer's only direct shareholder. For a description of the factors affecting the comparability of our results across the periods under review, see "*Presentation of financial and other information*" and "*—Factors affecting the comparability of our results of operations*."

Business segment reporting

Our current business segment reporting under IFRS 8 is based on three segments:

Software Solutions. Our Software Solutions business segment aggregates the financial results of our ERP and Business Management Software Solutions business line with the financial results of our Vertical Solutions business line.

Cloud Software Solutions. We offer our cloud-based software products through our Cloud Software Solutions business segment.

Hardware. The financial results of our Hardware segment include revenue from the resale of hardware components and accessories.

This business segment structure, which we adopted in our 2017 Financial Statements, is the result of an in-depth review of our reporting structure following the H&F Acquisition in 2016. Previously, our business segments were (i) Software and Services (consisting of all the Group companies operating in the software production and marketing market), (ii) Education (consisting of the Group companies operating in the professional education sector) and (iii) CAD/CAM (consisting of the Nuovamacut Group companies). Our 2015 Financial Statements and 2016 Financial Statements reflect our old business segments whereas our 2017 Financial Statements reflect the current business segment structure but also include information on the basis of our old business segments to facilitate comparison with our 2016 Financial Statements. However, in this Offering Memorandum, to facilitate comparability of our business segments' results across the periods under review, we have presented certain financial information on our current business segments for the years ended December 31, 2015 and 2016, including total revenue for each of our current business segments. Such financial information is presented for information purposes only, has been derived from our management accounts and is unaudited.

See "*Business—Our business segments, products and services*" and note 2 to our 2017 Financial Statements for further information on our business segments.

Key factors affecting our results of operations

Recurring contracted revenues and high Customer Retention Rate

For the years ended December 31, 2015, 2016 and 2017, we generated approximately 69.0%, 70.0% and 70.8% of our total revenue, respectively, from sources that we consider to be recurring. We deem revenues to be recurring if we expect to generate such revenues in one or more of the following years, either based on specific contractual arrangements or in our experience. We attribute recurring nature to a significant part of our revenues primarily due to our business model and customer loyalty.

Our recurring revenues are primarily derived from periodic payments we receive in connection with annual software assistance and maintenance contracts, subscription contracts and annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees, as well as from the sale of Regulatory LTAs (as defined below). Whenever a new regulatory requirement has an impact on our software (e.g. a new tax filing obligation or payment), our Direct Channel end-customers and VARs may purchase from us a dedicated temporary annual license (*licenza temporanea annuale*) ("**Regulatory LTA**") for the software enhancement that enables end-customers to comply with the new rule through a new software feature. Regulatory LTA fees are of a recurring nature as they are paid to us on an annual basis, on top of the Direct Channel end-customer's base contract flat fee or the VARs' annual Forfait Fees, as applicable.

As a consequence of the significant expansion of our Cloud Software Solutions business segment in the periods under review, our fee structure has increasingly shifted from a license and maintenance model to a subscription model. In the subscription model, revenues are almost entirely of a recurring nature as they mainly consist of fees from subscriptions, which are renewed annually and generate periodic payments from our customers. Furthermore, the two price increases that we made in January 2017 and January 2018 as part of our continuous efforts to improve our product offering resulted in the increase of the contribution of recurring revenue as a percentage of our total revenue, as both price increases affected recurring fee sources (*i.e.* maintenance and subscriptions). For the year ended December 31, 2017, we estimate that the price increase that we implemented in January of such year resulted in additional revenue of approximately €3.1 million.

We believe that customer loyalty also significantly contributes to the recurring nature of our revenues, adding stability to our revenue flow. The following table sets forth the Customer Retention Rate of our enterprise and professional customers in the Direct Channel of our ERP and Business Management Software Solutions business line:

	Year ended December 31		
	2015	2016	2017
Enterprises	94.0%	95.6%	96.5%
Professionals	94.5%	94.1%	94.3%

In our Direct Channel, we estimate that only approximately one half of churning customers related to voluntary customer churn, such as customers switching to a competitor, with the remainder as a result of exogenous effects, such as a customer merging, choosing to outsource this function or going out of business. We believe that the loyalty of our customers is due to both their satisfaction with our products and the relatively high costs required to switch software providers. In particular, most of our products are deeply integrated into our end-customers' IT systems and their replacement is normally a complicated, time-consuming and expensive process.

In our Indirect Channel, retention rates for our VARs are typically even higher than the retention rates for our other customers primarily due to the multi-year length of our VAR distribution agreements (typically three year) and higher switching costs. In particular, our contracts with VARs normally prevent them from selling competitors' products, which means that churning VARs would need to migrate all their end-customers to a new software provider, which would likely be complex, costly and time consuming. In addition, attracting new customers may be difficult for churning VARs as they generally have a limited knowledge base lack credibility in the market in relation to our competitors' products. Accordingly, a churning VAR incurs a high level of risk for its business. As a result, we rarely lose a VAR to a competitor and VAR churn is primarily driven by the consolidation of VARs or by VARs going out of business or becoming insolvent. Moreover, in cases of churning VARs, we have historically maintained a significant percentage of our end-users.

Growth of our Cloud Software Solutions business segment

For the periods under review, our results were impacted by the significant expansion of our Cloud Software Solutions business segment. Total revenue from our Cloud Software Solutions business segment increased from €9.6 million for the year ended December 31, 2015 to €34.0 million for the year ended December 31, 2017, representing a CAGR of 88.5%. The contribution of our Cloud Software Solutions business segment to our total revenue increased from 3.8% for the year ended December 31, 2015 to 10.8% for the year ended December 31, 2017. From December 31, 2015 to December 31, 2017, the number of our Cloud Software Solutions customers increased from approximately 67,000 to approximately 151,000, a vast majority of whom are microbusinesses, a customer category which we were not focused on before launching our current cloud product offering starting from 2014. One of the effects of the increased contribution of our cloud business to our overall business is the gradual shift of our fee structure from a license and maintenance model to a subscription model, where revenues are almost entirely of a recurring nature (see "*—Recurring contracted revenues and high Customer Retention Rate*" above).

We have taken a dual-track approach to cloud solutions whereby we aim to both (i) maintain our traditional on premise customer base and assist such customers with the transition to cloud technology, if and when they request it, with an evolutionary approach aimed at minimizing transition risks and (ii) develop a range of innovative cloud products and applications to target a large, untapped market of microbusiness customers in Italy. For example, we not only offer cloud versions of our most successful on premise software, but we also offer new cloud-native products, such as Fatture in Cloud, Reviso and Agyo, in order to capture new opportunities not covered by our on premise software solutions. As a result, we believe the growth in our Cloud Software Solutions business segment's revenues is sustainable as we continue to offer new products and to assist our current customers with switching to cloud-based subscription services without compromising the revenues from our Software Solutions business segment. We believe that, as a result of our dual-track approach, our cloud solutions present very limited risk of cannibalizing revenues from our Software Solutions business segment while enabling us to better serve existing clients and expand our customer base.

Simplification of our organizational structure and cost saving initiatives

In the periods under review, we implemented several initiatives aimed at achieving organizational synergies and cost savings and improve the way we run our business and interact with customers.

As part of these initiatives, we have reorganized the governance structure of our Direct and Indirect Channels in order to enhance coordination and create synergies between the two channels, including the re-organization of our direct salesforce into four regions. In 2017, we also made significant changes to our geographical footprint, reducing the number of the Issuer's offices from 42 to 17, relocating part of our workforce and reducing redundant workforce. We also merged a number of wholly owned subsidiaries into TeamSystem S.p.A., simplifying our organization and reducing administrative costs. Moreover, in 2017 we initiated a process of reorganization of certain other internal functions, including our customer service, research and development, marketing, human resource and other staff functions. As part of such reorganization efforts, we have for example created a unified marketing department for the entire Group and have centralized other support functions, including administration. In addition, some members of our customer service team have been relocated to a joint venture which provides part of our customer support services to help us more efficiently manage increased assistance requests from our customers during peak times, and in December 2017 we outsourced our hardware resale operations.

In 2017, as part of these reorganizations, we implemented a personnel rationalization initiative involving 134 employees which we do not intend to replace. Such initiative resulted in approximately €3.0 million of cost savings in 2017, whereas the total costs we incurred in such year to implement the initiative were equal to €2.6 million.

Acquisitions

Our operating results and their comparability for the periods under review are impacted by the effects of bolt-on acquisitions made by the Group. We estimate the financial impact of any potential acquisition with regard to revenues, Adjusted EBITDA, Adjusted EBITDA margins, cash flow, cost and revenue synergies and return on investment targets before we proceed with the acquisition. Between 2015 and 2017, we acquired majority stakes in or the entire capital stock of 17 companies (excluding the transactions where we only increased our stake in previously acquired companies), one of which outside of Italy, primarily operating in the cloud business. In particular, we made three acquisitions in 2015, nine acquisitions in 2016 and five acquisitions in 2017.

Our historical acquisition strategy successfully enabled us to expand our business in terms of both number of customers, market segments and geographic coverage while also completing our product offering (*e.g.* through the acquisition of Fatture in Cloud and Reviso), growing our Cloud Software Solutions business segment and expanding into attractive adjacent markets, such as the electronic signature market through the acquisition of AliasLab. Historically, we have funded our acquisitions primarily with cash from operations, as well as third party and shareholder debt.

We believe that the acquisitions we made in the periods under review have generated synergies for our business and have contributed to our organic growth. Such acquisitions have given us, for example, the ability to cross-sell the products we acquired to our existing customer base (*e.g.* AliasLab) and, especially in the case of Fatture in Cloud and Reviso, to sell new products to a new customer base (microbusinesses), which has grown significantly in the past three years.

For a description of the most significant acquisitions we carried out in the period 2015-2017, see "*—Factors affecting the comparability of our results of operations—Bolt-on acquisitions made by the Group*" and for a description of our liabilities in connection with the put and call option and earn out arrangements under the acquisition agreements with our strategic partners relating to our majority-owned subsidiaries, see "—*Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*."

Changes in regulations

The revenue from the sale of certain of our products and services is in part affected by the introduction of new rules and regulations.

For example, whenever the Italian government introduces a new regulatory obligation (*e.g.* a new tax digital reporting obligation or tax payment) that requires a dedicated feature to be added to our software products, we create such additional software feature and sell it through Regulatory LTAs, aimed at upgrading the relevant software to facilitate compliance with the new regulatory requirements. Customer payments relating to Regulatory LTAs form part of our recurring revenue, as we require customers to pay an annual amount to maintain the related software feature. In the periods under review, newly introduced Regulatory LTAs included: (i) the "*certificazione unica*" (*i.e.* a fiscal document attesting the income generated by a person in a given tax period that must be filed electronically with the tax authority each year) in 2015 and (ii) the "*agenzia telematica*" (regarding the requirement to file certain other tax documents with the Italian tax authority electronically) in 2017. The "*certificazione unica*" and the "*agenzia telematica*" Regulatory LTAs generated, each in its respective year of release, approximately €2.3 million and €5.1 million of revenue.

In addition, as part of the Italian government digitalization program, starting from March 2015, all invoices to the Italian central and local public administration organizations must be submitted electronically. As a consequence of this innovative requirement, the number of electronic invoices processed by such organizations increased by approximately 28 million from approximately two million in 2014 to approximately 30 million in 2016. We believe that part of the growth of our Cloud Software Solutions business segment for the periods under review, and in particular the increase in sales of our electronic invoicing software products (*e.g.*, Fatture in Cloud) and our digital platform, Agyo, were driven by this new regulatory requirement.

Italian economy

We generate substantially all of our revenues from the sales of products and services to customers in Italy. Our results of operations may be affected by general economic conditions in Italy, including their impact on our customers. A downturn in the Italian economy can affect IT spending generally, demand and pricing for our products and services, the creditworthiness of our customers and other counterparties (such as VARs), the ability of other software companies to compete effectively, and the availability and cost of debt financing.

From 2011 to 2017 our organic total revenue (measured as our total revenue for any given year less the revenue of the companies we acquired in such year that resulted in a change of our consolidation perimeter) grew at an average annual rate of 5.0%, outperforming the Italian GDP growth for the same period by 5.3% per year on average. From 2011 to 2014, when the effects of the financial crisis that adversely affected global financial markets and economies from 2008 were particularly strong and Italy's GDP decreased at a CAGR of 1.5%, our organic total revenue grew at a CAGR of approximately 3.3%, demonstrating the resilience of our business. From 2015 to 2017, Italy's GDP showed signs of recovery with a positive CAGR of 1.2%. Over such period, our total revenue outperformed the Italian GDP, growing at a CAGR of 11.6%. In addition, our organic total revenue grew at an average annual rate of 6.8% and our Adjusted EBITDA grew at a CAGR of 20.4% from 2015 to 2017, still outperforming the Italian GDP growth. In addition, our Adjusted EBITDA margin increased from 30.7% in 2015 to 34.1% in 2016 and 35.8% in 2017.

Over the periods under review, demand for our ERP and Business Management Software Solutions and Cloud Software Solutions products and services increased, which we believe indicates that our software products are mission-critical to the nature of our customers' businesses. In addition, the results of our Cloud Software Solutions business segment were positively impacted by the expansion of the Italian cloud software market, which grew (in terms of revenue generated) from approximately €223 million in 2013 to approximately €587 million in 2016. Demand for our Vertical Solutions products also increased, in part reflecting the modest recovery of the Italian manufacturing market following the financial crisis. For these reasons and also due to our efforts to increase the efficiency of our receivable collection processes, bad debt provisions across our business lines decreased as a percentage of revenue from 2.0% as of December 31, 2015 to 1.2% as of December 31, 2017.

Seasonal billing pattern

Our working capital needs vary, sometimes substantially, due to our seasonal billing patterns. In particular, our Direct Channel customers are typically invoiced in January and most of the related trade receivables are collected in the second quarter, mainly in April and May. Given we are required to pay the VAT charges on such invoices before collecting the related receivables, our working capital needs are particularly high in the first quarter, reaching their peak at the beginning of the second quarter (before we start collecting receivables from our Direct Channel), to then gradually decrease through the end of the year. Contracts with VARs in our Indirect Channel generate more frequent cash inflows, as they are primarily invoiced on a quarterly basis and the related receivables are collected in approximately three months. Our Cloud Software Solutions business segment customers are charged an annual subscription fee, which is accounted for on a monthly basis and which customers may pay annually or monthly. See "*—Working capital.*" For the periods under review, the average days sales outstanding in connection with our trade receivables remained substantially unchanged, whereas our days payables outstanding slightly increased following the renegotiation of general payment terms with our suppliers.

Factors affecting the comparability of our results of operations

The H&F Acquisition

In March 2016, H&F acquired control of the Group from HgCapital, which, as of the date of this Offering Memorandum, continues to hold a non-controlling stake (see "*Principal shareholders*"). More specifically, on March 1, 2016, 100% of the share capital of TeamSystem Holding S.p.A. was acquired by Barolo BidCo S.p.A., an indirect subsidiary of funds advised by H&F, HgCapital and TeamSystem management. In connection with the acquisition (i) Barolo MidCo S.p.A. (the direct parent company of Barolo BidCo S.p.A.) issued €150 million aggregate principal amount of floating rate senior notes due 2023 (the "**Existing Senior Notes**") to fund part of the consideration for the acquisition and (ii) Barolo BidCo S.p.A. issued €450 million aggregate principal amount of senior secured floating rate notes due 2022 (the "**Existing Senior Secured Notes**" and, together with the Existing Senior Notes, the "**Existing Notes**"). Proceeds from the offering of the Existing Senior Secured Notes were used to, among other things, repay certain indebtedness of the Group. Subsequent to the acquisition, on October 6, 2016, reverse mergers took place among the Issuer (the surviving company), the former TeamSystem Holding S.p.A. and Barolo Bidco S.p.A. For accounting purposes, the effective date of the reverse mergers was backdated to March 1, 2016 (the date on which Barolo Bidco S.p.A. effectively acquired ownership of the Group). Following the acquisition, Barolo Midco S.p.A., the new parent and holding company of the Group and only direct shareholder of the Issuer, was renamed TeamSystem Holding S.p.A.

As a consequence of the H&F Acquisition and in accordance with IFRS, the income statement line items of our 2016 Financial Statements only reflect our results of operations from March 1, 2016 (the date of completion of the H&F Acquisition) to December 31, 2016. To facilitate the comparability of our results across the periods under review, the 2016 income statement tables in this Offering Memorandum include *pro forma* line items that reflect the results of operations for the entire 2016 financial year, as if the acquisition of the Group by H&F had occurred on January 1, 2016, as derived from our 2016 Pro Forma Income Statement. The period-to-period comparison discussions set forth under "*—Results of operations*" reflect this approach and are based on the 2016 Pro Forma Income Statement. The 2016 Pro Forma Income Statement has not been audited nor reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. See "*Risk factors—Risks related to our business—Certain financial information included in this Offering Memorandum regarding our 2016 financial year and our business segments for 2015 and 2016 has not been audited and needs to be carefully considered. In addition, our results of operations over the periods under review may not be entirely comparable.*" For a description of the assumptions underlying the 2016 Pro Forma Income Statement, see "*Presentation of financial and other information—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum*" and "*Annex A—2016 Pro Forma Income Statement*."

The H&F Acquisition has also resulted in an increase of our indebtedness and related interest expense, primarily as a consequence of the issuance of the Existing Notes to finance part of the acquisition and repay previously existing debt of the Group. In particular, as a direct and immediate consequence of the H&F Acquisition, our financial liabilities increased by approximately €170 million and our interest expense also increased accordingly.

Moreover, as the scope of the Group's consolidation at the Group's holding level changed in 2016 in connection with the H&F Acquisition, the 2015 Financial Statements and the financial information derived therefrom reflect the consolidated financial information of the previous holding company of the Group, TeamSystem Holding S.p.A., which was extinguished and merged into TeamSystem S.p.A. (the Issuer) with an effective date of March 1, 2016. Furthermore, the 2015 Financial Statements do not reflect the impact of the purchase price adjustments recorded in connection with the H&F Acquisition, further affecting the comparability of such financial statements to the 2016 and 2017 Financial Statements.

Bolt-on acquisitions made by the Group

The most significant bolt-on acquisitions we carried out in the period 2015-2017 are described below.

Madbit Entertainment (Fatture in Cloud). In July 2015, we acquired a 51% stake in Madbit Entertainment S.r.l., the owner of Fatture in Cloud, for a total consideration of €1.4 million. The remaining 49% stake is subject to a put and call option agreement with the non-controlling shareholder (see "*—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*"). Fatture in Cloud, an electronic invoicing software for microbusinesses and professionals that uses a cloud-based platform, represents a strategic pillar of our cloud operations and provides relevant cross-selling opportunities within our customer base. Microbusinesses are our main Fatture in Cloud users. Between our acquisition of Fatture in Cloud in 2015 and December 31, 2017, the Fatture in Cloud customers base (both paying and non-paying customers) has nearly tripled in size. We believe there is room for significant further growth as microbusinesses make up the bulk of the Italian economy and we estimate that the microbusiness segment is significantly underpenetrated, with an estimated 15% penetration rate for management software solutions in 2015.

Reviso. In May 2016, we completed the acquisition of a 100% stake in ECI Denmark ApS (which subsequently changed its name to Reviso International ApS) for a total consideration of €6.4 million. Such acquisition represents our first entry into the broader EU market. ECI Denmark ApS has developed cloud/SaaS-native management software for accounting and invoicing targeted mainly at SMEs. This acquisition has allowed us to launch our Reviso ERP software dedicated to SMEs in the Italian market, further strengthening our cloud product offering.

AliasLab. In December 2016, we acquired a 51% stake in AliasLab S.p.A., for a total consideration of €25.7 million. The remaining 49% stake is subject to a put and call option agreement with the non-controlling shareholder (see "*—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*"). AliasLab S.p.A. and its subsidiaries specialize in electronic signature and authentication services, with advantageous market positioning in Italy. The transaction has enabled us to offer value-added complementary products to our cloud product users. AliasLab contributed €13.8 million in revenue and €9.9 million in Adjusted EBITDA for the year ended December 31, 2017.

Due to the changes in our scope of consolidation as a consequence of the acquisitions we made in the periods under review, our results of operations over the periods under review may not be entirely comparable.

Moreover, prospective investors should note that the 2016 Pro Forma Income Statement (on the basis of which the period-to-period comparison discussion set forth under "*—Results of operations*" is presented) adjusts for, among other things, the acquisitions made by the Group in the year ended December 31, 2016, as if such acquisitions had occurred on January 1, 2016. Accordingly, prospective investors should exercise caution when comparing our results for the year ended December 31, 2016 to our results for the years ended December 31, 2015 and 2017, which have not been adjusted for acquisitions made by the Group in those years. For further information, see "*Presentation of financial and other information—The impact of the H&F Acquisition on the financial information presented in this Offering Memorandum; 2016 Pro Forma Income Statement*" and "*Annex A—2016 Pro Forma Income Statement*."

Principal profit and loss account items

Revenue

We recognize revenue net of returns and rebates directly. Revenue recognition methods depend on account of the different nature of sales (software licenses, assistance and maintenance, services, cloud solutions and others). Revenue is generated and recognized according to business line as follows:

Software Solutions

ERP and Business Management Software Solutions—Direct Channel

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

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

Services and Other: Revenue related to training, implementation and software customization, either covered by the main agreement or by subsequent agreements, is recognized based on the stage of completion of the services at the reporting date. Revenue related to ERP implementation services that are ongoing at the reporting date is recognized based on the percentage of completion of the services at such reporting date.

ERP and Business Management Software Solutions—Indirect Channel

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

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

Vertical Solutions

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

Cloud Software Solutions

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

Hardware

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

Costs

Our costs consist mainly of cost of raw and other materials, cost of services, personnel costs, depreciation and amortization of non-current assets, allowance for bad debts and provisions for risks and charges.

Cost of raw and other materials mainly relates to the cost of sales of hardware, third party software, fuel and manuals and materials for education.

Cost of services consist primarily of agent commissions and other costs, advertising and marketing expenses, software and hardware maintenance costs, car rentals, fees associated with copyrights for our education materials, fees paid to consultants for professional services, sales training expenses, corporate expenses and overhead expenses.

Personnel costs represent our largest operating expense and consist primarily of salaries and wages, social security costs, allowance for staff severance indemnity, fees paid to personnel employed on a flexible contract basis, directors' fees and other labor expenses.

Depreciation expense of non-current assets primarily relates to depreciation of property, plant and equipment. Amortization expense of non-current assets primarily relates to the cost of software, trademarks, patents and licenses, the amortization of customer relationships and of capitalized development expenses. In particular, development costs in relation to a particular project are capitalized only when our directors can demonstrate the technical feasibility of completing the project so that it will be available for use or sale, the intention to complete the project and use or sell it, how the project is expected to generate future economic benefits and the availability and amount of resources required to complete the project.

Allowance for bad debts is determined by us on the basis of historical trends of overdue receivables and percentages of unpaid receivables as well as specific analysis of overdue receivables with respect to certain customers.

Provision for risks and charges relates to accrual for probable liabilities, the specific amounts of which have not been determined at the reporting date but may nonetheless be reliably estimated.

Operating result

Operating result consists of profit (loss) for the year, before gains (loss) on disposal of subsidiaries, share of profit (loss) of associates, finance income, finance cost and income taxes.

Finance income

Finance income consists of interest income on banks balances and other loans and variance in the fair value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries (defined as "Vendor Loan" in our Consolidated Financial Statements). In particular, any depreciation of the fair value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries generates finance income in the relevant period.

Finance cost

Finance cost primarily consists of costs of interest on debt financial instruments and on bank overdrafts and loans, interest on loans from shareholders, financing fees and variance in the fair value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries. In particular, any appreciation of the fair value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries generates a finance cost in the relevant period.

Income taxes

Income taxes are comprised of the Italian corporate income tax and certain changes in deferred tax assets and liabilities.

Adjusted EBITDA

"Adjusted EBITDA" refers to Profit (Loss) for the year excluding the effect of (i) income taxes, (ii) gain (loss) on disposal of subsidiaries, share of profit (loss) of associates, finance income and finance cost, (iii) impairment of non-current assets, (iv) other provisions for risks and charges, (v) depreciation and amortization of non-current assets, (vi) allowance for bad debts and (vii) certain items that we consider not to be core to our ongoing business (for further details, see "*Summary historical financial information and other data—Other financial and pro forma data*").

Results of operations

Year ended December 31, 2017 compared to year ended December 31, 2016

The table below sets out our consolidated results of operations for the year ended December 31, 2017 compared to the year ended December 31, 2016.

	Year ended December 31		
	2016 (*pro forma*)	2017	Percentage change
	(€ in millions, except percentages)		
Revenue	287.5	314.1	9.3%
Other operating income	2.6	1.9	(26.9%)
Total revenue	**290.1**	**316.0**	**8.9%**
Cost of raw and other materials	(27.8)	(29.6)	6.5%
Cost of service	(65.2)	(76.8)	17.8%
Personnel costs	(100.0)	(109.6)	9.6%
Other operating costs	(6.4)	(7.3)	14.1%
Depreciation and amortization of non-current assets	(68.3)	(72.5)	6.1%
Allowance for bad debts	(5.3)	(3.9)	(26.4%)
Other provisions for risks and charges	(0.5)	(7.0)	—
Impairment of non-current assets	—	(0.2)	—
Operating result	**16.6**	**9.1**	**(45.2%)**
Gain (loss) on disposal of subsidiaries	—	—	—
Share of profit (loss) of associates	(0.1)	—	—
Finance income	0.3	7.6	—
Finance cost	(69.2)	(79.7)	15.2%
Profit (Loss) before income taxes	**(52.3)**	**(62.9)**	**20.3%**
Current income taxes	(18.7)	(6.0)	(67.9%)
Deferred income taxes	16.1	12.1	(24.8%)
Total income taxes	**(2.6)**	**6.1**	**—**
Profit (Loss) for the year	**(54.9)**	**(56.8)**	**3.5%**
Loss (Profit) attributable to non-controlling interests	(0.4)	(0.3)	(25.0%)
Profit (Loss) attributable to owners of the Company	**(55.3)**	**(57.1)**	**3.3%**
Adjusted EBITDA	**98.8**	**113.0**	**14.4%**

Total revenue

Total revenue increased by €25.9 million, or 8.9%, from €290.1 million for the year ended December 31, 2016 to €316.0 million for the year ended December 31, 2017, in line with the organic growth of our Software Solutions and Cloud Software Solutions business segments. This growth is result of the expansion of our customer base, which resulted in increased sales of licenses and subscriptions, the introduction of a Regulatory LTA related to the "*agenzia telematica*" (regarding the newly introduced requirement to file certain other tax documents with the Italian tax authority electronically) and, to a lesser extent, the effect of the price increase we engaged in at the beginning of the 2017 financial year for our professional and enterprise customers. The acquisitions made by the Group in the year ended December 31, 2017 contributed €3.5 million to the overall revenue increase and were almost entirely related to the Direct Channel in our ERP and Business Management Software Solutions business line. Prospective investors should consider that the results for 2016 presented herein have been adjusted to reflect the effect of the acquisitions we made in 2016 as if all such acquisitions had occurred on January 1, 2016 (see "*Factors affecting the comparability of our results of operations—Bolt-on acquisitions made by the Group*").

Our total revenue per segment for the years ended December 31, 2016 and 2017 was as follows:

	Year ended December 31		
	2016 (*pro forma*)	2017	Percentage change
	(€ in millions, except percentages)		
Software Solutions	**257.3**	**276.3**	**7.4%**
—ERP and Business Management Software Solutions	188.4	204.3	8.4%
Direct Channel	*102.6*	*112.9*	*10.0%*
—Assistance and Maintenance	*60.3*	*63.0*	*4.5%*
—Licenses	*20.7*	*24.6*	*18.7%*
—Services and Other	*21.6*	*25.3*	*17.2%*
Indirect Channel	*85.9*	*91.4*	*6.4%*
—Assistance and Maintenance and Licenses	*82.4*	*88.4*	*7.3%*
—Services and Other	*3.4*	*3.0*	*(13.1%)*
—Vertical Solutions	74.6	80.5	7.9%
—Assistance and Maintenance	*24.9*	*26.1*	*5.1%*
—Licenses	*17.7*	*18.4*	*4.1%*
—Services and Other	*32.1*	*35.9*	*12.0%*
Software Solutions Reconciliation(1)	(5.7)	(8.5)	47.6%
Cloud Software Solutions	**26.7**	**34.0**	**27.4%**
Hardware	**6.1**	**5.7**	**(7.6)%**
Total	**290.1**	**316.0**	**8.9%**

(1) Represents intercompany revenue elimination within the Software Solutions business segment.

Software Solutions revenue increased by €19.0 million, or 7.4%, from €257.3 million for the year ended December 31, 2016 to €276.3 million for the year ended December 31, 2017. This increase primarily reflects the organic revenue growth from increased sales of both our ERP and Business Management Software Solutions and Vertical Solutions products and services. In particular, ERP and Business Management Software Solutions revenue, gross of intercompany eliminations, increased by €15.9 million, or 8.4%, from €188.4 million for the year ended December 31, 2016 to €204.3 million for the year ended December 31, 2017. This increase reflected (i) the €10.3 million (or 10.0%) increase of our Direct Channel revenue, primarily attributable to increased sales of software licenses and installation and customization services and, to a lesser extent, assistance and maintenance contracts, as a consequence of a net increase in the number of customers, the introduction in 2017 of a Regulatory LTA related to *agenzia telematica* and the price increase we applied to our enterprise and professional customers at the beginning of the 2017 financial year, as well as the impact on revenues of acquisitions made by the Group in 2017, which accounted for €2.8 million (or 27.2%) of the Direct Channel revenue growth, and (ii) the €5.5 million (or 6.4%) increase of our Indirect Channel revenue, primarily attributable to the €6.0 million (or 7.3%) increase in revenue from the sale of software licenses and assistance and maintenance contracts, mainly due to the increase in the number of our VARs, the introduction of the Regulatory LTA related to the *agenzia telematica* in 2017 and the effect of Forfait Fee increases under our VAR distribution agreements, partially offset by a €0.4 million (or 13.1%) decrease of revenue from the sale of installation and customization services.

Vertical Solutions revenue, gross of intercompany eliminations, increased by €5.9 million, or 7.9%, from €74.6 million for the year ended December 31, 2016 to €80.5 million for the year ended December 31, 2017, mainly due to the €3.8 million increase in revenue from the sale of installation and customization services, primarily attributable to the positive performance of our CAD/CAM sales as a consequence of, among other things, the overall continual improvement of the Italian manufacturing industry following the economic downturn. For the years ended December 31, 2016 and 2017, as a percentage of total revenue, the contribution of the ERP and Business Management Software Solutions business line (gross of intercompany eliminations) remained substantially unchanged at 64.9% and 64.7%, respectively, and the contribution of the Vertical Solutions business line (gross of intercompany eliminations) also remained substantially unchanged at 25.7% and 25.5%, respectively.

Cloud Software Solutions revenue increased by €7.3 million, or 27.4%, from €26.7 million for the year ended December 31, 2016 to €34.0 million for the year ended December 31, 2017. This increase is related to the overall expansion of our cloud business, which resulted in increased sales of our digital platform, Agyo, and in increased sales of our cloud products for microbusinesses and SME (*e.g.*

Fatture in Cloud, the invoicing software we launched in 2015). This increase was also driven in part by the launch in Italy in 2017 of Reviso, our accounting and invoicing platform primarily designed for small enterprises, as well as, to a lesser extent, the effect of the migration of existing customers from our Software Solutions products to our Cloud Software Solutions products. As a percentage of total revenue, our Cloud Software Solutions business segment accounted for 10.8% of total revenue in the year ended December 31, 2017, a 1.6 percentage point increase from 9.2% in the year ended December 31, 2016, which is in line with our efforts to develop our cloud business.

Revenue from our Hardware segment decreased by €0.4 million, or 7.6%, from €6.1 million for the year ended December 31, 2016 to €5.7 million for the year ended December 31, 2017. This decrease is primarily due to a general decrease in hardware prices in line with the global trend, as well as the expansion of our cloud business which resulted in fewer customers being dependent on servers.

Cost of raw and other materials

Cost of raw and other materials increased by €1.8 million, or 6.5%, from €27.8 million for the year ended December 31, 2016 to €29.6 million for the year ended December 31, 2017, primarily as a result of the overall growth of our business. As a percentage of total revenue, cost of raw and other materials remained substantially unchanged at 9.6% in 2016 and 9.4% in 2017.

Cost of service

Cost of service increased by €11.6 million, or 17.8%, from €65.2 million for the year ended December 31, 2016 to €76.8 million for the year ended December 31, 2017. This increase reflected the overall growth of our business, the change in consolidation perimeter following the acquisitions made in 2017, as well as increased marketing activities in connection with our cloud products and increased advisory costs for our reorganization initiatives in 2017. As a percentage of total revenue, cost of service increased by 1.8 basis points from 22.5% in 2016 to 24.3% in 2017.

Personnel costs

Personnel costs increased by €9.6 million, or 9.6%, from €100.0 million for the year ended December 31, 2016 to €109.6 million for the year ended December 31, 2017, primarily due to the increase in personnel, as consequence of our organic growth, the acquisitions carried out in 2017 and the severance costs incurred in connection with the personnel rationalization initiative we implemented in 2017. As a percentage of total revenue, personnel costs remained substantially unchanged at 34.5% in 2016 and 34.7% in 2017.

Other operating costs

Other operating costs increased by €0.9 million, or 14.1%, from €6.4 million for the year ended December 31, 2016 to €7.3 million for the year ended December 31, 2017. The increase is primarily due to settlement agreements with certain customers and agents (including Il Sole 24 Ore S.p.A.) and a loss recognized on the disposal of a facility in Campobasso.

Depreciation and amortization of non-current assets

Depreciation and amortization of non-current assets increased by €4.2 million, or 6.1%, from €68.3 million for the year ended December 31, 2016 to €72.5 million for the year ended December 31, 2017. The increase is primarily due to higher amortization of tangible assets (primarily due to the refurbishment of new offices) and of capitalized development costs.

Allowance for bad debts

Allowance for bad debts decreased by €1.4 million, or 26.4% from €5.3 million for the year ended December 31, 2016 to €3.9 million for the year ended December 31, 2017. The decrease is primarily due to our efforts to increase the efficiency of our receivable collection processes and the improved economic conditions in Italy.

Other provisions for risks and charges

Other provisions for risks and charges increased by €6.5 million from €0.5 million for the year ended December 31, 2016 to €7.0 million for the year ended December 31, 2017. The provisions for risks and charges of €7.0 million for the year ended December 31, 2017 reflected costs which have been allocated to such period in connection with Group restructuring and reorganization costs and, in particular, the implementation of the new operating model that became fully functional in 2017. The provision includes personnel costs and external expenses expected to be incurred for the reorganization of business activities that had already been initiated in the year.

Operating result

Operating result decreased by €7.5 million, or 45.2%, from €16.6 million for the year ended December 31, 2016 to €9.1 million for the year ended December 31, 2017, as a consequence of the factors discussed above and, in particular, due to the €6.5 million increase in other provisions for risks and charges, as well as costs incurred for advisory expenses, IT integration and other expenses incurred in relation to certain reorganization activities we launched in 2017.

Finance income

Finance income increased by €7.3 million from €0.3 million for the year ended December 31, 2016 to €7.6 million for the year ended December 31, 2017. The increase is largely attributable to the depreciation of the fair value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries as a result of the write down of certain put and call options.

Finance cost

Finance cost increased by €10.5 million, or 15.2%, from €69.2 million for the year ended December 31, 2016 to €79.7 million for the year ended December 31, 2017. This increase is primarily due to increased interest from the issuance of additional Existing Senior Secured Notes (i) on December 22, 2016 for an aggregate principal amount of €40.0 million (which had almost no impact on finance cost in 2016), in connection with the acquisition of the AliasLab group and (ii) on May 16, 2017 for an aggregate principal amount of €80.0 million. Our total financial debt (net of financing fees and including the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries) increased by €47.0 million, or 6.3%, from €744.9 million as of December 31, 2016 to €791.9 million as of December 31, 2017. Of this increase, €9.0 million (or 19.1%) was represented by increased Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries.

Total income taxes

Total income taxes decreased by €8.7 million, from negative €2.6 million for the year ended December 31, 2016 to positive €6.1 million for the year ended December 31, 2017, as a consequence of the decrease of €12.7 million in current income taxes due to the change of the IRES tax rate (which decreased from 27.5% to 24.0%), certain tax benefits associated with the deduction of development costs and finance costs, partially offset by the decrease of €4.0 million in deferred income taxes.

Profit/(Loss) for the year

Loss increased by €1.9 million, or 3.5%, from €54.9 million for the year ended December 31, 2016 to €56.8 million for the year ended December 31, 2017, as a consequence of the factors described above.

Adjusted EBITDA

Adjusted EBITDA increased by €14.2 million, or 14.4%, from €98.8 million for the year ended December 31, 2016 to €113.0 million for the year ended December 31, 2017. The increase is primarily attributable to both non-organic and organic growth, associated with less than proportional operating cost increases, primarily due to increased operational efficiency achieved through the closure of several local offices, the reorganization of certain corporate functions and the merger of certain of our subsidiaries into TeamSystem S.p.A. For further details, see the calculation of Adjusted EBITDA presented under "*Summary historical financial information and other data—Other financial and pro forma data.*" Adjusted EBITDA margin increased by 1.7 percentage points from 34.1% for the year ended December 31, 2016 to 35.8% for the year ended December 31, 2017, primarily due to the increased impact of operating model initiatives such as the reorganization activities in 2017.

Year ended December 31, 2016 compared to year ended December 31, 2015.

The table below sets out the results of operations of the Company for the year ended December 31, 2016, compared to the year ended December 31, 2015.

	Year ended December 31		
	2015 (predecessor)	2016 (*pro forma*)	Percentage change
	(€ in millions, except percentages)		
Revenue	251.4	287.5	14.4%
Other operating income	2.5	2.6	4.0%
Total revenue	**253.9**	**290.1**	**14.3%**
Cost of raw and other materials	(23.7)	(27.8)	17.3%
Cost of service	(62.9)	(65.2)	3.7%
Personnel costs	(93.9)	(100.0)	6.5%
Other operating costs	(6.7)	(6.4)	(4.5%)
Depreciation and amortization of non-current assets	(39.1)	(68.3)	74.7%
Allowance for bad debts	(5.1)	(5.3)	3.9%
Other provisions for risks and charges	(0.2)	(0.5)	150.0%
Operating result	**22.3**	**16.6**	**(25.6%)**
Gain (loss) on disposal of subsidiaries	(3.5)	—	(100.0%)
Share of profit (loss) of associates	(0.1)	(0.1)	—
Finance income	1.2	0.3	(75.0%)
Finance cost	(42.1)	(69.2)	64.4%
Profit (Loss) before income taxes	**(22.2)**	**(52.3)**	**135.6%**
Current income taxes	(10.7)	(18.7)	74.8%
Deferred income taxes	14.7	16.1	9.5%
Total income taxes	**4.0**	**(2.6)**	**(165.0%)**
Profit (Loss) for the year	**(18.2)**	**(54.9)**	**201.6%**
Loss (Profit) attributable to non-controlling interests	(0.2)	(0.4)	100.0%
Profit (Loss) attributable to owners of the Company	**(18.4)**	**(55.3)**	**200.5%**
Adjusted EBITDA	**77.9**	**98.8**	**26.8%**

Total revenue

Total revenue increased by €36.2 million, or 14.3% from €253.9 million for the year ended December 31, 2015 to €290.1 million for the year ended December 31, 2016, as a consequence of (i) the first-time consolidation of the results of the several companies we acquired in 2016 (AliasLab S.p.A. and its subsidiaries, Lira S.r.l., Euresys S.r.l., Mondora S.r.l., Cidiemme Informatica S.r.l., Reviso International ApS and its subsidiaries, Informatica Veneta S.r.l., EasyFatt Dev S.r.l., AliasLab S.p.A., Elaide S.r.l. and TeamSystem C&D S.r.l.) that contributed to our 2016 total revenue for €21.5 million and (ii) a €14.7 million total revenue organic growth we were able to achieve in 2016 across all our segments, and in particular the ERP and Business Management Software Solutions business line. Prospective investors should consider that the results for 2016 presented herein have been adjusted to reflect the effect of the acquisitions we made in 2016 as if all such acquisitions had occurred on January 1, 2016, whereas the results for 2015 have not been adjusted (see "*Factors affecting the comparability of our results of operations—Bolt-on acquisitions made by the Group*").

Our total revenue per segment for the years ended December 31, 2015 and 2016 was as follows:

	Year ended December 31		
	2015 (predecessor)	2016 (*pro forma*)	Percentage change
	(€ in millions, except percentages)		
Software Solutions	**236.8**	**257.3**	**8.7%**
—ERP and Business Management Software Solutions	169.8	188.4	10.9%
Direct Channel	*85.8*	*102.6*	*19.5%*
—Assistance and Maintenance	*50.7*	*60.3*	*19.0%*
—Licenses	*17.7*	*20.7*	*16.6%*
—Services and Other	*17.4*	*21.6*	*23.9%*
Indirect Channel	*84.0*	*85.9*	*2.2%*
—Assistance and Maintenance and Licenses	*80.8*	*82.4*	*2.0%*
—Services and Other	*3.2*	*3.4*	*8.0%*
—Vertical Solutions	67.6	74.6	10.4%
—Assistance and Maintenance	*21.6*	*24.9*	*15.4%*
—Licenses	*17.7*	*17.7*	—
—Services and Other	*28.3*	*32.1*	*13.2%*
Software Solutions Reconciliation(1)	(0.6)	(5.7)	—
Cloud Software Solutions	**9.6**	**26.7**	**178.9%**
Hardware	**7.5**	**6.1**	**(17.9%)**
Total	**253.9**	**290.1**	**14.3%**

(1) Represents intercompany revenue elimination within the Software Solutions business segment.

Software Solutions revenue increased by €20.5 million, or 8.7%, from €236.8 million for the year ended December 31, 2015 to €257.3 million for the year ended December 31, 2016. Without taking into account the acquisitions made by the Group in 2016, Software Solutions revenue would have increased by 5.7%. The increase reflected a 10.9% revenue growth (gross of intercompany eliminations) from our ERP and Business Management Software Solutions, from €169.8 million for the year ended December 31, 2015 to €188.4 million for the year ended December 31, 2016, primarily due to a €16.8 million, or 19.5%, increase in revenue from our Direct Channel. Our increase in Direct Channel revenue is largely due to our enterprise customers as a result of our acquisitions which directly resulted in a €8.5 million revenue increase as well as organic growth, of which we attribute €8.3 million of our revenue increase, from the sale of licenses, assistance and maintenance contracts and other services due to the a net increase in the number of customers and the sale of additional products to existing customers. ERP and Business Management Software Solutions revenue growth from our Indirect Channel also contributed, although to a lesser extent compared to our Direct Channel, to the overall increase. This growth was unrelated to acquisitions made by the Group and was primarily due to a 2.0% increase in revenue from the sale of licenses and assistance and maintenance contracts mainly as a consequence of the increase in the number of our VARs. Vertical Solutions revenue increased by €7.0 million (gross of intercompany eliminations), or 10.4%, from €67.6 million for the year ended December 31, 2015 to €74.6 million for the year ended December 31, 2016, attributable to (i) the effect of acquisitions (€3.1 million revenue increase) and, in particular, the acquisition of Mondora S.r.l., a company that supports customers with the design, implementation and operation of a variety of IT environments and (ii) organic growth mainly related to a €3.2 million increase in revenue from the sale of assistance and maintenance contracts, primarily attributable to a €4.1 million revenue increase from our CAD/CAM sales, which was partially offset by the €1.5 million loss of revenue from our non-strategic subsidiary Paradigma, which we sold in October 2015 and, consequently, did not generate any revenue in 2016. For the years ended December 31, 2015 and 2016, as a percentage of total revenue, the contribution of ERP and Business Management Software Solutions (gross of intercompany eliminations) marginally decreased from 66.9% to 64.9% and the contribution of Vertical Solutions (gross of intercompany eliminations) similarly decreased from 26.6% to 25.7%, primarily as a consequence of the expansion of our cloud business, including in connection with our cloud acquisitions (*e.g.* AliasLab).

Cloud Software Solutions revenue increased by €17.1 million, or 178.9%, from €9.6 million for the year ended December 31, 2015 to €26.7 million for the year ended December 31, 2016. This significant increase in revenue was largely attributable to the effect of the acquisitions made by the Group in 2016, which accounted for €14.0 million (or 81.9%) of the Cloud Software Solutions revenue increase, mainly deriving from the sale of digitization products. The remaining €3.1 million Cloud Software

Solutions revenue increase was primarily attributable to an increase in the number of our customers, in particular the users of Fatture in Cloud, the invoicing software we launched in 2015, as well as the migration to cloud of our non-cloud customers. As a percentage of total revenue, our Cloud Software Solutions business segment accounted for 9.2% of total revenue for the year ended December 31, 2016, a 5.4 percentage point increase from 3.8% for the year ended December 31, 2015, which is in line with our efforts to develop our cloud business.

Revenue from our Hardware segment decreased by €1.4 million, or 17.9%, from €7.5 million for the year ended December 31, 2015 to €6.1 million for the year ended December 31, 2016. This decrease was primarily due to our subsidiary TSS intentionally reducing its hardware operations, a general decrease in hardware prices in line with the global trend, as well as the expansion of our cloud business which resulted in fewer customers being dependent on servers.

Cost of raw and other materials

Cost of raw and other materials increased by €4.1 million, or 17.3%, from €23.7 million for the year ended December 31, 2015 to €27.8 million for the year ended December 31, 2016, mainly as a result of increased use of third party's software, due to the organic growth of the business and the change in the consolidation perimeter, which was partially offset by lower hardware purchases as a result of lower hardware sales. As a percentage of total revenue, cost of raw and other materials remained substantially stable, slightly increasing by 0.3 basis points from 9.3% in 2015 to 9.6% in 2016.

Cost of service

Cost of service increased by €2.3 million, or 3.7%, from €62.9 million for the year ended December 31, 2015 to €65.2 million for the year ended December 31, 2016. The increase is consistent with the organic growth of total revenue and is also due to the first-time inclusion of the results of newly-acquired companies. As a percentage of total revenue, cost of service decreased by 2.3 basis points from 24.8% in 2015 to 22.5% in 2016.

Personnel costs

Personnel costs increased by €6.1 million, or 6.5%, from €93.9 million for the year ended December 31, 2015 to €100.0 million for the year ended December 31, 2016, primarily due to effect of newly-acquired companies and the related personnel, organic growth achieved in 2016 which led to increased employee hires and contract-based increases in salaries. The number of full time employees grew from 1,714 as of December 31, 2015 to 1,969 as of December 31, 2016.

Other operating costs

Other operating costs marginally decreased by €0.3 million, or 4.5%, from €6.7 million for the year ended December 31, 2015 to €6.4 million for the year ended December 31, 2016.

Depreciation and amortization of non-current assets

The depreciation and amortization of non-current assets increased by €29.2 million, or 74.7%, from €39.1 million for the year ended December 31, 2015 to €68.3 million for the year ended December 31, 2016. The significant increase was attributable to new, higher amortization as a result of the purchase price allocation process in connection with the H&F Acquisition in 2016.

Allowance for bad debts

Allowance for bad debts remained substantially stable at €5.3 million for the year ended December 31, 2016 compared to €5.1 million for the year ended December 31, 2015, notwithstanding the total revenue increase, primarily due to our efforts to increase the efficiency of our receivable collection processes.

Other provisions for risks and charges

Other provisions for risks and charges increased by €0.3 million from €0.2 million for the year ended December 31, 2015 to €0.5 million for the year ended December 31, 2016.

Operating result

Operating result decreased by €5.7 million, or 25.6%, from €22.3 million for the year ended December 31, 2015 to €16.6 million for the year ended December 31, 2016, primarily as a result of the significant increase in depreciation and amortization of non-current assets, for the reasons mentioned above, which was partially offset by the increase in total revenue.

Loss on disposal of subsidiaries

For the year ended December 31, 2015, we recorded a €3.5 million loss on disposal of subsidiaries due to the loss on the sale, in October 2015, of the investment in our subsidiary Paradigma S.r.l., which we considered not strategic for our business. For the year ended December 31, 2016, no gain or loss on disposal of subsidiaries was recorded.

Finance income

Finance income decreased by €0.9 million, or 75.0%, from €1.2 million for the year ended December 31, 2015 to €0.3 million for the year ended December 31, 2016, primarily due to the depreciation of the fair value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries as a result of the write down of certain put and call options.

Finance cost

Finance cost increased by €27.1 million, or 64.4%, from €42.1 million for the year ended December 31, 2015 to €69.2 million for the year ended December 31, 2016, primarily due to increased interest expense as a consequence of the additional debt, mainly comprised of the Existing Notes, incurred in 2016 in connection with the acquisition of the Group by H&F. In particular, our total financial debt (net of financing fees and including the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries) increased by €284.4 million, or 61.8%, from €460.5 million as of December 31, 2015 to €744.9 million as of December 31, 2016. Of this increase, €63.1 million (or 22.2%) was represented by increased Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries, due to the several bolt-on acquisitions we made in 2016.

Total income taxes

Total income taxes increased by €6.6 million, from positive €4.0 million for the year ended December 31, 2015 to negative €2.6 million for the year ended December 31, 2016, as a consequence of the increase of €8.0 million in current income taxes mainly due to the organic growth of the business and the change in the consolidation perimeter, partially offset by the increase of €1.4 million in deferred income taxes.

Profit/(Loss) for the year

Loss increased by €36.7 million, or 201.6%, from €18.2 million for the year ended December 31, 2015 to €54.9 million for the year ended December 31, 2016. The increase in loss was primarily due to the increase in finance cost and depreciation and amortization of non-current assets, both attributable to the H&F Acquisition in 2016, which were only partially offset by our total revenue increase. Our loss for the year was also adversely affected by a €8.0 million increase in current income taxes, primarily related to increased taxable income.

Adjusted EBITDA

Adjusted EBITDA increased by €20.9 million, or 26.8%, from €77.9 million for the year ended December 31, 2015 to €98.8 million for the year ended December 31, 2016, primarily due to the contribution of newly-consolidated companies in 2016 (Lira S.r.l., Euresys S.r.l., Mondora S.r.l., Cidiemme Informatica S.r.l., Reviso International ApS and its subsidiaries, Informatica Veneta S.r.l., EasyFatt Dev S.r.l., Aliaslab S.p.A., Elaide S.r.l. and TeamSystem C&D S.r.l.), as well as organic growth associated with less than proportional operating cost increases, primarily due to increased operational efficiency achieved through the reorganization of certain corporate functions. For further details, see the calculation of Adjusted EBITDA presented under "*Summary historical financial information and other data—Other financial and pro forma data.*" Increased operational efficiency also positively impacted Adjusted EBITDA margin, which increased by 3.4 percentage points from 30.7% for the year ended December 31, 2015 to 34.1% for the year ended December 31, 2016.

Liquidity and capital resources

Following the consummation of the Transactions, we expect that our principal sources of liquidity will be our existing cash and cash equivalents, cash generated from operations and any borrowings under the Revolving Credit Facility. The Revolving Credit Facility Agreement will contain various conditions that must be satisfied in order for the lenders thereunder to make loans available to us under the Revolving Credit Facility. See "*Description of certain financing arrangements—Revolving Credit Facility Agreement*." Cash flows from our financing activities have in the past included, among others, borrowings under the Existing Notes and the Existing Revolving Credit Facility. Historically, our principal uses of cash have been, and we expect that, our principal uses of cash following the consummation of the Transactions will be, to fund capital expenditures, provide working capital, meet debt service requirements, fund potential future acquisitions, purchase of non-controlling shares, pay earn outs and exercise certain put and call options from time to time pursuant to the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries.

We believe that our operating cash flows and borrowing capacity under the Revolving Credit Facility will be sufficient to meet our requirements and commitments for the foreseeable future. However, we are highly leveraged and have significant debt service obligations. Our actual financing requirements will depend on a number of factors, many of which are beyond our control. See "*Risk factors—Risks related to our indebtedness—We may not be able to generate sufficient cash to meet our debt service obligations*".

The following table illustrates our cash flows from the indicated sources:

	Year ended December 31, 2015 (predecessor)	Ten months ended December 31, 2016	Year ended December 31, 2017
		(€ in millions)	
Cash flow from operating activities	50.8	42.8	61.8
Cash flow from (used in) investing activities	(18.6)	(714.2)	(30.5)
Cash flow from (used in) financing activities	(33.5)	690.7	(34.4)
Total cash flow generated in the period	**(1.4)**	**19.3**	**(3.1)**
Cash and cash balances at the beginning of the period	**17.9**	**0.1**	**19.4**
Cash and cash balances at the end of the period	**16.5**	**19.4**	**16.3**

Cash flow generated from operating activities

Our cash flow from operating activities decreased by €8.0 million from €50.8 million for the year ended December 31, 2015 to €42.8 million for the ten months ended December 31, 2016. The decrease was primarily due to the fact that the 2016 figures include only ten months of the year as a consequence of the H&F Acquisition and, accordingly, such change does not reflect our increased operating activities in the year ended December 31, 2017 as a consequence of our organic growth and the change in our consolidation perimeter following the acquisitions we made in such period.

Our cash flow from operating activities increased by €19.0 million from €42.8 million for the ten months ended December 31, 2016 to €61.8 million for the year ended December 31, 2017. Apart from the difference in the reporting period, the increase was primarily due to both our organic growth in 2017 and the additional cash flows recorded by acquired businesses in the year.

Cash flow from (used in) investing activities

For the year ended December 31, 2015, our cash flow used in investment activities amounted to €18.6 million, reflecting, among other things, (i) €3.3 million used for the acquisition of Madbit Entertainment S.r.l. (Fatture in Cloud) and Ulisse Tecnologie S.r.l. and (ii) personnel and service capitalized development costs for an aggregate amount of €10.8 million.

For the ten months ended December 31, 2016, our cash flow used in investing activities was €714.2 million, €693.9 million of which related to the price paid by Barolo Bidco S.p.A. for the acquisition of the Group. Cash flow used in investing activities for 2016 also reflected, among other things, €10.5 million of capitalized development costs, €6.7 million of capital expenditures on tangible and intangible assets, as well as the investments for the bolt-on acquisitions made in the period (Aliaslab S.p.A., the Reviso International ApS group, Easyfatt Dev S.r.l. and other companies) for an aggregate amount of €40.4 million.

For the year ended December 31, 2017, our cash flow used in investing activities amounted to €30.5 million, reflecting, among other things, €13.4 million of capitalized development costs, €12.1 million of capital expenditures on tangible and intangible assets, including €4.5 million in connection with the refurbishment of our new headquarters in Pesaro, as well as €5.6 million for equity investments in acquired subsidiaries (such as Elaide S.r.l., Evols S.r.l., Netlex S.r.l., Software Time S.r.l, EvolutionFit S.r.l. and Cassanova S.r.l.) and the acquisition of the Multimedia IT S.n.c. business unit.

Cash flow (used in)/generated from financing activities

Our cash flow used in financing activities for the year ended December 31, 2015 was €33.5 million, which mainly related to interest paid on notes and banks' loans and also included €3.2 million for the exercise of the put and call options regarding non-controlling holdings in certain of our subsidiaries (*i.e.* H-Umus S.r.l., Gruppo Euroconference S.p.A., Lexteam S.r.l. and TeamSystem Ancona S.r.l.) and for the payment of a purchase price adjustment in relation to InforYou S.r.l. and dividends to non-controlling shareholders.

Our cash flow from financing activities for the ten months ended December 31, 2016 was €690.7 million, primarily derived from, among other things, (i) the incurrence of indebtedness for the consummation of the acquisition of the Group by Barolo Bidco S.p.A. and the refinancing of previously existing indebtedness, which new indebtedness (in the form of the Existing Notes for a combined aggregate principal amount of €640 million and drawings under the Existing Revolving Credit Facility for an amount of €28 million) exceeded the refinanced debt, mainly consisting of notes for an aggregate principal amount of €430 million, (ii) a €565.5 million change in our equity following the H&F Acquisition, which were partially offset by (iii) €6.6 million used for the exercise of the put and call options regarding non-controlling holdings in certain of our subsidiaries (*i.e*. Gruppo Euroconference S.p.A., TeamSystem Emilia S.r.l., Inforyou S.r.l. and Digita S.r.l.) and for the payment of an earn-out relating to our investment in Lexteam S.r.l. and dividends to non-controlling shareholders.

Our cash flow used in financing activities for the year ended December 31, 2017 was €34.4 million, mainly reflecting drawings under the Existing Revolving Credit Facility (€34.5 million), the repayment of all amounts outstanding under the Existing Revolving Credit Facility (€81.5 million), the issuance of additional Existing Notes for an aggregate principal amount of €80 million (part of the proceeds of which were used to repay a €20.0 million shareholder loan made by our parent Barolo Lux 1 S.à.r.l. for working capital purposes at the beginning of the year), interest for an aggregate amount of €52.1 million paid on the Existing Notes, the Existing Revolving Credit Facility and other loans, the acquisition of further equity interests in our subsidiaries Danea Soft S.r.l. and InforYou S.r.l. and the payment of an earn out relating to AliasLab S.p.A.

Working capital

We focus on the management of our working capital. The following table sets forth the components of our working capital as of December 31, 2015, 2016 and 2017.

	As of December 31,		
	2015 (predecessor)	2016	2017
		(€ in millions)	
Trade receivables	89.9	103.4	122.8
Inventories	1.5	1.4	1.6
Other receivables	13.3	14.8	17.5
Trade payables	(32.1)	(33.7)	(38.7)
Other current liabilities	(48.2)	(57.0)	(62.8)
Working capital	**24.4**	**28.9**	**40.4**

Due to the nature of most of our contractual arrangements in our Direct Channel, our net working capital is highly seasonal. Net working capital is generally cash generative in the second and, to a lesser extent, in the third quarter. This is due to the timing of the collection of trade receivables in our Direct Channel. Direct Channel customer invoicing is particularly concentrated in January, when most of the annual fees related to assistance and maintenance contracts are invoiced; most of the related trade receivables are then collected in the second quarter and, to a lesser extent, in the third quarter.

For our cloud products, the billing pattern is not as seasonal, given customers may pay the subscription fees monthly or annually and the payment dates fall one month or one year, as applicable, from the relevant subscription date. Contracts with VARs in our Indirect Channel also generate more frequent cash inflows as they are primarily invoiced on a quarterly basis and the related receivables are collected in approximately three months.

Accordingly, our working capital needs are particularly high in the first quarter, reaching their peak at the beginning of the second quarter (before we start collecting receivables from our Direct Channel) and gradually decreasing through the end of the year. Deferred income, included in "Other liabilities," has the same seasonality as the invoicing of sales, with an inverse correlation to trade receivables (*i.e.* it is amortized on a straight line basis through the end of the year). As a result of the seasonality of our net working capital, we plan for fixed capital expenditures for employee salaries and VAT payments, which are due monthly and, with respect to VAT, at the time the invoice is raised (despite the delay in customer payment).

Given the seasonality of our billing pattern, although we expect our Revolving Credit Facility to be undrawn at the Issue Date, in the event that freely available cash on the balance sheet on or about the Issue Date is lower than our estimate or insufficient to support our working capital requirements due to, among other things, a negative movement in working capital, we may draw down amounts under the Revolving Credit Facility on the Issue Date or shortly thereafter.

Working capital increased by €4.5 million from €24.4 million as of December 31, 2015 to €28.9 million as of December 31, 2016, mainly due to a €13.5 million increase of trade receivables attributable to our organic and non-organic growth in 2016, which was only partially offset by a €8.8 million increase in other current liabilities, mainly represented by deferred income, and a €1.6 million increase in trade payables.

Working capital increased by €11.5 million from €28.9 million as of December 31, 2016 to €40.4 million as of December 31, 2017, mainly due to an increase in trade receivables of €19.4 million which reflected the general growth of our business in 2017 and the fact that AliasLab's sales significantly increased in the fourth quarter of 2017. Such increase was partially offset by an increase of €5.0 million in trade payables primarily as a result of favorable renegotiations of general payment terms with our suppliers.

Capital expenditure

Capital expenditure encompasses our total expenditure on tangible assets (net of disposal of tangible assets) and intangible assets, as well as the capitalization of development costs in respect thereof, broken down in personnel costs and service costs. In particular, we capitalize and amortize development costs incurred in any given year over their estimated useful life. With respect to tangible and intangible assets, our business is characterized by low levels of capital expenditure in line with the industry in which we operate. Our capital expenditure does not include acquisition costs or payments in connection with our Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries. Our capital expenditure incurred in the periods under review is set out below:

	Year ended December 31, 2015 (predecessor)	Ten months ended December 31, 2016	Year ended December 31, 2017
		(€ in millions)	
Investments in tangible assets	1.7	3.1	6.6
Investments in intangible assets	3.1	3.6	5.4
Capitalized development costs	10.8	10.5	13.4
of which			
Personnel costs	*7.5*	*8.1*	*11.1*
Service costs	*3.4*	*2.4*	*2.3*
Total capital expenditures	**15.7**	**17.2**	**25.3**

Regarding capitalized development costs, 2015 and 2016 were affected by our product renewal project, a long-term expenditure program which we launched in 2012 and completed in 2016 aimed at upgrading our entire software products and platforms portfolio. This resulted in €10.8 million and €10.5 million capitalized costs incurred for the year ended December 31, 2015 and the ten months ended December 31, 2016, respectively. In addition, for the ten months ended December 31, 2016, our expenditure in tangible assets was higher compared to the full previous year, primarily due to the reorganization of the Issuer's offices and regions and, in particular, the refurbishment of the Issuer's new headquarters in Pesaro (€4.5 million).

For the year ended December 31, 2017, our capital expenditure was €25.3 million, an increase of €8.1 million from €17.2 million in the ten months ended December 31, 2016 and €9.6 million from €15.7 million for the year ended December 31, 2015. This increase reflected a growth in personnel capitalized development costs related to the acquisitions made and our organic growth, as well as an increase in tangible capital expenditures attributable to costs incurred in connection with the reorganization of our geographical footprint which led to the closure of several local offices.

As of the date of this Offering Memorandum, we expect our capital expenditure for 2018 to be broadly in line with 2017.

Contractual obligations

The following table summarizes our material contractual obligations as of December 31, 2017 as adjusted to give effect to the Transactions and the use of proceeds from the Notes offered hereby.

	Within 1 year	From 1 to 5 years	Over 5 years	Total
		(€ in millions)		
2023 Floating Rate Notes offered hereby[1]	—	550.0	—	550.0
2025 Floating Rate Notes offered hereby[1]	—	—	200.0	200.0
Operating leases[2]	7.8	15.8	11.6	35.2
Total	**7.8**	**565.8**	**211.6**	**785.2**

(1) Does not reflect interest payments.

(2) Represents operating leases of certain of our office facilities, equipment and vehicles.

The table above does not include guarantee obligations in the ordinary course of business or contingent liabilities. See "*—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*" below.

Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries

Our agreements with the non-controlling shareholders of our majority-owned subsidiaries normally provide for put and call option arrangements on the non-controlling stake which give our partners the right to cause us to purchase the non-controlling interest within predetermined periods, as well as for certain earn-out arrangements or other types of deferred consideration based on the performance of such businesses. We define our overall liability with respect to such put and call option and earn-out arrangements relating to non-controlling holdings of the Group as, collectively, the "**Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries**" (or, in our Consolidated Financial Statements, "*Vendor Loan*"). Such amounts are contingent as there is no certainty as to whether or when the options will be exercised and, accordingly, whether or when the relevant liability will become due and owing by us.

The Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries reflect our estimate of discounted future disbursements in connection with such options and earn-out arrangements, based on the applicable contractual provisions. As of the date of this Offering Memorandum, management estimates that most of our Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries recorded in our Consolidated Financial Statements will become payable between 2020 and 2021. The strike price of the put and call options is determined based on normalized earnings parameters of the relevant companies plus or minus the net financial position for the period in which the put or call option will be exercised. The discount rate applied for the measurement of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries as of any given date is the cost of debt for the Group (gross of the tax effect) that is adopted for the performance of Group impairment tests, as the cost of this debt is considered to be representative of the Group's credit risk as of such date. The value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries is subject to change over time as the exercise price of each put and call option and earn out arrangement is dependent on, among other things, the performance of the relevant company in a given future period, which could differ from the performance that we estimate when determining the value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries for accounting purposes. Subsequent changes in the fair value of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries, due to both timing and possible changes in estimated indicators that form the basis for the computation of the consideration, are recognized in the consolidated income statement, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. See notes 19 and 29 to our 2017 Financial Statements.

See also "*—Consolidation method*" and "*Risk factors—Risks related to our business—Certain of our subsidiaries have* non-controlling *shareholders whose interests may differ from our interests. In addition, the contractual arrangements with such* non-controlling *shareholders may require us to purchase shares at predetermined prices under certain put and call options to make payments under certain and earn out arrangements*").

The following table summarizes the expected cash flows relating to our Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries for the periods indicated.

	Within 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total cash flows
			(€ in millions)		
Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries(1)	7.7	12.4	100.4	0.4	120.8

(1) Defined as "*Vendor Loan*" in our Consolidated Financial Statements. Figures in the table are not discounted. The discounted value of our Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries as of December 31, 2017, which is presented in our 2017 Financial Statements and in other sections of this Offering Memorandum, was €101.4 million.

Off-balance sheet arrangements

We are not party to any material off-balance sheet arrangements.

Qualitative and quantitative disclosures about market risk

Our activities and debt financing expose us to a variety of financial risks, the most significant of which are interest rate risk, credit risk and liquidity risk. Our overall risk management strategy seeks to minimize the potential adverse effects of such risks.

Credit risk

Our credit risk represents our exposure to potential losses due to counterparty inability to discharge the obligations undertaken. This exposure relates almost exclusively to trade receivables deriving from the sale of products and services. We consider our credit risk to be low given the high fragmentation of the customer base and the high degree of customer loyalty. We also use procedures to limit overdue balances and send customers reminders when balances are due. Our maximum exposure to credit risk is primarily represented by the carrying value of trade receivables as presented in our financial statements. Our maximum exposure to credit risk is represented by the carrying amount of trade receivables as presented in our financial statements, as well as cash and residual financial receivables recorded in current and non-current financial assets. As of December 31, 2017, we did not have any insurance cover for trade receivables. We use an aging list in order to classify and control our trade receivables and we organize the aging list according to most recent overdue accounts (0-30 days) to oldest (over 180 days). With respect to overdue receivables, any write-down recorded in our financial statements is determined based on an analysis of doubtful debts. Our credit collection performance has historically been successful and losses incurred in the past have been relatively modest. For the years ended December 31, 2015, 2016 and 2017, our allowance for bad debts was €5.1 million (or 2.0% of our total revenue), €5.3 million (or 1.8% of our total revenue) and €3.9 million (or 1.2% of our total revenue), respectively.

Interest rate risk

For the periods under review in this Offering Memorandum, apart from the Existing Notes which will be redeemed as part of the Transactions (as described under "*Use of proceeds*"), we were subject to interest rate risk mainly as a result of our Existing Revolving Credit Facility. We are considering entering into hedging arrangements in connection with the Notes to mitigate the potential adverse effects of changes in interest rates.

Liquidity risk

Liquidity risk is the risk we will not have enough financial resources available to meet our financial obligations and commitments when due. In particular, the two main factors that determine the dynamics of our liquidity are, on one hand, the resources generated/absorbed by operating and investment activities and, on the other hand, the maturity and renewal of financial liabilities. Our liquidity risk has historically been managed at a central level by our finance department. We have put in place certain procedures aimed at optimizing cash flow management and reducing the liquidity risk, including:

- the maintenance of an adequate level of available liquidity;
- the adoption of cash-pooling at the central level; and
- adequate borrowing facilities being put in place.

Our financial projections do not indicate any critical factors impacting the ability to generate sufficient liquidity in 2018 to meet our commitments. On or prior to the Issue Date, we will enter into the Revolving Credit Facility Agreement which provides for a €90.0 million Revolving Credit Facility which we anticipate to remain undrawn as of the Issue Date. However, should our liquidity needs exceed our financial projections, we may draw down amounts under the Revolving Credit Facility in order to meet our commitments on or shortly after the Issue Date.

Critical accounting policies

The preparation of financial statements according to IFRS requires 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 financial statements, comprising the statement of financial position, the income statement and cash flow statement, 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.

The following accounting and measurement policies are those we regard as material factors that influence the presented financial data of our business.

Business combinations

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

All other costs associated with a transaction are expensed.

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

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

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

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

The Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by non-controlling owners of the acquiree. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated, since the substance of the binding option agreement is that of the payment of deferred consideration for part of the investee's capital, as evidenced by a series of transactions completed in the past. Accordingly, the estimated value of the exercise price of the put / call is included in the cost of acquisition and contributes to the overall determination of goodwill. This accounting method applies only where the Group has acquired majority control of the voting rights of the companies acquired. In view of the recognition of goodwill related to these options, the Group accounts for, as a financial liability, the payable related to the estimated actual consideration for the exercise of the options (*i.e.* the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries or, as defined in our Consolidated Financial Statements, the "*Vendor Loan*"). In accordance with this principle, subsequent changes in the fair value of the payable, due to amendments made to the initial assessment of the exercise consideration, are recognized in the consolidated income statement, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. To note that, in absence of a clear accounting rule for the accounting of non-controlling interests in the case of put and call arrangements, following also the IFRIC and IASB debate, the Group has decided to use the above described method, acceptable under current regulatory framework and positions.

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

Research and development expenses

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

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

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

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

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

Use of estimates

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

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

- Business combinations (IFRS 3) and measurement of acquired assets and assumed liabilities: The process of allocation of Goodwill to the assets of the Group following a business combination is based on estimates and assumptions derived from the professional judgement of the management. Professional judgement is also used to determine the most appropriate methodologies for measurement of assumed assets and acquired liabilities (including the contingent ones), and in certain cases provisional initial accounting has been opted for, as permitted by the accounting standard.
- Goodwill and other intangible assets: Goodwill and other intangible assets with an indefinite useful life are tested annually for impairment and during the course of the year if there is any indication of impairment throughout the year. Other intangible assets are tested annually for impairment when there are indications that the carrying amount may not be recovered. When value in use needs to be computed, management estimates the cash flows expected from an asset or from the cash generating unit and chooses an adequate discount rate in order to calculate the present value of the cash flows. Accordingly, the impairment test for fixed assets is performed using forecasts, which are naturally subject to uncertainty, included in business plans approved by the relevant board of directors or in projections prepared by management of the Group companies in periods in which the business plan has not been updated for the insights needed to make strategic choices.
- Allowance for bad debts: Allowance for bad debts represents the management's estimate of the losses pertaining to receivables due from end customers and the sales network. Such estimate is based on losses expected to be incurred, determined on the basis of past experience with similar receivables, on current and historical past due, on losses and payment collection and on careful monitoring of asset quality and forecasts of economic and market conditions.
- Provision for risks and charges: These provisions relate to liabilities that are certain or probable, the amount of which has not been determined at the reporting date, but the cost of which, as required to meet the obligation, is capable of being reliably estimated by management. They are recognized in the financial statements in the event of an existing legal or implicit obligation resulting from a prior event and if it is probable that we will be required to meet such obligation. If the impact is significant, the provisions are measured at discounted present value.
- Employee benefits: The cost of employee benefit plans is determined using actuarial assessments. An actuarial assessment requires the application of assumptions with respect to discount rates, the expected yield from investments, future wage increases, mortality rates and future increases in pensions. Due to the long term nature of these plans, the estimates are subject to a significant degree of uncertainty.
- Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries (in our Consolidated Financial Statements under the name "*Vendor Loan*"): The estimated liability with respect to put and call options or earn-out agreements relating to non-controlling holdings in the Group. It is accounted for at its estimated fair value, having applied various assumptions regarding the estimated indicators that form the basis for its computation and the expected timing of disbursements. The nominal value of the exercise price of the vendor loan is then discounted at the reporting date by applying the relevant discount rate which is the same as that adopted for the cost of debt component in impairment tests.

See the "Use of estimates" section of the 2017 Financial Statements for further information.

New accounting standards

IFRS 15 (*Revenue from Contracts with Customers*) published on May 28, 2014, as subsequently supplemented, provides a new revenue recognition model to be applied to all contracts with customers except for those that fall within the scope of application of other IAS/IFRS, such as leasing, insurance contracts and financial instruments. The fundamental steps for revenue recognition according to the model are as follows:

- identification of the contract with the customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;

- allocation of the transaction price to the performance obligations in the contracts; and
- revenue recognition criteria when the entity satisfies a performance obligation.

The standard is applicable as from January 1, 2018. Based on the analysis performed and the 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 our consolidated financial statements. For further informations, see our 2017 Financial Statements included elsewhere in this Offering Memorandum.

IFRS 9 (*Financial Instruments*), published on July 24, 2014. The document contains the results of the IAS 39 replacement project:

- it introduces new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of non-substantial modifications of financial liabilities);
- with reference to the impairment model, the new standard requires credit losses to be estimated based on an expected loss model (and not on an incurred loss model used by IAS 39) using supportable information, which is available without undue cost or effort that includes historical, current and prospective figures; and
- it introduces a new hedge accounting model, reflecting 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 January 1, 2018. Based on analysis performed, management believes that the application of IFRS 9 will primarily have an impact on related disclosures in our consolidated financial statements going forward, with particular reference to the new classification criteria and categories applicable to financial assets and liabilities.

IFRS 16 (*Leases*), published on January 13, 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 recognize 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 January 1, 2019, although early application is permitted, but only for companies that have already adopted IFRS 15 (*Revenue from Contracts with Customers*). Management believes that the application of IFRS 16 may have a significant impact on the amounts recognized and on the related disclosures provided in our consolidated financial statements going forward; in particular, on account of the various open rent and operating leases, management believes that the application of the standard will give rise to the recognition of a right of use asset and a lease liability and an improvement in operating income. However, it is not possible to provide a reasonable estimate of the effects thereof until we have completed a detailed analysis of the related contracts.

INDUSTRY

Overview

We are the leading software house for small and medium-sized enterprises ("**SMEs**"), microbusinesses and professionals (*i.e.* accountants and labor consultants) in Italy. We offer premium enterprise resource planning solutions ("**ERP**"), business management software and a number of cloud applications, including among others, e-invoicing, e-signature and e-archiving solutions which are critical for our customers' day-to-day operations. We have an extensive portfolio of software products, both on premises and on Cloud. We additionally offer a suite of vertical software solutions ("**Verticals**"), to serve the needs of a variety of industries (e.g. computer-aided manufacturing ("**CAM**") and computer-aided design ("**CAD**") for the mechanical industry).

ERP represents an enterprise's core "system of record" for transactions, employee data and other enterprise records. The basic concepts and functionalities of ERP products typically fall into four major business process support areas: enterprise asset management, financial management, human capital management, and manufacturing and operations. In 2016, the ERP and business management software market in Italy generated total revenue of approximately €2.4 billion across both the enterprise and professional customer segments. On the other side, the cloud market in Italy generated approximately €0.6 billion revenues in 2016, showing a strong annual growth of approximately 17% from 2013.

We believe that there are clear barriers to entry in the broader software market, with larger incumbent players benefiting from important economies of scale. Some of the most important characteristics of the software market are as follows:

- The competitive landscape includes vendors who focus on standalone financial management systems, hybrid vendors and small-medium/large ERP players with differentiated specialities and solutions. Customer requirements vary by organization size and type (i.e., the needs of large enterprises are very different from the needs of a company with less than 100 employees, or the needs of professionals such as accountants and lawyers), and each require different solutions;
- Local market participants play an important role in (i) building strong distribution networks to maximize market penetration (this is particularly true in the case of cloud solutions for microbusinesses) and proximity to customers and (ii) addressing the different functionalities needed across different geographies given local requirements (e.g., regulatory requirements);
- Scale is an important factor, which allows for research and development investments to ensure that the underlying legal, tax and accounting content of software is up to date. Large technological overhauls are required less regularly and typically take place every five to ten years;
- Customer retention is high due to high switching costs given (i) the mission critical nature of software and the possibility that customers may be exposed to significant data migration risk during a transition to an alternative supplier, (ii) the cost and length of time required to transition to an alternative platform given that ERP systems are integral to the various operational segments of an organization and (iii) the training required to familiarize employees with new software;
- Regulatory changes which require new software modules are introduced frequently by the Italian government; and
- Price sensitivity is normally limited, as customers are primarily concerned with the quality of services and the availability of product support. After initial adoption of software products, customers rely on suppliers to provide system maintenance and regular product updates that are key to the functionality of such software products. The necessity of ongoing maintenance and updates also partially insulates suppliers from price sensitivity. This limited price sensitivity is also driven by customers' need for suppliers to provide suitable training to ensure that employees are able to use software efficiently and effectively.

The factors listed above have historically resulted in a steady demand for this type of software that has been generally resistant to macro-economic changes.

Target market segments

Our reference markets are the ERP and business management software solutions market for SMEs and professionals and the broader cloud and digitalization market. Within the Italian ERP and business management software solutions market, our main target customer segments are (i) enterprises (primarily SMEs and microbusinesses) and (ii) professionals.

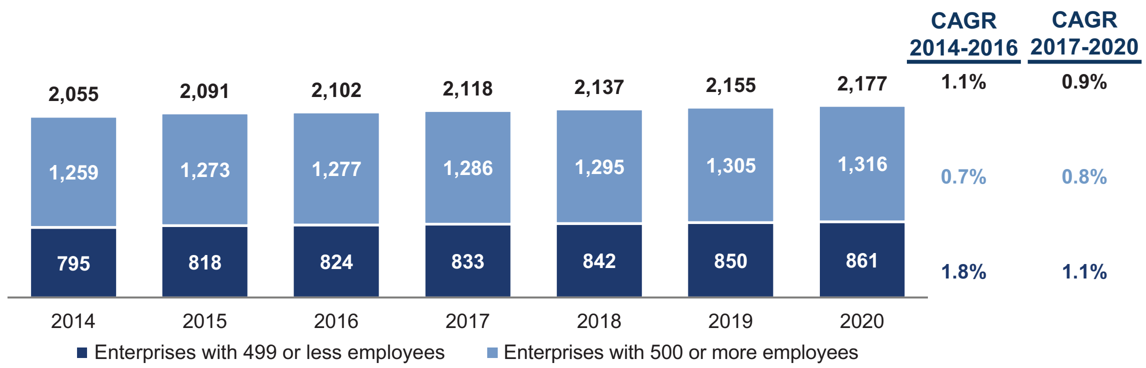
ERP and business management software solutions for enterprises

Within the ERP and business management software solutions market, we cater to SMEs and microbusinesses. Historically, SMEs have been TeamSystem's core customer base, although we increasingly cover microbusinesses, which are primarily served through our Cloud Software Solutions business segment, and from time to time, large enterprises.

As of 2015, the Italian SMEs and microbusinesses customer segment comprised approximately 4 million enterprises, each employing fewer than 500 employees. Of those enterprises, only approximately 220 thousand are small (10 to 49 employees) or medium sized (50 to 499 employees) enterprises. The remaining enterprises were categorized as microbusinesses*,* with less than 10 employees (source: Istat). Compared to other Western European markets, in Italy, SMEs and microbusinesses represent a relatively large segment of the domestic market. As of December 2015, Italy had approximately twice the number of operating SMEs and microbusinesses than the UK and approximately one third more than the number of SMEs and microbusinesses operating at the time in France (source: Eurostat). SMEs and microbusinesses play a major role in global economic growth and this is particularly true for in Italy.

Two main factors have traditionally driven the Italian ERP and business management software solutions market for SMEs and microbusinesses. First, companies are increasingly seeking to improve their ability to drive, monitor and analyze data and key operating and financial processes. These firms seek to use enhanced data processing and analysis to improve operations, competitive position and profitability. Second, the market is driven by companies' tax and legal compliance obligations. ERP and business management software solutions allow companies to automate processes such as invoicing, accounting, production, warehousing, logistics, sales and customer relationship management ("**CRM**")*,* functions that are critical for their day-to-day operations.

The revenue-generating components of the enterprise ERP and business management software solutions market include licenses, maintenance and project services related to product delivery and support. As shown in the chart below, the SMEs and microbusinesses customer segment for the ERP and business management software solutions market in Italy generated revenue of approximately €824 million in 2016, and is expected to grow 1.1% over the 2017 to 2020 period. The large enterprises customer segment for ERP and business management software solutions market in Italy generated revenue of €1,277 million in 2016, and is expected to grow 0.8% over the 2017 to 2020 period. This market remained resilient during the global financial crisis that began in 2008, given the critical nature of its products.



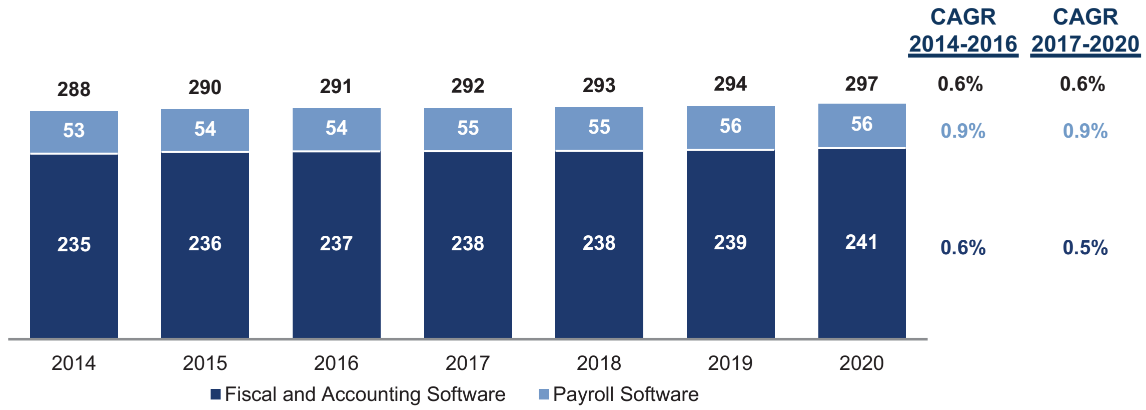
Source: IDC 2015 data.

ERP and business management software solutions for professionals

This customer segment consists of professional advisors providing tax, labor and accounting advice to corporations and private individuals and this customer segment can be divided into two main target groups:

- **Fiscal and accounting software:** the target group for this software consists of professional advisors providing tax filing services and tax and accounting advice to corporations and private individuals.
- **Payroll software:** this software is marketed to labor consultants who provide advice and services relating to payroll and HR matters to companies and professional organizations.

As shown in the chart below, the professional customer segment generated approximately €291.0 million in revenue in 2016 and is expected to grow 0.6% over the 2017 to 2020 period.



Source: IDC 2015 data.

Regular and timely software updates are even more critical for professional advisors than for SMEs and microbusinesses. ERP and business management software products must constantly be updated to accommodate changes in tax, accounting and labor regulation. In addition, the professional customer segment is even more resilient to macroeconomic cycles due to a mix geared towards licenses, maintenance and assistance rather than project services. The professional customer segment is even more highly penetrated than the SME and microbusiness segments. Penetration of software for fiscal and labor consultants has reached almost the entire active population, driven by compulsory electronic filing obligations with the Italian tax and pension authorities.

Vertical solutions

Within the enterprise and professional customer segments, we cater a variety of clients that require industry-specific software. These customers include:

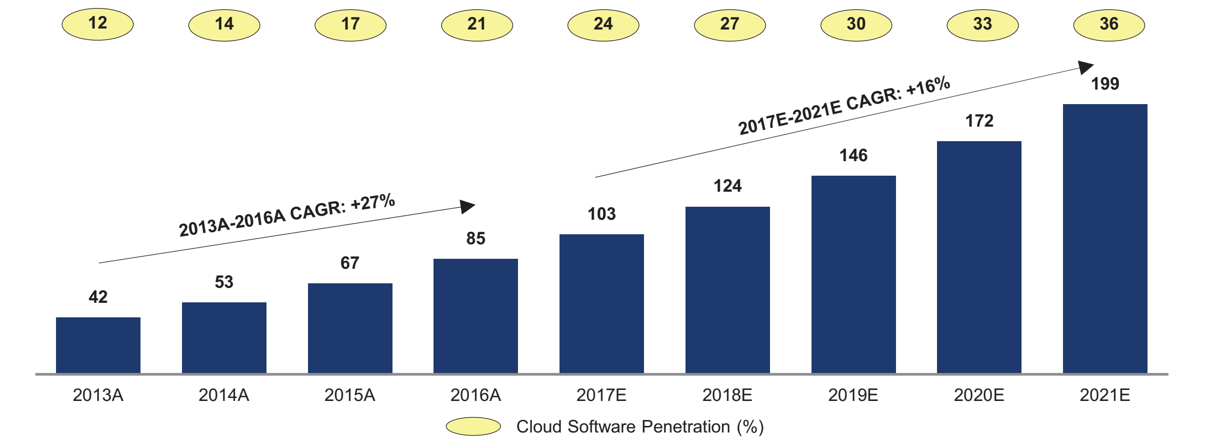
- manufacturing companies that have a specific need for CAM and CAD. CAM/CAD products are deployed to customers operating in architecture and design, engineering, procurement, construction and operations management. This software enables customers to design products and control manufacturing processes;
- construction companies (including the public sector) that require specific software to for construction project management;
- CAF (Authorized Fiscal Advisory for Individuals) and public sector that require specific software solutions;
- gyms, pools and leisure centers that require specific software solutions (“wellness”);
- lawyers that require specific software solutions for the management of agendas, paperwork, bookkeeping and accounting; and
- professionals (fiscal and labor advisors, lawyers, engineers) that require specific training services and legal databases.

All of the customers above increasingly require their software solutions to be integrated within their ERP systems, as it is fundamental to their operations.

Cloud software solutions

In 2016, the global cloud market segments generated approximately €85 billion in revenues. The cloud market has experienced significant growth over the past three years. According to IDC, the cloud market is expected to grow at a CAGR of approximately 16% over the period from 2017 to 2021.

The global cloud market (€bn)



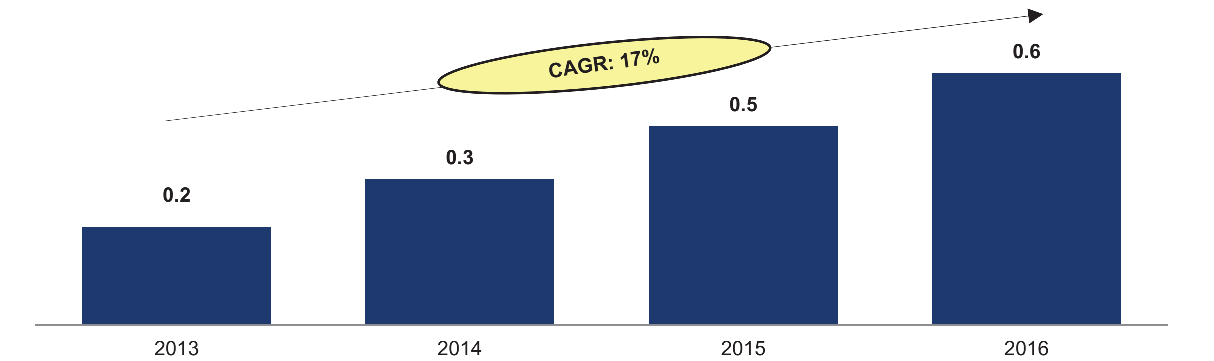
Source: IDC Worldwide Software as a Service and Cloud Software Forecast, 2017.

In 2016, the Italian cloud market generated revenue of approximately €0.6 billion, after another year of strong growth. From 2013 to 2016, the Italian cloud market experienced a CAGR of 17%, with a year-over-year growth rate of 26% from 2015 to 2016. Within the global cloud market, the ERP market is less penetrated than other functional markets. The adoption of cloud-based software has been slower with respect to financial applications and performance software, which are still predominantly on premise technologies, as compared to the CRM and human capital management ("**HCM**") sectors, where the transition to cloud-based technology has been quicker. The slower adoption rate of ERP systems is due to the mission-critical nature of ERP as well as the increased need for customization versus CRM and HCM systems.

These cloud solutions allow for improved software performance, improved business processes, cost reduction, access to real time information and improved employee productivity.

The Italian cloud market

Cloud market size evolution (€bn)



Source: IDC Worldwide semi-annual public cloud services spending guide (August 2016).

We believe that cloud technology represents a new paradigm for business management technology that allows customers to decouple software products from hardware. On a decoupled network, the hardware used to store a customer's data (i.e. the server) is owned, provided and serviced by a specialized third party provider. This allows the customer to concentrate solely on utilizing the software in a wider variety of technology environments, and often driving down overall costs for the customer. By way of example, cloud software can often, for example, be accessed from any compatible internet connected device (including smartphones) and it is no longer inextricably connected to the local hardware on which it is installed.

The cloud-based delivery model represents a significant change in how software companies are bringing their solutions to market and has the potential to significantly impact the operation of companies' IT infrastructures. It allows smaller companies to use sophisticated applications that have traditionally been used by larger organizations. Historically, implementation cost and the level of IT support required to run such applications efficiently have prevented smaller companies from using more complex software. Cloud reduces such barriers to usage and allows many more companies to streamline and simplify their IT infrastructures and improve application deployment in geographically dispersed locations.

Key trends and growth drivers

We believe that the Italian ERP and business management software solutions market will exhibit the following key trends and growth drivers:

- **Stability due to mission critical nature of services:** the market is more stable in comparison with the general software and IT market because ERP and business management software solutions products and services are fundamental to the day-to-day activities of a business. The operations of Italian enterprises have become increasingly complex which has driven demand for a broader range of innovative management solutions used to monitor key company activities. We believe such complexity will continue to increase and will continue to drive demand for our ERP products and business software and services;
- **Continued changes in fiscal, accounting and labor regulations:** the recurring regulatory changes and fiscal interventions in Italy have resulted in continuous demand for software updates that reflect the latest requirements and drive a constant pipeline of new products. For example, some of the recent changes and interventions include the "*spesometro*" (*i.e.* the obligation to report certain significant expenses to the Italian tax authority) in 2011, the "*rimborso IRES*" (relating to the reimbursement of certain taxes on corporate income) in 2013, the "*TASI*" (*i.e.* a local tax related to certain public services) in 2014, the "*certificazione unica*" (*i.e.* a fiscal document attesting the income generated by a person in a given tax period that must be filed with the tax authority each year) in 2015 and the "*agenzia telematica*" (regarding the requirement to file certain tax documents with the Italian tax authority electronically) in 2017. The complexity and ongoing evolution of labor regulation has also given rise to demand for payroll IT solutions and expertise;
- **Continued growth in the underpenetrated microbusiness segment:** Based on most recently available data, in 2015, the microbusiness segment had low management software penetration compared to the larger SME segment, with a penetration rate of approximately 15% in Italy compared to a penetration rate of 95% for SMEs, for the same period (source: TeamSystem elaborations on IDC analysis and Istat data). Based on these figures, we believe that there is room for further penetration in the Italian microbusiness segment. Penetration is currently accelerating as a result of the proliferation of cloud software solutions and applications (beyond the traditional ERP) which make the use of technology by microbusinesses more economically convenient than in the past;
- **Digitalization**: We are contributing, with cloud and digitalization, to a secular shift in the way corporates run their businesses, processes and operations. The electronic / digital interchange of data between corporates and external parties (banks, public sector organizations, customers and suppliers) is creating an increasingly technologized ecosystem. This offers a significant upside potential for software companies. The aforementioned growth in cloud, together with the Italian Government digital agenda, are key enablers. The digital agenda, approved in 2015, has the objective, among others, to digitalize interactions between enterprises and between enterprises and the public sector. To this extent, for example, public sector datacenters are all being migrated to cloud and from March 2015, all enterprises supplying the public sector have the obligation to use e-invoicing (rather than traditional paper invoices). Additionally, Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*) was enacted, which extends the obligation to use e-invoicing to all business-to-business invoicing in Italy. This regulation is expected to come into force on January 1, 2019, which we anticipate will have a positive impact on our sales to our SME and microbusiness customers; and
- **Demand for cloud, multi-device and web-based services**: The software marketplace continues to evolve, with opportunities in the areas of cloud, which includes both cloud application and cloud system infrastructure software services, cloud computing, multi-device and web-based services. These services provide centrally-hosted software, allowing a company to outsource IT and maintenance to the cloud provider and to use software on an "on-demand" basis;

We believe the availability of new technology with very high level of accessibility is an important growth driver in our reference market. New technology includes innovative paradigms such as Internet of Things (IoT), cloud, cybersecurity, big data, mobile and other emerging paradigms such as advanced machine learning (AI). This is supported by (i) a readiness of the market to adopt more broad software solutions (security and privacy were initially acting as inhibitor to adoption, but we believe these concerns are becoming less prevalent due to the evolution in cybersecurity effectiveness and the fact that consumers are increasingly accustomed to cloud services due to the prevalence of cloud services utilized by mobile devices) and (ii) the evolution of infrastructure services (such as broadband penetration).

Competition

Based on the most recently available data, in 2015 TeamSystem was the market leader in the SME and microbusiness and professionals customer segments with a combined market share of 37%, based on number of users. As of December 31, 2015, we had a 25.7% market share in the SME and microbusiness customer segment (which is more than three times the market share of our next largest competitor) and a 40.5% market share in the professional customer segment (which is more than two times the market share of our next largest competitor). From December 31, 2006 to December 31, 2015, we grew our market share of SME and microbusiness customers by approximately 18 percentage points and of professional customers by approximately 14 percentage points. Our main competitors include the Zucchetti group, Sistemi, Gruppo WKI and Dylog. The remaining market is divided amongst many smaller ERP and management software providers. We are not competing against international players such as Microsoft and SAP as they target large and multinational corporates, beyond our target demographics.

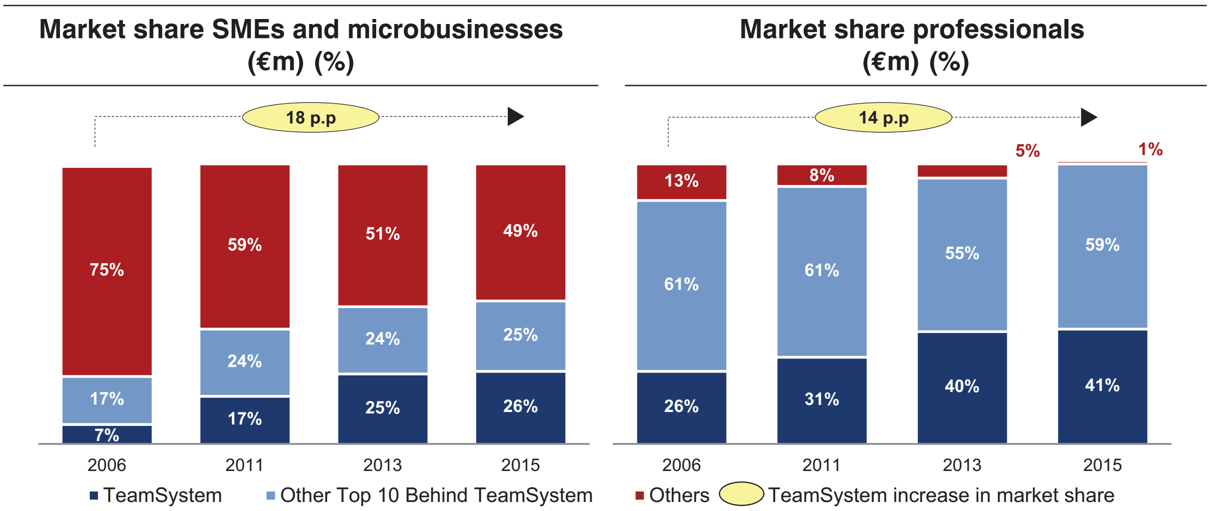
The competitive dynamics within the ERP and business management software solutions SME and microbusiness customer segments depends on a number of key differentiating characteristics such as scale of operations, size of customer base, flexibility of services provider, breadth of product offering, the number of users within a given customer for each software application, software functionality and industry sector specialization.

Based on the most recently available data, in 2015, the ERP market for SMEs and microbusinesses was fragmented with the top 10 market players in Italy behind TeamSystem accounting for 25% of the market. Large national players are best positioned to take advantage of this fragmented market due to several factors. Firms with greater resources can offer a wider range of services, support greater geographical reach and deliver a higher and more consistent quality of customer service as compared to smaller firms. Additionally, large national firms (such as TeamSystem) benefit from economies of scale in providing services and products to a large number of customers across a larger geographic base, which is an advantage over smaller firms who do not have a broad enough reach to reap the benefits of economies of scale. Finally, customers are likely to be less concerned about the risk that their services will be discontinued when dealing with large providers. As a result, the top 10 market players (including TeamSystem) increased their aggregate SMEs and microbusinesses market share from 25% in 2006 to 51% in 2015.

While the Italian professional customer segment is more stable and mature compared to the enterprise customer segment, large players are still best positioned to take advantage of the fragmentation remaining in the market due to similar factors to those relevant to the enterprises customer segment. In addition, larger firms are better placed to promptly implement software updates critical to professional services firms, such as those relating to changes in regulation or accounting standards. Moreover, the superior brand strength derived from being a key player in this market may be leveraged to both attract new customers and retain existing customers. The two largest companies by market share in this segment (including TeamSystem) have increased their aggregate market share from 44% in 2006 to 58% in 2016.

The Italian ERP landscape remains fragmented as compared to other Western European countries where the consolidation process is more advanced and market leaders have a predominant market share and a significant leading position as compared to second-tier competitors. Based on most recently available data, in 2015, the market leader in the UK had a market share of approximately 50% as compared to our overall market share of 37% in the same year.

Market share of top players in Italy



Source: IDC 2012, 2014 and 2016.

(1) Based on number of users.

ERP solutions offered by large international software providers are primarily aimed at large businesses and are often expensive to purchase, standardized and inflexible and/or complicated to install and maintain. Consequently, SMEs and microbusinesses usually select local suppliers who specialize in SMEs, microbusinesses and professionals as preferred suppliers. Local ERP software firms targeting SMEs and microbusinesses compete with larger international software providers by offering a combination of lower prices, superior local tax and accounting knowledge, proximity and more flexible vertical specific solutions.

We believe we are also a market leader in Italy for the provision of cloud software solutions, and in vertical solutions. On the latter, for example, our subsidiary Nuovamacut is the largest reseller of CAD products for SolidWorks in Italy (and one of the largest ten resellers globally) and *TeamSystem CAF/PA* is the largest player in Italy in terms of number of CAF served.

BUSINESS

Overview

We are the leading provider of mission critical business management software for SME, microbusiness and professional customers in Italy. Our mission is to improve the competitiveness of our customers, supporting them with the digitalization of their business processes through our product offering. Our products include software solutions for the core business processes of accountants and labor consultants (such as the provision of tax and accounting advice and payroll services) and a suite of financial management, enterprise asset management, human capital management and supply chain management software solutions for SMEs and microbusinesses. We provide assistance and maintenance support services for our products and we assist our customers with software implementation and integration.

Across industries, our customers are seeking to take advantage of a paradigm shift in technology that enables them to employ digitalization solutions for business processes that, until recently, have not been automated or digitalized. Customers who utilize our cloud-based software products may digitally execute a variety of tasks, such as invoicing and document signing, which allows them to reduce their overall expenses and increase their business efficiency. In addition, our cloud-based software products have enabled us to target microbusiness customers who have historically not utilized higher-functionality and more integrated on premise business management software. We believe we are the leading provider of cloud products in Italy.

For the year ended December 31, 2017, we generated total revenue and Pro Forma Adjusted EBITDA of €316.0 million and €133.1 million, respectively. In the same period, approximately 70.8% of our total revenue was generated from recurring sources. As of December 31, 2015, we had a 25.7% market share in the SME and microbusiness customer segment (which is more than three times the market share of our next largest competitor) and a 40.5% market share in the professional customer segment (which is more than two times the market share of our next largest competitor), in each case based on number of seats.

We offer the majority of our products and services through two primary business segments: (a) Software Solutions and (b) Cloud Software Solutions. Our Software Solutions business segment is composed of our ERP and Business Management Software Solutions business line and our Vertical Solutions business line. Our Software Solutions and Cloud Software Solutions business segments represented 87.4% and 10.8% of our total revenue for the year ended December 31, 2017, respectively. From 2015 to 2017, our total revenue grew at a CAGR of 11.6%, with our Software Solutions and our Cloud Software Solutions business segments contributing to this growth with a revenue CAGR of 8.0% and 88.5%, respectively, in the same period. Revenue from our Software Solutions business segment is derived from the sale of our ERP and Business Management Software Solutions products and services (representing 64.7% of our total revenue for the year ended December 31, 2017, including intra-segment revenue) and of our Vertical Solutions products and services (representing 25.5% of our total revenue for the year ended December 31, 2017, including intra-segment revenue). Our Vertical Solutions products are designed to address the needs of specific industries, such as the mechanical and manufacturing, construction, CAF/public sector, legal, wellness and professional education industries. Our Cloud Software Solutions business segment mainly consists of our systems management software solutions delivered as software-as-a-service ("**SaaS**"), along with other cloud software digitalization services, such as electronic invoicing, electronic signature and authentication services provided through a cloud-based platform.

We market and sell all of our products and services through our direct and indirect channels ("**Direct Channel**" and "**Indirect Channel**," respectively) and our online channel ("**Online Channel**"). Our Direct Channel includes a sales force of approximately 100 in-house sales agents, distributed throughout our four regions and twelve territories spread across Italy, and an additional 50 sales agents, whereas our Indirect Channel is composed of more than 650 value added resellers ("**VARs**") which are located and service customers across virtually the entire Italian territory. Our Online Channel is represented by our TeamSystem online store, where customers can subscribe for a majority of our Cloud Software Solutions products and services.

Our three key end-customer groups are SMEs, microbusinesses and professionals, in addition to our VARs, which resell our products via our Indirect Channel to these three end-customer groups. Our end-customer base, which includes both Direct Channel and Indirect Channel end-customers, excluding VARs, increased from approximately 88,000 as of December 31, 2009 to approximately

247,000 as of December 31, 2017. Of this total figure, approximately 83,000 are SMEs, approximately 86,000 are microbusinesses and approximately 79,000 are professionals. Our large and diverse end-customer base is highly fragmented and spread across a variety of industries, including the accountant and labor advisors, manufacturing and industrial, construction and housing, legal and other professional services sectors. For the year ended December 31, 2017, the ten largest customers in the Direct Channel of our ERP and Business Management Software Solutions business line and our ten largest VARs represented 2.1% and 4.0% of our total revenue, respectively. Over the past three years, we have experienced a high and stable Customer Retention Rate for SMEs and professionals of approximately 95.4% and 94.3%, respectively, per year on average. Over this period, we estimate that approximately one half of churning customers related to voluntary customer churn, such as customers switching to a competitor, with the remainder as a result of exogenous effects, such as a customer merging, choosing to outsource this function or going out of business. Most of our products are deeply integrated into our end-customers' IT systems and business processes and their replacement is normally a complicated, time-consuming and expensive process, requiring extensive training for users.

For the year ended December 31, 2017, we generated approximately 70.8% of our total revenue from recurring sources, which are primarily related to annual software maintenance and subscription contracts, annual fees from our multi-year contracts with VARs and fees from temporary annual licenses (*licenze temporanee annuali*) that we sell to our customers whenever the Italian government introduces a new regulatory obligation (e.g. a new tax digital reporting obligation or tax payment) that requires a dedicated feature to be added to our software products (we refer to such temporary annual licenses as "**Regulatory LTAs**"). We believe that our technology leadership, the mission-critical nature of our products and the significant switching costs associated with changing software providers have contributed, and will continue to contribute going forward, to our high renewal rates for the contracts with our customers.

In order to provide our customers with fully integrated and digitalized software solutions, we began investing in cloud-based and SaaS products in 2014 and we were among the first to do so. Over time, we have developed a significant competitive advantage in the Italian ERP and business management software market and we believe we lead our national competitors in terms of quality, breadth of cloud offering and market penetration. We have developed a comprehensive set of cloud-based software products, including cloud-based versions of our most successful on premise software products such as Alyante and Lynfa, as well as new products such as Reviso and Fatture in Cloud. We believe that these two new cloud-native software products have allowed us to penetrate the large, untapped market of microbusiness customers in Italy who have not historically utilized on premise software solutions mainly due to their relative complexity. In addition, due to our technologically advanced and fully developed digital platform Agyo, we believe we are better positioned than our competitors to exploit the growing demand for digitalization solutions in the Italian ERP and business management software market. We expect that future demand for digitalization solutions will also be positively affected by certain regulatory changes and incentives introduced by the Italian government, such as "*Impresa 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and microbusinesses, "*Industry 4.0*", which provides for, among other things, certain tax benefits to support enterprises that invest in new technologies, and the Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy to provide electronic invoices to other businesses with whom they conduct transactions.

Our strengths

Leadership position in resilient and fragmented Italian ERP and business management software Market with strong fundamentals across all business segments and highly attractive growth prospects

We are the leading Italian ERP and business management software solutions provider for SMEs, microbusinesses and professionals based on number of seats. As of December 31, 2015, we had a 25.7% market share in the SME and microbusiness customer segment (which is more than three times the market share of our next largest competitor) and a 40.5% market share in the professional customer segment (which is more than two times the market share of our next largest competitor). From December 31, 2006 to December 31, 2015, we grew our market share of SME and microbusiness customers by approximately 18 percentage points and of professional customers by approximately 14 percentage points, in both cases primarily due to our organic (*i.e.*, non-acquisition related) growth. In particular, we have increased our market share over time with a strong and consistent strategy focused on both organic and inorganic growth throughout the resilient and fragmented Italian management software market. Italy represents the largest SME and microbusiness software market in Europe, composed of approximately four million companies, with the second largest SME and microbusiness software market in Europe, France, composed of approximately three million companies.

The Italian ERP and business management software market for both enterprises and professionals has historically shown significant resilience. We believe that the mission-critical nature of our software products and services, which are deeply embedded in our customers' workflows and IT systems, has historically provided a degree of insulation from economic uncertainties. Our customers' operations depend upon our products to facilitate data flow, not only in-house, with respect to internal business management data analysis and storage, but also externally, between our customers and other businesses or between our customers, banks, tax authorities and other public administration organizations. In addition, we experience a high Customer Retention Rate due to the significant switching costs associated with changing software providers in light of: (i) the mission-critical nature of software and the possibility that customers may be exposed to data migration risk during a transition to an alternative supplier; (ii) the cost and length of time required to transition to an alternative platform given that ERP systems are integral to the various operational segments of an organization; and (iii) the training required to familiarize employees with new software.

Other important characteristics of the Italian software market are: (i) a large addressable market, as Italy is the largest SME market in Europe and there is significant untapped potential, with a microbusiness penetration rate of approximately 15%; (ii) frequent, significant regulatory changes requiring new software modules; (iii) limited price sensitivity, as customers are primarily concerned with the quality of services and the availability of product support; (iv) local market participants, which play an important role in both building strong distribution networks to maximize market penetration (this is particularly true in the case of cloud solutions for microbusinesses) and addressing the different functionalities needed across different geographies given local requirements (such as regulatory requirements); and (v) new areas of growth, particularly with respect to cloud products and digitalization.

The cloud software solutions market in Italy, in line with a global trend, has experienced significant growth over the past few years, from approximately €229.0 million in 2013 to approximately €587.0 million in 2016. We believe the growth of the cloud software solutions market has been and will continue to be driven by the following key factors: (i) the availability of new technology, such as cloud software, with very high levels of accessibility; (ii) a readiness of the market to adopt broader software solutions due to the decline of security and privacy concerns and the widespread use of cloud technology on smartphones, which have primed the market to be more accepting of broad-based software solutions; (iii) the increased availability of high-quality infrastructure services such as broadband; and (iv) the trend towards digitalization of dataflow. For example, in recent years, the number of Italian electronic signatures increased from approximately 5.3 million in 2014 to approximately 18.9 million in 2017. Moreover, as part of the Italian government digitalization program and following the introduction in 2015 of the obligation for businesses to submit invoices to Italian public administration organizations electronically, the number of electronic invoices processed by such organizations increased by approximately 28 million from approximately two million in 2014 to approximately 30 million in 2016.

We believe that the cloud market will be positively affected by the introduction of new regulations and financial incentives. For example, in the context of the so called "*Impresa 4.0*" and "*Industry 4.0*" programs, at the beginning of 2018, the Italian government incentivized the digitalization of SMEs and microbusinesses through the introduction of vouchers for the purchase of new software, hardware and related services. In addition, Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*) introduced the obligation for businesses in Italy to provide electronic invoices to other businesses with whom they conduct transactions, which we believe has the potential to lead to a further increase in the number of Italian electronic signatures and electronic invoicing products. This legislation is expected to come into force for most companies on January 1, 2019.

Resilient organic growth coupled with recurring and visible revenues

Between 2011 and 2017, our total revenue increased at a CAGR of approximately 14.2% and our organic total revenue increased at an average annual rate of approximately 5.0%, outperforming the Italian GDP growth over the same period by an average of 5.3% per year. In 2012, when the effects of the financial crisis that adversely affected global financial markets and economies from 2008 were particularly strong, Italy's GDP declined by 2.8% whereas we delivered organic revenue growth of 1.7% (outperforming GDP by 4.5 percentage points), demonstrating the resilience of our business.

We believe that such resilience is mainly due to (i) the type of contracts that we enter into with our customers and the related fee structure, which is based on fees from annual assistance and maintenance and subscription contracts, annual fees from our multi-year contracts with VARs and fees from Regulatory LTAs; (ii) our customers' loyalty demonstrated by our high Customer Retention Rate; and (iii) the mission critical nature of the software which makes migration to alternative suppliers a particularly difficult and time-consuming process. For the year ended December 31, 2017, we generated approximately 70.8% of our total revenue from recurring sources, which we believe provide significant visibility of future earnings.

Large, highly diversified and fragmented customer base characterized by high retention rates

From 2009 to 2017, our end-customer base increased at a CAGR of 13.9% from approximately 88,000 customers in 2009 to approximately 247,000 customers in 2017. Overall, we have a low customer concentration and, for the year ended December 31, 2017, the ten largest customers in the Direct Channel of our ERP and Business Management Software Solutions business line and our ten largest VARs represented 2.1% and 4.0% of our total revenue, respectively. Our growing customer base contributes significantly to revenue growth and allows us to benefit from economies of scale related to, for example, product development and updates. Additionally, we believe our diverse and fragmented customer base mitigates the risks related to declines in product demand in any one particular industry and reliance on revenues from a small number of key customers.

We have historically experienced a high Customer Retention Rate. For the years ended December 31, 2015, 2016 and 2017, our Customer Retention Rate was approximately 94.0%, 95.6% and 96.5%, respectively, for our SME customers and approximately 94.5%, 94.1% and 94.3%, respectively, for our professional customers. Of our end-customers who do churn, we believe that approximately one half relates to customers switching to a competitor, with the remainder as a result of exogenous effects, such as a customer merging, choosing to outsource this function or going out of business. We believe that our high Customer Retention Rates are attributable to both customer satisfaction and high switching costs, related to the fact that most ERP and management software products are deeply integrated into our end-customers' IT systems and their replacement is normally a complicated, time-consuming and expensive process on the part of the customers. For this reason, our end-customer base has historically been very loyal.

Retention rates for our VARs are typically higher than retention rates for our Direct Channel clients, and this is due to the multi-year length of our VAR distribution agreements (typically three year) and higher switching costs. In particular, our contracts with VARs normally prevent them from selling competitors' products, which means that churning VARs would need to migrate all their end-customers to a new software provider, which would likely be complex, costly and time consuming. In addition, attracting new customers may be difficult for churning VARs, as they generally have a limited knowledge base and credibility in the market in relation to our competitors' products. Accordingly, a churning VAR incurs a high level of risk for its business. As a result, we rarely lose a VAR to a competitor and VAR churn is primarily driven by the consolidation of VARs or by VARs going out of business or becoming insolvent. Moreover, in cases of churning VARs, we have historically maintained a significant percentage of our end-users.

Well invested cloud platform, targeting new incremental markets and maintaining our existing customer base

In order to provide our customers with fully integrated and digitalized software solutions, we began investing in cloud-based and SaaS products in 2014 and we were among the first to do so. We believe that over time we have developed a significant competitive advantage in the Italian ERP and business management software market and that we lead our national competitors in terms of quality, breadth of cloud offering and market penetration. We believe that we are well-positioned to capitalize on this paradigm shift in technology as a result of the key role that our software products play in facilitating the data flow exchange between enterprises, professionals, banks, public administration organizations and tax authorities in the Italian economic ecosystem, as well as the superior quality and selection of our cloud-based software products.

We have developed a comprehensive set of cloud-based software products, including the cloud version of our most successful on premises software solutions such as Alyante and Lynfa, as well as new cloud-native products such as Reviso and Fatture in Cloud. Our investment in the cloud business has been driven by our "dual-track approach" to cloud solutions, through which we aim to (i) maintain our traditional on premise customer base and assist such customers with the transition to cloud technology, if and when they request it, with an evolutionary approach and (ii) develop a range of innovative cloud-native products and applications (including our digitalization solutions) to target a large, untapped market of microbusiness customers in Italy. We intend to take advantage of this growing market by leveraging each of our five strategic cloud pillars (microbusinesses and small enterprises, digitalization, transition to cloud, BPaaS and complementary products). See "*—Our strategy—Exploit range of available cloud opportunities*." In particular, we plan to expand the penetration of our cloud services by offering cloud complementary products that seamlessly and efficiently integrate with our non-cloud ERP and management software solutions.

We believe there is still significant room for further growth in the Italian cloud software solutions market also because microbusinesses, which make up the bulk of the Italian economy, remain significantly underpenetrated. We estimate that the microbusiness market for cloud software solutions had only a 15% penetration rate for management software solutions in 2015. Due to this low penetration rate, we estimate that there are upwards of three million potential new microbusiness customers in Italy. Until we began investing in cloud products in 2014, we had historically not focused on the microbusiness market as the industry lacked attractive entry-level solutions to meet the streamlined software needs of microbusinesses. Now, however, as result of our market-leading position in the Italian cloud software solutions market, we believe we are well positioned to take advantage of the previously untapped microbusiness segment as we are able to provide new, easy to use and competitively priced cloud products, tailored to the needs of microbusinesses. In addition, we are able to further expand the reach of our Cloud Software Solutions business segment by cross selling new cloud products to our existing customer base, which enables us to integrate our product offering across our business segments by leveraging the hybrid architecture of our main ERP.

Excellent financial profile, with further scope for improvement and consistently visible cash flows

We believe that we have historically been able to achieve a high level of profitability. For the year ended December 31, 2017, our Adjusted EBITDA and Pro Forma Adjusted EBITDA were €113.0 million and €133.1 million, respectively, and our Adjusted EBITDA margin and Pro Forma Adjusted EBITDA margin were 35.8% and 42.1%, respectively. We believe there is a correlation between margins and market share, therefore, we believe there is a strong upside as we consolidate our multi-platform offerings. Based on publicly available information, we believe that our profitability level for the year ended December 31, 2016, was approximately twice that of each of our two next-largest Italian competitors. As a result of our recurring revenue streams, we have consistently visible cash flows. Our cash flow conversion rates were 88.7% and 76.7% (or 81.4% excluding the effect of new headquarters expenses) for the years ended December 31, 2015 and 2017, respectively, and 92.9% for the ten months ended December 31, 2016, driven by our leading market position and high profitability. In particular, we believe that our healthy and growing profits, our low capital expenditure needs and favorable working capital dynamics drive significant cash flow generation.

We believe that our billing pattern contributes to the overall visibility of our cash flows. In particular, in our Direct Channel, most of our contracts with customers are automatically renewed at the beginning of each calendar year (during our annual budgeting process), are invoiced in January and the related trade receivables are mainly collected during the second quarter, thus providing a high level of visibility with respect to revenue generated by this channel. Typically, our Direct Channel contracts are renewed unless customers provide a written termination notice at least six or, to a lesser extent, three months prior to the expiration of such contracts. In our Indirect Channel, revenue is almost entirely of a recurring nature as it primarily consist of the annual Forfait Fees that we invoice each VAR quarterly or, to a lesser extent, annually. Similarly, revenue in our Online Channel is almost entirely of a recurring nature as it primarily consists of annual subscription fees. We believe that our billing pattern enables us to effectively predict and monitor our revenue and cash flow levels.

Successful and disciplined bolt-on acquisition track record

Our historical acquisition strategy successfully enabled us to expand our business in terms of customers, market segments and geographic coverage while also complementing our product offering. The main goals we intend to pursue when acquiring businesses going forward are to: (i) support the expansion of our cloud operations, (ii) strengthen our market position in high-growth potential vertical markets, (iii) further consolidate our market leadership in Italy for ERP and business management software solutions through selected opportunities, (iv) potentially expand our offering in adjacent markets where we see exploitable synergy opportunities and (v) potentially expand our footprint outside of Italy in connection with certain selected areas (e.g. cloud). We have a dedicated team focused on sourcing, evaluating, planning and executing external growth opportunities, and have developed a disciplined and structured approach to making and integrating acquisitions, which we believe has allowed us to successfully integrate and extract revenue and cost synergies. In particular, the integration process involves all aspects of the acquired businesses, including finance, reporting, personnel, research and development and product integration, marketing and sales, procurement and facility management integration. In addition, we have historically engaged opportunistically in acquisitions that represent a source of growth at attractive valuations of an Adjusted EBITDA multiple of around five to six times. As the leading player in the Italian ERP and business management software solutions provider for both SMEs and professionals, we believe we are well-positioned to take advantage of future consolidation opportunities in the Italian market, including with respect to more significant transactions.

We have made a number of selected and, we believe, highly strategic bolt-on acquisitions over the past few years which we believe have contributed to our success. For example, in 2015, we bolstered our cloud operations by acquiring Fatture in Cloud, an innovative start-up specialized in electronic invoicing for microbusinesses and professionals using a cloud-based platform and, in 2016, we acquired ECI Denmark ApS, which allowed us to launch Reviso, our cloud based ERP software dedicated to SMEs, in the Italian market in 2017, and AliasLab, a group specialized in electronic signature and authentication services, with advantageous market positioning in Italy. Our acquisitions have contributed positively to our revenue increases, with acquired incremental revenues of €0.4 million, €21.5 million and €3.5 million for the years ended December 31, 2015, 2016 and 2017, respectively (with the revenue figure for 2016 being adjusted for all acquisitions we made in 2016, as if the relevant companies had been acquired as of January 1, 2016). We believe that the acquisitions we made in the periods under review have generated synergies for our business and have contributed to our organic growth. Such acquisitions have given us, for example, the ability to cross-sell the products we acquired to our existing customer base (*e.g.* AliasLab) and, especially in the case of Fatture in Cloud and Reviso, to sell new products to a new customer base (microbusinesses), which we have historically had less success targeting with our higher-functionality and more integrated on premise business management software and which has grown significantly in the past three years.

Experienced management team with a proven track record in delivering growth and profitability

We are managed by a strong executive team, which comprises individuals with many years of relevant experience and provides leadership across all functional areas of our business. Our management team includes members who benefit from experience in leading international groups, members who have been with us for more than ten years and who have developed a strong knowledge of the industry and high-performing talents with experience in leading international consultancy firms. Our management team has demonstrated its ability to grow our business and improve operating performance as evidenced by the increase in our revenues and Adjusted EBITDA over a long period, including in the face of a global economic downturn and economic instability. We believe the industry knowledge and leadership of our management team, combined with their long-term experience, provide us with a significant competitive advantage. We also benefit from the strong expertise in the software industry of our main shareholders, H&F and HgCapital.

Our strategy

Our goals are to further consolidate our leadership in the Italian ERP and business management software market and the Italian cloud software and digitalization markets by leveraging our existing advantage in cloud products and digitalization processes, continuing to offer high-quality products and cultivating our reputation as a premium brand and an attractive place to work. We intend to achieve these goals by pursuing the following strategies:

Software Solutions strategies

Further consolidate long and lasting relationships with our customer base

We believe that our long-standing and robust relationships with our customers are the result of our superior product offering coupled with our commitment to the development and optimization of new product platforms and technologies, as well as our responsive and high quality customer service. We intend to continue to build on each of these pillars of our business in order to maintain and further develop relationships with our existing customers and widen our customer base. For example, among other actions, we plan to introduce premium customer service solutions aimed at providing our customers with quicker customer service response and service availability during business and off-business hours at a premium price. Furthermore, we currently manage a portion of our customer service operations through a joint venture with a strategic partner in order to provide more efficient responses to assistance requests from our customers during peak times, such as the final window before a regulatory deadline (including tax filings). We also intend to proactively nurture the relationships with our customers through customer success management initiatives, such as offering training services to enable our customers to obtain the value that they expect from our products and at the same time encouraging them to provide continuous feedback on our products and services.

Grow our sales network by expanding the reach of our Direct and Indirect Channels through enhanced coordination

We plan to grow our sales networks by expanding our Direct and Indirect Channels. We have recently unified the governance structure of our Direct and Indirect Channels in order to enhance coordination and create synergies between the two channels. In particular, we aim at setting growth goals which are more aligned between both channels and implementing common marketing initiatives and investments, which we believe will support the further expansion of our business.

We also intend to expand the reach of our Direct and Indirect Channels to cover those areas of Italy where we see growth opportunities, in terms of both number and type of addressable customers (*i.e.* SMEs, microbusinesses or professionals) and the level of penetration of each area. We believe that such targeted expansion will allow us to further increase our market shares. Moreover, we intend to share the customer success management practices we employ in our Direct Channel with our VARs in order to enhance customer engagement and satisfaction across our entire end-customer base.

Continue improving our operating model in order to optimize profitability

From 2015 to 2017, our Adjusted EBITDA margin increased from 30.7% to 35.8%. We believe that this increase was attributable to, among other things, several initiatives that we have implemented aimed at achieving organizational synergies and cost savings, as well as improving the way we run our business and interact with customers. As part of these initiatives, over the past two years, we have made certain changes to our organizational structure in order to improve the efficiency and effectiveness of our sales organizations. In addition, we are currently undergoing a process of reorganization of certain internal functions, including our customer service, research and development, marketing, human resource and other staff functions. As part of such reorganization efforts, we have created a unified marketing department for the entire Group, centralized other support functions, including administration, and streamlined our customer service processes.

In 2017, we also made significant changes to our geographic footprint, reducing the number of the Issuer's offices from 42 to 17, relocating part of our workforce and reducing redundant workforce. In the last two years, we also merged 16 wholly owned subsidiaries into TeamSystem S.p.A., simplifying our organization and reducing administrative costs.

New commercial approach with balanced growth of product features and maintenance pricing

We believe our products benefit from industry-leading innovations that provide our customers with premium ERP and management software solutions for the entire spectrum of SME, microbusiness and professional software needs. We believe the superior quality of our products and our efforts to continuously improve our product offering and the customer experience enable us to adjust our pricing policies from time to time. We call this our "more-for-more" strategy. As part of our "more-for-more" value proposition and in connection with our continuous provision of product upgrades and increased functionality, in January 2017 and 2018 we increased the price in our Direct Channel. As we intend to continue pursuing our more-for-more strategy, we plan to keep enhancing our existing products and offering our customers increasingly higher product functionalities.

In addition, we plan to implement a new pricing model in connection with our VAR distributions agreements in order to maximize the revenue generating potential of our VARs. Under our new Forfait Fee model, the Forfait Fee will be subject to pre-determined annual increases that will be subject to annual upward or downward adjustment on the basis of the VAR's performance, as determined through an algorithm agreed upon at the start of the contract. See "*Business—Operating model—Indirect Channel—VAR distribution agreements and fee structure*." We believe that this new Forfait Fee model will incentivize VARs to increase their customer base, therefore contributing to further expansion of our Indirect Channel.

Cloud Software Solutions strategies

Demand for cloud-based applications is increasing in our markets and the development, increasing availability and speed of the broadband infrastructure around the world is facilitating the spread of cloud technology. In contrast to traditional software systems, cloud-based ERP and business management software solutions do not require on premise software installations, increasing simplicity and reducing costs for our customers, as no infrastructure needs to be deployed or updated in connection with the software usage. We intend to take advantage of the growing cloud market by leveraging each of our five cloud strategic pillars, explained in detail below:

Microbusinesses and small enterprises

We intend to further consolidate our leadership in the largely untapped microbusiness and small enterprise software market in Italy, leveraging Fatture in Cloud and Reviso, which are particularly attractive to these customers as they provide an easy-to-use, low cost, entry-level solution for mission-critical business functionalities such as invoicing, reporting and collaboration with business accountants.

Digitalization

We plan to benefit from the growing demand for digitalization solutions in the Italian ERP and business management software market by leveraging Agyo, our digital platform which allows our ERP and business management software customers, as well as users of any other third-party software, to send, receive, register, sign and store electronic invoices from and to private customers, public entities and external accountants and send tax filings to the relevant tax authorities electronically. We expect that the entry into force of the new European General Data Protection Regulation (Regulation (EU) 2016/679 (the "**GDPR**")), in May 2018 will drive increased adoption of cloud solutions among both our existing and new customers, who we believe will seek to comply with the GDPR by adopting a dedicated Regulatory LTA, which we are offering through Agyo.

Transition to cloud

Our transition to cloud strategy aims at maintaining those customers who are willing to shift from an on premise to a cloud-based software environment. More precisely, we provide assistance and support to our non-cloud customers who wish to transition to our Cloud Software Solutions products from our traditional on premise Software Solutions products. For example, we are offering users of the on premise versions of Alyante and Lynfa the ability to switch to the cloud version of such products with our assistance, in order to minimize migration impacts. For our existing Direct Channel customers, we believe that the transition to cloud has limited impact on our revenues given that our maintenance and assistance recurring revenue model of our Software Solutions business segment is similar to the subscription recurring revenue model of our Cloud Software Solutions business segment.

BPaaS

Business Process as a Service ("**BPaaS**") solutions provide our labor advisor customers with payroll outsourcing services through a cloud computing service model. Through our payroll BPaaS, we offer labor advisors a way to improve their efficiency by leveraging our scale and expertise in payroll processing while allowing them to focus their relationships with their customers on value-added activities.

Complementary products

We intend to leverage the hybrid architecture of our ERP and business management software solutions by cross-selling our wide range of cloud complementary products (including cloud-based applications and solutions for customer relationship management, document management and archiving, business intelligence, e-commerce and mobile sales, timesheet and expense management and human resources management) to all of our on premise and cloud customers.

We also plan to increase our cloud customer base by providing additional sales focus and marketing support for our cloud products. For example, at the end of 2017 we launched a marketing campaign targeted at microbusinesses (the largest customer group of our Cloud Software Solutions business segment), which included television advertisements. We believe that this campaign will increase the market visibility of our cloud products and that we will see the results of this campaign throughout 2018. We intend to continue to engage in further marketing campaigns going forward.

History

Our business dates back to 1979, when we were established as a distributor in Italy for Triumph Adler, a German hardware and software producer. In the early 1980s, following Triumph Adler's decision to exit the software market, we began developing software products and services and grew as a result of both organic growth and acquisitions. During the 1980s we launched GeCom Multi and GeCom Redditi, our core products for tax advisors and accountants, and GeCom Paghe, our core product for labor advisors. We grew rapidly throughout the 1990s and became a leading software provider for tax advisors, accountants and labor advisors in Italy.

In 2000, we were acquired by Palamon Capital Partners with the goal of consolidating Italy's highly fragmented management software market by pursuing a strategy of investment in products, sales network and service supply structure. In 2001, we entered the SME market with the launch of Gamma Enterprise, an innovative ERP system designed as a fully featured product tailored to the Italian SME market. The following year we further expanded in the SME and microbusiness markets with the launch of Gamma Sprint and Gamma Plus, and further strengthened our position in the field of vocational training by our acquisition of Euroconference, a leader in this field. In 2005, we were acquired by Bain Capital and we entered the legal software market with the establishment of Lexteam. In 2010, HgCapital acquired control of the Group. In 2011, we launched our TeamSystem Service, which provides payroll outsourcing services to our labor advisor customers, as well as TeamSystem Communication, which offers advanced telephone solutions that are integrated with TeamSystem management software to SMEs and professionals. Between 2010 and 2012, we made a number of acquisitions of small software businesses with excellent technical know-how to complement our product offering to SMEs and professionals, including Infoforyou, Harpax, Danea Soft, Digita and H-umus.

In 2015, we launched two of our most successful current Software Solutions products: Lynfa, an integrated management software for payroll professionals and accountants, and Alyante, an ERP software dedicated to medium and large enterprises, on the Polyedro platform, a technology that brings together simplicity of use, accessibility from any device, collaboration and workflow tools, and our web FEPA (*fattura elettronica P.A.*) service, which allows professionals and SMEs to deliver invoices to public administration organizations electronically. The Polyedro platform has since been progressively replaced by new technology solutions, such as Agyo, our digital platform designed to operate alongside all our software products which allows customers to, among other things, send, receive, register and store electronic invoices from and to private customers, public entities, banks and external accountants and send tax filings to the relevant tax authorities electronically. In 2016, we launched TeamSystem store, our online platform where customers can purchase a majority of our Cloud Software Solutions products and services. In 2017, we entered into strategic partnerships with important players in the global software market, such as Vodafone and Telecom, in order to sell our products as part of their product offering.

In addition to our organic growth, we have carried out a number of acquisitions over the past few years. Below is a list of the most significant acquisitions we carried out in recent years:

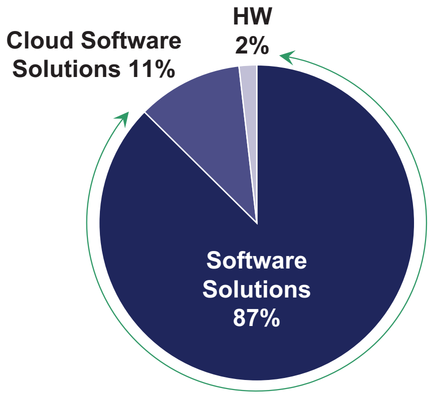
- in 2013, we acquired ACG (which we later launched in Italy in 2014), the IBM Italia division dedicated to the development and distribution of management software for medium and medium-large-sized enterprises;
- in 2014, we acquired TSS S.p.A. (formerly 24OreSoftware), the Sole 24Ore Group division specialized in designing and distributing software for professionals, enterprises and technicians of the building industry and for tax assistance centers;
- in 2015, we expanded our market share by acquiring Fatture in Cloud, an innovative start-up specialized in electronic invoicing for microbusinesses and professionals using a cloud-based platform; and
- in 2016, we acquired (i) ECI Denmark ApS (which changed its name in Reviso International ApS in June 2016) which has developed cloud/SaaS-native management software for accounting and

invoicing targeted mainly at SMEs. This acquisition has allowed us to launch our Reviso ERP software dedicated to small enterprises in the Italian market, and (ii) AliasLab S.p.A. and its subsidiaries, a group specialized in electronic signature and authentication services, with strong market positioning in Italy.

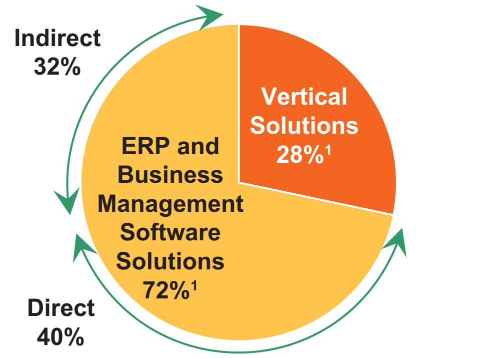
In March 2016, Hellman & Friedman acquired control of the Group from HgCapital. For more information regarding our shareholders, see "*Principal shareholders.*"

Our Business Segments, Products and Services

We offer our products and services through three business segments, (a) Software Solutions, (b) Cloud Software Solutions and (c) Hardware. The following charts set forth our total revenue breakdown by business segment and the revenue breakdown of our Software Solutions business segment for the year ended December 31, 2017.



Total revenue: €316 million



Software Solutions revenue: €276 million

(1) Net of intercompany eliminations

For the year ended December 31, 2017, approximately 70.8% of our total revenue was generated from recurring sources. In particular, broken down by business segment and gross of intercompany eliminations, (i) recurring revenue from the Direct Channel of our ERP and Business Management Software Solutions business line represented approximately 58% of the revenue generated by such business line for this period, whereas "*Licenses*" and "*Services and Other*" (excluding Regulatory LTAs and other recurring components) represented approximately 19% and 22%, respectively, of the revenue generated by such business line for this period; (ii) recurring revenue from the Indirect Channel of our ERP and Business Management Software Solutions business line represented approximately 94% of the revenue generated by such business line for this period, whereas "*Licenses*" and "*Services and Other*" (excluding Regulatory LTAs and other recurring components) represented approximately 5% and 1%, respectively, of the revenue generated by such business line for this period; (iii) recurring revenue from our Vertical Solutions business line represented approximately 50% of the revenue generated by such business line for this period, whereas "*Licenses*" and "*Services and Other*" (excluding Regulatory LTAs and other recurring components) represented approximately 22% and 28%, respectively, of the revenue generated by such business line for this period; and (iv) recurring revenue from our Cloud Software Solutions business segment represented approximately 100% of the revenue generated by such business segment for this period.

Software Solutions

Our Software Solutions business segment is composed of two business lines (i) ERP and Business Management Software Solutions and (ii) Vertical Solutions. We market our Software Solutions products and services both directly through our Direct Channel and indirectly through our Indirect Channel by using VARs (see "*—Operating model*"). For the year ended December 31, 2017, our ERP and Business Management Software Solutions and Vertical Solutions business lines accounted for 73.9% and 29.1%, respectively, of our Software Solutions business segment revenue (gross of intercompany eliminations).

ERP and Business Management Software Solutions

We design, develop, distribute, install and service modular, highly scalable and flexible software applications, primarily consisting of our ERP and Business Management Software Solutions products for SMEs and professionals, such as labor advisors, accountants and fiscal consultants. Our ERP and Business Management Software Solutions products are designed to manage, analyze and improve our customers' businesses and provide a comprehensive set of applications covering, among other things, financial, accounting, tax filing and invoicing management, procurement, logistics and warehousing, production, sales and distribution. Our ERP and Business Management Software Solutions products automate and integrate mission-critical business processes, facilitating collaboration among customers, partners, suppliers and employees. These products are modular and integrated applications that are capable of running on most operating systems and can be customized to address our customers' specific business needs. We believe that our ERP and Business Management Software Solutions products are mission-critical for our customers as they are most times strictly necessary in order for our customers, and in particular professionals, to run their business. For the year ended December 31, 2017, SMEs and professionals accounted for approximately 62% and 38%, respectively, of the revenue generated by our ERP and Business Management Software Solutions business line.

Products

Our product lines for SMEs consist of a wide range of scalable ERP and other business management software products. ERP software integrates internal and external information management across an entire business by providing finance and accounting support, operations support (including warehouse management, manufacturing, procurement and logistics) as well as sales and post-sale support. Generally, ERP software consists of a suite of integrated applications that an organization can use to collect, store, manage and interpret data from a variety of internal and external business activities. ERP software provides an integrated and continuously updated view of core business processes, including business resources (such as cash, raw materials and production capacity) and the status of business commitments (such as orders, purchase orders and payroll). Our ERP and other business management software products are web-based as users may connect to them from their computers using an internet browser. Moreover, they can be used by SMEs in nearly all industries. As such, our current customer base is diverse and has no specific concentration in any particular industry. Below are descriptions of the key ERP and Business Management Software Solutions products offered to our SME customers:

- *Alyante* is our most complete ERP software dedicated to SMEs, covering a wide range of integrated functions for the management of internal and external processes. Alyante is web-based, flexible and capable of evolving according to the needs of the business. Some of Alyante's features include customer management and sales analysis, invoicing production and management, warehousing, production logistics and a comprehensive set of accounting tools. In addition, Alyante allows customer to, among other things, monitor and manage Italian tax payment obligations (so-called "F24" forms), monitor bank account transfers, monitor the overall business performance through the analysis of the profitability of any project, manage logistics and inventory, etc. In order to be able to satisfy the requirements of our heterogeneous SME customer base, Alyante is available in a variety of versions, each of which is specifically designed for a particular industry (*e.g.* food and agriculture, hospitality, fashion, retail, etc.) and is equipped with industry-specific features. We also offer Alyante Start, a management solution dedicated to small Italian businesses which supports SMEs during their growth and development stages.

- *ACG Enterprise* is our ERP software specifically designed for SMEs that utilize IBM Power System technology. We started offering ACG Enterprises in 2014 after we acquired ACG, the IBM Italia division dedicated to the development and distribution of management software for medium and medium-large-sized enterprises.

- *Lynfa Azienda* is our management software for SMEs, designed to offer complementary functionality with our Lynfa Studio professional software. In particular, Lynfa Azienda allows SMEs to provide professionals equipped with Lynfa Studio with information, support and services in a simple way by creating a shared environment through which both parties can share documents, information, files and other important data while keeping track of the documents exchanged.

Our product lines for professionals provide labor advisors, accountants and fiscal consultants with mission-critical software solutions they require to perform their day-to-day activities. These product lines can be divided into two main groups: (i) payroll software and (ii) fiscal and accounting software. Our product lines for our professional customers consist of a comprehensive set of services and content, and constant regulatory driven updates, ranging from consultancy and management software to accounting and inventory management. Below are descriptions of the key ERP and Business Management Software Solutions products offered to our professional customers:

- *Lynfa Studio* is our management software for labor advisors and accountants which primarily features accounting and tax filing tools. For example, labor advisors use Lynfa Studio when preparing and certifying payslips, confirming that appropriate tax and other contributions are properly accounted for in payslips and providing support and consultancy services on legal matters concerning labor. Accountants use Lynfa Studio products to support their bookkeeping, tax calculation and compliance procedures. Lynfa Studio also helps professionals comply with certain important anti-money laundering obligations, such as the proper identification of their customers.
- *Lybera* is our simple management software for professionals that provides easy-to-use accounting, tax filing and information management tools, allowing them to, among other things, more efficiently manage the accounting and invoicing processes and store customer data.

In addition to the above products, we also offer ancillary products which aim to complement our ERP and Business Management Software Solutions product portfolio, including applications and solutions for customer relationship management, document management and archiving, business intelligence, unified communication, e-commerce and mobile sales, timesheet and expense management and human resources management.

All of the above products can be connected to Agyo, our business-to-business digital platform (for further details on Agyo, see *"—Cloud Software Solutions—Products—Digitalization"*).

Revenue generation

In the Direct Channel of our ERP and Business Management Software Solutions business line, we divide our revenue-generating streams into three categories: (i) Assistance and Maintenance, composed of annual maintenance fees relating to customer support, technical assistance and software updates; (ii) Licenses, composed of license fees (mainly related to perpetual licenses) paid by our customers for the purchase of and right to utilize our ERP and Business Management Software Solutions products and ancillary products; and (iii) Services and Other, composed of service fees in connection with certain on-demand services (*e.g.* project start-up installation and product customization and training). Recurring revenue in the Direct Channel of our ERP and Business Management Software Solutions business line is generated primarily by the assistance and maintenance fees. For the year ended December 31, 2017, our Direct Channel accounted for 55.3% of the revenue generated by our ERP and Business Management Software Solutions business line.

In the Indirect Channel of our ERP and Business Management Software Solutions business line, we generate revenue from our network of VARs primarily relating to: (i) Assistance and Maintenance and Licenses, primarily composed of Forfait Fees, payable to us under our multi-year distribution agreements with VARs (typically of a three year term) and (ii) Services and Other, composed of fees in connection with certain services that we provide to VARs, such as project start-up and customization and VAR training. For the year ended December 31, 2017, our Indirect Channel accounted for 44.7% of the revenue generated by our ERP and Business Management Software Solutions business line.

In addition, in both our Direct and Indirect Channels, we generate recurring revenue from the sale of Regulatory LTAs. Fees from the sale of Regulatory LTAs are paid by our customers on an annual basis, separately from and on top of the relevant customer's base contract fee (*i.e.* under assistance and maintenance contracts or VAR Forfait Fees, as applicable).

Vertical Solutions

Our Vertical Solutions products and services are designed to address the needs of SMEs and professional customers in specific industries, such as, *inter alia*, mechanical and manufacturing, the professional education, construction, CAF/public sectors, wellness and legal industries. We view our Vertical Solutions products as a complementary offering to our ERP and Business Management Software Solutions products, as well as our Cloud Software Solutions products. We are often able to draw new Vertical Solutions customers from our existing customer base for other products, and to increase our sales of ERP and Business Management Software Solutions products and Cloud Software Solutions products by cross-selling those product lines to our Vertical Solutions customers. Our Vertical Solutions customers are very heterogeneous, requiring a dedicated analysis of their needs and a focused approach to providing tailored software solutions and services.

Products

Among other products and services, we offer the following key industry-specific Vertical Solutions products to our customers:

- *Mechanical and Manufacturing*. Our CAD/CAM business started with the acquisition of NuovaMacut in 2008. NuovaMacut offers a variety of design solutions for the mechanical industry, including 3D computer-aided design (CAD), product data management (PDM), product lifecycle management (PLM), simulation, computer-aided manufacturing (CAM) and virtual reality. NuovaMacut sells and delivers CAD/CAM software and certain of its other products under a non-exclusive distribution arrangement with SolidWorks Inc., which is the owner of such solutions. Based on the most recently available data, in 2017, NuovaMacut was the largest SolidWorks VAR in Italy and one of the five largest in Europe. CAD/CAM software is business critical for manufacturing companies whose core business revolves around the design and production of physical goods.

- *Construction*. Our wide range of internally developed software products for the construction industry offer engineers, architects and other technical professionals, operating both in the private and public sector, a streamlined solution for construction project management, as well as asset and facility management. The majority of our construction solutions require regular updates to remain useful for our customers, including updates driven by new regulatory obligations, therefore generating ongoing maintenance and Regulatory LTA revenue following the initial product sale. Sales of our construction solutions are generally made under our license and maintenance fee model.

- *CAF/Public Sector*. We offer a variety of internally developed software solutions for fiscal advisors, including CAFs, and public administration organizations to help them manage their businesses and, in particular, their recurring tax obligations. Our sales to CAFs represent the main revenue source in this business and are generally made under our license and maintenance fee model in addition to fees related to the provision of additional on-request services (such as customization services).

- *Wellness*. We offer a variety of internally developed software products and services for the wellness industry, including for facilities such as gyms, pools and leisure centers. These products enable customers to efficiently run their businesses by, for example, maintaining members' details, monitoring on site accesses, planning work-outs, scheduling classes and assigning members to them, managing memberships, processing billing and payments and performing other administrative tasks. Sales of our wellness solutions are generally made under our license and maintenance fee model.

- *Legal*. We offer a variety of internally developed software solutions for the legal industry, including software for the management of agendas and paperwork, book-keeping and accounting products, full ERP software targeted at law firms, as well as simple products for the electronic transmission of documents to courts in the context of legal proceedings. Most of our legal solution products are sold through our Indirect Channel under our license and maintenance fee model.

- *Professional Education*. We began to offer professional education solutions following the acquisition of Euroconference, a leading provider of educational services and publications for professionals in Italy, in 2004. Euroconference offers a range of seminars, conferences, training programs and a variety of publications targeted at professionals, including fiscal and labor advisors, lawyers and engineers. Our professional education services are provided primarily through instructor-led classroom events, as well as through our self-paced e-learning platform. Most of our professional education solutions are integrated within our ERP and business management software products, as customers may for instance be informed of, and subscribe for, education events directly through our software. Our professional education business is well sustained by the legal and regulatory requirements of our customers. For example, professionals are required by law or professional association rules to attend courses for a specified number of hours of courses in order to maintain their professional license. Sales of our professional education software solutions (*e.g.*, Evolution, which is our legal database for accountants) are made via both our Direct and Indirect Channels.

Revenue generation

In our Vertical Solutions business line, revenue generation varies by distribution channel and type of product. In general, in our Direct Channel, we divide our revenue-generating streams into three categories: (i) Assistance and Maintenance, composed of annual maintenance fees relating to customer support, technical assistance and software updates; (ii) Licenses, composed of license fees (mainly related to perpetual licenses) paid by our customers for the purchase of and right to utilize our software; and (iii) Services and Other, composed of service fees in connection with certain on-demand services (*e.g.* project start-up installation and product customization), service fees paid by our professional education solutions customers in connection with the provision of certain training and other professional educational services.

In our Indirect Channel, similar to our ERP and Business Management Software Solutions products, we generate revenue from: (i) Assistance and Maintenance, primarily composed of the annual Forfait Fees under our VAR distribution agreements and (ii) Services and Other, composed of fees in connection with certain services that we provide to VARs (*e.g.* project start-up and customization and VAR training). In addition, in both our Direct and Indirect Channels, we generate recurring revenue from the sale of Regulatory LTAs.

Cloud Software Solutions

Through our Cloud Software Solutions business segment we offer a range of cloud products, which are a combination of cloud versions of our Software Solutions products, new products such as entry-level software products for microbusinesses and new services to enable digitalization and other ancillary cloud technology products. Our Cloud Software Solutions business segment is our fastest growing segment, with the number of our Cloud Software Solutions customers increasing from approximately 67,000 in the year ended December 31, 2015 to approximately 151,000 in the year ended December 31, 2017.

We believe that cloud technology offers a variety of benefits for our customers. For example, cloud technology (i) allows our customers to give greater focus to their core business functions while reducing technology infrastructure, which is particularly relevant for our microbusiness customers; (ii) is secure, as data and information stored in the cloud is automatically protected by third-party data centers that specialize in IT security; (iii) provides customers with highly modular solutions which can be combined and tailored based on each customer's needs and (iv) ensures constant update of the software to the last available version. As the business of our customers grows, the capacity of their cloud environment may be increased accordingly. Finally, cloud technology provides our customers with increased accessibility, allowing them to access their software resources anywhere via mobile devices, including smartphones. This flexibility enables customers to respond to the increasing demands of modern business and facilitates greater communication and data accessing and sharing among various stakeholders, such as other businesses, tax authorities, financial intermediaries, tax accountants and other professionals.

Products

We provide a wide range of cloud products for all of our customers' needs, from simple invoicing tools (such as Fatture in Cloud) to complex management software solutions (such as the cloud version of Alyante). Our Cloud Software Solutions product offering is structured around five strategic pillars:

(i) Microbusinesses / Small enterprises. The primary customers for our Cloud Software Solutions products are currently microbusinesses and small enterprises. Our Cloud Software Solutions products for these customers are the following:

- *Fatture in Cloud* is a simple invoicing platform specifically designed for microbusinesses and professionals which uses a cloud-based platform which may be accessed by any device that is connected to the internet (*e.g.* computer, smartphone, tablet, etc.) through an internet browser or a specific application compatible with both iOS and Android. Fatture in Cloud allows customers to, among other things, electronically produce and send any type of invoice to any type of customer, including public administration organizations, monitor and manage Italian tax payment obligations (so-called "F24" forms) and automatically generate accounting records of invoices without any manual data entry.

- *Reviso* is an accounting platform primarily designed for small enterprises, including groups with non-Italian subsidiaries. Similarly to Fatture in Cloud, Reviso uses a cloud-based platform and may be accessed by an unlimited number of users through any device that is connected to the internet. It allows data to flow seamlessly among the various users in the organization as well as any external accounting consultants. Reviso also allows customer to, among other things, manage all accounting processes, electronically produce and send any type of invoice to any type of customer, including public administration organizations, monitor and manage Italian tax payment obligations (so-called "F24" forms), monitor bank account transfers, monitor the overall business performance through the analysis of the profitability of any project, manage logistics and inventory, etc. We launched Reviso in 2017 following our acquisition of ECI Denmark ApS (which subsequently changed its name in Reviso International ApS) in 2016.

(ii) Digitalization. Our customers' businesses are increasingly dependent on the digitalization of data flows between themselves and third parties, such as banks, public administration organizations (*e.g.* tax authorities) and their suppliers and customers.

- *Agyo* is our digital platform meant to address the digitalization needs of businesses, simplifying the information flow between businesses. Agyo allows our customers to, among other things, send, receive, register and store electronic invoices from and to private customers, public administration organizations and external accountants, send tax filings to the relevant tax authorities electronically, sign electronic documents, connect to bank accounts and store data electronically (e-archiving). Agyo operates alongside all our ERP and Business Management Software Solutions products, but it is designed as an open-platform and therefore may be used by customers who utilize ERP and business management software of third parties. Agyo represents an important marketing tool that enhances our cross-selling capabilities. For example, we incentivize our accountant customers through referral bonuses (in the form of discounts on the price of our products) to encourage their end-customers join the Agyo platform. By doing so, such end-customers benefit from the digital and automatic exchange of data with their accountants, which significantly simplifies compliance with tax requirements, and we are able to offer our full range of products to a wider customer base.

(iii) Transition to cloud. We provide assistance and support to our non-cloud customers who wish to transition to our Cloud Software Solutions products from our traditional on premise Software Solutions products. For example, we are offering users of the on premise versions of Alyante and Lynfa the ability to switch to the cloud version of such products, with our assistance.

(iv) BPaaS. Since 2011, we have been developing and offering Business Process as a Service ("**BPaaS**") solutions which provide our labor advisor customers with payroll outsourcing services through a cloud computing service model. Through our payroll BPaaS, we offer labor advisors a way to improve their efficiency by leveraging our scale and expertise in payroll processing while allowing them to focus their relationships with their customers on value-added activities.

(v) Complementary products. Our cloud infrastructure enables us to leverage the hybrid architecture of our main ERP and Business Management Software Solutions by cross-selling a number of complementary products, such as ancillary cloud products aimed at complementing our product offering, including cloud-based applications and solutions for customer relationship management, document management and archiving, business intelligence, e-commerce and mobile sales, timesheet and expense management and human resources management.

Revenue generation

We sell our cloud software through our Direct, Indirect and Online Channels. In our Cloud Software Solutions business segment, revenues are primarily composed of annual subscription fees paid by our customers for the use of the software and related assistance and maintenance services, including customer support, technical assistance and software updates. In addition, we generate revenue from the sale of Regulatory LTAs and through consumption fees in connection with certain specific Cloud Software Solutions products (*e.g.*, electronic signatures). The revenue generated by our Cloud Software Solutions business segment is almost entirely of a recurring nature.

Hardware

We have historically resold third-party hardware (mainly servers, laptops and printers) and hardware-related delivery, assistance and maintenance support services to our software customers who request such services. In December 2017, we entered into an agreement with Penta Service S.p.A., a third party hardware resale specialist, relating to the outsourcing of the services and products that comprise our Hardware business segment. We believe that outsourcing these activities to a third party will generate cost synergies and allow our in-house team to focus on our core activities. Our Hardware business segment represented 1.8% of our total revenue for the year ended December 31, 2017.

Customers

Our three key end-customer groups are SMEs, microbusinesses and professionals, in addition to our VARs, which resell our products via our Indirect Channel to these three end-customer groups. Our total end-customer base, which includes both Direct and Indirect Channel end-customers, increased from approximately 88,000 as of December 31, 2009 to approximately 247,000 as of December 31, 2017. Of this total figure, approximately 83,000 are SMEs, approximately 86,000 are microbusinesses and approximately 79,000 are professionals.

Our large and diverse customer base is highly fragmented and diversified in terms of both number of customers and industries. For example, in the Direct Channel of our ERP and Business Management Software Solutions business line, our largest ten, 50, 100 and 200 customers accounted for 2.1%, 3.7%, 4.8% and 6.4% of our total revenue for the year ended December 31, 2017. Generally, there is no particular industry on which we rely for our customer base which we believe helps sustain our business through the various economic cycles. In addition, we have historically experienced high Customer Retention Rates. See "*—Our strengths—Large and highly diversified and fragmented customer base characterized by high retention rates above*."

Small and Medium Enterprises

We consider small enterprises to be those that employ between 10 and 49 individuals and medium enterprises those that employ between 50 and 499 individuals. In general, companies of different sizes have different needs that cannot be properly served by a single software solution; as a result, we offer a wide range of software products designed to serve the needs of our diverse SME customer base.

Microbusinesses

We offer cloud products to microbusinesses, which are primarily composed of individual enterprises, small partnerships and individuals with a VAT registration number (*partite IVA*) that engage in small business activities. Microbusinesses generally have different needs as compared to SMEs and we offer a number of specialized cloud products designed to cater to the unique needs of this customer base. We anticipate significant upside potential in the sale of our Cloud Software Solutions products to microbusiness customers due to the large size of the Italian microbusiness software market, which we estimate to be composed of approximately three million companies, and its comparatively low level of penetration.

Because our microbusiness customers require products tailored to different functions and software requirements as compared to our SME products, we believe that increased adoption and sales of our microbusiness products will pose very limited risk of cannibalization of sales of our software products offered to our SME customers.

Professionals

Our professional customer base primarily consists of labor advisors, accountants and fiscal consultants. In Italy, professionals, need for our software and related updates is primarily driven by the complex and frequently-evolving Italian accounting, tax and legal regulatory landscape. We are a market leader in the Italian professional advisor software market, with a market share of 40.5% as of December 31, 2015, based on number of seats.

Our solutions targeted at professionals are marketed through both our Direct and Indirect Channels and, for our cloud products for professionals, our Online Channel (see *"—Operating model"*). Our primary software products for professionals fall within the *Lynfa* product family, which includes both on premise software and cloud solutions (see "*—Our business segments, products and services*").

VARs

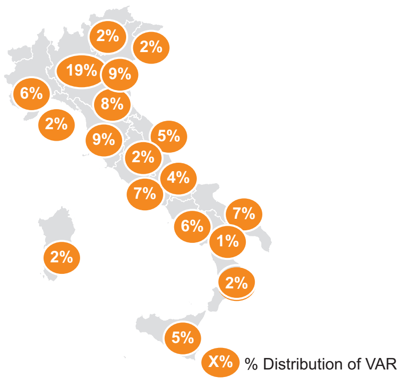
Given the extensive network and speed at which services must be delivered in order to serve the customer base, in most European markets (including Italy), VARs play an important role in ERP and business management software solutions distribution and services for SMEs, microbusinesses and professional customers. VARs are resellers of software and product licenses who sell on behalf of ERP software providers and usually operate on an exclusive basis with a single provider. VARs install the relevant software and provide assistance and maintenance support services to customers. The provision of these business services is particularly important to small firms who do not usually have the necessary in-house capabilities to efficiently install and maintain a new software system or the ability to train staff in using such new software.

VARs resell the majority of our software and product licenses and represent one of our largest customer groups, based on revenue. Our contractual arrangements with VARs are described under "*—Operating model—Indirect Channel*." Retention rates for our VARs are typically even higher than the retention rates for our other customers primarily due to the multi-year length of our VAR distribution agreements (typically three years) and higher switching costs. See *"—Our strengths—Large and highly diversified and fragmented customer base characterized by high retention rates above*."

Operating model

We market our products through our Direct, Indirect and Online Channels. Such channels are the touch points through which we liaise with our customers and, as such, they play an important role in defining our customers' experience. The operating model for each of our channels is provided in three key stages: (i) sales, (ii) delivery and (iii) customer service, assistance and maintenance. We believe that our operating model is a crucial element in allowing our distribution and service channels to meet customer expectations and drive revenue growth and, for this reason, these three key stages are tailored to the specific features of each channel (Indirect, Direct and Online) and end-customer group (SMEs, microbusinesses and professionals). See below, "*—Direct Channel*," "*—Indirect Channel*" and "*—Online Channel*."

Set forth below is a chart representing the location of the key offices of our four regions as well as the geographic distribution of our approximately 650 VARs, comprising our Indirect Channel (expressed as a percentage of total number of VARs) throughout Italy:



We believe that the combination of our Direct, Indirect and Online Channels have enabled us to build a significant competitive advantage, which presents barriers to entry to potential competitors within the Italian management software market. Our Direct and Online Channels enable us to maintain a direct relationship with end-customers and to identify customers' needs promptly and accurately while our Online Channel, in particular, allows us to market our Cloud Software Solutions products to potential microbusiness customers throughout Italy. Our Indirect Channel, through our unique network of VARs, allows us to increase our customer base while optimizing the use of our resources and minimizing commercial costs.

Direct Channel

Our Direct Channel offices provide software solutions and related maintenance services, including installation, start-up, and post-sale customer services, directly to our customers.

Sales

We sell our software products and licenses directly to our SME, microbusiness and professional end-customers via our Direct Channel. As of December 31, 2017, our sales team was composed of approximately 100 in-house representatives and approximately 50 sales agents. Our sale representatives are employed directly by us while our sales agents operate under exclusive agency contracts. Our Direct Channel sales team is complemented by sales specialists focused on selected vertical markets (such as food and fashion) in order to provide industry-specific strategies. As of December 31, 2017, our Direct Channel had approximately 27,000 active customers, primarily represented by SMEs and professionals.

Over the past two years, we have reorganized the governance structure of our Direct and Indirect Channels in order to enhance coordination and create synergies between the two channels, and to ultimately improve our customers' experience and our profitability and the way we run our business and interact with customers. This has included the re-organization of our direct salesforce into regions (large offices that engage in both sales and managerial functions), and as part of such reorganization efforts, we created a unified marketing department for the entire Group. Our four regions, with offices located in Pesaro, Rome, Milan and Bologna, are large offices that engage in both sales and managerial functions and coordinate our twelve territories. During the consolidation process, we opened a number of new locations.

Delivery

Delivery of our software products in our Direct Channel varies depending on product type and end-customer group. Most products for microbusinesses and professionals (such as Lynfa Studio) do not require delivery services on our part, or require only limited delivery services, as they are mostly self-provisioning. Self-provisioning with respect to our Software Solutions business segment refers to the delivery and setup of software products using simple processes that can be performed directly by the end-customer and that generally provide customers with immediate access to the product. On the other hand, our products directed at our SME customers (such as Alyante and ACG Enterprise) are not self-provisioning, primarily due to their higher complexity and customization requirements, and are usually delivered by a dedicated TeamSystem specialist team and VAR partners.

Customer service, assistance and maintenance

In our Direct Channel, we provide customer support and other assistance and maintenance services directly to our customers. As of December 31, 2017, our customer service unit consisted of approximately 311 people, of which 32 have been outsourced. Our dedicated customer service unit is organized by product type. Our customer support services are delivered by telephone conference between the customer and one of our customer support representatives. If a customer is experiencing technical problems related to the software, our customer support representatives forward the call to our research and development department. In addition, we maintain an online knowledge database, accessible by our Direct Channel end-customers and VARs, that is designed to answer common and basic inquiries related to our software products. Customers who access the database can find information such as software instruction manuals video instructions and advanced search engines for Frequently Asked Questions ("**FAQ**") documents.

We currently conduct a small part of our customer service operations through a joint venture with Comdata Group S.p.A. to help us more efficiently manage increased assistance requests from our customers during peak times, such as the final window before a regulatory deadline (including tax filings). See "*Risk factors—Risks related to our business—The outsourcing of part of our customer service operations and our hardware resale operations to third parties raises the risk that such outside parties could fail to perform as expected*." Currently, all customer assistance calls are received by a unified call center which allocates the calls to our internal and external customer service representatives based on a variety of factors, including the current capacity of our internal and external call centers.

Fee structure

When operating through our Direct Channel, our fee structure is as follows:

- *Assistance and Maintenance*: Assistance and maintenance fees are the recurring fees paid by our non-cloud Software Solutions customers for customer support, technical assistance and maintenance and software updates and are normally associated with license agreements (*i.e.*, our license and maintenance fee model). Such customers typically enter into a contract for the provision of assistance and maintenance services at the time of initial sale of our software products.

Subscription agreements fees are paid by our customers for the right to utilize our Cloud Software Solutions products. For accounting purposes, we classify fees generated through subscription agreements as assistance and maintenance fees. A typical subscription agreement requires customers to pay a fee, either monthly or annually, in order to utilize a particular software product and benefit from customer support, technical assistance and maintenance and software updates , providing us with a reliably recurring source of revenue..

Unless a customer gives prior notice of cancellation (between three to six months depending on the terms of the particular contract), the assistance and maintenance contract or subscription agreement, as applicable, is automatically renewed on an annual basis. If a customer declines to pay their ongoing assistance and maintenance or subscription fees, or does not pay within the required time, we have the right to remedy this breach by, among other things, ceasing to provide any further support, improvements or updates and, in connection with temporary licenses, terminating the customer's access to the software product.

- *Licenses*: Our Software Solutions products are licensed to end-users (primarily SMEs) under non-transferable, temporary or perpetual, license agreements that stipulate which modules can be used and how many concurrent or named users may use them. Most of the license agreements provide us with a right to withdraw at any time with six months' prior notice. In general, perpetual license fees are a one-time source of revenue paid by new customers and therefore do not provide a recurring source of revenue.
- *Services and Other*: Service fees are generally charged when the servicing of a particular project is ongoing and the fees are related to the installation and customization of our Software Solutions products. Service fees are generally one-off fees and therefore do not generate recurring revenue.

In addition, our Direct Channel generates fees in relation to the sale of Regulatory LTAs. Our customers pay the Regulatory LTA fees on an annual basis, separately from and on top of the customer's base contract fees (*i.e.* maintenance fees or subscription fees, as applicable). For accounting purposes, we classify fees generated through the sale of Regulatory LTAs in our Direct Channel as license fees during their first year of sale and as assistance and maintenance fees on an annual basis following the first year of sale.

Indirect Channel

Our Indirect Channel is composed of our VAR network (see "*—Customers—VARs*"). VARs resell the majority of our software products and are particularly focused on SMEs and professional customers. We acknowledge the importance of VARs' role in the sale of our products and the ongoing software assistance to end-customers, and we recently developed a VAR certification program whereby each VAR must undergo a specific training course and pass a test in order to be certified for their role. Without this certification, the VAR is not authorized to sell our products. We believe this program allows us to strengthen the relationship with our VARs and, at the same time, reduce the risk of VARs providing sub-standard assistance services to the end-customers.

There is a trend in Italy towards the consolidation of small VARs, which is driven by efficiency and scale synergies generated through VAR mergers. We believe that VAR mergers positively affect our Indirect Channel as consolidation helps to create a stronger distribution network.

Sales

As of December 31, 2017, our Indirect Channel was composed of approximately 650 VARs which are located and service customers throughout Italy. As of December 31, 2017, our VARs had approximately 42,000 active clients.

Marketing our products through our VARs constitutes an effective way of targeting clients because it allows us to reach a larger number of potential customers while optimizing commercial costs and focusing our resources on value-added activities and services, such as product development and service improvement. Our VAR relationships are a key part of our business strategy, as we receive a significant portion of our recurring revenue through our VAR distribution agreements. We interact with VARs primarily through our 17 channel developers, who actively assist VARs in the distribution of our products with the aim to maximize VAR sales, and our five channel transformation managers, who are engaged mainly in monitoring and administrative functions (such as the renegotiation of VAR distribution agreements).

Although our VARs exclusively manage their relationships with the end-customers, we are able to keep track of the end users of our software primarily via our individual licensing system. We manage the VARs in order to prevent competition between our Direct and Indirect Channels, and recently we have reorganized the governance structure of our Direct and Indirect Channels in order to enhance coordination and create synergies between the two channels. We also engage in joint marketing programs, seminars, trade shows and conferences with many of our VARs. We periodically meet with our major VARs in order get their insight on customers and local market dynamics and to keep them updated with our developments and performance.

Delivery

Our VARs are responsible for the delivery of software products and licenses sold via our Indirect Channel. In general, the self-provisioning products, such as most products for professionals (for example, Lynfa Studio) do not require any delivery activities on the part of the VARs. When requested, we provide assistance to VARs engaging in delivery processes.

Customer service and assistance

In our Indirect Channel, VARs provide customer service and other assistance services directly to the end-customers, whereas we remain in charge of software maintenance services. VARs independently provide their customers with a dedicated assistance service similar to the assistance we provide to our Direct Channel end-customers (see "*—Operating model—Direct Channel—Customer service, assistance and maintenance*"). When requested, we provide second-level assistance to the VARs on complex technical matters through a dedicated unit within our customer service team. This department provides VARs with assistance both online and by telephone for (i) technical and product error reporting and resolution, (ii) online access to a database of error reports, (iii) product updates and new releases, and (iv) new versions and product corrections. In addition, VARs have access to our online knowledge database containing software instruction manuals and FAQ documents.

We also offer technical training courses to our VARs on our products and on commercial, technical and managerial best practices. In order to ensure that the quality of the services delivered to end-customers is consistent with the high standards we strive to offer, we constantly monitor the number and the quality of the issues raised by each VAR when they seek our advice.

VAR distribution agreements and fee structure

Our relationships with VARs are governed by distribution agreements, the vast majority of which are multi-year contract arrangements, typically providing for a three year term. Almost all of these contracts prohibit VARs from selling competing products, although exceptions are sometimes granted based on specific business needs. In general, these exceptions relate to VARs that have joined our network following our acquisition of another business, as VARs within such business' network may already have business relationships with a variety of companies and may be unable to agree to an exclusivity clause with us. If a VAR declines to renew a distribution agreement, we are normally able to migrate such VAR's existing customers to one of our Direct Channel territories or regions or to another VAR in the area. We perform a similar migration if a VAR fails to pay its licensing fees or goes out of business. When we migrate a former VAR's customers to a new VAR, we typically require the new VAR to pay us an amount equal to any amounts owed by the former VAR.

Our VAR fee structure is as follows:

- *Assistance and Maintenance:* VARs pay us assistance and maintenance fees primarily composed of the annual Forfait Fees under our VAR distribution agreements. Under the Forfait Fee model that we have historically used, each VAR pays us an annual fee (typically invoiced quarterly), determined at the time the contract is signed, with a pre-determined price scheme. The typical contract length is three years and for this period the Forfait Fee is generally pre-fixed, as it does not depend on the actual volume generated by the relevant VAR. For new VARs, this fee is based on an estimate of the potential customer base a VAR can achieve during the term of the contract. Upon the expiration and renegotiation of a distribution agreement, fees are renegotiated based on the VAR active customer base (and the maintenance fees at list price generated therefrom) at such time and its expected growth.

  We are in the process of implementing a new Forfait Fee model that is meant to replace the existing one. Under our new Forfait Fee model, the Forfait Fee will be subject to pre-determined annual increases that will be subject to annual upward or downward adjustment on the basis of the VAR's performance, as determined through an algorithm agreed upon at the start of the contract. Any downward adjustments will be subject to a floor, which will be the VAR's first-year base fee under the distribution agreement. We expect the other main features of the distribution agreement to remain substantially unchanged. We plan to replace the old Forfait Fee model with the new one gradually, upon renewal of each VAR contract (see also "*Risk factors—Risks related to our business—If we fail to maintain, expand or develop our relationships with our customers, including VARs, our business, financial condition and results of operations could be adversely affected*"). Our new Forfait Fee model is meant to incentivize VARs to continuously increase their customer base and therefore contribute to further expansion of our Indirect Channel. Under the new fee model, we may benefit from this increased customer base each year when the Forfait Fee is adjusted, and indirectly through the sale of products not included in the fixed fee contract.

On top of Forfait Fees, VARs also pay us recurring fees in connection with the sale of certain ancillary and independent products, such as electronic signatures. VARs who wish to sell these ancillary products are required to purchase them from us in minimum amounts on an annual basis.

- *Services and Others*: These are fees we receive in connection with on-demand assistance with specific projects in connection with, for example, installation and customization activities and VAR training.

In addition, our Direct Channel generates fees in relation to the sale of Regulatory LTAs. Fees from Regulatory LTAs are paid to us on a recurring basis and are normally added on top of the Forfait Fees for the year following the purchase of the Regulatory LTAs. For accounting purposes, we classify fees generated through the sale of Regulatory LTAs in our Indirect Channel as license fees.

Online Channel

The majority of our Cloud Software Solutions products may be purchased by customers on our online TeamSystem store, which we launched in 2016. Our Cloud Software Solutions products do not require delivery activities on our part as they are mainly self-provisioning. Self-provisioning with respect to Cloud Software Solutions business segment refers to the delivery and establishment of software products using an automated process, which generally provides customers with immediate access to the product. Our Online Channel has no dedicated sales force and customers may rely on our Direct Channel support teams for any assistance they require (see "*—Operating model—Direct Channel—Customer service, assistance and maintenance*").

Research and development

Our software products are entirely developed by us, with very few exceptions (*e.g.* CAD/CAM products). Our goal is to develop products based on user experience and customer requirements. Internal development allows us to maintain technical control over the design and development of our products; accordingly, we have dedicated a large portion of our employees to software research and development.

Our research and development department is primarily divided into two segments, ERP software and professional software. In addition, we have a team that specializes in software architecture and common software components.

Within each segment, our employees have specialized skills and in-depth knowledge of our product technology, and are responsible for the following activities:

<u>Software maintenance and evolution</u>: It refers to activities aimed at performing technical upgrades to our existing products and extending our software capabilities with respect to regulatory and legal updates, thereby providing a fundamental component of our software where our customers require quick responses to frequently changing legislation;

<u>Software innovation</u>: It refers to activities aimed at broadening our product range to extend current functional coverage, introduce new functionalities and enter new market segments, with the goal of providing increasingly comprehensive software solutions to customers in a range of markets with different requirements. We deliver software innovation both internally and through open innovation, which we achieve mainly through our acquisitions. We make substantial investments in research and software product development. For 2015 and 2016, such investments were mainly dedicated to our product renewal project, a long-term expenditure program which we launched in 2012 and completed

in 2016 aimed at upgrading our entire software products and platforms portfolio. The product renewal project has allowed us to, *inter alia*, shift our most successful on premise software products (*e.g.* Alyante and Lynfa) toward a web-based environment, create the cloud-based version of such products and improve the customer experience by completely re-designing the software interface. Following completion of the product renewal project, our efforts have primarily focused on the creation and development of our cloud-native solution, such as Reviso, Fatture in Cloud and Agyo. As part of our acquisition strategy, we seek to acquire companies that bring us valuable competencies and skills, as well as cutting edge technologies with the goal of applying such acquired technologies to our existing product offering and expanding our knowledge and products in segments that are complementary to our existing segments. For example, our acquisition of AliasLab S.p.A. and its subsidiaries allowed us to gain knowhow and expertise in the electronic signature and authentication services market, which we can now use throughout our research and development activities.

Development costs are generally expensed in our results of operations, with the exception of our development costs related to new product developments, which are capitalized. Capitalized development costs were €10.8 million, €10.5 million and €13.4 million in 2015, 2016 and 2017, respectively. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Capital expenditure.*" We believe our level of investment and commitment to research and development provide us with a competitive advantage over our competitors.

Intellectual property

We regard certain aspects of our internal operations, software and documentation as proprietary, and rely on a combination of contract, copyright, trademark, patent and trade secret laws to protect our proprietary information. Our policy is to protect all of our significant technologies by seeking trademarks and/or other intellectual property rights and, where required, defending and enforcing our intellectual property rights. In addition, we have implemented a variety of practical measures aimed at providing additional security for our intellectual property. For example, we include non-compete and non-solicitation clauses in the contracts of our key employees and in the acquisition agreements with our strategic partners relating to our majority-owned subsidiaries. In addition, we use repositories for our source code, which may be accessed only by authorized individuals and only in certain circumstances. Moreover, we have developed certain contingency and disaster recovery plans and maintain backup systems to reduce the potentially adverse effect of these types of events. We believe that, because of the rapid pace of technological change in the computer software industry, trade secret and copyright protection is less significant than factors such as the knowledge, ability and experience of our employees, frequent software product enhancements and the timeliness and quality of assistance services. See "*Risk factors—Risks related to our business—Third parties may infringe upon our intellectual property rights. Italian intellectual property law offers limited protection for our products and we may suffer competitively or expend significant resources enforcing our intellectual property rights*."

Employees

The table below sets out our number of employees as of the dates indicated.

	As of 31 December		
	2015	**2016**	**2017**
Managers	45	53	57
Other employees	1,669	1,916	1,957
Total	**1,714**	**1,969**	**2,014**

We believe that we have satisfactory working relationships with our employees and have not experienced any significant labor disputes or work stoppages.

Competition

The Italian ERP and business management software market is highly fragmented and we compete with a variety of smaller local software companies that specialize in specific aspects of the highly fragmented software industry, and which generally also sell their products through VARs, including the Zucchetti group, Sistemi and Dylog. International or other well-established players, such as Microsoft Corporation, Oracle, Sap and Gruppo Wolters Kluwer have historically focused on large enterprises and do not currently compete directly with us.

We believe that the key competitive factors affecting our market include:

- depth, breadth and quality of offering;
- superior scale in distribution and customer service network;
- extensive and loyal VAR network;
- ability to innovate and to invest in new products due to R&D scale;
- sufficient brand equity in a critical product;
- ability to offer better value for money; and
- substantial local tax and accounting knowledge.

We believe we have several competitive advantages over a number of our competitors. Some of these advantages include the breadth and completeness of our software functionality, our focus on each of our targeted industries, our substantial distribution footprint, the industry knowledge and expertise of the members of our sales, marketing and services teams and the strong customer support services we offer. In addition, we entered the cloud technology market in 2014, and we were among the first to do so, and we believe that we are the leader in the provision of electronic invoicing services in such market. Our early and continued investment in cloud technology has driven our increasing expansion into the microbusiness customer segment. In addition, we believe that we are the only ERP and business management software company in Italy to offer digitalization services, which represents an important competitive advantage.

Suppliers

We purchase certain products which we re-sell from a range of suppliers, including CAD/CAM software and other supporting tools (such as operating systems and antivirus programs). In addition, our cloud infrastructure is owned and managed by third party server providers, such as Aruba, Amazon and Microsoft. Although these third-party products and services do not justify a direct investment by us in their development and production processes, they complement our software offering and we believe that they provide us with opportunities to strengthen the quality of our offering. In addition, we rely on third party suppliers for utilities, transportation and other services, including third party consultants that we utilize from time to time during the execution of certain projects.

We believe that, although our supply arrangements represent an opportunity to foster the growth of our business, we are not dependent on any of our suppliers, with the exception of our subsidiary NuovaMacut that acts as the largest Italian reseller of SolidWorks CAD/CAM products. For the year ended December 31, 2017, the NuovaMacut group of companies accounted for 11.5% of our total revenue.

We are in the process of implementing certain initiatives to increase the efficiency and further reduce the cost base of our supply chain and operations (including our utilities, fleets and external consultants), such as the renegotiation of our contracts with certain suppliers. See "*Summary historical financial information and other data—Other financial and pro forma data.*"

Non-controlling shareholders in our subsidiaries

As part of our acquisition strategy, when we acquire new businesses, we typically acquire a majority interest and offer sellers the option to become non-controlling shareholders (as occurred, for example, with the acquisitions of Danea Soft, TeamSystem Communication, Digita, H-Umus, AliasLab). In order to incentivize such non-controlling shareholders, we typically enter into agreements with them providing for, *inter alia*, (i) our undertaking to hire individual sellers or appoint them as directors of the company, (ii) put and call option rights with a strike price to be calculated on the basis of the results of the company, and (iii) non-compete undertakings of the sellers with respect to the activities carried out by the company in which we acquired the majority interest. We believe managers and employees are incentivized to perform at high levels as a result of the above acquisition strategy. See the "Acquisitions completed in 2017" section and notes 13 and 19 to our 2017 Financial Statements included elsewhere in this Offering Memorandum for further details regarding our acquisitions. In selected cases, we have also undertaken to make yearly dividend distributions, provided that the the relevant subsidiary's financial condition is stable. For the year ended December 31, 2017, payments of dividends to non-controlling shareholders of our subsidiaries amounted to €0.8 million. See "*Risk factors—Risks related to our business—Certain of our subsidiaries have non-controlling shareholders whose interests may differ from our interests. In addition, the contractual arrangements with such* *non-controlling shareholders may require us to purchase shares at predetermined prices under certain put and call options and to make payments under certain earn out arrangements*" and *"Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries.*"

Properties

Our offices are located throughout Italy and we lease the vast majority of them. We do not have properties under capital leases. We believe that, if required, suitable additional or alternative space will be available on commercially reasonable terms to accommodate expansion of our operations.

Legal and other proceedings

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business. We are not involved in any ongoing governmental, tax, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on our financial position or profitability, nor, so far as we are aware, are any such proceedings pending or threatened. As of December 31, 2017, we had set aside provisions of €1.5 million in our financial statements relating to potential liabilities from litigation. See "*Risk factors—Risks related to our business—Potential liabilities and costs from litigation and other proceedings could adversely affect our business*."

Insurance

We maintain insurance to cover risks associated with the ordinary operation of our business, including coverage for injuries and accidents, civil liability claims (including claims brought in connection with errors and omissions) and IT, such as damage to hardware, software and databases. We have directors' and officers' civil liability insurance for members of our board of directors, the board of statutory auditors and the other managers of the Group's companies. Certain of our companies also maintain coverage relating to the specific risks of their business. We regularly conduct periodic reviews of our insurance cover to ensure that we have adequate coverage and that our deductibles and premiums are at reasonable levels. See "*Risk factors—Risks related to our business—Undetected defects or delays in the introduction of new software products and product enhancements may harm our reputation, result in increased costs to us and reduce demand for our products and services*." We do not have insurance protection against the risk of failure by customers to pay.

MANAGEMENT

*The following is a summary of information relative to management and certain provisions of our bylaws (*statuto*) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Italian law, as the case may be, and does not purport to be complete.*

The Issuer is a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy and registered under number 01035310414, REA PS-103483 with the *Companies' Register of Pesaro and Urbino*. The Issuer's registered office is located at Via Sandro Pertini 88, Pesaro (PS), Italy and its telephone number is + 39 072142661.

As of the date of this Offering Memorandum, and pursuant to the provision of its bylaws (*statuto*) which requires the Issuer to be governed by a board of directors with no fewer than three and no more than fifteen members, the Issuer's board of directors is composed of nine members. Members of the board of directors are appointed by an ordinary shareholders' meeting for a term indicated in the appointment deed, which cannot exceed three years, expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the last financial year of their term. The board of directors may perform all acts related to the ordinary and extraordinary management of the Issuer, except for those actions reserved to the shareholders' meeting by law or pursuant to our bylaws. The Issuer established a remuneration committee in 2016, and the Guarantor has established an audit committee and a risk committee.

Board of directors

The following table lists individuals who are the current directors of the Issuer's board of directors together with their age, title and other roles they hold within the Group.

Name	Age	Title
Federico Leproux	46	Chief Executive Officer
Vincenzo Morelli	63	President
Vincenzo Ferrari	59	Director
Sergio Amodeo	50	Chief Financial Officer
Patrick John Healy	51	Director
Blake Christopher Kleinman	41	Director
Philip Richard Sternheimer	39	Director
Luca Velussi	48	Director
Jean Baptiste Brian	39	Director

Summarized below is a brief description of the experience of the individuals who serve as members of the board of directors of the Issuer:

Federico Leproux joined the Group in 2007 as General Manager and was then appointed as Director and Chief Executive Officer in 2009. From 2004 until 2007, he was at McKinsey & Company focused on different sectors including energy, directory assistance and private equity. From 2002 until 2004, Mr. Leproux worked as a senior consultant at Bain & Company, where he was in charge of projects in the automotive and retail industries. Between 1996 and 2002, Mr. Leproux held different positions at Procter & Gamble, primarily in the operations and product supply fields. Mr. Leproux holds a Degree in Mechanical Engineering from La Sapienza University in Rome, Italy.

Vincenzo Morelli was first appointed as Director and Chairman in 2014. He served until March 2016, when TeamSystem's majority control was sold by HgCapital LLP to Hellman & Friedman. He was re-appointed Director and Chairman in October 2016. He also serves on the Board of Directors of MM El Seif, a Saudi construction and infrastructure services company. Mr. Morelli is a Partner Emeritus at TPG Capital, having served as European Operating Partner in their London office from 2005 until 2012. While active with TPG Capital, he served as Chairman and/or Director of several companies, including Bally International, TIM Hellas, Mey Icki, Télédiffusion de France (TDF), Republic Retail and Strauss Coffee. Prior to his association with TPG in 2004. Mr. Morelli was CEO or Executive Chairman of several enterprises, including GE's European Medical Systems Business, FIAT New Holland, Kontron Instruments and two other privately held companies which he helped restructure as a Managing Director of Alvarez & Marsal. He holds an M.A. from the University of Oxford and an MBA from Stanford University. From 2009 to 2013 Mr. Morelli served on the Board of the European Private Equity and Venture Capital Association in Brussels (now Invest Europe), which he chaired for one year.

Vincenzo Ferrari was appointed as a Director in June 2011 and was reappointed Director in April 2013 and Chief Financial Officer in April 2013, and has held positions in the Group since 2000. He was appointed as Legal and Procurement Director in 2016. He served as CFO and Human Resources Director from 2000 until 2015. He was a member of the board of directors of AMPS, an energy distribution company and he has also held various positions in other energy companies like Bonatti, Stayer Group and the Bonfiglioli Group. Mr. Ferrari holds a degree in Economics from the University of Parma and a master in business administration from Università Commerciale Luigi Bocconi.

Sergio Amodeo was appointed as a Director in 2016 and currently serves as Chief Financial Officer and Director. Mr. Amodeo has significant experience with leading businesses in various sectors both in Italy and abroad. He worked as CFO in Bolton Food Group from 2013 to 2015. He also worked as Global Business Development Head at Danone Dairy Division from 2010 until 2012 and held various roles as Country and Regional CFO, of Spain, NZ and Europe, EMEA, respectively, at Danone Group from 1997 until 2010. From 1991 until 1996, he held various business controller and financial analysis roles at Procter & Gamble Inc. He graduated *magna cum laude* from the University of Salerno and attended an Advanced Management Program at INSEAD in 2007 and 2009.

Patrick Healy was appointed as a Director in 2016. Patrick is Co-Chief Executive Officer of Hellman & Friedman. He is a member of the Investment Committee and his role includes leading the Firm's London office and European activities. Patrick joined H&F in 1994. He is currently a Director of Scout24 and Verisure (Securitas Direct). His previous investment activities included Allfunds, Axel Springer, Digitas, DoubleClick, Formula One, Gartmore, Gaztransport & Technigaz, Mondrian, Nasdaq, National Information Consortium, Neverfail Bottled Water, Nielsen, PowerBar, ProSieben, Wood Mackenzie, and Young & Rubicam. Prior to H&F, Patrick was employed by James D. Wolfensohn Incorporated in New York and Consolidated Press Holdings in Australia. He holds an MBA from Harvard Business School and a BA from Harvard College.

Blake Kleinman was appointed as a Director in 2016. Blake is a Partner at Hellman & Friedman where he focuses on the software, internet and media and financial services sectors. He joined Hellman & Friedman in 2001. Blake is currently a Director of Allfunds Bank and of Scout24 and was formerly a Director of Gartmore, IRIS, SSP and Wood Mackenzie. He was active in the Firm's investments in Arch Capital, Axel Springer, Mondrian, ProSieben, and Nielsen. Prior to H&F, Blake worked in the Mergers, Acquisitions and Restructurings Department at Morgan Stanley & Co. in New York. He graduated magna cum laude from Harvard College and was elected to Phi Beta Kappa.

Philip Sternheimer was appointed as a Director in 2016. Philip is a Partner at Hellman & Friedman where he leads the Firm's Value Creation team in Europe. He was previously a Director at Verisure (Securitas Direct) and was active in the Firm's investment in Goodman Global. Prior to joining H&F in 2007, Philip was employed by BC Partners in Hamburg and worked as a management consultant at Bain & Company in Boston and New York. He holds a Bachelor of Science from the Wharton School of the University of Pennsylvania.

Luca Velussi was appointed as a Director in 2016. He also serves on the board of AliasLab S.p.A. and AliasLab UK, to which positions he was appointed in 2016. He is also a director of Makuria (UK) Limited, an investment management firm. He was employed by Hellman & Friedman as a director from 2005 to 2011. He served on the board of Iris Software Group Limited from 2007 to 2011 and of Gaztransport & Technigaz and GTT Luxembourg Sarl from 2008 to 2014. Prior to joining Hellman & Friedman, he was employed by Hicks, Muse, Tate & Furst Limited and served as a director of Aster City Holding, Premier Foods Plc. He began his career at Goldman Sachs in the advisory and private investments group. Mr. Velussi received his B.S.E. from Princeton University and his master in finance from the HEC School of Management in Paris.

Jean Baptise Brian was appointed as a Director in 2016. Mr. Jean-Baptiste Brian currently serves as a partner at HgCapital LLP. He is a part of the technology, media and telecom team at the firm. Mr. Brian is also a Director of Visma AS and TeamSystem Holding S.p.A. He holds an MS in Management from Groupe HEC and a masters in law from Université Paris-Sud, Paris XI.

Senior management

In addition to the Chief Executive Officer and Chief Financial Officer of the Group, the following individuals are members of the senior management team of the Issuer:

Name	Age	Title
Tommaso Cohen	38	Director and Head of CEO Office
Gian Luigi Rizzo	35	Director of Strategy, Business Planning & Integration and M&A

Summarized below is a brief description of the experience of the senior management team:

Tommaso Cohen was appointed as Director and head of CEO office with responsibility on Strategy, M&A, Special Projects, Marketing, IT and overall coordination of product management cycle in 2015. From 2007 to 2015 he worked as associate partner at McKinsey Business Technology Office, leading the private equity practice in the technology sector and serving clients across Europe. From 2004 to 2007 he held a position at ABLA, as head of business development and pre-sales. Mr. Cohen holds a MSc. in Management, Economics and Industrial Engineering from Politecnico di Milano University.

Gian Luigi Rizzo was appointed director of strategy, business planning & integration and M&A in 2015. He worked as associate Principal at McKinsey & Company from 2008 to 2015, supporting companies in banking and insurance industries across Europe. He holds a Master in Business Administration at INSEAD, an M.Sc. in Electrical Engineering and Computer Science at University of Illinois at Chicago and a M.Sc. in Engineering of Computing Systems at Politecnico di Milano University.

Compensation

For the year ended December 31, 2017, the Issuer paid its board of directors and senior management team aggregate remuneration and other benefits of €4.2 million.

Board of Statutory Auditors

General

Pursuant to applicable Italian law, we have appointed a Board of Statutory Auditors (*Collegio Sindacale*) whose objective is to oversee our compliance with applicable law and our by-laws, monitor the implementation of best practices and assess the adequacy of the internal controls and accounting reporting systems. There are presently three auditors and two alternate auditors on our Board of Statutory Auditors.

Members of our Board of Statutory Auditors are appointed by our shareholders at ordinary shareholders' meetings for a three-year term expiring on the date of the ordinary shareholders' meeting called to approve the financial statements for the third financial year of their term. The members of our Board of Statutory Auditors were appointed at the shareholders' meeting held on May 8, 2015, except for Nicole Magnifico who was appointed on December 2, 2016 and will remain in office until approval by the shareholders of the Issuer's financial statements for the year ended December 31, 2017.

The following table sets forth the members of our Board of Statutory Auditors as of the date of this Offering Memorandum.

Name	Age	Title
Claudio Sanchioni	59	Chairman
Fabio Landuzzi	47	Statutory Auditor
Nicole Magnifico	32	Statutory Auditor
Marco Cecilioni	47	Alternate Auditor
Cristina Amadori	50	Alternate Auditor

PRINCIPAL SHAREHOLDERS

TeamSystem Holding S.p.A. is a 100% directly held subsidiary of Barolo Lux 1 S.à.r.l., which is a majority held subsidiary of the private equity firm Hellman & Friedman, with the residual stake being held by the private investment firm HgCapital and by the Group's management. As of the date of this Offering Memorandum, H&F, HgCapital and the Group's management indirectly hold approximately 87.9%, 8.5% and 3.6% of the share capital of the Parent.

H&F, HgCapital and certain executives have entered into a shareholders' agreement dated February 25, 2016, which governs, among other things:

- the management and administration of the affairs of the Group;
- reserved matters which require the consent of certain shareholders; and
- certain matters relating to potential exits and transfer restrictions in respect of shares held by each shareholder, including the provision of certain pre-emptive, tag-along and drag-along rights.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we may from time to time enter into agreements with or render services to related parties. In turn, such related parties may render services or deliver goods to us as part of their business. Purchase and supply agreements between subsidiaries and affiliated companies and with associated companies or shareholders of such associated companies are entered into from time to time within the ordinary course of business.

Affiliate transactions

We believe that all transactions with affiliated companies are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third party suppliers, manufacturers and service providers. We currently have non-material investments in a small number of minority-owned subsidiaries. For further information, see Note 31 to our 2017 Financial Statements.

In addition, as of the date of this Offering Memorandum, there is an intercompany loan outstanding between the Parent (as lender) and the Issuer (as borrower) for a principal amount of €150.0 million which was made available on February 24, 2016 (the "**Existing Intercompany Loan**"). We expect the Existing Intercompany Loan to be entirely repaid and discharged with part of the proceeds from the Offering and available cash on balance sheet, as described under "*Use of proceeds*."

Other

During the twelve months ended December 31, 2017, transactions with subsidiaries formed part of the Group's normal operations and were entered into on an arm's length basis. The Group has not otherwise been party to any transactions with related companies that merit disclosure.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. We recommend you refer to the actual agreements for further details, copies of which are available upon request.

Revolving Credit Facility

In this section, the following words and expressions have the following meanings, unless the context otherwise requires or unless otherwise so defined.

"*Business Days*" has the meaning given to that term in the Revolving Credit Facility Agreement.

"*Closing Date*" means the date on which the proceeds of the Notes are received by the Issuer.

"*Existing Credit Agreement*" means the €65,000,000 super senior revolving credit facility agreement dated February 24, 2016 between, among others, Barolo MidCo S.p.A., Barolo BidCo S.p.A. and UniCredit Bank AG, Milan Branch (as facility agent and security agent).

"*Existing Notes*" means the Existing Senior Notes and the Existing Senior Secured Notes.

"*Existing Senior Notes*" means the €150,000,000 in aggregate principal amount of senior floating rate notes due 2023 issued by the Parent (formerly Barolo Midco S.p.A.) on March 1, 2016.

"*Existing Senior Secured Notes*" means the €570,000,000 in aggregate principal amount of floating rate notes due 2022, comprised of (i) €450,000,000 in aggregate principal amount of senior secured notes due 2022 issued on 20 May 2016 by the Company (then Barolo BidCo S.p.A.), (ii) €40,000,000 in aggregate principal amount of senior secured floating rate notes due 2022 issued on 22 December 2016 by the Company (formerly Barolo BidCo S.p.A.), and (iii) €80,000,000 in aggregate principal amount of senior secured floating rate notes due 2022 issued on 16 May 2017 by the Company (formerly Barolo BidCo S.p.A.).

"*Finance Documents*" has the meaning given to that term in the Revolving Credit Facility Agreement.

"*Group*" means the Issuer and each of its Restricted Subsidiaries for the time being.

"*Intercreditor Agreement*" means the intercreditor agreement to be entered into on the Issue Date between, *inter alios*, the Issuer, the Parent, the agent under the Revolving Credit Facility Agreement and the Security Agent, as further described under "*Description of certain financing arrangements—Intercreditor Agreement.*"

"*Issuer*" means TeamSystem S.p.A.

"*Italian Banking Law*" has the meaning given to that term in the Revolving Credit Facility Agreement.

"*Notes*" means the Notes offered hereby.

"*Parent*" means TeamSystem Holding S.p.A.

"*Restricted Subsidiaries*" has the meaning given to that term in the Revolving Credit Facility Agreement.

Overview and Structure

The Revolving Credit Facility Agreement provides for a super senior revolving credit facility in a principal amount of €90,000,000 (the "*Revolving Credit Facility*"), made available to the Issuer as original borrower.

The Revolving Credit Facility may be utilized by the Issuer (and certain Restricted Subsidiaries of the Issuer who accede as additional borrowers) in euro, U.S. dollars, pound sterling and any other currency approved by the lenders under the Revolving Credit Facility, by the drawing of cash advances, the issuance of letters of credit and by way of ancillary facilities. Subject to certain exceptions and conditions, amounts under the Revolving Credit Facility that have been repaid or prepaid may be re-borrowed. The Revolving Credit Facility may be used for the working capital and general corporate purposes of the Group including, directly or indirectly (a) financing any capital expenditure, acquisitions or investments, (b) refinancing certain financial indebtedness of the Group, including but not limited to existing indebtedness, (c) refinancing certain financial indebtedness of any acquisition target which is owed to third parties, and (d) replacing or backstopping letters of credit issued pursuant to, or ancillary facilities made available under, the Existing Credit Agreement, together with all fees, penalties, costs, premiums, interest and expenses related thereto (or otherwise payable under the Finance Documents).

The Revolving Credit Facility may be utilized from the date of the Revolving Credit Facility Agreement until the date which is one month prior to the maturity date applicable to the Revolving Credit Facility.

In addition, the Issuer may elect to request additional facilities either as a new facility or as additional tranches of an existing facility under the Revolving Credit Facility Agreement (the "*Additional Facility Commitments*") provided that the aggregate principal amount of total commitments under the Revolving Credit Facility Agreement (including the Additional Facility Commitments) does not exceed the amount permitted to be incurred under clause (1) of the covenant described under "*Description of Notes—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock*" below. The Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the Revolving Credit Facility Agreement). There are certain limitations on the ability to incur Additional Facility Commitments.

Maturity and Repayment Requirements

The Revolving Credit Facility matures on the date falling on the earlier of (a) five years after the Closing Date and (b) 6 months prior to the maturity of the 2023 Floating Rate Notes.

Each advance of the Revolving Credit Facility will be repaid on the last day of the interest period relating thereto, subject to an ability to rollover cash drawings. All outstanding amounts under the Revolving Credit Facility must be repaid in full on or prior to the maturity date for the Revolving Credit Facility.

The termination date for a facility under an Additional Facility Commitment is the date agreed between the Issuer and the relevant lenders, and must fall on or after the original termination date for the Revolving Credit Facility as at the date of the Revolving Credit Facility Agreement, unless the original termination date for the Revolving Credit Facility is amended to match that of the relevant additional facility.

Interest and Fees

As of the date of this Offering Memorandum, loans under the Revolving Credit Facility bear interest at rates per annum initially equal to 3.500 per cent. plus EURIBOR or LIBOR, as applicable, in respect of the Revolving Credit Facility that following a period of at least 6 months from the Closing Date and provided that no financial covenant, insolvency or payment (insofar as it relates to the payment of principal and/or interest and/or fees) event of default has occurred or is continuing, will be subject to margin ratchet step downs based on the Group's senior secured net leverage ratio as set out in the Revolving Credit Facility Agreement.

If EURIBOR, or where applicable LIBOR, is less than zero, EURIBOR or LIBOR (as applicable) shall be deemed to be zero in respect of loans under the Revolving Credit Facility.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the Revolving Credit Facility from (and including) the Closing Date to (and including) the last day of the availability period for the Revolving Credit Facility. The commitment fee is equal to 35.000 per cent. of the margin applicable at that time, and is payable quarterly in arrears, on the last day of the availability period of the Revolving Credit Facility and on the date on which a lender's commitment is cancelled.

Default interest will be calculated as an additional 1 per cent. on the overdue amount, although unpaid default interest may only be compounded to the extent permitted under any applicable laws, including, but not limited to, the Italian Civil Code and/or the Italian Banking Law.

The Issuer is also required to pay customary agency fees to the Agent and the Security Agent in connection with the Revolving Credit Facility Agreement and/or the Intercreditor Agreement, arrangement fees to the arrangers, and fronting fees to the issuing bank under the Revolving Credit Facility Agreement and letter of credit fees to the lenders in an amount equal to the margin of the Revolving Credit Facility with respect to an issuance of a letter of credit.

Borrowers and Guarantors

The original borrower under the Revolving Credit Facility is the Issuer but the Revolving Credit Facility Agreement includes a mechanism to enable any of the Issuer's Restricted Subsidiaries in Italy or otherwise with the consent of all of the lenders under the Revolving Credit Facility, to accede as an additional borrower under the Revolving Credit Facility, subject to certain conditions.

At the Closing Date, the Revolving Credit Facility is guaranteed by the Parent and the Issuer (together the "*Original Guarantors*").

If any of the Issuer's Restricted Subsidiaries is or becomes a Material Company under the Revolving Credit Facility Agreement, such Material Company shall, subject to the Agreed Security Principles, become a guarantor of the Revolving Credit Facility Agreement and shall accede to the Intercreditor Agreement, no later than the date falling 90 days after the delivery of the annual financial statements and accompanying compliance certificate which first indicated that such member of the Group was a Material Company (the Original Guarantors together with any members of the Group that accede to the Revolving Credit Facility Agreement as additional guarantors being the "*Guarantors*"). The Issuer shall also ensure that, subject to the Agreed Security Principles, tested annually by reference to the relevant annual financial statements of the Issuer and accompanying compliance certificate, the aggregate of earnings before interest, tax, depreciation and amortization (calculated on the same basis as Consolidated EBITDA is calculated under the Revolving Credit Facility Agreement) of the Guarantors (calculated on an unconsolidated basis and excluding all goodwill, intra-group items and investments in subsidiaries) is not less than 75 per cent. of Consolidated EBITDA of the Group (the "*Guarantor Coverage*") (subject to certain exceptions).

Security

No later than the date falling one Business Day after the Closing Date, the liabilities of the Group arising under the Revolving Credit Facility Agreement are and will be secured by (i) a pledge over 100 per cent. of the Parent's shares in the Issuer, (ii) an assignment of the Issuer's interest in the receivables in respect of certain intercompany loans by the Issuer to certain of its subsidiaries existing as of the Issue Date and (iii) a pledge over certain material operating bank accounts of the Issuer. Additionally, subject to the Agreed Security Principles, the Parent shall provide security over its rights under a proceeds loan (if any) made by the Parent to the Issuer for the purpose of on-lending to the Issuer the proceeds of any Future Unsecured Debt (as defined in the Intercreditor Agreement).

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain agreed customary materiality, actual knowledge and other qualifications, exceptions and baskets as applicable (with certain representations and warranties being repeated on the date of each utilization, on the first day of each interest period and at certain other times), including: (i) status and due incorporation; (ii) power and authority; (iii) legal, valid and binding documentation; (iv) no conflict; (v) validity and admissibility in evidence; (vi) governing law and enforcement; (vii) insolvency; (viii) no filing or stamp taxes; (ix) deduction of tax; (x) taxation; (xi) no default; (xii) no breach of laws; (xiii) the accuracy of financial statements; (xiv) no litigation; (xv) compliance with environmental laws; (xvi) intellectual property; (xvii) the accuracy of the Group structure chart; (xviii) pensions; (xix) insurance; (xx) good title to assets; (xxi) legal and beneficial ownership; (xxii) shares fully paid up; (xxiii) centre of main interests and establishments; (xxiv) sanctions and anti-money laundering; and (xxv) base case model.

Undertakings and Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants, information undertakings and related definitions (with, in each case, certain adjustments) that apply to the Notes, including: (i) limitation on indebtedness; (ii) limitation on restricted payments; (iii) limitation on liens; (iv) restrictions on distributions from Restricted Subsidiaries; (v) limitations on sale of assets and Subsidiary stock; (vi) limitation on affiliate transactions; (vii) merger and consolidation; (viii) suspension of covenants on achievement of investment grade status; (ix) impairment of security interests; (x) additional facility guarantees; (xi) additional intercreditor agreements; and (xii) business activities. In addition, the Revolving Credit Facility Agreement also contains certain additional affirmative and negative covenants and a financial covenant. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge and other qualifications, exceptions and baskets (as applicable).

Additional Covenants

The additional covenants include, among others: (i) provision of a compliance certificate with each set of the Issuer's annual audited and quarterly financial statements (commencing not earlier than the quarter date falling at the end of the first complete quarter after the Closing Date); (ii) maintenance of the Guarantor Coverage; (iii) authorizations; (iv) compliance with laws; (v) preservation of assets; (vi) *pari passu* ranking; (vii) further assurance; (viii) sanctions, anti-corruption and anti-money laundering; (ix) no change of "centre of main interest"; (x) obtaining and maintaining a corporate rating; (xi) a notes repurchase condition, applicable to repurchases by the Group of more than 50 per cent. of the original principal amount of the Notes (which shall cease to apply if the total commitments under the Revolving Credit Facility Agreement are at any time equal to or less than €45,000,000); and (xii) conditions subsequent.

Financial Covenant

If on a testing date (being any quarter date, commencing on the quarter date falling at the end of the first complete quarter after the Closing Date) the aggregate amount of utilizations under the Revolving Credit Facility Agreement exceeds 40 per cent. of the greater of the total commitments under the Revolving Credit Facility Agreement (a) on the Closing Date and (b) as at that testing date (the "*Revolving Test Condition*") (for these purposes, only (i) the outstanding principal amount of loans under the Revolving Credit Facility Agreement, (ii) all issued and outstanding letters of credit (and ancillary outstandings in respect of guarantees, bonds and letters of credit issued and outstanding under an ancillary facility) under the Revolving Credit Facility Agreement (to the extent the same have not been cash collateralized), less €7,500,000 (provided the remainder shall never be less than zero); and (iii) the outstanding principal amount of all loans drawn under any ancillary facility, shall be taken into account in determining whether the Revolving Test Condition has been met), the Revolving Credit Facility Agreement also requires the consolidated EBITDA in respect of the relevant period to be not less than €74,000,000.

The Revolving Credit Facility Agreement contains an equity cure provision enabling the shareholders of the Issuer to: (a) procure that sufficient utilizations and/or ancillary outstandings are repaid or prepaid or otherwise reduced such that the Revolving Test Condition is no longer met (and the Revolving Test Condition shall then be deemed not to have been met on the applicable quarter date); and/or (b) make shareholder injections by way of debt and/or equity to the Issuer (via the Parent) to (i) increase the consolidated EBITDA under the Revolving Credit Facility Agreement or (ii) prepay the Revolving Credit Facility so that the Revolving Test Condition is no longer satisfied. The equity cure right in clause (b) may not be exercised on more than five occasions during the term of the Revolving Credit Facility Agreement and may not be utilized more than twice in any four consecutive quarters.

Prepayments

Upon a change of control under the Revolving Credit Facility Agreement, each lender under the Revolving Credit Facility Agreement will have the right to require prepayment of all or, if the relevant lender so elects, any part of the principal amount of such lender's utilizations, together with accrued interest, and any other amounts accrued under the Revolving Credit Facility Agreement and the related Finance Documents.

Additionally, loans are required to be prepaid, and undrawn commitments under the Revolving Credit Facility cancelled, in the event a member of the Group makes a note repurchase that satisfies certain conditions.

A borrower may voluntarily prepay amounts outstanding under the Revolving Credit Facility, without penalty or premium, at any time in whole or in part, subject to agreed minimum amounts and multiples, on not less than three Business Days' notice to the agent.

Events of Default

The Revolving Credit Facility Agreement provides for events of default, the occurrence and continuance of which would allow, unless otherwise indicated below, subject to certain exceptions, 66 2/3 per cent. of the lenders by commitment under the Revolving Credit Facility to (among other things) accelerate all outstanding loans and terminate their commitments, including (subject in certain cases to customary materiality, actual knowledge and other qualifications, exceptions, baskets and/or grace periods, as appropriate). The Revolving Credit Facility Agreement provides for the following events of default: (i) breach of financial covenant (subject to certain equity cure rights); (ii) misrepresentations; (iii) cross default to certain indebtedness; (iv) breach of the Intercreditor Agreement; (v) unlawfulness, invalidity, rescission and repudiation of Finance Documents; (vi) nonpayment of amounts due under the Finance Documents; (vii) non-compliance with other obligations under the Finance Documents; and (vii) insolvency and insolvency proceedings.

Governing Law

The Revolving Credit Facility Agreement and any non-contractual obligation arising out of or in connection with it are governed by, and shall be interpreted in accordance with, English law although the restrictive covenants, the information undertakings and the events of default, which are scheduled to the Revolving Credit Facility Agreement and any non-contractual obligations arising out of or in connection with such schedules, shall be interpreted in accordance with the laws of the State of New York.

Intercreditor Agreement

To establish the relative rights of the Senior Secured Parties (as defined below), the Future Second Lien Creditors (as defined below), the Future Unsecured Creditors (as defined below), the Issuer, the Guarantor and any future guarantors in respect of the Notes (the "**Senior Secured Notes**") and any obligor in respect of the Revolving Credit Facility or other Super Senior Lender Liabilities (as defined below), Future Pari Passu Debt (as defined below), Future Second Lien Debt (as defined below) and Future Unsecured Debt (as defined below) (collectively, the "**Debtors**"), the Intragroup Lenders (as defined below) and the Shareholder Subordinated Lenders (as defined below), relevant parties (as further described below) will enter into an intercreditor agreement (the "**Intercreditor Agreement**") dated on or about the Issue Date.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee (the "**Senior Secured Notes Trustee**") to enter into the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Senior Secured Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility Agreement and the Intercreditor Agreement, and/or the indenture for the Senior Secured Notes (the "**Senior Secured Notes Indenture**") and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Capitalised terms used and not defined herein shall have the meaning given to them in the Intercreditor Agreement.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt (including guarantee obligations) of the Guarantor and the Issuer and the Debtors in respect of Revolving Credit Facility Liabilities (as defined below) and certain other Super Senior Lender Liabilities, the Senior Secured Note Liabilities (as defined below), Future Pari Passu Debt (as defined below), the Priority Arranger Liabilities, the Priority Creditor Representative Liabilities, the Super Senior Hedging Liabilities (as defined below), the Pari Passu Hedging Liabilities (as defined below), Future Second Lien Debt (as defined below), Future Unsecured Debt (as defined below), the Non-Priority Arranger Liabilities, the Non-Priority Creditor Representative Liabilities, the Parent Liabilities (as defined below), the Intra-Group Liabilities (as defined below) and the Shareholder Liabilities (as defined below);
- the relative ranking of certain security granted by certain members of the Parent Group (as defined below);
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken, including in respect of the Transaction Security (as defined below);

- provisions relating to the making of any acceleration or demand for payment in respect of the Notes;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- the requirement to turnover amounts received from enforcement of the Transaction Security and certain guarantees, and the equalisation of certain losses;
- when the Transaction Security and any guarantee(s) issued by certain Debtors will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security, certain guarantees and other amounts received by the Security Agent.

Parties

The initial senior secured parties (together the "**Senior Secured Parties**") will include, among others, the agent under the Revolving Credit Facility (the "**Senior Agent**"), the Security Agent, the lenders under the Revolving Credit Facility (the "**RCF Lenders**"), issuing banks and ancillary lenders under the Revolving Credit Facility and the Senior Secured Notes Trustee for the holders of the Senior Secured Notes.

The Intercreditor Agreement will also allow for accession by (1) creditors of future loan or bond indebtedness (that are not subordinated in right of payment to any Super Senior Liabilities (as defined below) or Senior Secured Notes Liabilities) incurred by the Issuer and/or the Debtors which is permitted, under the terms of the Revolving Credit Facility documents, the documentation governing any other Super Senior Lender Liabilities and the Senior Secured Notes documents, to share in the relevant security shared by the Senior Secured Parties (the "**Future Pari Passu Debt**") and (2) hedge counterparties party to certain interest rate or foreign exchange hedging agreements referred to below, which are secured on a super senior basis (the "**Super Senior Hedging Agreements**") (the "**Super Senior Hedging Banks**") and hedging exposure with respect to any Super Senior Lender Liabilities, any Senior Secured Note Liabilities, any Future Pari Passu Debt or any Future Unsecured Debt and hedge counterparties party to other hedging agreements which are secured on a pari passu basis (the "**Pari Passu Hedging Agreements**") (the "**Pari Passu Hedging Banks**" and, together with the Super Senior Hedging Banks, the "**Hedging Banks**"). Holders of Future Pari Passu Debt and such Hedging Banks are also Senior Secured Parties.

The Intercreditor Agreement will also allow for accession by creditors of future loan or bond indebtedness incurred by the Issuer and/or the Debtors which is permitted, under the terms of the Revolving Credit Facility documents, the documentation governing any other Super Senior Lender Liabilities and the Senior Secured Notes documents, to share in the relevant security shared by the Senior Secured Parties on a junior ranking basis, and provided further that such future indebtedness is not prohibited by the Secured Debt Documents. Any such future indebtedness that is:

(1) subordinated to the debt owing to the Senior Secured Parties (the "**Senior Secured Debt**") and is not prohibited by the Secured Debt Documents shall be "**Future Second Lien Debt**" for the purposes of the Intercreditor Agreement. Holders of Future Second Lien Debt are "**Future Second Lien Creditors**"; and

(2) subordinated to the Senior Secured Debt (other than at the Guarantor or any holding company of the Company designated as such by written notice to each Agent (as defined in the Intercreditor Agreement), each a "**Parent Borrower**", where such indebtedness ranks pari passu to the Senior Secured Debt), ranked after the Future Second Lien Debt in terms of any recoveries from Transaction Security which such future indebtedness is permitted to share and is not prohibited by the Secured Debt Documents shall be "**Future Unsecured Debt**" for the purposes of the Intercreditor Agreement. Holders of Future Unsecured Debt are "**Future Unsecured Creditors**". Future Unsecured Debt will include any debt securities or notes issued or to be issued by a Parent Borrower pursuant to a Senior Subordinated Notes Indenture ("**Senior Subordinated Notes**") and also any debt securities or notes issued or to be issued by a Parent Borrower pursuant to a Senior Notes Indenture ("**Senior Notes**").

“**Senior Notes Indenture**” means any note indenture setting out the terms of any debt securities or notes which creates or evidences the terms applicable to any Senior Notes.

“**Senior Notes Liabilities**” means Liabilities owed by a Parent Borrower and/or any Debtor to the Future Unsecured Creditors in connection with any Future Unsecured Debt Documents (as defined in the Intercreditor Agreement) relating to the Senior Notes.

“**Senior Subordinated Notes Indenture**” means any note indenture setting out the terms of any debt securities or notes which creates or evidences the terms applicable to any Senior Subordinated Notes.

“**Senior Subordinated Notes Liabilities**” means Liabilities owed by a Parent Borrower and/or any Debtor to the Future Unsecured Creditors in connection with any Future Unsecured Debt Documents (as defined in the Intercreditor Agreement) relating to the Senior Subordinated Notes.

There will, subject to the agreement of the Security Agent, be a single Security Agent appointed to act at all times on behalf of all Senior Secured Parties, Future Second Lien Creditors and Future Unsecured Creditors.

Neither the Guarantor, the Issuer nor any of its Restricted Subsidiaries (each a member of the “**Parent Group**” and the Issuer and any of its Restricted Subsidiaries, each a member of the “**Group**”) nor shareholder of a member of the Parent Group which is not otherwise party to (1) a document creating security in favour of the Senior Secured Parties, Future Second Lien Creditors or the Future Unsecured Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for:

(i) any shareholder of the Guarantor in respect of any existing or future loan made to the Guarantor (only if the Guarantor incurs any Future Unsecured Debt), the Issuer or any of its Restricted Subsidiaries (each a “**Shareholder Subordinated Lender**”) (and the Intercreditor Agreement will contain subordination provisions and restrictions relating to the receivables owing from any member of the Parent Group to any Shareholder Subordinated Lender (the “**Shareholder Liabilities**”)),

(ii) the Parent, in its capacity as the immediate shareholder of the Issuer, and any other direct shareholder of the Issuer, in each case in respect of any existing or future loan (including any proceeds loan made by the Parent to the Issuer for the purpose of on-lending proceeds of any Future Unsecured Debt to the Issuer (the “**Senior Unsecured Proceeds Loan Liabilities**”)) made to the Issuer (each a “**Parent Creditor**”) (and the Intercreditor Agreement will contain subordination provisions and restrictions relating to the receivables owing from any member of the Group to any Parent Creditor (the “**Parent Liabilities**”)); and

(iii) certain members of the Group that lend to a Debtor (each an “**Intragroup Lender**”) that will in certain circumstances accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such Debtor to such member of the Group in respect of intra-group loans (the “**Intra-Group Liabilities**”). The Intercreditor Agreement will contain subordination provisions relating to any Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Revolving Credit Facility or the Senior Secured Notes Indenture (or other relevant debt) is continuing.

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement will provide that the present and future moneys, debt, liabilities and obligations (“**Liabilities**”) of the Debtors (other than any Debtor that is a Parent Borrower), as the case may be, in respect of the Revolving Credit Facility (the “**Revolving Credit Facility Liabilities**”) and other Super Senior Lender Liabilities, the Senior Secured Notes (the “**Senior Secured Notes Liabilities**”), the Future Pari Passu Debt (the “**Future Pari Passu Liabilities**”), the amounts owing to the Super Senior Hedging Banks under the Super Senior Hedging Agreements (the “**Super Senior Hedging Liabilities**”) and the amounts owing to the Pari Passu Hedging Banks under the Pari Passu Hedging Agreements (the “**Pari Passu Hedging Liabilities**”) and certain costs and expenses of the Senior Secured Notes Trustee (the “**Senior Secured Trustee Liabilities**”), the arrangers of certain other priority Liabilities (the “**Priority Arranger Liabilities**”) and the representatives of the priority creditors (the “**Priority Creditor Representative Liabilities**”) will rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of such Debtors, as the case may be, in respect of the Future Second Lien Debt (the "**Future Second Lien Liabilities**"), Future Unsecured Debt (the "**Future Unsecured Liabilities**"), the arrangers of certain other non-priority Liabilities (the "**Non-Priority Arranger Liabilities**") and the representatives of the non-priority creditors (the "**Non-Priority Creditor Representative Liabilities**"), the Intra-Group Liabilities, the Parent Liabilities and the Shareholder Liabilities.

The Future Second Lien Liabilities, the Future Unsecured Liabilities, the Non-Priority Arranger Liabilities and the Non-Priority Creditor Representative Liabilities will rank equally (without preference among them) in right and priority of payment, and in priority to the liabilities of such Debtors, as the case may be, in respect of the Senior Unsecured Proceeds Loan Liabilities, the Intra-Group Liabilities, the Parent Liabilities and the Shareholder Liabilities. The Senior Unsecured Proceeds Loan Liabilities will rank in right and priority of payment senior to the Intra-Group Liabilities, which shall rank in right and priority of payment senior to the Parent Liabilities, which shall in turn rank in right and priority of payment senior to the Shareholder Liabilities.

The Intercreditor Agreement will also provide that the Liabilities of the Parent Borrowers shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) first, the Revolving Credit Facility Liabilities and other Super Senior Lender Liabilities, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Liabilities, the Senior Secured Trustee Liabilities, the Priority Arranger Liabilities, the Priority Creditor Representative Liabilities, the Future Second Lien Liabilities, the Future Unsecured Liabilities, the Non-Priority Arranger Liabilities and the Non-Priority Creditor Representative Liabilities; and

(b) second, the Shareholder Liabilities.

Priority of Security

The Intercreditor Agreement shall provide that the Transaction Security shall rank and secure the following liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall, as defined below):

- **first,** the Revolving Credit Facility Liabilities and other Super Senior Lender Liabilities, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Liabilities, the Priority Arranger Liabilities, the Priority Creditor Representative Liabilities and the Senior Secured Trustee Liabilities; and
- **second**, the Future Second Lien Liabilities, the Future Unsecured Liabilities, the Non-Priority Arranger Liabilities and the Non-Priority Creditor Representative Liabilities,

in each case to the extent that the Transaction Security is stated to secure such Liabilities.

If security is to be granted for Future Pari Passu Debt then, to the extent such Future Pari Passu Debt cannot be secured on a pari passu basis with the Senior Secured Debt without existing security first being released, the parties to the Intercreditor Agreement (the "**Parties**") agree that such Future Pari Passu Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second-or lesser- ranking basis and such Future Pari Passu Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security pari passu with Senior Secured Debt which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future Pari Passu Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Second Lien Debt then, to the extent such Future Second Lien Debt cannot be secured on a second ranking basis behind the Senior Secured Debt and/or on a pari passu basis with other Future Second Lien Debt without existing security first being released, the Parties agree that such Future Second Lien Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a lesser- ranking basis and such Future Second Lien Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security as contemplated above and any amounts to be applied towards such Future Second Lien Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Unsecured Debt then, to the extent such Future Unsecured Debt cannot be secured on a subordinated basis to the Senior Secured Debt and/or on a pari passu basis with other Future Unsecured Debt without existing security first being released, the Parties agree that such Future Unsecured Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a lesser- ranking basis and such Future Unsecured Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security as contemplated above and any amounts to be applied towards such Future Unsecured Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document provided that in no event shall any security be granted to secure the Future Unsecured Liabilities unless such security is over the shares of the Company, loans made by any Parent Borrower (or any direct or indirect holding company) to the Issuer or any escrow account relating to the proceeds of any Future Unsecured Liabilities only, or any other security which is not prohibited by the Senior Secured Debt documents, the Future Pari Passu Debt documents or any Future Second Lien Debt documents to be granted in favour of the Future Unsecured Liabilities.

Equivalent provisions to the three paragraphs above are included in the Intercreditor Agreement in respect of additional credit facilities that are to benefit from a similar position under the terms of the Intercreditor Agreement to that of the Revolving Credit Facility. See the section entitled "General" below.

Payments and Prepayments

The Debtors may make payments and prepayments in respect of the Revolving Credit Facility and other Super Senior Lender Liabilities, the Senior Secured Notes Liabilities and the Future Pari Passu Liabilities at any time in accordance with their terms, subject in certain circumstances to compliance with any conditions relating thereto described in the Revolving Credit Facility Agreement.

Payments and Prepayments; Subordination of the Future Second Lien Debt

Prior to the discharge of all Senior Secured Debt, no Debtor may make payments in respect of the Future Second Lien Liabilities without the consent of the RCF Lenders, the lenders of such other Super Senior Liabilities and the Super Senior Hedging Banks whose super senior participations represent 50.1% or more of the aggregate super senior cerdit participations of all such persons and their relevant representatives ("**Majority Super Senior Creditors**") and, if following a Distress Event (as defined below) or when an event of default under the Senior Secured Notes Indenture or an event of default under the Future Pari Passu Debt documents is continuing, the Majority Senior Secured Creditors (as defined below) except for, among others, the following:

(1) if:

(a) the payment is of:

(i) any of the principal or interest (including capitalized interest) amount of the Future Second Lien Liabilities which is not prohibited from being paid by a Revolving Credit Facility or other Super Senior Lender Liabilities finance document, the Senior Secured Notes Indenture or any Future Pari Passu Debt finance document or is paid on or after the final maturity date of the Future Second Lien Liabilities; or

(ii) any other amount (which is not an amount of principal or capitalized interest and default interest) on the Future Second Lien Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Second Lien Debt, including all additional amounts payable as a result of the tax gross up provisions relating to the Future Second Lien Liabilities and amounts in respect of currency indemnities in the relevant debt documents for the Future Second Lien Debt;

(b) no notice has been delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Second Lien Liabilities (a "**Second Lien Payment Blockage Notice**") is outstanding; and

(c) no payment event of default under the Revolving Credit Facility or other Super Senior Lender Liabilities debt documents, and no payment event of default of €50,000 (or its equivalent in other currencies) or more in respect of the Senior Secured Notes Liabilities or Future Pari Passu Debt Liabilities, is continuing (a "**Senior Payment Default**"); or

(2) the payment is in accordance with a provision in a Future Second Lien Debt document which is substantially equivalent to the illegality provisions, change of control provisions or provisions related to the right to repay individual creditors in certain circumstances, set out in the Revolving Credit Facility Agreement and no acceleration event under the Revolving Credit Facility, other Super Senior Lender Liabilities debt documents, the Senior Secured Notes Liabilities or Future Pari Passu Debt Liabilities has occurred;

(3) costs, commissions, taxes, premiums, amendment, consent and/or waiver fees and expenses incurred in respect of (or reasonably incidental to) the Future Second Lien Debt documents (including in relation to reporting or listing requirements or any refinancing) in compliance with the Intercreditor Agreement, the Revolving Credit Facility or other Super Senior Lender Liabilities debt documents, the Senior Secured Notes documents and any Future Pari Passu Debt document provided that the aggregate of the foregoing in respect of amendment, consent and waiver fees or expenses does not exceed, as a percentage of the principal amount of the Future Second Lien Liabilities (or affected principal amount), the aggregate of any amendment, consent and waiver fees or expenses paid in relation to the Super Senior Lender Liabilities and/or the Senior Secured Liabilities (calculated as a percentage of the principal amount of Super Senior Lender Liabilities and/or the Senior Secured Liabilities (or affected principal amount));

(4) for so long as an event of default under the finance documents in respect of the Senior Secured Debt is continuing, all or part of the Future Second Lien Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Company (other than a member of the Parent Group) (each a "**Future Second Lien Debt for Equity Swap**") provided that (A) no cash or cash equivalent payment is made in respect of the Future Second Lien Liabilities by a member of the Parent Group (other than as would be otherwise permitted by another of the paragraphs in this section) and (B) any liabilities owed by a member of the Parent Group to another member of the Parent Group, the Shareholder Subordinated Lenders or any other holding company of the Company (other than a member of the Parent Group) that arise as a result of any such Future Second Lien Debt for Equity Swap are subordinated to the Super Senior Lender Liabilities and Senior Secured Liabilities pursuant to the Intercreditor Agreement and the Super Senior Creditors and Senior Secured Creditors are granted Transaction Security in respect of those liabilities;

(5) certain costs and expenses payable to the Future Second Lien Debt Representative (as defined below);

(6) certain upfront or agency fees under the Future Second Lien Debt documents; or

(7) for so long as an event of default under the finance documents in respect of the Future Second Lien Debt is continuing, commercially reasonable work fees and professional fees, costs and expenses for restructuring advice and valuations incurred by the Future Second Lien Debt Representative not covered in (6) above subject to an aggregate cap of €5,000,000 until the discharge of all the Senior Secured Debt.

Prior to the discharge of all the Senior Secured Debt, if a Senior Payment Default has occurred and is continuing payments in respect of the Future Second Lien Liabilities (other than certain exceptions) are suspended.

Prior to the discharge of all the Senior Secured Debt, if an event of default under the finance documents in respect of the Senior Secured Debt (a "**Senior Default**") (other than a Senior Payment Default) has occurred and is continuing and the creditor representative of the Future Second Lien

Creditors (the “**Future Second Lien Debt Representative**”) has received a Second Lien Payment Blockage Notice from either the Senior Agent (or the creditor representative of other Super Senior Lender Liabilities) or the Senior Secured Notes Trustee or the representative of the Future Pari Passu Debt (as the case may be) (the “**Relevant Representative**”), from the date such Relevant Representative delivers a notice in writing of the occurrence of such Senior Default, confirming that it is a Senior Default and specifying the relevant Senior Default, all payments in respect of the Future Second Lien liabilities (other than those consented to by the Majority Super Senior Creditors and, if following a Distress Event (as defined below) or when an event of default under the Senior Secured Notes Indenture or an event of default under the Future Pari Passu Debt documents is continuing, the Majority Senior Secured Parties (as defined below) and certain specified exceptions) are suspended until the earliest of:

(i) the date on which there is a waiver, remedy or cure of such Senior Default in accordance with the relevant finance documents; or

(ii) the date falling 120 days after the receipt by the Future Second Lien Debt Representative of the Second Lien Payment Blockage Notice;

(iii) the repayment and discharge of all obligations in respect of the Senior Secured Debt;

(iv) the date on which the Relevant Representative which issued the Second Lien Payment Blockage Notice (and, if at such time an event of default is continuing in relation to the Senior Secured Debt (other than the Senior Secured Debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) notify/ies (amongst others) the Future Second Lien Debt Representative that the Second Lien Payment Blockage Notice is cancelled;

(v) the date on which the Security Agent or Future Second Lien Debt Representative takes any Enforcement Action against a member of the Parent Group which it is permitted to take in accordance with the Intercreditor Agreement;

(vi) if a Future Second Lien Standstill Period (as defined below) is in effect at any time after delivery of a Second Lien Payment Blockage Notice, the date on which the Future Second Lien Standstill Period expires;

(vii) provided no Senior Payment Default is continuing, the originally scheduled maturity date of the Future Second Lien Debt issued in the form of notes; or

(viii) the date on which the relevant event of default is no longer continuing and, if the relevant Senior Secured Liabilities have been accelerated, such acceleration has been rescinded.

No Second Lien Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Second Lien Payment Blockage Notice. No Second Lien Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default. Only one Second Lien Payment Blockage Notice may be served with respect to the same event or set of circumstances and no such notice may be served by a Relevant Representative in respect of a Senior Default which had been notified to it at the time an earlier such notice was issued.

If a Second Lien Payment Blockage Notice ceases to be outstanding and/or the Senior Payment Default ceases to be continuing, the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Future Second Lien Debt and if it does so promptly any event of default under the Future Second Lien Debt caused by such delayed payment shall be waived and any notice commencing a Future Second Lien Standstill Period which may has been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

Payments and Prepayments; Subordination of the Future Unsecured Debt

Prior to the discharge of all Senior Secured Debt and all Future Second Lien Debt, no Debtor may make payments in respect of the Future Unsecured Liabilities without the consent of the Majority Super Senior Creditors, if following a Distress Event (as defined below) or when an event of default under the Senior Secured Notes Indenture or an event of default under the Future Pari Passu Debt documents is continuing, the Majority Senior Secured Creditors (as defined below) and the Majority Future Second Lien Creditors (as defined below) except for, among others, the following:

(1) if:

   (a) the payment is of:

      (i) any of the principal or interest (including capitalized interest) amount of the Future Unsecured Liabilities which is not prohibited from being paid by a Revolving Credit Facility or other Super Senior Lender Liabilities finance document, the Senior Secured Notes Indenture, any Future Pari Passu Debt finance document or any Future Second Lien Debt finance document or is paid on or after the final maturity date of the Future Unsecured Liabilities; or

      (ii) any other amount which is not an amount of principal or capitalized interest and default interest on the Future Unsecured Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Unsecured Debt, including all additional amounts payable as a result of the tax gross up provisions relating to the Future Unsecured Liabilities and amounts in respect of currency indemnities in the relevant debt documents for the Future Unsecured Debt;

   (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Unsecured Liabilities (a "**Unsecured Payment Blockage Notice**") is outstanding; and

   (c) no Senior Payment Default or no payment event of default of €50,000 (or its equivalent in other currencies) or more in respect of the Future Second Lien Debt Liabilities, is continuing (a "**Future Second Lien Payment Default**") is continuing; or

(2) the payment is in accordance with a provision in a Future Unsecured Debt document which is substantially equivalent to the illegality provisions, change of control provisions or provisions related to the right to repay individual creditors in certain circumstances, set out in the Revolving Credit Facility Agreement and no acceleration event under the Revolving Credit Facility, other Super Senior Lender Liabilities debt documents, the Senior Secured Notes Liabilities, the Future Pari Passu Debt Liabilities or the Future Second Lien Debt Liabilities has occurred;

(3) costs, commissions, taxes, premiums, amendment, consent and/or waiver fees and expenses incurred in respect of (or reasonably incidental to) the Future Unsecured debt documents (including in relation to reporting or listing requirements or any refinancing) in compliance with the Intercreditor Agreement, the Revolving Credit Facility or other Super Senior Lender Liabilities debt documents, the Senior Secured Notes documents, the Future Pari Passu Debt document and the Future Second Lien Liabilities debt documents provided that the aggregate of the foregoing in respect of amendment, consent and waiver fees or expenses does not exceed, as a percentage of the principal amount of the Future Unsecured Liabilities (or affected principal amount), the aggregate of any amendment, consent and waiver fees or expenses paid in relation to the Super Senior Lender Liabilities and/or the Senior Secured Liabilities and/or the Future Second Lien Liabilities (calculated as a percentage of the principal amount of the Super Senior Lender Liabilities and/or the Senior Secured Liabilities and/or the Future Second Lien Liabilities (or affected principal amount));

(4) for so long as an event of default under the finance documents in respect of the Senior Secured Debt is continuing, all or part of the Future Unsecured Liabilities being released or otherwise discharged solely in consideration for the issues of shares in any holding company of the Company (other than a member of the Parent Group) (each a "**Future Unsecured Debt for Equity Swap**") provided that (A) no cash or cash equivalent payment is made in respect of the Future Unsecured Liabilities by a member of the Parent Group (other than as would be otherwise permitted by another of the paragraphs in this section) and (B) any liabilities owed by a member of the Parent Group to another member of the Parent Group, the Shareholder Subordinated Lenders or any other holding company of the Company (other than a member of the Parent

Group) that arise as a result of any such Future Unsecured Debt for Equity Swap are subordinated to the Super Senior Lender Liabilities, the Senior Secured Liabilities and the Future Second Lien Liabilities pursuant to the Intercreditor Agreement and the Super Senior Creditors, the Senior Secured Creditors and the Future Second Lien Creditors are granted Transaction Security in respect of those liabilities;

(5) if the payment is funded directly or indirectly with the proceeds of Future Unsecured Liabilities incurred under or pursuant to any Future Unsecured Debt Documents;

(5) certain costs and expenses payable to the Future Unsecured Debt Representative;

(6) certain upfront or agency fees under the Future Unsecured Debt documents; or

(7) for so long as an event of default under the finance documents in respect of the Future Unsecured Debt is continuing, commercially reasonable work fees and professional fees, costs and expenses for restructuring advice and valuations incurred by the Future Unsecured Debt Representative not covered in (3) above subject to an aggregate cap of €5,000,000 until the discharge of all the Senior Secured Debt and all the Future Second Lien Debt.

In addition, each Parent Borrower may make payments in respect of any of its own obligations under the Future Unsecured Liabilities at any time in accordance with the terms of the relevant Future Unsecured Debt Documents from its own assets (excluding at times any assets which are subject to Transaction Security) provided that such Payment is not financed by a payment to the Parent Borrower from a member of the Group that was prohibited by the Senior Secured Debt Documents ("**Permitted Parent Borrower Payments**").

Prior to the discharge of all the Senior Secured Debt and all the Future Second Lien Debt, if a Senior Payment Default or a Future Second Lien Payment Default has occurred and is continuing payments, in respect of the Future Unsecured Liabilities (other than certain exceptions) are suspended. Exceptions shall include, Permitted Parent Borrower Payments in respect of Future Unsecured Debt which has been issued in the form of Senior Notes only.

Prior to the discharge of all the Senior Secured Debt and all the Future Second Lien Debt, if either (x) a Senior Default (other than a Senior Payment Default) or (y) an event of default under the finance documents in respect of the Future Second Lien Debt (a "**Future Second Lien Default**") (other than a Future Second Lien Payment Default) has occurred and is continuing and the creditor representative of the Future Unsecured Creditors (the "**Future Unsecured Debt Representative**") has received an Unsecured Payment Blockage Notice from the Relevant Representative from the date such Relevant Representative delivers a notice in writing of the occurrence of such Senior Default or Future Second Lien Default (as applicable), confirming that it is a Senior Default or Future Second Lien Default (as applicable) and specifying the relevant Senior Default or Future Second Lien Default (as applicable), all payments in respect of the Future Unsecured Liabilities (other than those consented to by the Majority Super Senior Creditors, if following a Distress Event (as defined below) or when an event of default under the Senior Secured Notes Indenture or an event of default under the Future Pari Passu Debt documents is continuing, the Majority Senior Secured Parties and the Majority Future Second Lien Creditors and certain specified exceptions) are suspended until the earliest of:

(i) the date on which there is a waiver, remedy or cure of such Senior Default or Future Second Lien Default (as applicable) in accordance with the relevant finance documents; or

(ii) the date falling 179 days after the receipt by the Future Unsecured Debt Representative of the Unsecured Payment Blockage Notice;

(iii) the repayment and discharge of all obligations in respect of the Senior Secured Debt;

(iv) the date on which the Relevant Representative which issued the Unsecured Payment Blockage Notice (and, if at such time an event of default is continuing in relation to the Senior Secured Debt (other than the Senior Secured Debt in respect of which the notice was given) or in relation to the Future Second Lien Debt (other than the Future Second Lien Debt in respect of which the notice was given) (as applicable), the Relevant Representative(s) in respect of that other Senior Secured Debt or Future Second Lien Debt (as applicable)) notify/ies (amongst others) the Future Unsecured Debt Representative that the Unsecured Payment Blockage Notice is cancelled;

(v) the date on which the Security Agent or Future Unsecured Debt Representative takes any Enforcement Action against a member of the Parent Group which it is permitted to take in accordance with the Intercreditor Agreement;

(vi) if a Future Unsecured Standstill Period (as defined below) is in effect at any time after delivery of a Unsecured Payment Blockage Notice, the date on which the Future Unsecured Standstill Period expires;

(vii) provided no Senior Payment Default or Future Second Lien Payment Default is continuing, the originally scheduled maturity date of the Future Unsecured Debt issued in the form of notes; or

(viii) the date on which the relevant event of default is no longer continuing and, if the relevant Senior Secured Liabilities or Future Second Lien Liabilities (as applicable) have been accelerated, such acceleration has been rescinded.

No Unsecured Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Unsecured Payment Blockage Notice. No Unsecured Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default. No Unsecured Payment Blockage Notice may be served in respect of a Future Second Lien Default more than 60 days after the date that the Relevant Representative received notice of that Future Second Lien Default. Only one Unsecured Payment Blockage Notice may be served with respect to the same event or set of circumstances and no such notice may be served by a Relevant Representative in respect of a Senior Default or a Future Second Lien Default (as applicable) which had been notified to it at the time an earlier such notice was issued.

If an Unsecured Payment Blockage Notice ceases to be outstanding and/or the Senior Payment Default and/or the Future Second Lien Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Future Unsecured Debt and if it does so promptly any event of default under the Future Unsecured Debt caused by such delayed payment shall be waived and any notice commencing a Future Unsecured Standstill Period which may has been issued as a result of such non-payment shall be waived.

Restrictions on Enforcement by the Future Second Lien Debt; Standstill

Prior to the discharge of all the Senior Secured Debt, neither the Future Second Lien Debt Representative nor the holders of the Future Second Lien Debt may take Enforcement Action with respect to the Future Second Lien Debt (including any action against the Issuer or the guarantors of the Future Second Lien Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document without the prior consent of or as required by an Instructing Group (as defined below), except if:

(a) an event of default under the debt documents for the Future Second Lien Debt is continuing;

(b) the Senior Agent and the other representatives of the Senior Secured Debt have received notice of the specified event of default from the Future Second Lien Debt Representative;

(c) a Future Second Lien Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Future Second Lien Standstill Period,

provided that no such action may be taken if the Security Agent is taking Enforcement Action or acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such proposed Enforcement Action in relation to the Future Second Lien Debt Documents might reasonably be likely to adversely affect such Enforcement Action or Enforcement by the Security Agent.

A "**Future Second Lien Standstill Period**" shall mean the period starting on the date that the Future Second Lien Debt Representative serves an enforcement notice on the Senior Agent, the Senior Secured Notes Trustee and the representative of any other Super Senior Lender Liabilities or Future Pari Passu Debt until the earliest of:

(a) in the case of:

  (i) a non-payment of principal, fees or interest representing the Future Second Lien Liabilities, 90 days after such date;

  (ii) a non-payment of any other amount representing the Future Second Lien Liabilities, 120 days after such date; and

  (iii) any other event of default under the debt documents for the Future Second Lien Debt, 150 days after such date;

(b) the date on which the Security Agent takes Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that the Future Second Lien Debt Representative and holders of Future Second Lien Debt may only take the same Enforcement Action against the same entity as is taken by the Security Agent and may not take any other Enforcement Action against any other member of the Parent Group;

(c) the date on which an insolvency event occurs in respect a particular Debtor owing any Future Second Lien Debt against whom Enforcement Action is to be taken;

(d) the date on which a default under the Future Second Lien Debt in the form of notes occurs for failure to pay principal at the original scheduled maturity of the Future Second Lien Debt; and

(e) the expiration of any other Future Second Lien Standstill Period which was outstanding at the date that the current Future Second Lien Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Restrictions on Enforcement by the Future Unsecured Debt; Standstill

Prior to the discharge of all the Senior Secured Debt and all the Future Second Lien Debt, neither the Future Unsecured Debt Representative nor the holders of the Future Unsecured Debt may take Enforcement Action with respect to the Future Unsecured Debt (including any action against the Issuer or the guarantors of the Future Unsecured Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document without the prior consent of or as required by an Instructing Group (as defined below), except if:

(a) an event of default under the debt documents for the Future Unsecured Debt is continuing;

(b) the Senior Agent and the other representatives of the Senior Secured Debt and the Future Second Lien Debt have received notice of the specified event of default from the Future Unsecured Debt Representative;

(c) a Future Unsecured Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Future Unsecured Standstill Period,

provided that no such action may be taken if the Security Agent is taking Enforcement Action or acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such proposed Enforcement Action in relation to the Future Unsecured Debt Documents might reasonably be likely to adversely affect such Enforcement Action or Enforcement by the Security Agent.

In addition, any Future Unsecured Finance Party may at any time take any Enforcement Action against any Parent Borrower in respect of Borrowing Liabilities under the Senior Notes, only in each case in accordance with the terms of the Future Unsecured Debt Documents provided that no such action shall be permitted against the Parent at a time when any of the circumstances described in the Senior Notes Flip Up (as defined below) has been triggered until the Senior Notes Flip Up has been effected and fully implemented.

A "**Future Unsecured Standstill Period**" shall mean the period starting on the date that the Future Unsecured Debt Representative serves an enforcement notice on the Senior Agent and the other representatives of the Senior Secured Debt and the representative of other Super Senior Lender Liabilities, any Future Pari Passu Debt or any Future Second Lien Debt until the earliest of:

(a) 179 days after such date;

(b) the date on which the Security Agent takes Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that the Future Unsecured Debt Representative and holders of Future Unsecured Debt may only take the same Enforcement Action against the same entity as is taken by the Security Agent and may not take any other Enforcement Action against any other member of the Parent Group;

(c) the date on which an insolvency event occurs in respect of a particular Debtor owing any Future Unsecured Debt against whom Enforcement Action is to be taken; and

(d) the date on which a default under the Future Unsecured Debt in the form of notes occurs for failure to pay principal at the original scheduled maturity of the Future Unsecured Debt; and

(e) the expiration of any other Future Unsecured Standstill Period which was outstanding at the date that the current Future Unsecured Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Enforcement by Holders of Secured Debt

Prior to the date upon which all amounts (actual or contingent) owing under the Revolving Credit Facility and other credit facilities that are Super Senior Lender Liabilities are fully discharged and paid in full and all commitments thereunder are irrevocably cancelled (the "**Credit Facility Lender Discharge Date**"), the Security Agent will (subject as further set out below and other than in certain limited circumstances specified in the Intercreditor Agreement where the Security Agent will act on the instructions of the Majority Future Second Lien Creditors or the Majority Unsecured Creditors) act on the instructions of (i) the RCF Lenders, the lenders of such other Super Senior Lender Liabilities and the Super Senior Hedging Banks whose super senior credit participations represent 66 2/3% or more of the aggregate super senior credit participations of all such persons and their relevant representatives (the "**Enhanced Majority Super Senior Creditors**") and, to the extent the relevant matter is prohibited under the Senior Secured Notes documents or the Future Pari Passu Debt documents, (ii) the holders of the Senior Secured Notes, the holders of Future Pari Passu Debt and the Pari Passu Hedging Banks (collectively, the "**Pari Passu Creditors**") whose aggregate senior secured credit participations represent more than 50% of the aggregate senior secured credit participations of all such creditors (the "**Majority Senior Secured Parties**"), in each case subject to the consultation period referred to below and provided that such instructions are consistent with the security enforcement principles set forth below.

Following the Credit Facility Lender Discharge Date but prior to the date upon which all Senior Secured Debt is discharged and paid in full and all commitments thereunder are irrevocably cancelled (the "**Senior Secured Debt Discharge Date**"), the Security Agent will act on the instructions of the Majority Senior Secured Parties (other than in certain limited circumstances specified in the Intercreditor Agreement where the Security Agent will act on the instructions of the Majority Future Second Lien Creditors (as defined below) or the Majority Unsecured Creditors (as defined below)). Following the Senior Secured Debt Discharge Date but prior to the date upon which all Future Second Lien Debt is discharged and paid in full and all commitments thereunder are irrevocably cancelled (the "**Future Second Lien Discharge Date**"), the Security Agent will act on the instructions of the Majority Future Second Lien Creditors (as defined below). Following the Future Second Lien Discharge Date the Instructing Group shall be the Majority Future Unsecured Creditors (as defined below).

Each Creditor (other than certain creditor representatives) and Shareholder Subordinated Lender will agree in the Intercreditor Agreement that it will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Parent Group as instructed by the Security Agent (acting as directed by an Instructing Group provided that such instructions have been given in accordance with the restrictions in the Intercreditor Agreement).

Consultation

Prior to the Credit Facility Lender Discharge Date and prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a distressed disposal and/or the release or disposal of claims or Transaction Security on a distressed disposal ("**Enforcement**"), the relevant representative of the Senior Secured Debt (or, to the extent that the Future Second Lien Creditors are permitted to do so, the Future Second Lien Debt Representative or, or, to the extent that the Future Unsecured Creditors are permitted to do so, the Future Unsecured Debt Representative) shall notify the Security Agent and the Senior Secured Debt representatives that the applicable Transaction Security has become enforceable. As soon as reasonably practicable after receipt of such a notice instructing the Security Agent to solicit instructions to enforce security or take other Enforcement Action given by the Enhanced Majority Super Senior Creditors and/or the Majority Senior Secured Parties and/or Majority Future Second Lien

Creditors (as defined below) and/or Majority Unsecured Creditors (as defined below) (as applicable), the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the Senior Agent or creditor representative of other Super Senior Lender Liabilities (acting on the instructions of the Enhanced Majority Super Senior Creditors), the Senior Secured Notes Trustee and the representative of the holders of Future Pari Passu Debt will consult in good faith with each other and the Security Agent for a period of 15 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) with a view to coordinating the instructions to be given by an Instructing Group and agreeing an enforcement strategy (the "**Consultation Period**").

No such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of the Consultation Period, in each case provided such instructions comply with the Security Enforcement Principles set forth below ("**Qualifying Instructions**")) where:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event affecting the Parent, the Issuer, any Debtor or any subsidiary that is a "**Material Company**" under the Revolving Credit Facility (as applicable) (each a "**Relevant Company**"); or

(b) the Enhanced Majority Super Senior Creditors or the Enhanced Majority Super Senior Creditors and (to the extent the relevant matter is prohibited under the Senior Secured Notes documents or the Future Pari Passu Debt documents) the Majority Senior Secured Parties (each an "**Instructing Group**", provided that (i) with respect to any Enforcement the Instructing Group shall consist of the Enhanced Majority Super Senior Creditors and the Majority Senior Secured Parties or (in certain circumstances and subject to certain requirements set out in the Intercreditor Agreement) just the Enhanced Majority Super Senior Creditors or just the Majority Senior Secured Parties, (ii) after the Credit Facility Lender Discharge Date the Instructing Group shall be the Majority Senior Secured Parties, (iii) after the Senior Secured Debt Discharge Date but prior to the Future Second Lien Debt Discharge Date the Instructing Group shall be the Majority Future Second Lien Creditors and (iv) after the Future Second Lien Discharge Debt the Instructing Group shall be the Majority Future Unsecured Creditors) determine in good faith (and notifies each other representative agent of the other creditors party to the Intercreditor Agreement) that any delay caused by such consultation could reasonably be expected to reduce the amount likely to be realised to a level such that (following application thereof in accordance with the Payment Waterfall described below) the payments then due and payable under the Revolving Credit Facility to the RCF Lenders, ancillary lenders and issuing bank and the lenders under any other credit facility that ranks on a consistent basis with the Revolving Credit Facility (together, the "**Super Senior Lender Liabilities**") and to the Super Senior Hedging Banks in respect of the Super Senior Hedging Liabilities (together, the "**Super Senior Liabilities**") would not be discharged in full or to have a material adverse effect on the ability to effect an Enforcement or a Distressed Disposal and, in each case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Parties, or Super Senior Creditors, on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If following the Consultation Period, the Enhanced Majority Super Senior Creditors and/or the Majority Senior Secured Parties have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting instructions (and for these purposes silence is deemed to be a conflicting instruction) are received from either Instructing Group by the end of the Consultation Period (which have not be resolved), the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Parties, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received by the Enhanced Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If prior to the Credit Facility Lender Discharge Date:

(a) the Super Senior Liabilities have not been repaid in full in cash within six months of the end of the Consultation Period (or within six months of the event of default giving rise to the right to commence an Enforcement if no such Consultation Period is required);

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period (or within three months of the event of default giving rise to the right to commence an Enforcement if no such Consultation Period is required); or

(c) an insolvency event has occurred with respect to a Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Relevant Company,

then the Security Agent shall thereafter follow any instructions that are subsequently given by the Enhanced Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Parties (to the extent conflicting with any instructions previously given by the Majority Senior Secured Parties).

Security Enforcement Principles

Unless otherwise agreed between the Enhanced Majority Super Senior Creditors and the Majority Senior Secured Parties, enforcement of the Transaction Security must be conducted in accordance with the "Security Enforcement Principles", which are summarized as follows:

(a) It shall be the priority and over-riding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realisation of value from enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery of the RCF Lenders and the lenders of other Super Senior Lender Liabilities, the Hedging Banks, the holders of the Senior Secured Notes, the holders of the Future Pari Passu Debt, the holders of the Future Second Lien Debt (to the extent the Transaction Security is expressed to secure such debt) and the holders of the Future Unsecured Debt (to the extent the Transaction Security is expressed to secure such debt) (in each case without prejudice to the Payment Waterfall) (the "**Security Enforcement Objective**") subject to applicable law.

(b) The Security Enforcement Principles may be amended, varied or waived with the prior written consent of Senior Secured Notes Required Holders (as defined below), the Future Pari Passu Debt Required Holders (as defined below), the Enhanced Majority Super Senior Creditors and (to the extent relating to the definition of "Security Enforcement Objective" or paragraph (a) above) the Majority Future Second Lien Creditors.

(c) Without prejudice to the Security Enforcement Objective the Transaction Security will, subject to applicable law, be enforced and other action as to Enforcement will be taken such that either (1) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or (2) sufficient proceeds of Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full (unless the Enhanced Majority Super Senior Creditors agree otherwise).

(d) On (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds a threshold (or its equivalent); or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall (unless such enforcement or sale is made pursuant to a public auction, a public offering or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a "**Financial Advisor**") to opine (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances (provided that the provider of such opinion may limit its liability in respect of such opinion to the amount of its fees in respect of such engagement), and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement.

Turnover

The Intercreditor Agreement will also provide that if any Primary Creditor (as defined below) receives or recovers the proceeds of any enforcement of any Transaction Security and in addition if any Future Second Lien Debt Creditor or Future Unsecured Creditor or Shareholder Subordinated Lender receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the "Application of Proceeds/Waterfall" described below that it shall (subject to certain prior actual knowledge qualifications in the case of the notes trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

In addition, the Intercreditor Agreement will also provide that if any creditor under the Revolving Credit Facility or other Super Senior Lender Liabilities, Senior Secured Notes Creditor, Future Pari Passu Creditor, Future Second Lien Creditor or Future Unsecured Creditor receives or recovers the proceeds of any guarantee of the Revolving Credit Facility or other Super Senior Lender Liabilities, Senior Secured Notes, Future Pari Passu Debt, Future Second Lien Debt and/or Future Unsecured Debt (the "**Senior Guarantee Liabilities**") except in accordance with the "Application of Guarantee Proceeds/ Waterfall" described below, that it will:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

In addition, the Intercreditor Agreement will also provide substantially equivalent turnover provisions to those included in the preceding paragraph in relation to receipt and recovery of payments and proceeds by the Future Second Lien Creditors, the Future Unsecured Creditors, the Intragroup Lenders and the Shareholder Subordinated Lenders.

Application of Proceeds/Waterfall

All amounts received or recovered by the Security Agent in connection with the realisation of all or any part of the Transaction Security or on an Enforcement or Distressed Disposal or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall will be paid to the Security Agent for application in accordance with the following payments waterfall (the "**Payments Waterfall**"):

- **first**, in payment of the following amounts in the following order (i) pari passu and pro rata any sums owing to the Senior Secured Notes Trustee and Security Agent (or any receiver or delegate) in respect of their costs and expenses and then (ii) pari passu and pro rata to each other creditor representative to the extent not included in (i) above in respect of their costs and expenses;
- **secondly**, pari passu and pro rata, in or towards payment of all costs and expenses incurred by the holders of Super Senior Lender Liabilities and the Super Senior Hedging Banks in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **thirdly**, pari passu and pro rata to (i) the RCF Lenders, the creditor representatives and the arrangers of the Revolving Credit Facility in respect of all amounts then due and payable to the RCF Lenders and such creditor representatives and arrangers (as applicable) at such time,

together with each such equivalent party to any other Super Senior Lender Liabilities; and (ii) to the Super Senior Hedging Banks in respect of amounts then due and payable under any Super Senior Hedging Agreements;

- **fourth**, pari passu and pro rata to the Senior Secured Notes Trustee (and/or the representative of any Future Pari Passu Creditors) for application towards any unpaid costs and expenses incurred by or on behalf of any holders of Senior Secured Notes or holders of Future Pari Passu Debt in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **fifth**, pari passu and pro rata to the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities, to the representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt for application towards the discharge of all Future Pari Passu Liabilities and to the Pari Passu Hedging Banks in respect of amounts then due and payable under any Pari Passu Hedging Agreements;
- **sixth**, (to the extent such Security secures such Liabilities) pari passu and pro rata in or towards payment to the Future Second Lien Debt Representative of all costs and expenses incurred by the holders of Future Second Lien Debt in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **seventh**, (to the extent such Security secured such Liabilities) pari passu and pro rata in or towards payment to the Future Second Lien Representative on behalf of the holders of Future Second Lien Debt for application towards the discharge of all amounts then due and payable to the holders of Future Second Lien Debt at that time;
- **eighth**, (to the extent such Security secures such Liabilities) pari passu and pro rata in or towards payment to the Future Unsecured Debt Representative of all costs and expenses incurred by the holders of Future Unsecured Debt in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **ninth**, (to the extent such Security secured such Liabilities) pari passu and pro rata in or towards the Future Unsecured Debt Representative on behalf of the holders of Future Unsecured Debt for application towards the discharge of all amounts then due and payable to the holders of Future Unsecured Debt at that time; and
- **tenth**, after the final discharge date, to any relevant Debtor or such other person as may be entitled thereto.

Application of Guarantee Proceeds/Waterfall

All amounts from time to time received or recovered by the Security Agent in respect of Senior Guarantee Liabilities will be paid to the Security Agent for application in accordance with the following guarantee payments waterfall:

- **first**, in payment of the following amounts in the following order: (i) pari passu and pro rata any sums owing to the Senior Secured Notes Trustee and Security Agent in respect of their costs and expenses and then (ii) pari passu and pro rata to each creditor representative of the holders of the Senior Secured Notes, holders of the Future Pari Passu Debt and holders of Future Second Lien Debt to the extent not included in (i) above in respect of their costs and expenses;
- **secondly**, pari passu and pro rata to (i) the RCF Lenders, the creditor representatives and the arrangers of the Revolving Credit Facility in respect of all amounts then due and payable to the RCF Lenders and such creditor representatives and arrangers (as applicable) at such time, together with each such equivalent party to any other Super Senior Lender Liabilities; (ii) the Hedging Banks in respect of amounts then due and payable under any Hedging Agreements; (iii) the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities and (iv) each Creditor representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt it represents for application towards the discharge of all Future Pari Passu Liabilities;

- **thirdly**, pari passu and pro rata to each Future Second Lien Debt Representative on behalf of the holders of Future Second Lien Debt it represents for application towards the discharge of all amounts then due and payable to the holders of Future Second Lien Debt at that time;
- **fourthly**, pari passu and pro rata to each Future Unsecured Debt Representative on behalf of the holders of Future Unsecured Debt it represents for application towards the discharge of all amounts then due and payable to the holders of Future Unsecured Debt at that time; and
- **fifthly**, after the final discharge date, to any relevant Debtor or such other person as may be entitled to it.

Payments made in breach of any of the above sections will be held in trust by the relevant recipient and turned over to the Security Agent for application in accordance with the "—Turnover" paragraph above.

Acceleration

If an event of default occurs under the Revolving Credit Facility or other Super Senior Lender Liabilities, the Senior Secured Notes, Future Pari Passu Debt, Future Second Lien Debt or Future Unsecured Debt then any decision to accelerate the Revolving Credit Facility or other Super Senior Lender Liabilities or Senior Secured Notes or Future Pari Passu Debt or Future Second Lien Debt or Future Unsecured Debt and, subject as provided below, to take any other Enforcement Action will be determined in accordance with the provisions of the Revolving Credit Facility or other Super Senior Lender Liabilities documents or the Senior Secured Notes Indenture or in accordance with the terms of the Future Pari Passu Debt or Future Second Lien Debt or Future Unsecured Debt (as applicable). The Intercreditor Agreement will contain provisions requiring each representative of any Pari Passu Creditors, Future

Second Lien Creditors or Future Unsecured Creditors, the Senior Agent or agent with respect to other Super Senior Lender Liabilities, the Senior Secured Notes Trustee and the Hedging Banks to notify the other representatives of the Senior Secured Parties, the Future Second Lien Creditors and the Future Unsecured Creditors of any actual or potential event of default or any instructions to accelerate the Revolving Credit Facility or other Super Senior Lender Liabilities, liabilities under the Hedging Agreements, Senior Secured Notes, Future Pari Passu Debt, Future Second Lien Debt or Future Unsecured Debt (as applicable).

Non-distressed Disposal

In circumstances where a disposal or certain other specified transactions are not being effected pursuant to a Distress Event (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Senior Secured Notes Indenture and the debt documents for the Future Pari Passu Debt, the Future Second Lien Debt and the Future Unsecured Debt and the finance documents for the Revolving Credit Facility and other Super Senior Lender Liabilities (including where the Group has designated one of its Subsidiaries as an Unrestricted Subsidiary), the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Transaction Security (and in connection with such release, execute any related documents); and (ii) in respect of a disposal to a person or persons outside the Group or in the case of a designation of an Unrestricted Subsidiary, if the relevant asset consists of shares in the capital of an Debtor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Debtor and the shares in and assets of any of its subsidiaries.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of its liabilities to the Senior Secured Parties, Future Second Lien Creditors or Future Unsecured Creditors or others or otherwise in connection with the Transactions ("**Primary Liabilities**") or other liabilities it may have to Shareholder Subordinated Lenders, Intragroup Lenders or Debtors ("**Other Liabilities**"); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets, and any holding company of that Debtor over any shares, loans, claims or other rights in or against that Debtor; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor; (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets and any holding company of that holding company over any shares, loans, claims or other rights in or claims against that holding company; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender or another Debtor over the assets of any subsidiary of that holding company; and (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor, to provide, for (1) the transfer of liabilities to another Debtor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement Principles) the disposal, to third parties, of creditor's claims against that Debtor or holding company (which may include claims against the Issuer).

If the Instructing Group is constituted by the Majority Senior Secured Parties (or a Distressed Disposal is conducted pursuant to their instructions), Super Senior Liabilities may not be released or disposed of unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied in discharge in full of all Super Senior Liabilities.

If before the Future Second Lien Discharge Debt, and provided that the Issuer or any guarantor of Future Second Lien Debt has outstanding Future Second Lien Liabilities, a Distressed Disposal is being effected such that Future Second Lien Liabilities owed by the Issuer and/or such guarantors and security granted by or over the assets of the Issuer or any such guarantor will be released, it is a further condition to the release that either:

(i) the Future Second Lien Debt Representative has approved the release on the instructions of the Majority Future Second Lien Debt Creditors; or

(ii) each of the following conditions are satisfied:

    (A) the proceeds of such sale or disposal are in cash (or substantially in cash);

    (B) all present and future obligations owed to the Senior Secured Parties under the Senior Secured Debt documents by a member of the Parent Group all of whose shares that are pledged in favor of the Senior Secured Parties are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of or transferred concurrently with such sale or disposal (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security granted by a member of the Parent Group in respect of the liability owed to the Senior Secured Parties under the Senior Secured Debt documents in respect of the assets that are so sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; and

    (C) such sale or disposal (including any sale or disposal of any claim) is made:

        (I) pursuant to a public auction or public offering in which the Future Second Lien Creditors have a right to participate (including as part of a consortium and as prospective buyers and/or financiers); or

        (II) in circumstances where (x) the Security Agent (acting in good faith) considers that a sale or disposal pursuant to a public auction is not reasonably practicable taking into account all relevant circumstances or (y) following an attempted sale or disposal pursuant to a public auction, the highest final bid or offer received by the Security Agent pursuant to the public auction is less than par value of the outstanding Senior Secured Liabilities, where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

If before the discharge date of all Future Unsecured Debt, and provided that the Issuer or any guarantor of Future Unsecured Debt has outstanding Future Unsecured Liabilities, a Distressed

Disposal is being effected such that Future Unsecured Liabilities owed by the Issuer and/or such guarantors and security granted by or over the assets of the Issuer or any such guarantor will be released, it is a further condition to the release that either:

(i) the Future Unsecured Debt Representative has approved the release on the instructions of the Majority Future Unsecured Creditors; or

(ii) each of the following conditions are satisfied:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all present and future obligations owed to the Senior Secured Parties under the Senior Secured Debt documents and to any Future Second Lien Creditors under the Future Second Lien Debt documents, in each case by a member of the Parent Group all of whose shares that are pledged in favor of the Senior Secured Parties are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of or transferred concurrently with such sale or disposal (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security granted by a member of the Parent Group in respect of the liability owed to the Senior Secured Parties under the Senior Secured Debt documents and to any Future Second Lien Creditors under the Future Second Lien Debt documents, in each case in respect of the assets that are so sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or public offering in which the Future Unsecured Creditors have a right to participate (including as part of a consortium and as prospective buyers and/or financiers); or

(II) in circumstances where (x) the Security Agent (acting in good faith) considers that a sale or disposal pursuant to a public auction is not reasonably practicable taking into account all relevant circumstances or (y) following an attempted sale or disposal pursuant to a public auction, the highest final bid or offer received by the Security Agent pursuant to the public auction is less than par value of the outstanding Senior Secured Liabilities and the Future Second Lien Liabilities, where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

The Intercreditor Agreement may also provide for a mechanism whereby, in circumstances where such liabilities would otherwise be released, such liabilities may instead, upon notice, be transferred to another Debtor. In the case where any Senior Notes have been issued, any such Senior Notes Liabilities shall be deemed automatically transferred to a holding company of Parent Borrower following an insolvency event of default of the Parent (including for this purpose a convening of a meeting by the board of directors of the Parent with a view to filing a petition for composition pursuant to article 161, paragraph 6, of the Italian Insolvency Law ("*concordato in bianco*") or analogous proceedings potentially causing a stay on the enforcement over the Parent's assets), a payment default for failure to pay principal due and payable on maturity (and such payment default remains subsisting one business day after such maturity date) or in the case of a Distressed Disposal (the "**Senior Notes Flip Up**").

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "—Application of Proceeds/Waterfall" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Voting and Amendments

Voting in respect of the Revolving Credit Facility and other Super Senior Lender Liabilities, the Senior Secured Notes, Future Pari Passu Debt, Future Second Lien Debt and/or Future Unsecured Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and the Issuer and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) the Majority Super Senior Creditors;

(b) the Senior Secured Notes Required Holders and the Future Pari Passu Debt Required Holders;

(c) the Future Second Lien Creditors whose aggregate second lien credit participations represent 66 2/3% or more (or if there is at any time there is any Future Second Lien Debt not in the form of loans outstanding, more than 50%) of the aggregate second lien credit participations of all such creditors (the "**Majority Future Second Lien Creditors**");

(d) the Future Unsecured Creditors whose aggregate unsecured credit participations represent 66 2/3% or more (or if there is at any time there is any Future Unsecured Debt not in the form of loans outstanding, more than 50%) of the aggregate unsecured credit participations of all such creditors (the "**Majority Future Unsecured Creditors**");

(e) the Security Agent; and

(f) the Issuer,

provided that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class shall be required.

Notwithstanding the paragraph immediately above, an amendment or waiver relating to provisions dealing with (i) ranking and priority, (ii) turnover of receipts, (iii) redistribution, (iv) enforcement of Transaction Security, (v) disposal proceeds, (vi) application of proceeds, (vii) amendments, (viii) certain provisions relating to the instructions to and exercise of discretion by the Security Agent or the order of priority or subordination under the Intercreditor Agreement, and (ix) the definition of "Instructing Group" shall not be made without the written consent of:

(a) the RCF Lenders and the lenders of any other Super Senior Lender Liabilities;

(b) the Senior Secured Notes Trustee;

(c) the representative of the holders of Future Pari Passu Debt;

(d) each Hedging Bank (to the extent that the amendment or waiver would adversely affect such Hedging Bank);

(e) the Future Second Lien Debt Representative;

(f) the Future Unsecured Debt Representative; and

(g) the Issuer.

Definitions

The Intercreditor Agreement shall provide that:

(a) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Pari Passu Creditors holding in aggregate a principal amount of Future Pari Passu Debt which is not less than the principal amount of Future Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Pari Passu Debt, in accordance with the relevant Future Pari Passu Debt documents;

(b) "**Primary Creditors**" means the Super Senior Creditors, the Senior Secured Notes Creditors, the Future Pari Passu Creditors, the Future Second Lien Creditors and the Future Unsecured Creditors;

(c) "**Senior Secured Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable);

(d) "**Transaction Security**" means the security created or expressed to be created under or pursuant to the Transaction Security Documents; and

(e) "**Transaction Security Documents**" means: (i) as defined (or equivalent term) in the Revolving Credit Facility, any other Credit Facility (as referred to below) and/or a document governing any Future Pari Passu Debt; (ii) any other document entered into at any time by any member of the Group (or any substitute entity (if any)) creating any security in favour of the secured parties as security for any of the secured obligations; and (iii) any security granted under any covenant for further assurance in any of the documents set out in paragraphs (i) and (ii) above, which in each case, to the extent legally possible is created in favour of (A) the Security Agent as trustee for the Secured Parties in respect of their liabilities; or (B) in the case of any jurisdiction in which effective security cannot be granted in favour of the Security Agent as trustee for the secured parties, the Secured Parties in respect of their Liabilities or (other than for Security governed by Italian law) the Security Agent under a parallel debt structure for the benefit of the Secured Parties.

Option to Purchase

Following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) an acceleration of the Revolving Credit Facility or other Super Senior Lender Liabilities, the Senior Secured Notes, the Future Pari Passu Debt, the Future Second Lien Debt or the Future Unsecured Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"), then the holders of the Senior Secured Notes and Future Pari Passu Debt shall have an option (subject to certain terms and conditions set out in the Intercreditor Agreement) to purchase all (but not part) of the relevant lenders' (or their affiliates) commitments under the Revolving Credit Facility and other Super Senior Lender Liabilities and all their Super Senior Hedging Liabilities at par plus accrued interest and all other amounts owing under the Revolving Credit Facility and other Super Senior Lender Liabilities and Hedging Agreements, with such purchase to occur all at the same time.

Following any notice that the Transaction Security has become enforceable or a Distress Event, each of the holders of the Future Second Lien Debt and the holders of the Future Unsecured Debt shall have an option (subject to certain terms and conditions set out in the Intercreditor Agreement) to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Hedging

All scheduled and certain other payments permitted under a Hedging Agreement (other than close out payments (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement will contain provisions in relation to the circumstances in which a Hedging Bank may take Enforcement Action in relation to its hedging, together with other customary rights and obligations.

General

The Intercreditor Agreement will contain provisions dealing with:

(a) close-out rights for the Hedging Liabilities;

(b) permitted payments (including without limitation, the repayment of Parent Liabilities, Intragroup Liabilities and Shareholder Liabilities and the payment of permitted distributions in each case to the extent permitted under the terms of the finance documents relating to the Senior Secured Debt, the Future Second Lien Debt and the Future Unsecured Debt);

(c) incurrence of Future Pari Passu Debt, Future Second Lien Debt or Future Unsecured Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt, Future Second Lien Debt or Future Unsecured Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement (including, without limitation, note trustee protections and permissions associated with the payment of note trustee amounts) so long as not prohibited under the Revolving Credit Facility or other Super Senior Lender Liabilities documents or the Senior Secured Notes Indenture and the Future Second Lien Debt and Future Unsecured Debt shall be subject to the relevant subordination provisions under the Intercreditor Agreement;

(d) the ability to incur additional Credit Facilities benefiting from the equivalent position under the terms of the Intercreditor Agreement as the Revolving Credit Facility (to the extent such additional Credit Facilities are allowed under the terms of the Revolving Credit Facility and the finance documents relating to Senior Secured Notes to share in the Transaction Security with the rights and obligations equivalent to that of the Revolving Credit Facility Lenders and which is permitted by the terms of the finance documents relating to Senior Secured Notes to rank senior to the Senior Secured Notes Liabilities with respect to the proceeds of any Enforcement of the Transaction Security);

(e) payments received by creditors which are not permitted by the Intercreditor Agreement shall be required to be held on trust for the Security Agent and provided to the Security Agent for application in accordance with the Payments Waterfall;

(f) the appointment of the Security Agent and its related rights and obligations, together with the rights and obligations of any notes trustee of debt which is the subject of the Intercreditor Agreement; and

(g) certain rights and obligations of ancillary lenders and issuing banks under the Revolving Credit Facility documents and other Super Senior Lender Liabilities documents.

Governing law

The Intercreditor Agreement will be governed by and construed in accordance with English law.

Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries

For a description of the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries, see "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*."

Intercompany Loans

The Issuer, as lender, has granted the following unsecured intercompany loans to the subsidiaries indicated below (the "**Intercompany Loans**"):

- an interest bearing revolving loan for a principal amount of up to €7.5 million, repayable at any time, made available to Reviso International ApS, pursuant to an intercompany loan agreement dated January 27, 2017 (as subsequently amended and restated from time to time) and governed by Italian law. As of December 31, 2017, approximately €1.7 million was outstanding under such intercompany loan. The outstanding amounts have been subsequently decreased to approximately €1.5 million and approximately €6.0 million are currently available for future drawings; and
- an interest bearing revolving loan for a principal amount of up to €3.0 million, made available to Mondora Società Benefit S.r.l., pursuant to an intercompany loan agreement dated December 15, 2017 and governed by Italian law. As of December 31, 2017, approximately €0.7 million was outstanding under such intercompany loan. The outstanding amounts have been subsequently repaid and €3.0 million are currently available for future drawings.

We expect that the Intercompany Loans will remain outstanding on the Issue Date. The Issuer's receivables under the Intercompany Loans will be assigned by way of security to secure the Notes and the New Revolving Credit Facility. See "*Description of Notes—Security.*"

DESCRIPTION OF NOTES

TeamSystem S.p.A. (the "**Issuer**") will issue (i) €550.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2023 (the "**2023 Floating Rate Notes**") and (ii) €200.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2025 (the "**2025 Floating Rate Notes**" and, together with the 2023 Floating Rate Notes, the "**Notes**") under an indenture to be dated as of April 4, 2018 (the "**Indenture**"), between, *inter alios*, the Issuer, TeamSystem Holding S.p.A. as guarantor, The Law Debenture Trust Corporation p.l.c. as trustee and legal representative of the holders of the Notes (*mandatario con rappresentanza*) under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code (the "**Trustee**"), and UniCredit Bank AG, Milan Branch as security agent (the "**Security Agent**") and representative (*rappresentante*) pursuant to Article 2414-*bis*, 3rd paragraph of the Italian Civil Code (the "**Security Representative**"). The 2023 Floating Rate Notes and the 2025 Floating Rate Notes will have identical terms and conditions, other than as to maturity. Definitions of certain capitalized terms used in this "*Description of Notes*" are set forth under the heading "*—Certain Definitions*" below.

The proceeds of the Notes sold on the Issue Date and certain available cash on balance sheet are expected to be used to redeem all outstanding Existing Notes and to pay related redemption premia, commissions and other fees and expenses related to the Transactions. See "*Use of proceeds*".

For purposes of this "*Description of Notes*," "**Issuer**" means TeamSystem S.p.A. (not including any of its Subsidiaries) and any and all successors thereto.

The Indenture will be unlimited in aggregate principal amount, of which (i) €550.0 million aggregate principal amount of 2023 Floating Rate Notes and (ii) €200.0 million aggregate principal amount of 2025 Floating Rate Notes will be issued, in each case on the Issue Date. After the Issue Date, we may issue an unlimited principal amount of additional 2023 Floating Rate Notes having identical terms and conditions as the 2023 Floating Rate Notes (the "**Additional 2023 Floating Rate Notes**") and an unlimited principal amount of additional 2025 Floating Rate Notes having identical terms and conditions as the 2025 Floating Rate Notes (the "**Additional 2025 Floating Rate Notes**," collectively with the Additional 2023 Floating Rate Notes, the "**Additional Notes**") under the Indenture. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*"). Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture (including as described under "*—Meetings of Holders of Notes*" below), the Notes issued on the Issue Date and, if issued, any Additional Notes will be treated as a single class for all purposes under the relevant Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this "*Description of Notes*," references to the "**Notes**" include the Notes issued on the Issue Date under the Indenture and any Additional 2023 Floating Rate Notes and Additional 2025 Floating Rate Notes that are actually issued from time to time thereunder.

This "*Description of Notes*" is intended to be an overview of the material provisions of the Notes, the Guarantees and the Indenture. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Guarantees and the Indenture for complete descriptions of the obligations of the Issuer and your rights. In addition, the following description refers to the Security Documents and the Intercreditor Agreement. Copies of such documents are available from us upon request.

The Indenture and the Guarantees thereunder will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements. The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes and the Guarantees. Please see "*Description of certain financing arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

The registered holder (a "**Holder**") of a Note will be treated as the owner of it for all purposes. Only Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions. In addition, the Indenture will not be subject to, incorporate by reference or otherwise include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

General

The Notes

The Notes will, on the Issue Date:

- be general senior obligations of the Issuer;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes (including the obligations of the Issuer under the Revolving Credit Facility and certain Hedging Obligations, if any);
- rank senior in right of payment to any existing or future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be secured as set forth below under "*—Security*";
- be guaranteed by the Guarantors as described under "*—The Guarantees*";
- be effectively subordinated to any existing or future Indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such Indebtedness;
- be structurally subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of Subsidiaries of the Issuer that do not guarantee the Notes; and
- be represented by one or more Notes in registered global form, which in certain circumstances may be represented by Definitive Registered Notes (see "*—Interest—Methods of Receiving Payments on the Notes*").

The Guarantees

The Guarantee of the Notes by the Parent Guarantor and any other additional Guarantee will, at the time the relevant Guarantor grants such Guarantee:

- be a general senior obligation of the relevant Guarantor;
- rank *pari passu* in right of payment with any existing or future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantor's Guarantee (including the senior guarantee given in favor of the Revolving Credit Facility and certain Hedging Obligations, if any);
- rank senior in right of payment to any existing or future Indebtedness of that Guarantor that is expressly subordinated in right of payment to the such Guarantor's Guarantee;
- be secured as set forth below under "*—Security*";
- be effectively subordinated to any existing or future Indebtedness of that Guarantor that is secured by property or assets that do not secure that Guarantor's Guarantee, to the extent of the value of the property or assets securing such Indebtedness;
- be structurally subordinated to any existing or future Indebtedness or obligation (including obligations to trade creditors) of the Subsidiaries of such Guarantor that do not guarantee the Notes; and
- be subject to the limitations described herein and in "*Risk factors—Risks related to the Notes*" "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations*" and "*Description of certain financing arrangements—Intercreditor Agreement*."

Principal, Maturity and Interest

The Issuer will issue (i) €550.0 million in aggregate principal amount of 2023 Floating Rate Notes and (ii) €200.0 million in aggregate principal amount of 2025 Floating Rate Notes on the Issue Date. The 2023 Floating Rate Notes will mature on April 15, 2023 and the 2025 Floating Rate Notes will mature on April 15, 2025. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at a rate per annum (the "**Applicable Rate**"), reset quarterly, equal to the sum of (i) three-month EURIBOR (and if that rate is less than zero, EURIBOR shall be deemed to be zero) plus (ii) 4.00 %, as determined by the calculation agent (the "**Calculation Agent**"), who shall initially be The Bank of New York Mellon, London Branch. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on June 15, 2018;
- be payable to the holder of record of such Notes on March 1, June 1, September 1 and December 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year and the actual number of days elapsed.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Notes.

"**Determination Date**" with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"**EURIBOR**" with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Screen EURIBOR 01 Page as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Screen EURIBOR 01 Page does not include such a rate or is unavailable on a Determination Date, the Issuer will request (or cause to be requested) that the principal London or Frankfurt office of each of four major banks in the euro-zone inter-bank market, as selected by the Issuer, provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request (or cause to be requested) that each of three major banks in London or Frankfurt, as selected by the Issuer, provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

If the Issuer determines that the EURIBOR rate is no longer being calculated or administered, or it becomes illegal for the Calculation Agent to determine any amounts due to be paid, as at the relevant Determination Date, any alternative rate which has replaced EURIBOR in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer, in consultation with an independent financial advisor (the "**IFA**"), appointed by the Issuer in its sole discretion, and promptly thereafter notified by the Issuer to the Holders and the Calculation Agent, shall be the new rate replacing EURIBOR; *provided* however that if the IFA determines that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the IFA shall determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Calculation Agent and the Holders.

"**euro-zone**" means the region comprised of member states of the European Union that adopt the euro.

"**Interest Period**" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include June 14, 2018.

"**Representative Amount**" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"**Reuters Screen EURIBOR 01 Page**" means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable for each of the 2023 Floating Rate Notes and the 2025 Floating Rate Notes, as applicable, in respect of the following Interest Period (the "**Interest Amount**"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each 2023 Floating Rate Note and each 2025 Floating Rate Note, as applicable, outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the applicable rate of interest on the Notes be higher than the maximum rate permitted by applicable law, *provided*, *however*, that the Calculation Agent shall not be responsible for verifying that the applicable rate of interest on the Notes is permitted under any applicable law.

The rights of Holders to receive the payments of interest on the Notes will be subject to applicable procedures of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest, premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest, premium and Additional Amounts, if any, on any certificated securities ("**Definitive Registered Notes**") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by bank transfer to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes.*"

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be The Bank of New York Mellon, London Branch.

The Issuer will also maintain a registrar (the "**Registrar**") and a transfer agent (the "**Transfer Agent**"). The initial Registrar will be The Bank of New York Mellon SA/NV, Luxembourg Branch and the initial Transfer Agent will be The Bank of New York Mellon, London Branch. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and, together with the Transfer Agent, will facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrar or Transfer Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Guarantees

For the purposes of this "*Description of Notes*", "**Guarantor**" means the Parent Guarantor and any Restricted Subsidiary that guarantees the Notes (each a "**Subsidiary Guarantor**") on or after the Issue Date (in each case, together with any and all successors thereto). None of the Subsidiaries of the Issuer will guarantee the Notes on the Issue Date. As of and for the year ended December 31, 2017, the Issuer and the Parent Guarantor accounted for 85.8% of our consolidated total assets, 68.4% of our total revenue and 72.7% of our Adjusted EBITDA, after the elimination of intercompany balances.

Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries. As of December 31, 2017, after giving *pro forma* effect to the Transactions, the Issuer's Subsidiaries would have had €0.7 million in outstanding financial debt (excluding €20.1 million of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries), which would have ranked structurally senior to the Notes and the Guarantee. In addition, certain of the Issuer's Subsidiaries have contingent liabilities, as reported in our Consolidated Financial Statements, in connection with the put and call option and earn out arrangements under the acquisition agreements with our strategic partners relating to our majority-owned subsidiaries, which amounted to €101.4 million as of December 31, 2017. See "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries*" and "*Risk factors—Risks related to our business—Certain of our subsidiaries have minority shareholders whose interests may differ from our interests. In addition, the contractual arrangements with such minority shareholders may require us to purchase shares at predetermined prices under certain put and call options and earn out arrangements.*" Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture, including the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries. See "*—Certain Covenants—Limitation on Indebtedness*."

As described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Revolving Credit Facility, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The obligations of a Guarantor under its Guarantee will be limited as necessary to prevent the relevant Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, thin capitalization rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by each relevant Guarantor. Additionally, the Guarantees will be subject to certain corporate law procedures being complied with. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations.*" The Guarantees will be further limited as required under the Agreed Security Principles that will apply to, and restrict the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes, which will provide, among other things, that no guarantees or security will be required if any such grant would be restricted by general statutory or other legal limitations or requirements. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.

Pursuant to Article 1938 of the Italian Civil Code, the maximum amount that the Parent Guarantor may be required to pay in respect of its obligations as Guarantor under the Notes Documents shall not exceed 120% of the principal amount of the proceeds of the issuance of the Notes. See "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations–Italy*."

Releases of the Guarantees

The Guarantee of a Guarantor will terminate:

- in the case of a Subsidiary Guarantee, upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Subsidiary Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;
- in the case of a Subsidiary Guarantee, upon the designation in accordance with the Indenture of the Subsidiary Guarantor as an Unrestricted Subsidiary;
- upon payment in full of principal, interest and all other obligations under the Notes Documents or upon defeasance or discharge of the Notes and the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- with respect to a Subsidiary Guarantor that is not a Significant Subsidiary, so long as no Default or Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Revolving Credit Facility and (ii) would not otherwise be required at the time of such release to provide a Guarantee pursuant to the covenant described under "*—Certain Covenants—Additional Guarantees*";
- as described in the first paragraph of the covenant described below under "*—Certain Covenants—Additional Guarantees*";
- in connection with one or more Permitted Reorganizations; or
- as a result of a transaction permitted by "*—Certain Covenants—Merger and Consolidation.*"

The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders or any action on the part of the Trustee.

Transfer and Exchange

The Notes will be issued in the form of registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**").
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the "**Global Notes**").

The Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions.*” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the “**144A Book-Entry Interests**”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**”) only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of the United States and any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions.*”

Subject to the restrictions on transfer referred to above, the Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and Transfer Agent are not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes and upon the occurrence of the Issue Date, all of the Issuer’s Subsidiaries will be Restricted Subsidiaries.

However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary,*" the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Security

General

Within one Business Day following the Issue Date, the Notes and the Guarantee by the Parent Guarantor will be secured, subject to certain perfection requirements and any Permitted Collateral Liens, by first-ranking Liens granted on an equal and ratable first-priority basis over (i) all the issued Capital Stock of the Issuer (the "**Issuer Share Collateral**"), (ii) the Issuer's interest in the receivables in respect of certain intercompany loans by the Issuer to certain of its subsidiaries existing as of the Issue Date (the "**Intercompany Loans**") and (iii) certain material operating bank accounts of the Issuer.

The security interests in the Collateral (as defined under "*—Certain Definitions—Collateral*") that is created by the Security Documents and secures obligations under the Notes or the Guarantees and the Indenture are herein referred to as "**Security Interests**."

Subject to certain Permitted Collateral Liens, the Collateral will be secured pursuant to the Security Documents to the Security Agent in the name and on behalf of the holders of the secured obligations that are secured by the Collateral, including on a first-priority basis, the Holders, the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any.

Subject to certain conditions, including compliance with the covenants described under "*—Impairment of Security Interests*" and "*—Liens,*" the Issuer is permitted to pledge the Collateral in connection with future issuances of its Indebtedness. Any such additional Security Interests that are in the future pledged to secure obligations under the Notes, the Guarantees and the Indenture will also constitute "Collateral." All Collateral will be subject to the operation of the Agreed Security Principles.

All of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations, if any, and any Additional Notes; *provided, however*, that pursuant to the Intercreditor Agreement the lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations, if any, will receive the proceeds from the enforcement of the Collateral in priority to the Holders of the Notes and any Additional Notes. See "*—Priority*" below. See also, "*Risk Factors—Risks related to the Notes—Creditors under the Revolving Credit Facility are entitled to be repaid with the proceeds of the Collateral sold in any enforcement procedure in priority to the Notes*".

The Collateral will be contractually limited to reflect limitations under applicable law with respect to fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, thin capitalization rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be secured. For a description of such contractual limitations, see "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations.*" In addition, and notwithstanding the provisions of the covenant described below under "*—Certain Covenants—Limitation on Liens*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Collateral have been made in connection with the Transactions. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors— Risks related to the Notes—The Collateral may not be sufficient to secure the obligations under the Notes and the Collateral may be reduced or diluted under certain circumstances.*"

Priority

The relative contractual priority with respect to Security Interests among the lenders under the Revolving Credit Facility, counterparties under certain Hedging Obligations, if any, secured by the

Collateral, the Trustee, the Security Agent, the Holders of the Notes is or will be established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Revolving Credit Facility and such Hedging Obligations, as applicable. The Intercreditor Agreement will provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility and certain Hedging Obligations, if any, and any future Indebtedness permitted to be secured on a super priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied.

See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of certain financing arrangements—Revolving Credit Facility*." In addition, in connection with the Incurrence of certain Indebtedness that is permitted by the Indenture to be secured on the Collateral, the Issuer may enter into Additional Intercreditor Agreements in compliance with the Indenture on substantially the same terms as the Intercreditor Agreement. See "*—Certain Covenants—Impairment of Security Interests*" and "*—Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound*."

For a description of enforcement of Security Interests upon the Incurrence of such Indebtedness, see "*Description of certain financing arrangements—Intercreditor Agreement.*"

Security Documents; Enforcement of Security Interests

Under the Security Documents, the Issuer and the Parent Guarantor will grant security over the Collateral to secure the payment when due of the Issuer's and the Guarantor's payment obligations under the Notes, the Guarantees and the Indenture. The Security Documents will be entered into by, among others, the relevant security provider, the Security Agent, also as Security Representative, and the Trustee acting for itself and in its capacity as the Trustee under the Indenture and as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. When entering into the Security Documents, the Security Agent will act in its own name but also for the benefit of the Holders from time to time. The Security Agent will also act in the name and on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by the Security Interests in the Collateral until all obligations under the Notes, the Guarantees and the Indenture have been discharged. However, the Security Interests with respect to the Notes may be released under certain circumstances as provided under "*—Release of Liens*."

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent (including in its role as Security Representative) will have the right to enforce the Security Interests in the name and on behalf of the Trustee and the holders of the Notes. The Security Documents will provide that the rights with respect to the Notes and the Indenture must be exercised by the Security Agent (including in its role as Security Representative). As a consequence of such contractual provisions and since the Holders are not a party to the Security Documents, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent (including in its role as Security Representative) or the Trustee (as applicable) under the Indenture. To the extent permitted by the applicable laws and subject to the terms of the Intercreditor Agreement and the Indenture, holders of the Notes will, in certain circumstances, be entitled to direct the Trustee to provide instructions to the Security Agent for the enforcement of the Security Interests. Under the Intercreditor Agreement, the Security Agent will also act in the name and on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations, if any, in relation to the Security Interest in favor of such parties.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. Please see "*Risk Factors—Risks related to the Notes*."

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and noncash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. Furthermore, each Holder will have deemed to have appointed the Security Agent pursuant to article 1704 (*mandato con rappresentanza*) of the Italian Civil Code and as representative (*rappresentante*) pursuant to article 2414-*bis* of the Italian Civil Code to act on its behalf. The creditors under the Revolving Credit Facility, the Holders of Notes, the counterparties to certain Hedging Obligations (if any) secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, confirmation, extension, renewal, replacement or discharge expressed to be executed by the Security Agent in its name and on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of certain financing arrangements—Intercreditor Agreement*."

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

(1) consented and agreed to be bound by the terms of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*" (including, without limitation, the provisions providing for foreclosure and release of the Guarantees and the Security Interests, including upon an enforcement);

(2) authorized the Trustee and the Security Agent, as applicable, to act in its name and on its behalf to enter into the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*" and to be bound thereby and to perform their respective obligations and exercise their respective rights thereunder in accordance therewith;

(3) appointed and authorized the Trustee and the Security Agent to give effect to the provisions in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;

(4) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as common representative (*rappresentante comune*) of the Holders pursuant to Articles 2417 and 2418 of the Italian Civil Code;

(5) agreed to, and accepted, the appointment of UniCredit Bank AG, Milan Branch as representative (*rappresentante*) of the Holders for the purposes of Article 2414-*bis*, third paragraph of the Italian Civil Code; and

(6) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement, the Indenture and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

Security Interests in respect of the Collateral will be released under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral (other than the Security Interest in respect of the Issuer Share Collateral) to (a) a Person that is not the Issuer or a Restricted

Subsidiary (but excluding any transaction subject to "*Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary provided that this clause (1)(b) shall not be relied upon in the case of a transfer of Capital Stock or of accounts receivable to a Restricted Subsidiary (other than in connection with a Qualified Receivables Financing) unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Notes following such sale or disposal;

(2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations under the Notes Documents or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes and the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) as permitted by "*—Certain Covenants—Impairment of Security Interests*" or (other than the Security Interest in respect of the Issuer Share Collateral) "*—Merger and Consolidation*";

(7) in connection with one or more Permitted Reorganizations;

(8) in the case of the security assignment over the receivables in respect of the Intercompany Loans, upon full repayment, discharge, termination, conversion into equity and/or waiver thereof, the security assignment shall be automatically and fully released and of no further effect; or

(9) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Security Agent and the Trustee will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

Optional Redemption

Except as described below and except as described under "*—Redemption for Taxation Reasons*," the 2023 Floating Rate Notes are not redeemable until April 15, 2019. On and after April 15, 2019, the Issuer may redeem all or, from time to time, part of the 2023 Floating Rate Notes upon not less than 10 nor more than 60 days' notice, at the following redemption price (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on April 15 of the year indicated below:

Year	Price
2019 and thereafter	100.000%

Except as described below and except as described under "*—Redemption for Taxation Reasons*," the 2025 Floating Rate Notes are not redeemable until April 15, 2019. On and after April 15, 2019, the Issuer may redeem all or, from time to time, part of the 2025 Floating Rate Notes upon not less than 10 nor more than 60 days' notice, at the following redemption price (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on April 15 of the year indicated below:

Year	Price
2019 and thereafter	100.000%

In addition, prior to April 15, 2019, the Issuer may redeem all or, from time to time, a part of each of the 2023 Floating Rate Notes and the 2025 Floating Rate Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the 2023 Floating Rate Notes or 100% of the principal amount of the 2025 Floating Rate Notes, as the case may be, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes, any such redemption and redemption notice may, at the Issuer's discretion, be subject to one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided that* in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. The Issuer may purchase Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, at any time and from time to time.

Post Tender Redemption

In connection with any tender offer for, or other offer to purchase, any series of Notes at a price no less than the open market trading price of the applicable series of Notes on the date such tender offer commences (as determined in good faith by the Board of Directors or a member of Senior Management), plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if Holders of not less than 90% in aggregate principal amount of the applicable series of Notes validly tender and do not validly withdraw such series of Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the applicable series of Notes validly tendered and not validly withdrawn by such Holders, all of the Holders of the applicable series of Notes will be deemed to have consented to such tender or other offer and, accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice to redeem the applicable series of Notes that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered to each other holder of the applicable series of Notes in such tender offer (provided that such price shall not be less than 100% of the principal amount), plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Redemption at Maturity

On (i) April 15, 2023 in the case of the 2023 Floating Rate Notes, and (ii) April 15, 2025 in the case of the 2025 Floating Rate Notes, the Issuer will redeem the 2023 Floating Rate Notes and the 2025 Floating Rate Notes, as the case may be, that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all of any series of Notes are to be redeemed at any time, the Registrar will select Notes for redemption in accordance with the procedures of Euroclear and Clearstream (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. The Registrar will not be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be delivered in accordance with the rules and procedures of Euroclear or Clearstream, as applicable, in lieu of the aforesaid mailing.

If the Notes are to be redeemed in part only, the notice of redemption that relates to such Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem any series of Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders of the relevant series of Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but not including, the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations, protocols, or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in position regarding the application, administration or written interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

the Issuer or any Guarantor (including, in each case, any successor entity) with respect to any Guarantee, as the case may be, is, or on the next interest payment date in respect of such series of Notes would be, required to pay Additional Amounts (but in the case of any Guarantor, only if such amount payable cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Issuer or such Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable).

Such Change in Tax Law must not have been publicly announced before and must become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined below) would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of any series of Notes pursuant to the foregoing, the Issuer will deliver to the Registrar, the Trustee and the relevant Paying Agent (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer or the applicable Guarantor, as the case may be, has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any of the Guarantors or a successor of the Issuer or Guarantor (each, a "**Payor**") on the Notes or any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Italy or any political subdivision or governmental Authority thereof or therein having the power to tax;

(2) any jurisdiction from or through which payment on any such Note or Guarantee is made by or on behalf of a Payor (including the jurisdiction of the Paying Agent), or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes or otherwise considered to be a resident, or have a permanent establishment, for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "**Relevant Taxing Jurisdiction**"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor on any Note or Guarantee, including payments of principal, redemption price, purchase price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding, deduction or imposition (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; provided, however, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed or withheld but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of a Note and the Relevant Taxing Jurisdiction (including, without limitation, being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note or the Indenture or any Guarantee in respect thereof;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor, a Paying Agent, or other person acting as an agent for the Payor or a Paying Agent, addressed to the Holder, after reasonable notice (at least 30 days before any such withholding is payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from or reduction in the rate of deduction or withholding of all or part of such Tax;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on or with respect to the Notes or any Guarantee;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(5) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union;

(6) any Taxes imposed, withheld or deducted pursuant to sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any amended or successor version of such sections that is substantially comparable) (the "**Code**"), any current or future regulations thereunder, official interpretations thereof or agreements (including any intergovernmental agreement or any laws, rules or practices implementing such intergovernmental agreement) entered into in connection therewith or otherwise pursuant to any agreements described in Section 1471 (b) of the Code;

(7) any Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("*Decree No. 239*")) and any related implementing regulations, or pursuant to Italian Legislative Decree No. 461 of November 21, 1997, as amended or supplemented from time to time ("*Decree No. 461*") and any related implementing regulations, *provided that*:

  (i) Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of the Payor or their agents; and

  (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which is subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (the "**White List**") and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are for or on account of *imposta sostitutiva* if the Holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of any change in Decree No. 239 or Decree No. 461 or any change in the White List;

(8) with respect to the 2025 Floating Rate Notes only, any Tax deduction related to the transfer of the 2025 Floating Rate Notes to persons other than qualified investors (*investitori qualificati*) within the meaning of Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended from time to time; or

(9) any combination of the items (1) through (8) above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required) within 30 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such Tax resulting in Additional Amounts would not have been imposed or such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (8) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent. The Payor will attach to each such certified copy of such payments a certificate stating that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional

Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there are mentioned, in any context:

(1) the payment of principal,

(2) redemption prices or purchase prices in connection with a redemption or a purchase of Notes,

(3) interest, or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest, penalties and any other reasonable expenses with respect thereto) or any other excise, property or similar Taxes (including any related interest, penalties and any other reasonable expenses with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration or enforcement of any Notes, the Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement or any other document or instrument in relation thereto (other than in each case, (A) in connection with a transfer of the Notes after the Issue Date or (B) to the extent that such stamp, issue registration court or documentary taxes, or any other excise, property or similar taxes or similar charges or levies becomes payable upon a voluntary registration made by the Holder if such registration is not required by any applicable law or not necessary to enforce the rights or obligations of any Holder in relation to the Notes, any Guarantees, the Indenture, or any other document or instrument in relation thereto), and the Payor agrees to indemnify the Holders for any such Taxes paid by such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, incorporated, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes or any Guarantee is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control,*" each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; *provided that* Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase any series of Notes as described under this heading, "*Change of Control,*" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all of a series of Notes and given notice of redemption as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "**Change of Control Offer**") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "**Change of Control Payment**");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "**Change of Control Payment Date**");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided that* each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer or repurchase any Notes as described under this heading "Change of Control" upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (2) a notice of redemption has been given pursuant to the Indenture as defined above under the caption "*—Optional Redemption,*" unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such

Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third-party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third-party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest, if any, thereon, to, but excluding the date of redemption.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources, including financial resources of its Restricted Subsidiaries. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks related to the Notes—We may not be able to obtain the funds required to repurchase the Notes upon a change of control*."

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above. In addition, the definitions of "Change of Control" and "Permitted Holders" expressly permit a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer and any Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Indebtedness is Incurred, the Fixed Charge Coverage Ratio for the Issuer would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("**Permitted Debt**"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and guarantees in respect of such Indebtedness, in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of €90.0 million and 68% of Consolidated EBITDA, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness being guaranteed is permitted to be Incurred under the terms of the Indenture; *provided that*, if the Indebtedness being guaranteed is subordinated to the Notes or a Guarantee, then the guarantee must be subordinated to the Notes or such Guarantee to the same extent as the Indebtedness being guaranteed; or

(b) without limiting the covenant described under "*—Limitation on Liens,*" Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) if the Issuer or a Subsidiary Guarantor is the obligor on any such Indebtedness and the creditor is neither the Issuer nor a Subsidiary Guarantor, such Indebtedness (except in respect of intercompany liabilities Incurred in the ordinary course of business or in connection with cash pooling or cash management or tax positions of the Issuer and its Restricted Subsidiaries) is (subject to the Agreed Security Principles and the terms of the Intercreditor Agreement) unsecured and, if the aggregate principal amount of such Indebtedness of the Issuer or such Guarantor exceeds €10.0 million (only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)), expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Guarantee, in the case of a Subsidiary Guarantor, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and

(c) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) and the related Subsidiary Guarantees and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness Incurred under the Revolving Credit Facility or described in clauses (3) and (4)(a) of this paragraph) outstanding on the Issue Date after giving *pro forma* effect to the Transactions, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4)(a) and (4)(b) and clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, and (d) Management Advances;

(5) Indebtedness of any Person (a) outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide

all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided, however*, with respect to this clause (5), that at the time of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio in the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio of the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction and the Incurrence of Indebtedness pursuant to this clause (5);

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of 15% of Consolidated EBITDA and €20.0 million;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any Bank Products in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided that*, in connection with such disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) Indebtedness consisting of obligations owing under any client, customer or supplier incentive, supply, license or similar agreements entered into in the ordinary course of business;

(c) client or customer deposits and advance payments received in the ordinary course of business from clients and customers;

(d) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(e) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case, Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €65.0 million and 49% of Consolidated EBITDA;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness of the Issuer and any Subsidiary Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer or any Subsidiary Guarantor from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, an Excluded Contribution or Excluded Amounts) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, an Excluded Contribution or Excluded Amounts) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" in reliance thereon; and

(14) Indebtedness under daylight borrowing facilities Incurred in connection with the Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness was Incurred.

Notwithstanding the foregoing, the aggregate principal amount of outstanding Indebtedness (excluding any interest paid in kind) Incurred by Restricted Subsidiaries that are not Subsidiary Guarantors pursuant to the first paragraph of this covenant and clauses (5)(b) and (11) of the second paragraph of this covenant and, without double counting, all Refinancing Indebtedness in respect thereof Incurred by Restricted Subsidiaries that are not Subsidiary Guarantors shall not exceed an amount equal to the greater of €20.0 million and 15% of Consolidated EBITDA at the time of the Incurrence of any such Indebtedness; provided that Refinancing Indebtedness Incurred in respect of such Indebtedness originally permitted by this paragraph shall always be permitted hereunder.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one (or more, if applicable) of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Issue Date under the Revolving Credit Facility shall be deemed initially Incurred on the Issue Date under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;

(3) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (13) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) for the purposes of determining "Consolidated EBITDA" (x) *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and (y) subject to the provisions set forth in "*—Financial Calculations*" below, in relation to clauses (1) or (11) of the second paragraph of this covenant, Consolidated EBITDA shall be measured at the option of the Issuer on the most recent date on which new commitments are obtained or the date on which new Indebtedness is Incurred (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available; and

(8) the amount of Indebtedness (a) issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS and (b) shall be the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness.*"

In any case where the amount of Indebtedness that may be Incurred pursuant to any clause of this covenant is or may be based on Consolidated EBITDA, the amount that may be Incurred under such clause shall be deemed to include all amounts necessary to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to such clause. Notwithstanding any other provision of this covenant, the maximum amount that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to such Incurrence, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue).

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness,*" the Issuer shall be in Default of this covenant).

Subject to the provisions set forth in "*—Financial Calculations*" below, for purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent), in the case of Indebtedness Incurred under a revolving credit facility; *provided that* (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro- denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the euro equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. Subject to the provisions set forth in "*—Financial Calculations*" below, the principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

  (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"));

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "**Restricted Payment**"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted by clauses (5), (10), (11), (12) and (18) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph) would exceed the sum of (without duplication):

    (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal financial statements are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

    (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, (y) Excluded Contributions and (z) any Parent Debt Contribution);

    (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph, (y) Excluded Contributions and (z) any Parent Debt Contributions;

    (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the last paragraph of this covenant) of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary;

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi) and *provided further*, that notwithstanding the foregoing, (x) any amounts (such amounts, the "**Excluded Amounts**") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of this clause (c) will be excluded to the extent (A) such amounts result from the receipt of net cash proceeds or marketable securities received by the Issuer or any Restricted Subsidiary in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control, (B) the purpose of the receipt of such net cash proceeds or marketable securities was to reduce the Consolidated Net Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such net cash proceeds or marketable securities and (C) no Change of Control Offer is made in connection with such Change of Control in accordance with the requirements of the Indenture and (y) Excluded Amounts shall be limited to the amount of net cash proceeds or marketable securities necessary to reduce the Consolidated Net Leverage Ratio to cause the occurrence of a Specified Change of Control Event, and amounts of net cash proceeds or marketable securities received in excess thereof shall not constitute Excluded Amounts.

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the last paragraph of this covenant) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

   (a) (i) from Net Available Cash to the extent permitted under "—*Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "—*Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

   (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

   (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or any Special Purpose Vehicle to permit any Parent or any Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided that* such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (a) €10.0 million, plus €2.0 million multiplied by the number of calendar years that have commenced since the Issue Date, plus (b) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (b), other than through the issuance of Disqualified Stock or Designated Preference Shares or as Excluded Contributions or Excluded Amounts) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant; and *provided further* that cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from members of management, directors or employees of any Parent, the Issuer or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—*Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances, repayments or distributions to any Parent or any Special Purpose Vehicle, or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

   (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

   (b) amounts constituting or to be used for purposes of making payments of (i) fees and expenses incurred in connection with (x) the Transactions or (y) fees, expenses, principal, interest or other amounts disclosed in the Offering Memorandum under the section "*Use of Proceeds*" or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization *provided that* in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization *provided that* in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.50 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €30.0 million and 23% of Consolidated EBITDA;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of Senior Management);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of cash Excluded Contributions, or an amount equal to the fair market value of non-cash Excluded Contributions, or Restricted Payments in exchange for or using as consideration Restricted Payments previously made under this clause (13);

(14) payment of any Receivables Fees and purchases of receivables and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (a) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (b) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of clauses (a) and (b), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution, Excluded Amounts or a Parent Debt Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) dividends, loans, distributions, advances or other payments in amounts required for a direct or indirect Parent of the Issuer to service substantially concurrent interest payments on Indebtedness, the net proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "—*Limitation on Indebtedness*" above; *provided that* any such Indebtedness of the Issuer or any of its Restricted Subsidiaries is subordinated in right of payment to the Notes and the Guarantees pursuant to, and constitutes "Future Unsecured Debt" under, the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(18) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payments; *provided that*, on the date of such Restricted Payment, the Consolidated Net Leverage Ratio would not exceed 4.00 to 1.0 on a *pro forma* basis after giving effect thereto.

For the purposes of calculating "Consolidated EBITDA" *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

If any Investment or Restricted Payment (or portion thereof) would be permitted pursuant to one or more provisions described in this covenant and/or one or more of the exceptions contained in the definition of "Permitted Payment" or "Permitted Investment" (or any other definition used in this covenant or such definitions), the Issuer may, at its sole discretion, divide and classify such Investment or Restricted Payment in any manner that complies with this covenant or such definition and may later reclassify in whole or in part any such Investment or Restricted Payment (based on circumstances existing on the date of such reclassification) in whole or in part at any time, so long as the Investment or Restricted Payment (as so reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the assets or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors or an Officer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the obligations under the Notes and the Indenture (or a Guarantee in the case of Liens of a Guarantor) are directly secured, at least equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates or (ii) otherwise as set forth under "—*Release of Liens*".

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or a Restricted Subsidiary, or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock or other common equity interests and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility), the Indenture, the Notes, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and the security documents relating to the Revolving Credit Facility, (b) any other agreement or instrument, in each case, in effect at or entered into or committed on the Issue Date, or (c) any other agreement or instrument with respect to the Issuer and its Subsidiaries, in each case, in effect at or entered into or committed on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary or was designated as a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided that*, for the purposes of this clause (2), if another Person is the Successor Company (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "**Initial Agreement**") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument (a) are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of Senior Management) or (b) are customary in comparable financings and where, in the case of this sub-clause (b), the Issuer determines at the time of incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes (as determined in good faith by the Board of Directors or a member of Senior Management);

(4) any encumbrance or restriction:

  (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

  (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

  (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (C) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or a member of Senior Management, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any Lien permitted under "*—Limitation on Liens.*"

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Board of Directors or an Officer); and

(2) except where the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

   (i) cash (including any Net Available Cash received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

   (ii) Cash Equivalents;

   (iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness or Indebtedness owed to the Issuer or a Restricted Subsidiary), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obliged in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Subsidiary Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Subsidiary Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Subsidiary Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of 15% of Consolidated EBITDA and €20.0 million (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this paragraph (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days (or 545 days in the circumstances described in clause (8) below) of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (1)(i), prepay, repay, purchase or redeem Notes or Indebtedness of the Issuer or any Subsidiary Guarantor that is secured by a Lien on the Collateral on a senior or *pari passu* basis with the Notes, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem (x) any Indebtedness of a Restricted Subsidiary of the Issuer that is not a Guarantor or (y) any Indebtedness of the Issuer or a Restricted Subsidiary that is secured on assets which do not constitute Collateral; *provided that*, the Issuer shall prepay, repay, purchase or redeem Indebtedness that is Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer either (1) reduces the aggregate principal amount of the Notes on an equal and ratable basis with any such Indebtedness by purchasing Notes through open-market purchases or in privately negotiated transactions at market prices or (2) makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of the Notes outstanding bears to (y) the sum total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) (A) purchase any series of Notes pursuant to an offer to all Holders of such series of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (B) redeem any series of Notes in accordance with the redemption provisions of the Indenture;

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph (or any combination thereof); *provided that* a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "**Excess Proceeds**." Pending the final application of any such Net Available Cash, the Issuer or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or other Indebtedness or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition (or the 546th day if a binding commitment as described in clause (8) above has been entered into), or such earlier time as the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("**Asset Disposition Offer**") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding *Pari Passu* Indebtedness, to purchase the maximum principal amount of Notes and any *Pari Passu* Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any *Pari Passu* Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of *Pari Passu* Indebtedness, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such *Pari Passu* Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of Notes.

To the extent that the aggregate amount of Notes and such *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for any other purpose, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other *Pari Passu* Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and *Pari Passu* Indebtedness to be repaid or repurchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their euro equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer or the relevant Restricted Subsidiary upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, *Pari Passu* Indebtedness required to be purchased by it pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition

Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided that* each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €20.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the Board of Directors resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments,*" any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the second paragraph of the covenant described under "*—Limitations on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors, in each case in the ordinary course of business;

(3) any Management Advances or Parent Expenses and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (a) the Transactions; (b) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in the Offering Memorandum under the caption "*Certain relationships and related party transactions*", as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect; and (c) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement or payment pursuant to which the Issuer or any Affiliate of the Issuer or any of its Subsidiaries is required or permitted to file a consolidated or combined tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided that* the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination; (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable; and (c) entering into of any loan of proceeds of any issuance or incurrence of indebtedness by a Parent and any amendment or modification thereof or the pledging of such loan or any Capital Stock of the Issuer and any transactions relating thereto;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring, investor or advisory fees and related expenses in an aggregate amount not to exceed €3.0 million per year (with unused amounts in any year being carried over to the succeeding year) and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities (including, in each case, related costs, taxes and expenses), including in connection with loans, capital market transactions, private placements, acquisitions or divestitures, joint ventures or other investments, which payments (or agreements providing for such payments) in respect of this clause (11)(b) are approved by a majority of the Board of Directors in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (a) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (b) on terms not materially less

favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate;

(13) investments by any Permitted Holders in securities of any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities;

(14) pledges of Capital Stock of Unrestricted Subsidiaries; and

(15) any transaction effected as part of a Qualified Receivables Financing.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2018, annual reports containing: (i) an operating and financial review of the audited financial statements, including a discussion of the financial condition, results of operations and consolidated EBITDA and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided that* such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year with comparative balance sheet information as at the end of the prior fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; and (v) a description of material risk factors and material subsequent events; *provided that* the information described in clauses (iv) and (v) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of each of the first and third fiscal quarters and 75 days following the end of the second fiscal quarter in each fiscal year of the Issuer, beginning with the quarter ending March 31, 2018, quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter end year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided that* such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided that* the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director

changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, to the extent not satisfied by the foregoing, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the listing agent in Luxembourg.

Furthermore, the Issuer shall, in connection with the delivery of the reports set forth in clauses (1) and (2) above, use commercially reasonable efforts to hold a conference call to discuss such reports and the results of operations for the relevant reporting period.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, would (if it were restricted) constitute a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

For the purposes of this covenant, IFRS shall be deemed to be IFRS as in effect from time to time, without giving effect to the proviso in the definition thereof.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

The Issuer may comply with any requirement to provide reports or financial statements of the Issuer under this covenant by providing any financial statements or reports of any Parent, in which case references to the Issuer in clauses (1), (2) and (3) of the first paragraph hereof will be deemed to be references to such Parent; *provided that* to the extent comparable prior period consolidated or condensed financial information of such Parent does not exist, the comparable prior period combined financial information of the Issuer or another Parent may be provided in lieu thereof. To the extent that material differences exist between the financial condition or results of operations of the Issuer and its Restricted Subsidiaries and any Parent that is the reporting entity (if applicable), the annual and quarterly reports shall include a reasonably detailed explanation of such material differences. If and for so long as the equity securities of the Issuer or a Parent are listed on Borsa Italiana or any other internationally recognized stock exchange and the Issuer or a Parent is subject to the admission and disclosure standards applicable to issuers of equity securities admitted to trading on any such internationally recognized stock exchange, for so long as it elects, the Issuer will be entitled to deliver to the Trustee such annual and quarterly reports, information, documents and other reports that the Issuer or a Parent is, or would be, required to file with such internationally recognized stock exchange. Upon complying with the foregoing sentence, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs in this covenant; provided that if such internationally recognized stock exchange does not require the Issuer or a Parent to prepare and file quarterly reports with such internationally recognized stock exchange, the Issuer shall additionally provide the reports set forth in paragraph (2) above.

Delivery of any reports, information and documents to the Trustee pursuant to this section will be for informational purposes only, and the Trustee's receipt thereof shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants under the Indenture or documents related thereto.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "**Successor Company**") will be a Person organized and existing under the laws of a Permissible Jurisdiction, or the United States of America, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four quarter period, either (a) the Issuer or the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving *pro forma* effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company under the supplemental indenture (in each case, reasonably satisfactory to the Trustee), *provided that* in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness.*"

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and Consolidation*" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" or (ii) the creation of a new Subsidiary as a Restricted Subsidiary of the Issuer.

Future Subsidiary Guarantors

No future Subsidiary Guarantor (other than a Subsidiary Guarantor whose Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Subsidiary Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless

    (A) the other Person is the Issuer or any Restricted Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor; or

    (B) (1) either (x) a Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Subsidiary Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of that Subsidiary Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; and

        (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

    (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of a Subsidiary Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided, however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) or (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this "*Merger and Consolidation*" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Subsidiary Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Restricted Subsidiary that is a Subsidiary Guarantor or any other Restricted Subsidiary that is not a Subsidiary Guarantor; (ii) any Restricted Subsidiary that is a Subsidiary Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Restricted Subsidiary that is a Subsidiary Guarantor; (iii) any consolidation or merger of the Issuer into any Restricted Subsidiary that is a Subsidiary Guarantor; *provided that*, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Subsidiary Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, if any, to which it is a party, and clauses (1) and (4) under the heading "—*The Issuer*" shall apply to such transaction; and (iv) the Issuer or any Subsidiary Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading "—*The Issuer*" and clause (3) (other than clause (3)(B)(2)) under the heading "—*Future Subsidiary Guarantors*" shall apply to any such transaction.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "**Reversion Date**"), the provisions of the Indenture summarized under the following captions will not apply to the Notes: "—*Limitation on Restricted Payments*," "—*Limitation on Indebtedness*," "—*Limitation on Restrictions on Distributions from Restricted Subsidiaries,*" "*Limitation on Affiliate Transactions,*" "—*Limitation on Sales of Assets and Subsidiary Stock,*" the provisions of clause (3) of the first paragraph of the covenant described under "—*Merger and Consolidation*" and "—*Impairment of Security Interests*" and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Parent Guarantor, the Issuer and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "—*Limitation on Indebtedness.*" In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status.

Impairment of Security Interests

The Issuer shall not, and shall not permit any Restricted Subsidiary to, and the Parent Guarantor shall not take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral), and the Issuer shall not, and shall not permit any Restricted Subsidiary to, and the Parent Guarantor shall not grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (1) the Issuer, its Restricted Subsidiaries and the Parent Guarantor may Incur Permitted Collateral Liens; (2) the Collateral may be discharged or released or released and retaken in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; and (3) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released and retaken, from time to time (i) to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein, (ii) to comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (iii) to add Collateral, (iv) to evidence the succession of another Person to the Issuer or any Guarantor and the assumption by such successor of the obligations under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents, in each case, including in accordance with "—*Certain*

Covenants—Merger and Consolidation,” (v) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent, (vi) to effect any Permitted Reorganizations or (vii) in any manner that does not adversely affect the Holders in any material respect; *provided, however*, that, except with respect to any discharge, amendment, extension, renewal, restatement, supplement or modification, replacement or release and retaking in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement (including for the avoidance of doubt, clause (3) above), the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (i) a solvency opinion reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the relevant Person and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (ii) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (iii) an Opinion of Counsel reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer or the relevant Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall guarantee the Indebtedness of the Issuer or a Subsidiary Guarantor outstanding under the Revolving Credit Facility, any Credit Facility with an aggregate outstanding principal amount in excess of €10.0 million or any Public Debt, unless such Restricted Subsidiary is or becomes a Subsidiary Guarantor on the date on which such guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Subsidiary Guarantor to the extent and for so long as the Incurrence of such Subsidiary Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Guarantees granted pursuant to this provision shall be released as set forth under “*—Releases of the Guarantees.*” A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Limitations on validity and enforceability of the Guarantee and the Collateral and certain insolvency law considerations.*"

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an "**Additional Intercreditor Agreement**") on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of Security Interests; *provided that* such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement; it being understood that, for the avoidance of doubt, an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will be deemed to be on substantially similar terms to the Intercreditor Agreement and will be deemed not to adversely affect the rights of the Holders and will be permitted by this provision if, in each case, the Incurrence of such Indebtedness (and any Lien in its favor) is permitted by the covenants described under "*—Limitation on Indebtedness*" and "*—Limitation on Liens*".

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries or Guarantors to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments.*"

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices, or the offices of the Trustee.

Business Activities

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Similar Businesses, except to the extent that would not be material to the Issuer and its Restricted Subsidiaries taken as a whole.

Financial Calculations

When calculating the availability or permission under any basket or ratio under the Indenture, in each case in connection with any acquisition, disposition, merger, joint venture, Investment or any other similar transaction where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence of Indebtedness, Restricted Payments and Permitted Investments), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be (A) the date the definitive agreements for such acquisition, disposition, merger, joint venture, Investment or any such similar transaction are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment or such similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio) or (B) the date of consummation of any such transaction. For the avoidance of doubt, (x) if any of such baskets or ratios are determined to be in compliance under (A) above and are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA or *pro forma* Consolidated EBITDA) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transactions are permitted hereunder and (y) if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof and the fixing of any exchange rates) shall be deemed to have occurred on the date the definitive agreements are entered and to be outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture (except to the extent such transaction is subsequently abandoned).

Events of Default

Each of the following is an "*Event of Default*" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, which continues for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Parent Guarantor, the Issuer or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its agreements contained in the Indenture (other than a default in performance or breach of a covenant or agreement which is specifically dealt with in clauses (1) or (2) above);

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default:

  (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

  (b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**"), and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer, the Parent Guarantor or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "**judgment default provision**");

(7) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than (i) in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture or (ii) caused by the action or inaction of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €10.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such Security Interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any Security Interest created thereunder shall be declared invalid or unenforceable or the Issuer or the Parent Guarantor shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days.

However, a Default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the Default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such Default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the applicable Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any, which shall require the consent of not less than 75% of the then outstanding principal amount of Notes) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

The Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing of which a responsible officer of the Trustee has written notice, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default or Event of Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "**Initial Default**") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture provides for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions and subject to compliance with the provisions described in "—*Meetings of Holders of Notes*" below), the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of such Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes). However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;

(3) reduce the principal of or extend the Stated Maturity of any such Note;

(4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case, as described above under "—*Optional Redemption*;"

(5) make any such Note payable in money other than that stated in such Note;

(6) impair the right of any Holder to receive payment of principal of, and interest or Additional Amounts, if any, on, such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "—*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any of the Security Interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on such Notes (except pursuant to a rescission of acceleration of such Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any of the Guarantors from any of their obligations under their respective Guarantees or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence,

provided, however, that, if such amendment or waiver described in clauses (2), (3) and (4) above only affects or would only affect Holders of the 2023 Floating Rate Notes or the 2025 Floating Rate Notes, and does not or would not affect Holders of the Notes generally, only the consent of Holders of not less than 75% of the then outstanding principal amount of 2023 Floating Rate Notes or 2025 Floating Rate Notes, as applicable, shall be required.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, any Guarantor, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of Senior Management) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees,*" to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Guarantees, the Security Documents or the Notes to any provision of this "*Description of Notes*" to the extent that such provision in this "*Description of Notes*" was intended to be a verbatim recitation of a provision of the Indenture, a Guarantee, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or the Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a Lien in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a Lien is required to be granted to the Security Agent, or to the extent necessary to grant a Lien in the Collateral for the benefit of any Person; *provided that* the granting of such Lien is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*Certain Covenants—Impairment of Security Interests*" is complied with; or

(10) as provided in "*Certain Covenants—Additional Intercreditor Agreements" or "Certain Covenants—Impairment of Security Interests*."

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes and the Indenture ("**legal defeasance**") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*Certain Covenants—Merger and Consolidation—The Issuer*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("**covenant defeasance**").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*Certain Covenants—Merger and Consolidation—The Issuer*"), (4), (5) (with respect only to Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "**defeasance trust**") with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof in an amount sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all such Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all such Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity directed, selected or designated by the Issuer and reasonably acceptable to the Trustee for this purpose), euro or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee, the Paying Agent or other entity directed, designated or selected by the Issuer and reasonably acceptable to the Trustee, as applicable, to apply the funds deposited towards the payment of such Notes at Stated Maturity or on the redemption date, as the case may be; *provided that*, if requested by the Issuer, the Trustee, the Paying Agent or other entity directed, designated or selected by the Issuer and reasonably acceptable to the Trustee, as applicable, may distribute any amounts deposited in trust to the Holders prior to the maturity or the redemption date, as the case may be, *provided*, however, that the Holders shall have received at least five Business Days notice from the Issuer of such earlier repayment date (which notice may be contained in the notice of redemption); and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided that* any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2), (3) and (4)).

Meetings of Holders of Notes

All meetings of Holders of each series of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "*—Amendments and Waivers*," in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent Holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided, however*, that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "*—Amendments and Waivers*," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk Factors—Risks related to the Notes—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes*." Any resolution duly passed at any such meeting shall be binding on all the holders of the

Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meeting of Holders of Notes*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendments and Waivers*". As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meeting of Holders of Notes*" must also comply with the other provisions described under "*—Amendments and Waivers*."

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of UniCredit Bank AG, Milan Branch, as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "**Security Representative**") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of UniCredit Bank AG, Milan Branch as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of The Law Debenture Trust Corporation p.l.c. as the Noteholders' Representative. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three financial years but may be subsequently reappointed thereafter.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, and Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under or any Guarantor the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for certain losses, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, such notices will be posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu). All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the Registrar. However, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer in accordance with the rules and procedures of Euroclear and Clearstream, as applicable, in lieu of the aforesaid mailing.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the relevant Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase.

For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, subject to the provisions set forth in "*—Financial Calculations*" above, for purposes of determining compliance with any euro-denominated restriction herein, the euro equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower euro equivalent) or made, as the case may be.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States. The Indenture will provide that the Issuer and each Guarantor will appoint Law Debenture Corporate Services Inc., as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. Federal or New York State court located in the City of New York.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture, the Notes and the Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales. The Security Documents will be governed by the applicable local laws of the jurisdiction under which the Liens over the Collateral are granted.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"**Additional Notes**" means the additional Notes having identical terms and conditions as the Notes and issued under the Indenture.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agreed Security Principles**" the agreed security principles appended to the Revolving Credit Facility Agreement as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"**Applicable Premium**" means, with respect to any Note the greater of:

(a) 1% of the principal amount of such Note; and

(b) (i) with respect to any 2023 Floating Rate Note, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such 2023 Floating Rate Note at April 15, 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such 2023 Floating Rate Note to and including April 15, 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points and assuming that the rate of interest on the 2023 Floating Rate Notes for the period from the redemption date through April 15, 2019 will equal the rate of interest on the 2023 Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over

(B) the outstanding principal amount of such 2023 Floating Rate Note; and

(ii) with respect to any 2025 Floating Rate Note, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such 2025 Floating Rate Note at April 15, 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such 2025 Floating Rate Note to and including April 15, 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points and assuming that the rate of interest on the 2025 Floating Rate Notes for the period from the redemption date through April 15, 2019 will equal the rate of interest on the 2025 Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; over

(B) the outstanding principal amount of such 2025 Floating Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, the Paying Agent, the Calculation Agent, the Transfer Agent or the Registrar.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "**disposition**") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance or transfer of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer) of less than the greater of 8% of Consolidated EBITDA and €10.0 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock,*" asset sales, the proceeds of which are used to make such Restricted Payments, Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing or assignment of intellectual property or other general intangibles, licenses, sub-licenses, leases, subleases or assignments of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets (including personnel) to a Person who is providing services related to, or with the contribution of, such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors or a member of Senior Management shall certify that in the opinion of the Board of Directors or such member of Senior Management, as applicable, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed €20.0 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under "*—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided that* any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Limitation on Sales of Assets and Subsidiary Stock*" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"**Associate**" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer.

"**Bank Products**" means any facilities or services related to treasury and/or cash management, cash pooling, treasury, depository, overdraft, BACS, CHAPS, payment lines, processing, credit or debit card, purchase card, returned check concentration, electronic funds transfer, daylight exposures, open credits, contingent obligation lines, letters of credit, the collection of cheques, deposits and direct debits, account reconciliation and reporting, cash, or other cash management and cash pooling arrangements.

"**Board of Directors**" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). References to "Board of Directors" shall be construed to mean "Board of Directors" of the Issuer unless expressly stated otherwise.

"**Bund Rate**" as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Board of Directors or a member of Senior Management in good faith)) most nearly equal to the period from the redemption date to (i) April 15, 2019 in the case of the 2023 Floating Rate Notes, or (ii) April 15, 2019 in the case of the 2025 Floating Rate Notes; *provided, however*, that if the period from the redemption date to (i) April 15, 2019 in the case of the 2023 Floating Rate Notes, or (ii) April 15, 2019 in the case of the 2025 Floating Rate Notes is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to (i) April 15, 2019 in the case of the 2023 Floating Rate Notes, or (ii) April 15, 2019 in the case of the 2025 Floating Rate Notes is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Milan, Italy or London, United Kingdom are authorized or required by law to close.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Capitalized Lease Obligations**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the United Kingdom, the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided that* the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "**Deposit**") or cash in credit balance or deposit which are freely transferable or convertible within 90 days of issue or held by any lender party to the Revolving Credit Facility Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's or at least "F-3" or an equivalent thereof by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P, at least "P-3" or the equivalent thereof by Moody's or at least "F-3" or an equivalent by Fitch or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if each of the three named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by the United Kingdom, the United States, any state of the United States of America, Canada or any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P or higher from Fitch (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB–" or higher from S&P, "Baa3" or higher from Moody's or "BBB–" or higher from Fitch (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United Kingdom, the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) with respect to a jurisdiction in which (a) the Issuer or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clauses (1), (2) or (3) of this definition, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;

(9) interests in any investment company, money market or enhanced high yield fund at least 95% of the assets of which constitute cash or Cash Equivalents of the kinds described in any other paragraph of this definition; and

(10) for purposes of clause (2) of the definition of "Asset Disposition," the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"**Change of Control**" means:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or being or becoming the "**beneficial owner**" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided that* for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

"**Clearstream**" means Clearstream Banking, *société anonyme*, or any successor securities clearing agency.

"**Collateral**" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"**Commodity Hedging Agreement**" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income of the Issuer for such period, plus the following to the extent deducted or, in the case of clause (13) below, not included, in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense, including goodwill, or provisions for bad debt;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments, including earn-outs), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or a member of Senior Management;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, expenses, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items and the amount of any restructuring charges, accruals, or reserves and any integration costs, less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by the Issuer in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or any other receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period;

(12) any acquisitions, dispositions or restructuring, reorganization, outsourcing or cost saving initiatives, business optimization expenses and other restructuring charges, expenses, accruals or reserves (which shall include, without limitation, retention, severance, systems establishment cost, expenses relating to pensions including service costs and pension interest costs, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), startup costs for new businesses and branding or re-branding of existing businesses, any costs associated with non-ordinary course tax projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing; and

(13) to the extent not already included herein, adjustments of the nature used in the calculation of "Pro Forma Adjusted EBITDA" in the Offering Memorandum; *provided* that the aggregate amount of adjustments associated with cost saving initiatives pursuant to this definition of "Consolidated EBITDA" shall not exceed 20% of Consolidated EBITDA for the relevant period after giving effect to all of the adjustments made pursuant to this definition of "Consolidated EBITDA"; *provided* further that such 20% cap (i) shall exclude up to €8.8 million of adjustments related to the initiatives identified under footnotes (b) (*Personnel savings*) and (c) (*External non-personnel costs and hardware BPO initiatives*) to the "Pro Forma Adjusted EBITDA" table set forth in footnote (4) to the table under "*Summary historical financial information and other data—Other financial and pro forma data*" in this Offering Memorandum, and (ii) for the avoidance of doubt, shall not apply to any cost reductions or savings or other types of synergies expected to be generated from acquisitions.

"**Consolidated Income Taxes**" means Taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"**Consolidated Interest Expense**" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings;

(5) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(6) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(7) the consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Issuer or any Restricted Subsidiary under any guarantee of Indebtedness or other obligation of any other Person;

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS, (iv) any interest expense related to a Guarantee of Indebtedness of a Parent Incurred in compliance with the Indenture to the extent that the interest expense of any proceeds loan related thereto is included in the calculation of Consolidated Interest Expense in an equal or greater amount, (v) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding and (vi) any commissions, discounts, yield and other fees and charges related to factoring, receivables or securitization financings in each case on a non-recourse (*pro soluto*) basis. For the avoidance of doubt, the term "Consolidated Interest Expense" shall not include any expenses in connection with the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries.

"**Consolidated Leverage**" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations).

"**Consolidated Net Income**" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments,*" any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer or a Guarantor that holds the equity interests in such Restricted Subsidiary by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes and the Indenture, (c) contractual restrictions in effect on the Issue Date (including pursuant to the Revolving Credit Facility Agreement and the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under "*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*"), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary (including by way of a loan) during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or loan to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold, abandoned or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors or a member of Senior Management);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention

or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization costs, system establishment, software or information technology implementation or development costs (for the avoidance of doubt, such system establishment, software or information technology implementation or development costs shall relate to general operating costs of the business and shall not relate to costs associated with the development or provision of products or services), costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"**Consolidated Net Leverage**" means Consolidated Leverage *less* the amount of cash and Cash Equivalents that is stated on the consolidated balance sheet of the Issuer as of such date in accordance with IFRS; *provided* that the amount of cash and Cash Equivalents shall be reduced by the amount of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries stated on the consolidated balance sheet of the Issuer as of such date in excess of €200.0 million (if any). For the avoidance of doubt, the amount of cash and Cash Equivalents may not be a negative number.

"**Consolidated Net Leverage Ratio**" means, as of any date of determination, the ratio of (x) the Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA of the Issuer for the period of the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available. If the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes, amends or reprices, replaces, exchanges or otherwise discharges any Indebtedness or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "**Calculation Date**"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided, however*, that the *pro forma* calculation of Consolidated Net Leverage shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Limitation on Indebtedness*" (in each case other than for the purposes of the calculation of the Consolidated Net Leverage Ratio in connection with the making of any Restricted Payment pursuant to clause (18) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*"). Whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations shall be as determined in good faith by a responsible accounting or financial officer of the Issuer (and may include the full run rate effect of anticipated expense and cost reduction and other synergies), including, without limitation, as a result of, or that would result from any actions taken, committed to be taken or with respect to which substantial steps have been taken, by the Issuer or any Restricted Subsidiary, including, without limitation, in connection with any cost reduction or other synergies or cost savings plan or program or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise; *provided* that the amount of such anticipated expense and cost reduction and other synergies shall be limited to those reasonably expected to be achieved within 24 months of the Calculation Date.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, a "**Purchase**") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect as if they had occurred on the first day of the reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period.

When calculating Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, *pro forma* adjustments may be taken into account in the manner set forth above.

"**Consolidated Senior Secured Net Leverage**" means the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries *less* the amount of cash and Cash Equivalents that is stated on the consolidated balance sheet of the Issuer as of such date in accordance with IFRS; *provided* that the amount of cash and Cash Equivalents shall be reduced by the amount of Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries stated on the consolidated balance sheet of the Issuer as of such date in excess of €200.0 million (if any). For the avoidance of doubt, the amount of cash and Cash Equivalents may not be a negative number.

"**Consolidated Senior Secured Net Leverage Ratio**" means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio; *provided, however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" (in each case other than for the purposes of the calculation of the Consolidated Senior Secured Net Leverage Ratio pursuant to clause (2)(d) of the definition of Permitted Collateral Liens).

"**Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries**" refers to the aggregate amount of the contingent liabilities, as reported in the consolidated financial statements of the Issuer (or the reporting Parent, as applicable), in connection with the put and call option and earn out arrangements under the acquisition agreements with the Issuer's strategic partners relating to the Issuer's majority-owned Subsidiaries.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the fair market value (as determined in good faith by the Board of Directors or an Officer) of non-cash consideration received by the Issuer or one of its

Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non- Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"**Designated Preference Shares**" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments.*"

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments.*" For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"**Equity Offering**" means (x) a sale of Capital Stock of a Parent, the Issuer or a Restricted Subsidiary (other than to the Issuer or its Subsidiaries) (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or its Subsidiaries), the proceeds of which are contributed as Subordinated Shareholder Funding or capital contribution or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"**Escrowed Proceeds**" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow in accordance with the terms of the applicable escrow arrangement.

"**euro equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Calculation Agent, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or a member of Senior Management) on the date of such determination.

"**Euroclear**" means Euroclear Bank SA/NV or any successor securities clearing agency.

"**European Government Obligations**" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"**European Union**" means the European Union as of the Issue Date, consisting of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Excluded Contribution**" means the Net Cash Proceeds or fair market value of property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer and not constituting Excluded Amounts.

"**fair market value**" wherever such term is used in this "*Description of Notes*" or the Indenture (except in relation to an enforcement action or distressed disposal pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"**Fitch**" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Fixed Charge Coverage Ratio**" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of the Issuer for the period of the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available to (y) the Consolidated Interest Expense of the Issuer for the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes, amends or reprices, replaces, exchanges or otherwise discharges any Indebtedness and Indebtedness Incurred under any revolving credit facility (unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Calculation Date**"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Consolidated Interest Expense shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" (in each case other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder). Whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations shall be as determined in good faith by a responsible accounting or financial officer of the Issuer (and may include the full run rate effect of anticipated expense and cost reduction and other synergies), including, without limitation, as a result of, or that would result from any actions taken, committed to be taken or with respect to which substantial steps have been taken, by the Issuer or any Restricted Subsidiary, including, without limitation, in connection with any cost reduction and other synergies or cost savings plan or program or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise; *provided* that the amount of such anticipated expense and cost reduction and other synergies shall be limited to those reasonably expected to be achieved within 24 months of the Calculation Date.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments (each, a "**Purchase**") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect as if they had occurred on the first day of the reference period; *provided that*, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period;

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); and

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by an Officer of the Issuer responsible for accounting or financial reporting to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided, however,* that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"**Guarantee**" means the guarantee by each Guarantor of any obligations of the Issuer under the Notes and the Indenture.

"**Guarantor**" means the Parent Guarantor and any Restricted Subsidiary that Guarantees the Notes.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"**Hg Investors**" means:

(1) any funds or limited partnerships directly or indirectly managed or advised by Hg Pooled Management Limited or its affiliated advisory entities; or

(2) such partnerships' respective Affiliates or direct or indirect Subsidiaries or entities, in respect of which, such partnerships individually or in the aggregate directly or indirectly control a majority of the issued voting rights, or any trust, fund, company or partnership directly or indirectly owned, controlled, managed or advised by Hg Pooled Management Limited or any of its affiliated advisory entities; or

(3) any entity directly or indirectly controlled by all or substantially all of the managing directors of such fund or Hg Pooled Management Limited or its affiliated advisory entities from time to time or formed pursuant to the alternative investment vehicle provisions in the Hg fund partnership documentation for HgCapital 6 A, L.P., HgCapital 6 B, L.P., HgCapital 6 C, L.P., HgCapital 6 D, L.P., HgCapital 6 E, L.P., HgCapital Executive Co-Invest L.P., HGT 6 L.P. and their affiliated fund vehicles, and shall, for the avoidance of doubt, include any Special Purpose Vehicle,

excluding, in each case, the Issuer and its Subsidiaries and any other Hg portfolio company.

"**Holder**" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"**Holding Company**" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"**H&F Investors**" means:

(1) any fund or limited partnership directly or indirectly managed or advised by Hellman & Friedman LLC or any of its affiliated advisory entities; or

(2) the respective Affiliates or direct or indirect Subsidiaries or other entities, in respect of which any fund or partnership referred to in clause (1) of this definition individually or in the aggregate directly or indirectly controls a majority of the issued voting rights, or any trust, fund, company or partnership directly or indirectly owned, controlled, managed or advised by Hellman & Friedman LLC or any of its affiliated advisory entities; or

(3) any entity (a) directly or indirectly controlled by all or substantially all of the managing directors of a fund or other entity referred to in clause (1) or (2) of this definition or Hellman & Friedman LLC from time to time or (b) formed pursuant to the alternative investment vehicle provisions in the Hellman & Friedman fund partnership documentation for Hellman & Friedman Capital Partners VII and its affiliated fund vehicles, and shall, for the avoidance of doubt, include any Special Purpose Vehicle,

excluding, in each case, the Issuer and its Subsidiaries and any other Hellman & Friedman portfolio company.

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios and calculations contained in the Indenture shall be computed in accordance with IFRS (to the extent applicable); *provided that* at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

Notwithstanding the foregoing, for purposes of any calculations pursuant to the Indenture, IFRS shall be deemed to treat operating leases in a manner consistent with the treatment thereof under IFRS as in effect on the Issue Date, notwithstanding any modifications or interpretative changes thereto that may occur after the Issue Date.

"**Incur**" means issue, create, assume, enter into any guarantee of, Incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case, only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (the amount of such Indebtedness being equal to the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer) and (b) the amount of such Indebtedness of such other Persons);

(8) guarantees by such Person of the principal component of Indebtedness of other Persons to the extent guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (v) any asset retirement obligation or (vi) the Contingent Liabilities to Non-Controlling Shareholders of Subsidiaries (except to the extent any amounts thereunder become payable as contemplated in clause (ii) of the second succeeding paragraph, but replacing 30 days with 180 days).

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of

Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) (a) Contingent Obligations Incurred in the ordinary course of business, (b) obligations under or in respect of Qualified Receivables Financings and (c) accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(ii) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however,* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes due and payable, the amount is paid within 30 days thereafter; or

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes or under any Tax Sharing Agreement.

"**Independent Financial Advisor**" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "**IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"**Intercreditor Agreement**" means the intercreditor agreement dated on or about the Issue Date by and among, *inter alios*, the Issuer, the Guarantor, the Security Agent and the Trustee, as amended from time to time.

"**Interest Rate Agreement**" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"**Investment**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however,* that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*Certain Covenants—Limitation on Restricted Payments.*"

For purposes of "Certain Covenants—Limitation on Restricted Payments":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or a member of Senior Management.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Securities**" means:

(1) securities issued or directly and fully guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or above.

"**Investment Grade Status**" shall occur when all of the Notes receive any two of the following:

(1) a rating of "BBB–" or higher from S&P;

(2) a rating of "Baa3" or higher from Moody's; and

(3) a rating of "BBB–" or higher from Fitch,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"**IPO Entity**" has the meaning given in the definition of Initial Public Offering.

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"**Issue Date**" means April 4, 2018.

"**Issuer**" means TeamSystem S.p.A. and any and all successors thereto in accordance with the Indenture.

"**Italian Civil Code**" means the Italian civil code (*codice civile*), enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**Management Advances**" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or

Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €3.0 million in the aggregate outstanding at any time.

"**Management Investors**" means the officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Moody's**" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**" means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Notes Documents**" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"**Offering Memorandum**" means the offering memorandum dated March 22, 2018 relating to the issuance of the Notes offered hereby.

"**Officer**" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an Officer for the purposes of the Indenture by the Board of Directors of such Person.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by one Officer of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"**Parent**" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"**Parent Debt Contribution**" means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise on lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries pursuant to which dividends, loans, distributions, advances or other payments may be paid pursuant to clause (17) of the second paragraph under "—*Limitation on Restricted Payments*."

"**Parent Expenses**" means:

(1) costs (including all professional fees and expenses, audit and accounting costs) incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act or the Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person or applicable law to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees, costs and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overheads, fees, costs and expenses including (a) professional and advisory fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) with respect to any litigation or other dispute relating to the Transactions or the ownership of the Parent Guarantor, the Issuer or any of its Restricted Subsidiaries, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, directors, officers and employees of such Parent, (d) customary salary, bonus, severance and other benefits payable to current or former directors, officers, members of management, managers, employees or consultants (or any immediate family member thereof) of any Parent *plus* any reasonable and customary indemnification claims made by current or former directors, officers, members of management, managers, employees or consultants of any Parent, to the extent such salary, bonuses, severance and other benefits or claims in respect of any of the foregoing are directly attributable and reasonably allocated to the ownership or operations of such Parent, (e) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent and (f) insurance premiums to the extent relating to such Parent, the Issuer or any of its Restricted Subsidiaries;

(6) other fees, expenses and costs relating directly or indirectly to the ownership of or to activities or management of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or an Equity Offering or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €2.0 million in any fiscal year (with unused amounts in any fiscal year being carried over to the succeeding fiscal year);

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries;

(8) fees, costs and expenses (including, without limitation, in respect of underwriting, commitment or arrangement) Incurred by any Parent in connection with any actual or contemplated public offering or other sale of Capital Stock or Indebtedness: (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary, (y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or (z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

"**Parent Guarantor**" means TeamSystem Holding S.p.A. (formerly Barolo MidCo S.p.A.), any New Holdco that becomes a Guarantor in compliance with the provisions set forth in the definition of Permitted Parent Reorganization and in each case any and all successors thereto.

"**Pari Passu Indebtedness**" means Indebtedness of the Issuer or any Restricted Subsidiary that is a Guarantor which does not constitute Subordinated Indebtedness and is secured by a Lien on the Collateral on a senior or *pari passu* basis with the Notes.

"**Paying Agent**" means any Person authorized by the Issuer to pay the principal of (and premium and Additional Amounts, if any) or interest on any Note on behalf of the Issuer.

"**Permissible Jurisdiction**" means any member state of the European Union as of the Issue Date.

"**Permitted Asset Swap**" means the substantially concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash or Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; provided that any Net Cash Proceeds received by the Issuer or a Restricted Subsidiary in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*" (to the extent required pursuant to such covenant).

"**Permitted Collateral Liens**" means:

(1) Liens on the Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (14), (17), (18), (19), (20), (21), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) Liens on the Collateral to secure:

  (a) Indebtedness that is permitted to be Incurred under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*", *provided that* if such Lien is *pari passu* with the Liens securing the Notes or the relevant Guarantee, after giving *pro forma* effect to such Incurrence on that date and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio would have been no more than 5.5 to 1.00;

  (b) Indebtedness described under clause (1) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness"* which Indebtedness may have super seniority priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

  (c) Indebtedness described under clause (2) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness",* to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in another clause of this definition of Permitted Collateral Liens;

  (d) Indebtedness permitted to be Incurred by the Issuer or a Subsidiary Guarantor under clause (5) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness"; provided* that, after giving *pro forma* effect to such Incurrence at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred, (i) the Consolidated Senior Secured Net Leverage Ratio would have been no more than 5.5 to 1.0 or (ii) the Consolidated Senior Secured Net Leverage Ratio would have been no greater than it was immediately prior to giving effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof on a *pro forma* basis;

(e) Indebtedness that is permitted to be Incurred under clauses (4)(a) and 4(b) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness"*;

(f) Indebtedness described under clause (6) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness"*, which Indebtedness may have super senior priority status not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(g) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*";

(h) Indebtedness of the Issuer or a Guarantor; *provided* that such Liens rank on a junior priority basis to the Liens on the Collateral securing the Notes and the Guarantees; and

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) to (h),

provided that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further* that subject to the Agreed Security Principles, all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any Guarantees thereof) or Refinancing Indebtedness secure the Notes and related Guarantees and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (2)(b) and (2)(f) above;

(3) Liens Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €5.0 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

In the event that a Permitted Collateral Lien meets the criteria of more than one of the types of Permitted Collateral Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Collateral Lien in any manner that complies with the Indenture and such Permitted Collateral Lien shall be treated as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Collateral Lien to which such Permitted Collateral Lien has been classified or reclassified.

"**Permitted Holders**" means, collectively, (1) the H&F Investors, (2) the Hg Investors, (3) Management Investors only in respect of the Issuer or the Parent Guarantor, (4) any Related Person of any Persons specified in clause (1), (2) or (3), (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (6) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence) are members; *provided that*, in the case of such group and without giving effect to the existence of such group or any other group, the H&F Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies held by such group. Any Person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (ii) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investment**" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables made in connection with any Qualified Receivables Financing, including Investments held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Indebtedness;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances and any advances or loans not to exceed €3.0 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent of the Issuer;

(7) Investments received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided that* the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) (i) Bank Products and (ii) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 30% of Consolidated EBITDA and €40.0 million; *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments,*" such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause (11);

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*Certain Covenants— Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph));

(15) guarantees not prohibited by the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business; and

(16) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes and any other Indebtedness of the Issuer and/or its Restricted Subsidiaries.

"**Permitted Liens**" means, with respect to any Person:

(1) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided that* appropriate reserves or provisions required pursuant to IFRS have been made in respect thereof;

(5) Liens (a) in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and (b) securing obligations in respect of letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments permitted to be Incurred pursuant to the second paragraph of the covenant entitled "*—Certain Covenants—Limitations on Indebtedness*";

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clauses (7) or (13) of the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on*

Indebtedness" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under, written agreements existing on the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary), including Liens created, Incurred or assumed in connection with, or in contemplation of such acquisition or transaction; *provided*, that such Liens are limited to the assets, property or shares of stock acquired (including those of a Person that becomes a Restricted Subsidiary) plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on receivables and other assets of the type described in the definition of "*Qualified Receivables Financing*" Incurred in connection with a Qualified Receivables Financing;

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or Liens on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash to prefund any interest or other costs associated with such Indebtedness;

(23) Liens (i) in connection with Bank Products or (ii) arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship, and including Liens arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other banking or trading activities;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration as part of any acquisition or permitted disposal by the Issuer or a Restricted Subsidiary and (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Issuer or any Restricted Subsidiary;

(26) Permitted Collateral Liens;

(27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(28) any security granted over the marketable securities portfolio described in clause (10) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(29) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(30) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and the Guarantees;

(b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to the Revolving Credit Facility; (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement; and (d) Liens securing Indebtedness Incurred under clause (1) of the second paragraph of the covenant entitled "*—Limitation on Indebtedness*" to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes or the Guarantees;

(31) Liens *provided that* the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of €25.0 million and 19% of Consolidated EBITDA; and

(32) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (31) (other than Liens described in clause (31) of this definition); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets.

For purposes of determining compliance with this definition, (a) Liens need not be incurred solely by reference to one category of Permitted Liens described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (b) in the event that a Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with this definition and such Permitted Lien shall be treated as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

"**Permitted Parent Reorganization**" means a reorganization transaction on a solvent basis comprising the incorporation of a new direct Parent of the Issuer ("**New Holdco**") and the transfer of the Capital Stock and any receivables of the Issuer held by the then-current Parent Guarantor to New Holdco; *provided that* (1) New Holdco shall be a Person organized and existing under a Permissible Jurisdiction; (2) New Holdco will acquire the Capital Stock and any such receivables of the Issuer held by the then-current Parent Guarantor and shall have entered into a confirmation deed or similar instrument confirming the first-priority pledge of such Capital Stock and any such receivables in favor of the Holders of the Notes and assuming all relevant obligations of the then-current Parent Guarantor under the Indenture, any Security Document, the Intercreditor Agreement and any Additional Intercreditor Agreement and granting, if relevant, a first-priority pledge over any intercompany receivables payable by the Issuer to New Holdco, (3) New Holdco shall become a Guarantor of the Notes, (4) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default or Event of Default is continuing or would arise as a result of such Permitted

Parent Reorganization and (5) the Issuer will provide to the Trustee a certificate from the Board of Directors of New Holdco which confirms the solvency of New Holdco as of the date of the Permitted Parent Reorganization after giving effect to the Permitted Parent Reorganization. Upon such Permitted Parent Reorganization, the then-current Parent Guarantor shall be released from its obligations under the Notes Documents, including its Guarantee of the Notes.

"**Permitted Reorganization**" means any Permitted Subsidiary Reorganization or Permitted Parent Reorganization.

"**Permitted Subsidiary Reorganization**" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith that is made on a solvent basis; *provided that*, after giving effect to such Permitted Subsidiary Reorganization: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Permitted Subsidiary Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral, subject to the Agreed Securities Principles, (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default or Event of Default is continuing or would arise as a result of such Permitted Subsidiary Reorganization; and (e) the Issuer will provide to the Trustee a certificate from the Board of Directors of the relevant pledgor which confirms the solvency of the relevant pledgor as of the date of the Permitted Subsidiary Reorganization after giving effect to the Permitted Subsidiary Reorganization.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Public Market**" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"**Public Offering**" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Qualified Receivables Financing**" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person, or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables, the bank accounts into which the proceeds of such receivables are collected and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations, receivable sale facilities, factoring facilities or invoice discounting facilities involving receivables.

"**Receivables Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"**Receivables Repurchase Obligation**" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Receivables Subsidiary**" means a wholly owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (c) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however,* that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced, or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the

aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Guarantees, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"**Related Person**" with respect to any Permitted Holder, means:

(1) any controlling equity holder or majority (or more) owned Subsidiary or partner or member of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle controlled, directly or indirectly, managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means:

(1) any Taxes, including sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

   (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

   (b) issuing or holding Subordinated Shareholder Funding;

   (c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

   (e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*Certain Covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the sum of the amount of any such Taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group

consisting only of the Issuer and its Restricted Subsidiaries and the amount actually received in cash from its Unrestricted Subsidiaries.

"**Replacement Assets**" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or Senior Management are reasonably related.

"**Representative**" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Revolving Credit Facility**" means the revolving credit facility made available under the Revolving Credit Facility Agreement.

"**Revolving Credit Facility Agreement**" means the €90.0 million revolving credit facility agreement dated on or about the Issue Date, between, among others, the Issuer as an original borrower and the lenders named therein, as the same may be amended from time to time.

"**S&P**" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, confirmed, supplemented or otherwise modified from time to time, creating the Liens in the Collateral as contemplated by the Indenture.

"**Security Interests**" means the security interests in the Collateral that is created by the Security Documents and secures obligations under the Notes or the Guarantees and the Indenture.

"**Senior Management**" means the officers, directors, and other members of senior management of the Issuer or the Parent Guarantor.

"**Senior Secured Indebtedness**" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4)(a), (5), (11) or (13) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" (and any Refinancing Indebtedness in respect thereof), in each case secured by a Lien on the Collateral (excluding Indebtedness to the extent secured on a junior priority basis to the Notes or any Guarantee).

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date, (b) the business management software business and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Special Purpose Vehicle**" means an entity established by any Parent for the purposes of maintaining an equity incentive or compensation plan for Management Investors.

"**Specified Change of Control Event**" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been less than (i) 5.25 to 1.0, if the date of such occurrence is prior to the second anniversary of the Issue Date or (ii) 4.75 to 1.0, if the date of such occurrence is on or after the second anniversary of the Issue Date. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Limitation on Sales of Assets and Subsidiary Stock,*" to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Indebtedness**" means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee pursuant to a written agreement.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue

Date with respect to the "Parent Liabilities" or the "Shareholder Liabilities" (each as defined therein), as applicable.

"**Subsidiary**" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

  (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

  (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Subsidiary Guarantee**" means a guarantee of the Notes from a Subsidiary Guarantor.

"**Subsidiary Guarantor**" means a Subsidiary of the Issuer that guarantees the Notes.

"**Successor Parent**" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"**Tax Sharing Agreement**" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in:

  (a) direct obligations of, or obligations guaranteed by, (i) the United Kingdom, the United States or Canada, (ii) a Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or

  (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P, "A-2" or "A" by Fitch or by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Fitch or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

  (a) any lender under the Revolving Credit Facility Agreement,

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (7) below, or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A–" by S&P, "A-3" or "A" by Fitch or by Moody's (or, in each case, the equivalent of such rating by such organization or, if no rating of or "A" by Fitch, Moody's or S&P then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) with respect to a jurisdiction in which (a) the Issuer or a Restricted Subsidiary conducts its business or is organized and (b) it is not commercially practicable to make investments in clause (2) of this definition, certificates of deposit, time deposits, recognized time deposits, overnight bank deposits or bankers' acceptances with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long term debt, among the top five banks in such jurisdiction, in an amount not to exceed cash generated in or reasonably required for operation in such jurisdiction;

(4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(5) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) Investments in securities maturing not more than one year after the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United Kingdom, United States, Canada, a Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P, "A2" by Moody's or "A" by Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of Moody's, S&P or Fitch then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(9) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (8) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(10) investments in money market funds (a) complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended or (b) rated "AAA" by S&P, "Aaa" by Moody's or "AAA" by Fitch (or, in each case, the equivalent of such rating by such organization or, if no rating of S&P, Moody's or Fitch then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

"**Transactions**" shall have the meaning assigned to such term in the Offering Memorandum under the caption "S*ummary—The Transactions.*"

"**Uniform Commercial Code**" means the New York Uniform Commercial Code.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "*Certain Covenants—Limitation on Restricted Payments.*"

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY; DELIVERY AND FORM

General

Each series of Notes sold to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with, or on behalf of, a common depositary (the "**Common Depositary**") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

Each series of Notes sold outside the United States in reliance on Regulation S (the "**Regulation S Notes**") under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will be deposited with, or on behalf of, the Common Depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary.

Except as set forth below, the Notes will be issued in registered global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes will be issued at the closing of the Offering only against payment in immediately available funds.

Ownership of interests in the Rule 144A Global Notes (the "**Restricted Book-Entry Interests**") and in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of the Book-Entry Interests will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the "holders" of Notes for any purpose under the Indenture.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Registrar for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Registrar or the Trustee to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent, who will make payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will treat the registered holders of the Global Notes (*i.e.*, Euroclear or Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar, nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- any other matters relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the Trustee nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes (as defined under "*Description of Notes—Events of Default*"), each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "*Transfer restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements as discussed in "*Transfer restrictions*."

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in "*Transfer restrictions*."

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Restricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 14A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*," and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Restricted Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes.

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive registered notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and we fail to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer restrictions*," unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, each of the Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if such Trustee's and the Issuer's requirements are met. The Issuer and the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer restrictions*."

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which we expect to be the Luxemburger Wort). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the paying agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global clearance and settlement under the Book-Entry system

Initial settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special timing considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing information

We expect that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes for the Notes are set out under "*Listing and general information*."

Information concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither we nor the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar take any responsibility for these operations and procedures and we urge investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to QIBs in reliance on Rule 144A under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

We have not registered and will not register the Notes or the Guarantee under the U.S. Securities Act and, therefore, the Notes and the Guarantee may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs; and
- outside the United States in offshore transactions in accordance with Regulation S.

We use the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantee are being offered for resale in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act or any other applicable securities law, and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (a) in the United States to a person whom it reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (b) outside the United States in a transaction complying with Regulation S or (c) in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or acting on behalf of the Issuer and it is either:

    (i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A, and the acquisition of Notes will be for its own account or for the account of another QIB; or

    (ii) it is purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that none of the Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor the Initial Purchasers, nor any person representing any of them, have made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum. It has had access to such financial and other information concerning us, the Issuer and its subsidiaries and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of Notes issued in reliance on Rule 144A ("**Rule 144A Notes**") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Rule 144A Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year after the later of the date of the Issue Date and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's, the Trustee's and the Registrar's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

Each purchaser acknowledges that each 144A Note will contain a legend substantially to the following effect:

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "**QUALIFIED INSTITUTIONAL BUYER**" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S, THE TRUSTEE'S AND THE REGISTRAR'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO

WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If it purchases Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

Each purchaser of the 2025 Floating Rate Notes acknowledges that each 2025 Floating Rate Note will also contain a legend substantially to the following effect:

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO (I) OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY TO QUALIFIED INVESTORS (*INVESTITORI QUALIFICATI*) AS DEFINED UNDER ARTICLE 100 OF THE ITALIAN LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED AND SUPPLEMENTED, AND (II) GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(8) It acknowledges that the Registrar and Transfer Agent will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer, Transfer Agent and the Registrar that the restrictions set forth therein have been complied with.

(9) It acknowledges that the Issuer, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantor or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of distribution*."

In addition, each purchaser of the 2025 Floating Rate Notes acknowledges and agrees that (a) the 2025 Floating Rate Notes may be subscribed and held only by qualified investors (*investitori qualificati*, "**Qualified Investors**") as defined under Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended and supplemented, and (b) the 2025 Floating Rate Notes may not be offered, sold or otherwise transferred to investors other than Qualified Investors which should certify such requirement upon becoming holders of the Notes.

CERTAIN TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date, also on a retroactive basis. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to European Union, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

Certain Italian tax considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposal of the Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

Tax treatment of interest

Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree No. 239**") sets forth the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities (pursuant to Article 44 of Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("**Decree No. 917**")), issued, *inter alia*, by:

(a) companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States or States party to the European Economic Area Agreement ("**EEA State**") allowing a satisfactory exchange of information with the Italian tax authorities as included in (i) the decree of the ministry of Economy and Finance of September 4, 1996 as subsequently amended and supplemented or (ii) once effective, any other decree that will be issued in the future under Article 11(4)(c) of Decree No. 239 (any of such decrees, the "**White List**"); or

(b) companies resident of Italy for tax purposes whose shares are not listed, issuing notes traded (*negoziati*) upon their issuance on the aforementioned regulated markets or platforms; or

(c) if not traded on the aforementioned markets or multilateral trading platforms, when such notes are held by "qualified investors" pursuant to article 100 of the Italian Legislative Decree No. 58 of February 24, 1998.

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation for the Issuer to actually pay, at maturity (or at any earlier redemption), an amount not lower than their nominal/face value/principal and that do not provide any right of direct or indirect participation in, or control on, the management of the Issuer or of the business in connection with which they are issued.

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian-resident beneficial owner of the Notes (a "**Noteholder**") is:

- an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- a non-commercial partnership (*società semplice*) or a professional association;
- a non-commercial private or public institution (other than Italian undertakings for collective investment); or
- an investor exempt from Italian corporate income taxation,

then interest derived from the Notes, and accrued during the relevant holding period, is subject to a tax withheld at source (*imposta sostitutiva*), levied at a rate of 26%, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the *risparmio gestito regime* under Article 7 of Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**") (see also "*—Tax treatment of capital gains—Discretionary investment portfolio regime (Risparmio Gestito Regime)*" below).

Subject to certain conditions (including a minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes (being financial instruments issued by an Italian resident corporation) may be exempt from any income taxation (including the 26% *imposta sostitutiva*) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and Legislative Decree No. 103 of February 10, 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of December 11, 2016 ("**Finance Act 2017**"), as subsequently amended and supplemented.

Noteholders engaged in an entrepreneurial activity

In the event that the Italian-resident Noteholders mentioned above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Where a Noteholder is an Italian-resident company or similar commercial entity, or a permanent establishment in Italy of a non-Italian resident company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to the *imposta sostitutiva*. Interest must, however, be included in the relevant Noteholder's income tax return and is therefore subject to general Italian corporate income taxation (i.e. IRES and, if applicable, any relevant additional surcharge) and, in certain circumstances, depending on the status of the Noteholder and also to the Italian regional tax on productive activities ("**IRAP**").

Effective as of the fiscal year following the fiscal year that was current on December 31, 2015, Article 1(550) of Finance Act 2017 added paragraph 6-bis to Article 1 of Law Decree No. 201 of December 6, 2011, converted into Law No. 214 of December 22, 2011. Under this new rule, the base upon which the "Aiuto alla Crescita Economica" benefit set forth in Article 1 of Law Decree No. 201 of December 6, 2011 (ACE Benefit) is computed is reduced by an amount equal to the positive difference (if any) between (i) the aggregate book value of securities (titoli e valori mobiliari), including the Notes, other than shares reported in the taxpayer's financial statements for the relevant fiscal year and (ii) the aggregate book value of securities (*titoli e valori mobiliari*) other than shares reported in the taxpayer's financial statements of the fiscal year that was current on December 31, 2010. Only Italian resident persons carrying on an entrepreneurial activity (and in particular Italian resident corporations) and Italian permanent establishments of non-Italian resident persons can enjoy the ACE Benefit. The new restrictive rule enacted by Finance Act 2017 applies only to taxpayers different from those carrying out financial and insurance activities falling into section K of the ATECO classification of economic activities, other than non-financial holding companies.

Real estate investment funds and real estate SICAFs

Payments of Interest deriving from the Notes made to Italian resident real estate investment funds and real estate closed-ended investment companies (*società di investimento a capitale fisso*, or

"**SICAFs**"), provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorized financial intermediary (or permanent establishment in Italy of non-Italian resident intermediary) are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

Funds, SICAVs and non-real estate SICAFs

If an Italian resident Noteholder is a non-real estate open-ended or a closed-ended collective investment fund ("**Fund**") or an open-ended investment company (*società di investimento a capitale variabile,* or "**SICAVs**") or a non-real estate SICAF established in Italy and either (i) the Fund, the SICAV or the non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary, interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAV or the non-real estate SICAF. The Fund, the non-real estate SICAF or the SICAV are subject neither to *imposta sostitutiva* nor to any other income tax at their level, but a withholding tax of 26% will be levied, in certain circumstances, by the Fund, the non-real estate SICAF or the SICAV on proceeds distributed in favor of their unitholders or shareholders.

Pension funds

If an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period (which will be subject to a 20% substitute tax). Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017, as subsequently amended and supplemented.

Application of the imposta sostitutiva

Pursuant to Decree No. 239, the *imposta sostitutiva* is applied by banks, brokerage companies (società di intermediazione mobiliare, or "**SIM**"), fiduciary companies, società di gestione del risparmio ("**SGR**"), stockbrokers and other entities identified by decrees of the Ministry of Economy and Finance (each, an "**Intermediary**").

An Intermediary must:

(a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary; and

(b) participate, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

If the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying the Interest to a Noteholder or, absent that, by the Issuer and gross recipients that are Italian resident corporations or permanent establishments in Italy of non-Italian resident corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Non-Italian resident Noteholders

If the Noteholder is a non-Italian resident for tax purposes (without a permanent establishment in Italy to which the Notes are effectively connected), an exemption from the *imposta sostitutiva* applies, provided that the non-Italian resident Noteholder is:

(a) a beneficial owner of the payment of Interest and resident, for tax purposes, in a state or territory included in the White List; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) an "institutional investor," whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or

(d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign state.

In order to ensure gross payment, non-Italian resident Noteholders must promptly deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

(i) an Italian or non-Italian resident bank or financial institution (there is no requirement for the bank or financial institution to be an EU resident) (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or

(ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Economy and Finance (the "**Second Level Bank**"). Organizations and companies that are not resident of Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or the permanent establishment in Italy of a non-Italian resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of February 24, 1998) for the purposes of the application of Decree No. 239. If a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-Italian resident Noteholders is conditional upon:

(i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

(ii) the submission to the First Level Bank or the Second Level Bank (as the case may be) of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is eligible to benefit from the exemption from the *imposta sostitutiva*.

Such statement must comply with the requirements set forth by a Ministerial Decree dated December 12, 2001, is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point d) above. Additional requirements are provided for "institutional investors" referred to in point c) above (in this respect see Circular No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

The *imposta sostitutiva* will be applicable at a rate of 26% to interest paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions (including the procedures set forth under Decree No. 239 and in the relevant implementation rules). Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

Tax treatment of capital gains

Italian-resident Noteholders

Noteholders not engaged in an entrepreneurial activity. Where an Italian-resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a capital gain tax (*imposta sostitutiva*, or "**CGT**") levied at a rate of 26%. Noteholders may set off any capital losses with their capital gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt—under certain conditions—for any of the three regimes described below.

Tax return regime (Regime della dichiarazione). Under the tax return regime, which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual holding the Notes during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in their annual tax return, and pay the CGT on such gains, together with any balance of income tax due for such year. Within the same time limit, capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years. Under Law Decree No. 66 of April 24, 2014 ("**Decree No. 66**"), capital losses may be carried forward and offset against capital gains of the same nature realized as of July 1, 2014 for an overall amount of 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014; and 100% of the capital losses realized as of July 1, 2014.

Nondiscretionary investment portfolio regime (Risparmio Amministrato Regime). As an alternative to the tax return regime, Italian-resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the CGT separately on capital gains realized on each sale or redemption of the Notes (*regime del risparmio amministrato*). Such separate taxation of capital gains is allowed subject to:

- the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries (including permanent establishments in Italy of non-Italian resident intermediaries); and
- an express election for the *risparmio amministrato* regime being made in writing in a timely fashion by the relevant Noteholder.

The depository must account for the CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the CGT to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption or certain other transfer of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years, up until the fourth tax year. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains/losses realized within said regime in the annual tax return. Under Decree No. 66, capital losses may be carried forward and offset against capital gains of the same nature realized as of July 1, 2014 for an overall amount of 76.92% of the capital losses realized from January 1, 2012 to June 30, 2014; and 100% of the capital losses realized as of July 1, 2014.

Discretionary investment portfolio regime (Risparmio Gestito Regime). In the *Risparmio Gestito Regime*, any capital gains realized by Italian-resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26% substitute tax, to be paid by the managing authorized intermediary. Any decrease in value of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains or losses realized within said regime in its annual tax return. Under Decree No. 66, decreases in value of the managed assets may be carried forward and offset against any subsequent increase in value accrued as of July 1, 2014 for an overall amount of: 76.92% of the decreases in value occurred from January 1, 2012 to June 30, 2014; and 100% of the decreases in value occurred as of July 1, 2014.

Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be exempt from any income taxation (including from the 26% CGT) if the Noteholders are Italian resident individuals not engaged in entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of June 30, 1994 and Legislative Decree No. 103 of February 10, 1996 and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100-114) of Finance Act 2017, as subsequently amended and supplemented.

Noteholders engaged in an entrepreneurial activity

Any gain obtained from the sale or redemption of the Notes will be treated as part of taxable business income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of net value of the production for IRAP purposes), if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of non-Italian resident entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real estate investment funds and real estate SICAFs

Any capital gains realized by a Noteholder which qualifies as an Italian real estate investment fund or an Italian real estate SICAF will be subject neither to CGT nor to any income tax at the level of the real estate investment fund or the Real Estate SICAF (see "*Tax treatment of interest—Real estate investment funds and real estate SICAFs*"). However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders in the event of distributions, redemption or sale of the units or shares.

Moreover, subject to certain conditions, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

Funds, SICAVs and non-real estate SICAFs

Any capital gains realized by a Noteholder which is a Fund, a SICAF (other than a real estate SICAF) or a SICAV will not be subject to CGT but will be included in the result of the relevant portfolio accrued at the end of the relevant fiscal year. Such result will not be taxed at the level of the Fund, the SICAF or the SICAV, but income realized by the unitholders or shareholders in case of distributions, redemption or sale of the units / shares may be subject to a withholding tax of 26%.

Pension funds

Any capital gains realized by a Noteholder which qualifies as an Italian pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of December 5, 2005) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017, as subsequently amended and supplemented.

Non-Italian resident Noteholders

A 26% CGT on capital gains may be payable on capital gains realized on the sale or redemption of the Notes by non-Italian resident persons without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, under Article 23(1)(f)(2) of Decree No. 917, capital gains realized by non-Italian resident Noteholders from the sale or redemption of notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the CGT, subject to the filing of required documentation in a timely fashion (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes and has no permanent establishment in Italy to which the Notes are effectively connected). As of the date of this Offering Memorandum, the Italian tax authorities have not officially confirmed whether a multilateral trading platform qualifies for this exemption.

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if the Notes are not traded on regulated markets, are not subject to the CGT, provided that the beneficial owner is:

(a) a resident, for tax purposes, of a state or territory included in the White List; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) an "institutional investor," whether or not subject to tax, which is established in a state or territory included in the White List, even if it does not possess the status of a taxpayer in its own state of establishment; or

(d) a central bank or an entity which manages, inter alia, the official reserves of a foreign state.

In order to ensure gross payment, non-Italian resident Noteholders must satisfy the same conditions set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see "*—Tax treatment of interest*").

If none of the above conditions is met, capital gains realized by non-Italian resident Noteholders from the sale or the redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the CGT at the current rate of 26%. However, Noteholders might benefit from an applicable tax treaty with Italy, providing that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the State where the recipient is tax resident, subject to certain conditions to be satisfied.

Under these circumstances, if non-Italian resident persons without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the risparmio gestito regime, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents Noteholders file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian resident persons and entities holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

Certain reporting obligations for Italian-resident Noteholders

Under Law Decree No. 167 of June 28, 1990, as subsequently amended and supplemented, individuals, non-business entities and non-business partnerships that are resident in Italy and, during the tax year, hold investments abroad or have financial assets abroad (including possibly the Notes) must, in certain circumstances, disclose these investments or financial assets to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding €15,000 threshold throughout the year, which per se do not require such disclosure). The requirement applies also where the persons above, being not the direct holder of the financial assets, are the actual economic owners thereof for the purposes of anti-money laundering legislation.

No disclosure requirements exist for investments and financial assets (including the Notes) under management or administration entrusted to Italian resident intermediaries (Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree No. 167 of June 28, 1990) and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subjected to Italian withholding or substitute tax by the such intermediaries.

Italian inheritance tax and gift tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

(a) 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;

(b) 6% for transfers in favor of siblings exceeding, for each beneficiary, a threshold of €0.1 million;

(c) 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and

(d) 8% for transfers in favor of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heiress or the donee is a person with a severe disability pursuant to Law No. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Wealth tax—direct holding

According to Article 19(18) of Law Decree No. 201 of December 6, 2011, Italian resident individuals holding financial products, including the Notes, outside Italy without the involvement of an Italian financial intermediary are required to pay a wealth tax currently at the rate of 0.2% (the level of tax being determined in proportion to the period of ownership). The wealth tax applies on the market value at the end of the relevant year or, in the absence of a market value, on the nominal value or redemption value of such financial products held outside Italy by Italian-resident individual. Taxpayers are generally permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

Stamp taxes and duties—holding through financial intermediary

Under Article 13(2*bis*-2*ter*) of Decree No. 642 of October 26, 1972, a 0.2 % stamp duty generally applies on communications and reports that Italian financial intermediaries periodically send to their clients in relation to the financial products that are deposited with such intermediaries. The Notes are included in the definition of financial products for these purposes. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports.

The stamp duty cannot exceed €14,000.00 for Noteholders other than individuals.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on May 24, 2012, the 0.2% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as “clients” according to the regulations issued by the Bank of Italy. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy.

The taxable base of the stamp duty is the market value or, in the lack thereof, the nominal value or the redemption amount of any financial product.

Registration tax

Contracts relating to the transfer of the Notes are subject to the registration tax as follows:

(a) public deeds and private deeds with notarized signatures (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at a rate of €200.00; and

(b) private deeds (*scritture private non autenticate*) are subject to fixed registration tax of €200.00 only in the case of use or voluntary registration or occurrence of the so-called *enunciazione*.

General—payments by a Guarantor

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under a Guarantee should be treated, in certain circumstances, as payment by the relevant Issuer and should be subject to the tax regime described above. However, there is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of principal under the Notes), it is possible that such payments may be subject to withholding tax at applicable rates, pursuant to Presidential Decree No. 600 of September 29, 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Certain U.S. federal income tax considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the 2023 Floating Rate Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion does not apply to the 2025 Floating Rate Notes and all references to "Notes" in this discussion refer only to the 2023 Floating Rate Notes. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of Additional Notes (as defined below) and FATCA (as defined under "*—Foreign Account Tax Compliance Act*"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities or arrangements and investors therein, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issuance and at their "**issue price**" (the first price at which a substantial amount of the Notes is sold for money to investors) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the

application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income and state, local, non-U.S. or other tax laws.

Payments of stated interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest, but may recognize exchange gain or loss attributable to the actual disposition of the euro so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euro that has accrued with respect to its Notes during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued interest income into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. The cost of a Note purchased with euro generally will be the U.S. dollar value of the foreign currency purchase price translated at the spot rate on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

If a U.S. holder receives euro on a sale, exchange, retirement, redemption or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such euro translated at the spot rate of exchange on the date of such taxable disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such euro by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the purchase or disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date, and such gain or loss generally will constitute U.S. source ordinary income or loss.

Gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Such gain or loss generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's euro purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder disposes of the Note, and the U.S. dollar value of the U.S. holder's euro purchase price for the Note, translated at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder may recognize foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "*—Payments of stated interest*". However, upon a sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued stated interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in excess of euro exchange gain or loss attributable to such disposition generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Additional Notes

The Issuer may issue additional notes ("**Additional Notes**") as described under *"Description of Notes."* These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases, may be treated as a separate series for U.S. federal income tax purposes. In such a case, the Additional Notes may be considered to have OID which may adversely affect the market value of the original Notes of such series if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax return disclosure requirements

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on or a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders should consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on a series of Notes only if there is a significant modification of such series of Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the original Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all the Notes of such series, including the Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the purchase agreement among the Issuer, the Guarantor and the Initial Purchasers dated as of the date of this Offering Memorandum (the "**Purchase Agreement**"), the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from the Issuer, the entire principal amount of the Notes. The Initial Purchasers are Goldman Sachs International, UniCredit Bank AG, UBS Limited, HSBC Bank plc, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A. and Morgan Stanley & Co. International plc. Sales in the United States may be made through affiliates of the Initial Purchasers. The discussion in this "*Plan of Distribution*" does not apply to the 2025 Floating Rate Notes and all references to "Notes" in this discussion refer only to the 2023 Floating Rate Notes. The 2025 Floating Rate Notes will be sold and purchased pursuant to separate arrangements.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from us, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all of the Notes being sold pursuant to the Purchase Agreement if any of them are purchased.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Purchase Agreement also provides that the Issuer and the Guarantor will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. None of the Issuer or the Guarantor will for a period of 90 days after the Closing Date, offer, sell, contract to sell or otherwise dispose of, except the Notes and the guarantee thereof, any debt securities issued or guaranteed by the Guarantor, the Issuer or any of its subsidiaries that are substantially similar to the Notes without the prior written consent of the representatives under the Purchase Agreement. The Initial Purchasers propose to offer the Notes initially at the respective issue prices indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of each series of the Notes may from time to time be varied by the Initial Purchasers without notice.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction. In the Purchase Agreement, each Initial Purchaser has agreed that:

- The Notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the U.S. Securities Act or in transactions not subject to those registration requirements; and
- During the initial distribution of the Notes, it will offer or sell Notes only to persons they reasonably believe to be qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In the Purchase Agreement, each Initial Purchaser has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer or the Guarantor;
- it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

- to the extent it is also a "Manufacturer," as defined in MiFID II, it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area in compliance with the applicable provisions of MiFID II, the Insurance Mediation Directive or the Prospectus Directive relating to the offer and sale of securities to retail investors.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Transfer restrictions*."

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date as specified on the cover page of this Offering Memorandum, which will be the seventh business day following the date of pricing of the Notes (such settlement being herein referred to as "**T+7**"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next four succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+7, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "*Transfer restrictions*." The Issuer has applied, through its listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market thereof, however, the Issuer cannot assure you that such listing will be accepted or maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, the Issuer cannot assure you that a liquid trading market will develop for the Notes or that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable. See "*Risk factors—Risks related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*"

You should be aware that the laws and practices of certain countries require investors to pay stamp duty, taxes and other charges in connection with purchases of securities.

In connection with the Offering, the Stabilizing Manager, or persons acting on its behalf, may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may have the effect of preventing or retarding a decline in the market price of the Notes or cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Stabilizing Manager engages in stabilizing or syndicate covering transactions, it may discontinue them at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

The Initial Purchasers or their respective affiliates from time to time have provided in the past, provide currently and may provide in the future, commercial lending and banking, investment banking, hedging, consulting and financial advisory services to the Issuer, the Guarantor and their subsidiaries and affiliates for which they have received, and in the future may receive, customary fees, commissions and expenses. Certain of the Initial Purchasers or their respective affiliates are lenders or agents under the Existing Revolving Credit Facility and certain of their affiliates hold Existing Notes. We intend to use a portion of the net proceeds from the Offering to redeem the Existing Notes (as described under "*Use of proceeds*") and, to the extent that the Initial Purchasers or their respective affiliates hold the Existing Notes, they will receive a portion of the proceeds of the Offering. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates (including the Notes). Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Initial Purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Notes). Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Initial Purchasers or their respective affiliates will also act as mandated lead arrangers and/or lenders under the Revolving Credit Facility and will receive customary fees for their services in such capacities. Certain investors in the Existing Notes, which are affiliates of Goldman Sachs International, have agreed, subject to certain conditions precedent, to purchase from the applicable underwriter or underwriters the entire aggregate principal amount of the 2025 Floating Rate Notes issued by the Issuer which shall not exceed €200 million.

LEGAL MATTERS

The validity of the Notes and certain other legal matters are being passed upon for us by Latham & Watkins LLP with respect to matters of U.S. federal, New York state, English and Italian law and by Maisto e Associati with respect to matters of Italian tax law. Certain legal matters will be passed upon for the Initial Purchaser by Weil, Gotshal & Manges (London) LLP with respect to matters of U.S. federal, New York state and English law and Gattai Minoli Agostinelli & Partners as to matters of Italian law.

INDEPENDENT AUDITORS

The consolidated financial statements of the predecessor TeamSystem Holding S.p.A. (subsequently merged into the Issuer) for the year ended December 31, 2015, which were prepared in accordance with IFRS as adopted by the EU, included in this Offering Memorandum, have been audited by Deloitte & Touche S.p.A., independent auditors, as set forth in their reports included in this Offering Memorandum.

The consolidated financial statements of TeamSystem Holding S.p.A. for each of the years ended December 31, 2017 and 2016, which were prepared in accordance with IFRS as adopted by the EU, included in this Offering Memorandum, have been audited by Deloitte & Touche S.p.A., independent auditors, as set forth in their reports included in this Offering Memorandum.

Deloitte & Touche S.p.A. is registered under No. 132587 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) maintained by the Italian Ministry of the Economy and Finances in compliance with the provisions of Italian Legislative Decree No. 39 of January 27, 2010. Its registered office is at Via Tortona, 25, 20144 Milan, Italy. Deloitte & Touche S.p.A. is a member of ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

SERVICE OF PROCESS AND ENFORCEMENT OF FOREIGN JUDGMENTS

Each of the Issuer and the Guarantor is a joint stock company (*societá per azioni*) organized under the laws of the Republic of Italy.

Service of process

None of the directors, officers and other executives of the Issuer and the Guarantor are residents or citizens of the United States. Furthermore, significantly all of the assets of the Issuer and the Guarantor are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer and the Guarantor or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, each of the Issuer and the Guarantor has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Italy upon those persons or the Issuer or the Guarantor *provided that* The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Enforcement of judgements in Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in the Republic of Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory, and may refuse to apply U.S. law provisions or grant some of the remedies sought (e.g., punitive damages) if their application violates any Italian public policies and/or any mandatory provisions of Italian law.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEE AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the security interests and a summary of certain insolvency law considerations in Italy, the jurisdiction where the Issuer is organized. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer and the Guarantor are organized under the laws of Member States of the European Union.

The EC Regulation No. 2015/848 on Insolvency Proceedings (the "**Insolvency Regulation**") applies to insolvencies which commence after June 26, 2017 (subject to certain exceptions).

Pursuant to Article 3(1) of the Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU member state (other than Denmark) where the company concerned has its "centre of main interests." The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different EU member states may have differing and conflicting views.

The term "centre of main interests" is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition. In the case of a company or legal person, the centre of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another EU member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the centre of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in an EU member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other EU member state.

If the centre of main interests of a company, at the time an insolvency application is made, is located in an EU member state (other than Denmark), only the courts of that EU member state have jurisdiction to open main insolvency proceedings in respect of that company under the Insolvency Regulation. The types of insolvency proceedings which may be opened as main proceedings in the relevant jurisdiction are listed in Annex A to the Insolvency Regulation.

If the centre of main interests of a company is in one EU member state (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another EU member state (other than Denmark) have jurisdiction to open secondary and territorial insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the Insolvency Regulation) in the territory of such other EU member state. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Insolvency Regulation. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings. An "establishment" is defined to mean any place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other EU member state are restricted to the assets of the company which are situated in such other EU member state.

Pursuant to Article 3(4) of the Insolvency Regulation, where main proceedings in the EU member state in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another EU member state where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the EU member state in which the company's centre of main interests is situated under that EU member state's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from the operation of the establishment or a public authority has the right to request the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *Lex fori concursus*, that is, the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor.

The courts of all EU member states (other than Denmark) must recognize the judgment of the court opening main proceedings and give the same effect to the order in the other relevant EU member state so long as no secondary proceedings have been opened there. The insolvency officeholder appointed by a court in a EU member state that has jurisdiction to open main proceedings may exercise the powers conferred on him by the law of that EU member state in another EU member state (such as to remove assets of the company from that other EU member state), subject to certain limitations, so long as no insolvency proceedings have been opened in that other EU member state or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other EU member state where the company has assets.

It remains to be seen what impact the recent vote by the United Kingdom to leave the EU will have on the regulatory environment in the EU.

Italy

Limitation on granting of security interests and on enforcement under Italian law

Under Italian law, the entry into a transaction (including the creation of a security interest or the granting of a guarantee) by a company must be permitted by the applicable laws and by its bylaws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit and corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate benefit

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case by case basis and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. Whilst corporate benefit for down-stream guarantee or security (*i.e.*, a guarantee guaranteeing or a security interest granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or cross-stream security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest.

Generally, the risk assumed by an Italian grantor of security must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company ultra vires and potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be subject to challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the transaction (including the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream, down-stream and cross-stream guarantees or security interest granted by Italian companies.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of Italian Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**"), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial assistance

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

Article 1938 of the Italian Civil Code and limitations to the guarantees

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by an Italian guarantor is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by an Italian guarantors must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the Italian guarantors. It has been held, that such determination must be proportionate to the relevant guarantor's assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determination.

In order to comply with corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Guarantor incorporated under the laws of Italy (the "**Italian Guarantor**") may be required to pay in respect of its obligations as Guarantor under the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement will be subject to limitations.

Any guarantee, indemnity, obligations and liability granted or assumed pursuant to the Notes and the Revolving Credit Facility by the Italian Guarantor will not include and will not extend, directly or indirectly, to any amount lent to acquire or subscribe, directly or indirectly, shares or quotas in the Italian Guarantor or any direct or indirect controlling entity of such Italian Guarantor (or the refinancing of any indebtedness incurred for that purpose) or to any obligations incurred by any Guarantor under any guarantee given by such Guarantor for the same purposes.

In any event, pursuant to article 1938 of the Italian Civil Code, the maximum amount that the Italian Guarantor may be required to pay in respect of its obligations as a Guarantor under its Guarantee will not exceed 120% of the aggregate amount of the Notes.

The maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as Guarantor under the Indenture will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor to any guaranteed creditor pursuant to the Revolving Credit Facility Agreement and/or the Intercreditor Agreement, and *vice versa*. The proceeds of the enforcement of said guarantees will be distributed amongst the guaranteed creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement.

Trust

The Collateral will be created and perfected in favor of the Security Agent acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct party to the Indenture, there is the risk that the appointment of the Security Agent in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-*bis*, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is only granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain considerations in relation to security interests

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("undercapitalization"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees granted by such Italian subsidiaries may be impaired or restricted.

Certain limitations on enforcement

The enforcement of security interests by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "suspect period"). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "*—Certain Italian insolvency law considerations*" below. If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by an Italian guarantor apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, inter alia, the following aspects:

- the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;
- with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not

offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;

- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets of the same kind and are equally liquid and payable;
- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme di applicazione* necessaria) and by the fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles;
- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);
- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;
- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;
- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors' committee and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;
- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document;

- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares.

Certain Italian insolvency law considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reforms that have been implemented by the Italian government on the main Italian bankruptcy legislation as defined below are: (i) the reform approved on June 23, 2015, through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree**"). The Decree entered into force in June 2015 and has been converted into law by Italian Law No. 132 of August 6, 2015, effective August 21, 2015 and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

Insolvency laws and regulations are currently being reviewed and significant amendments are expected in the near future. In particular, on October 11, 2017 the Italian Senate approved Law No. 155 dated October 19, 2017 pursuant to which it has authorized the government to carry out a substantial reform of Italian Insolvency Laws, on the basis of the guidelines provided therein. The main innovations, which must be implemented by the government within twelve months include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and its replacement with a reference to a judicial liquidation; (ii) new definition of state of crisis; (iii) the adoption of the same procedural framework to access the different insolvency procedures provided by law; (iv) express acknowledgement and adoption of the definition of debtor's center of main interest as provided for in the New EU Insolvency Regulation; (v) a new set of rules concerning group restructurings; (vi) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern restructurings; (vii) a new preventive alert and mediation phase to avoid insolvency; (viii) jurisdiction of specialized courts over proceedings involving large debtors.

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary, status, in order for a court to hold that a company is insolvent.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal out-of-court arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's approval (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare and that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (i.e., facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor while negotiations with creditors are pending (i.e., prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited.

The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Italian Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-septies of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (*e.g.*, trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with in rem security (*garanzie reali*), provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, provided that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 1 of the Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court supervised pre-bankruptcy composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (i.e., financial distress which does not yet amount to insolvency) and that has not been declared insolvent by the court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the concordato preventivo is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*). In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bilancio*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register.

Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the superseniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a prebankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e., a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- any act (including payments, pledges, and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

- **Bankruptcy composition with creditors (*concordato fallimentare*)**. Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

- **Statutory priorities**. The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset. In particular, article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "*predeductible*" claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims.

- **Avoidance powers in insolvency**. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions. Please note that in the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

- **Acts ineffective by operation of law**. Under (i) Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and (ii) Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.
- **Acts that may be avoided at the request of the bankruptcy receiver / court commissioner**.
  a. The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the Italian Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:
     i. onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
     ii. payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;
     iii. pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted; and
     iv. pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.
  b. The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or transaction:
     i. payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and
     ii. granting of security interest for debts incurred in the six months prior to the insolvency declaration.
  c. The following transactions are exempt from claw-back actions:
     i. payments for goods or services made in the ordinary course of business according to market practice;
     ii. a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
     iii. the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;
     iv. transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67 of the Italian Bankruptcy Law;

v. a transaction entered into, payment made or guarantee granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-bis of the Italian Bankruptcy Law;

vi. remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

vii. payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza).

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure*." To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity. Extraordinary administration procedures involve two main phases—a judicial phase and an administrative phase.

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**"). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

If the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "*Marzano procedure*." It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Interim financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "*suspect period*"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantor's Guarantee or the granting of security interests under the Security Documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

LISTING AND GENERAL INFORMATION

Listing

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market in accordance with the rules and regulations of that exchange. Application has also been made to list the Notes on the Vienna Stock Exchange and to admit the Notes to trading on the Third Market (MTF) operated by the Vienna Stock Exchange (the "**Third Market (MTF)**"). The Third Market (MTF) is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, copies of the following documents may be inspected and obtained at the specified office of the Paying Agent during normal business hours on any weekday:

- this Offering Memorandum
- the organizational documents of the Issuer and the Guarantor;
- our most recent audited consolidated financial statements;
- the Indenture;
- the Intercreditor Agreement; and
- other material agreements described in this Offering Memorandum as to which we specify that copies thereof will be made available.

We will maintain a Registrar in Luxembourg for as long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange. The current paying agent and transfer agent is The Bank of New York Mellon, London Branch. We reserve the right to vary such appointment and we will publish notice of such change of appointment in a leading newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange.

Clearing information

The 2023 Floating Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 179953790 and 179953846, respectively. The international securities identification number ("**ISIN**") for the 2023 Floating Rate Notes sold pursuant to Regulation S is XS1799537904 and the ISIN for the 2023 Floating Rate Notes sold pursuant to Rule 144A is XS1799538464.

The 2025 Floating Rate Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 179954508 and 179954567, respectively. The ISIN for the 2025 Floating Rate Notes sold pursuant to Regulation S is XS1799545089 and the ISIN for the 2025 Floating Rate Notes sold pursuant to Rule 144A is XS1799545675.

Legal information

Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy and registered with the *Companies' Register of Pesaro and Urbino*, under registration number 01035310414, REA PS-103483. The Issuer was incorporated on March 18, 1987. The Issuer's registered office is located at Via Sandro Pertini 88, Pesaro (PS), Italy. The Issuer has an authorized share capital of Euro 24,000,000, fully paid up and composed of 24,000,000 ordinary shares of Euro 1.00 each. The Issuer's financial year runs from January 1 to December 31. The Issuer obtained, or will obtain before the Issue Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The creation and issuance of the Notes was authorized by resolutions of the board of directors taken on March 16, 2018 and the related determination (*atto di determina*) of a director taken on March 22, 2018.

The Guarantor

The Guarantor is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy and registered with the *Companies' Register of Pesaro and Urbino*, under registration number 09290340968, REA PS-196739. The Guarantor was incorporated on December 1, 2015. The Guarantor's registered office is located at Via Sandro Pertini 88, Pesaro (PS), Italy. The Guarantor's financial year runs from January 1 to December 31. The Guarantor obtained, or will obtain before the Issue Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the performance of its obligations under the Guarantee. The granting of the Guarantee was authorized by resolutions of the board of directors taken on February 28, 2018 and March 16, 2018.

No material adverse change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in our consolidated financial and trading position since December 31, 2017 (being the last day of the period in respect of which we published our latest audited consolidated financial statements).

Litigation

Except as disclosed in this Offering Memorandum, we are not involved in and have no knowledge of any threatened litigation, administrative or governmental proceedings or arbitration which would have a material adverse impact on our results of operation or financial condition, prospects or on the issue and offering of the Notes.

INDEX TO FINANCIAL STATEMENTS

TeamSystem Holding S.p.A.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
31 Dec 2016 - Restated	**5,450**	**636,720**	**(3)**	**0**	**(75,771)**	**566,396**	**1,060**	**567,456**
Profit (Loss) allocation		(75,771)			75,771	**0**		**0**
TeamSystem Holding S.p.A. distribution of reserves		(1,279)				**(1,279)**		**(1,279)**
Change in Non controlling interests IFRS 3			(823)			**(822)**	(157)	**(980)**
Dividends						**(0)**	(227)	**(227)**
Profit (Loss) on comprehensive income		84			(57,134)	**(57,050)**	347	**(56,702)**
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**

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

▶ INTRODUCTION

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

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

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

▶ COMPANY BACKGROUND

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

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

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

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▶ ACCOUNTING STANDARDS ADOPTED

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

IFRS is intended to mean all “International Financial Reporting Standards”, all International Accounting Standards (“IAS”), all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as Standing Interpretations Committee (“SIC”) endorsed by the European Commission at the date of approval of the draft consolidated financial statements by the Parent Company’s Board of Directors and covered by EU Regulations published at that date.

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

□ □ □

▶ GOING CONCERN BASIS

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

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▶ CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include:

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

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

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

4. **A consolidated statement of cash flows** for the year ended 31 December 2017. The statement of cash flows is presented using the indirect method starting with the operating result, as permitted by IAS 7, under which profit or loss for the year is adjusted for the effects of non-cash transactions, such as those arising from deferrals or allocations to provisions linked to previous or future costs and payments. We also point out that the 2016 statement of cash flows, which has been presented for comparative purposes, has been restated to take account of the non-cash portion of the consideration paid by H&F for the acquisition of TeamSystem Group.

▶ CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. **A consolidated statement of changes in equity** for the year ended 31 December 2017.
6. **Notes** to the consolidated financial statements.

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

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

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

   a) Of the costs specifically classed as "non-recurring" in 2016, amounting to Euro 18,366 thousand, Euro 17,832 thousand has been allocated to cost of services and Euro 534 thousand has been allocated to other operating costs;

   b) The "non-recurring" components of personnel costs, finance costs and income tax have been eliminated.

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

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

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

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▶ SCOPE OF CONSOLIDATION

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

▶ SCOPE OF CONSOLIDATION (Continued)

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

Amounts in Euro

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

▶ SCOPE OF CONSOLIDATION (Continued)

Amounts in Euro

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

1 = equity interest would be 100% should PUT/CALL option be exercised;

2 = investment held by Danea Soft S.r.l.;

3 = investment held by TeamSystem Communication S.r.l.;

4 = investment held by Reviso International ApS;

5 = takes account of treasury shares held by Gruppo Euroconference;

6 = investment held by Nuovamacut Automazione S.p.A.;

7 = the amounts relate to the financial statements for the year ended 31 December 2016;

8 = the company was set up in 2017.

9 = investment held by Inforyou S.r.l.;

Acquisitions completed in 2017

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

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

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▶ REFERENCE DATE

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

▶ REFERENCE DATE (Continued)

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

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▶ BASIS OF CONSOLIDATION

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

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

Business combinations

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

All other costs associated with a transaction are expensed.

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

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

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

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

TeamSystem Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by minority owners of the acquiree. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated, since the substance of the binding option agreement is that of the payment of deferred

▶ BASIS OF CONSOLIDATION (Continued)

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

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

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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 31 December 2017 that use a currency other than the Euro are Voispeed Limited and Reviso Cloud Accounting Limited, which use the British Pound (GBP) and Reviso International ApS, which uses the Danish Krone (DKK) as their functional currencies.

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

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

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▶ ACCOUNTING POLICIES

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

Research and development expenses

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

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

▶ ACCOUNTING POLICIES (Continued)

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

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

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

Customer relationship

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

Proprietary software

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

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

Third party software licenced for internal use

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

Brands

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

Goodwill

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

In accordance with applicable IFRSs, goodwill is not amortised, but is allocated to its respective Cash Generating Unit (hereinafter “CGU”) or groups of CGUs and subjected annually (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to impairment testing in accordance with IAS 36 “Impairment of Assets”.

Subsequent costs

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

▶ ACCOUNTING POLICIES (Continued)

Amortisation

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

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

Tangible fixed assets

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

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

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

Leased assets

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

Investments in other companies

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

Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control, by means of which it participates in the financial and operating policy decisions of the

▶ ACCOUNTING POLICIES (Continued)

investee. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale.

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

Inventories

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

Trade receivables

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

Cash and bank balances

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

Foreign currency transactions

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

Writedowns (Impairment)

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

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

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

▶ ACCOUNTING POLICIES (Continued)

Interest bearing financial liabilities

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

Employee benefit plans

1. Defined contribution plans

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

2. Defined benefit plans

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

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

Provisions for risks and charges

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

Trade and other payables

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

Revenue

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

Software Solutions operating segment

ERP and Business Management Software Solutions – Direct Channel

Licences: revenue from sales of software licenses is recognised on the delivery date on account of all contractual obligations typically being fulfilled and the fact that there are no rights of return or

▶ ACCOUNTING POLICIES (Continued)

acceptance clauses in our software licenses. In the event that a sale agreement provides for more than one revenue component, such as assistance and maintenance, the revenue arising from these components is separately identifiable in the agreement. Regarding sales of additional feature licenses, such as Regulatory LTAs, revenue is recognized on the download date for new licenses and on a straight line basis for renewals which automatically take place at the beginning of each year.

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

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

ERP and Business Management Software Solutions – Indirect Channel

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

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

Vertical Solutions

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

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

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

Cloud Software Solutions operating segment

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

▶ ACCOUNTING POLICIES (Continued)

Hardware operating segment

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

Grants

Government grants are recognised when there is reasonable certainty that they will be received and that all related conditions will be met. Government grants towards cost components are recognised as income, but are systematically allocated to the financial year, in order to match the costs they are intended to offset. For grants towards the cost of an asset, the asset and the grant are recognised at their nominal value and the release to income takes place gradually, on a straight line basis, over the expected useful life of the asset.

Where a non cash grant is received, the asset and the contribution are recognised at their nominal value and are released to income on a straight line basis over the expected useful life of the asset.

Dividends

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

Rent and operating lease charges

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

Finance income and costs

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

Current and deferred taxation

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

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

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▶ EARNINGS PER SHARE

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

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▶ SEGMENT INFORMATION

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which discrete financial information is available.

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

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

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

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▶ USE OF ESTIMATES

The preparation of consolidated financial statements requires the Group to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss and consolidated statement of cash flows, as well as the disclosures provided. The actual amounts of the financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.

Set out below is a listing of consolidated financial statement components that, more than others, require greater subjectivity, on the part of the Group, in the application of estimates and, for which, a change in the conditions of underlying assumptions used may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Business combinations (IFRS 3) and measurement of assets acquired and liabilities assumed: the process of allocation of the cost of a transaction to the assets of TeamSystem Group following a business combination is based on estimates and assumptions derived from Management's

▶ USE OF ESTIMATES (Continued)

professional judgement. Professional judgement is also used to determine the most appropriate methodologies for the measurement of assets acquired and liabilities assumed (including contingent assets and liabilities) and in certain cases provisional initial recognition has been opted for, as permitted by the applicable accounting standard.

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

▶ ROUNDING

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

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

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

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

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

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

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

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

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

  - identification of the contract with the customer;
  - identification of the performance obligations in the contract;
  - determination of the transaction price;
  - allocation of the transaction price to the performance obligations in the contracts;
  - revenue recognition criteria when the entity satisfies a performance obligation.

  The standard is applicable as from 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017. Based on analysis performed and on assessments conducted during the year, the Directors do not believe that the application of IFRS 15 will have a significant impact on revenue recognition in the Group's consolidated financial statements. The Directors are currently assessing whether to use, at the date of initial application, the fully retrospective or modified retrospective approach, bearing in mind the expected insignificant impact of both on the opening equity balance and on the Group's revenue and result for the year.

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

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

  The new standard is effective for annual periods beginning on or after 1 January 2018.

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

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

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

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

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

- Annual Improvements to IFRSs: 2014-2016 Cycle, published on 8 December 2016 (inclusive of IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice and IFRS 12 Disclosure of interests in other entities – Clarification of the scope of the Standard) and which amend existing IFRSs. Most of the amendments are applicable as from 1 January 2018. The Directors are currently assessing the potential effect of the introduction of these amendments on the Group's consolidated financial statements.
- On 7 June 2017 the IASB issued the interpretation document IFRIC 23 – Uncertainty over Income tax Treatments. The interpretation addresses uncertainty over income tax treatments.

  The interpretation envisages that uncertainties in the determination of tax liabilities or assets should be reflected in the financial statements only when it is probable that the entity will settle or recover the amount in question. Moreover, the interpretation does not contain any new disclosure obligation, but it emphasises that the entity must establish if there will be a need to provide information on considerations made by management and relating to the inherent uncertainty in accounting for taxation, in accordance with the requirements of IAS 1.

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

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

1. TOTAL REVENUE

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

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

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

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

2. OPERATING SEGMENTS

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which separate financial information is available.

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

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

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

2. OPERATING SEGMENTS (Continued)

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

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

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

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

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

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

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

2. OPERATING SEGMENTS (Continued)

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

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

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

3. COST OF RAW AND OTHER MATERIALS

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

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

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

4. COST OF SERVICES

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

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

The main components are the following:

- Agent commissions and other costs (€ 12,289 thousand) relating to compensation payable to agents, an allocation to the provision for agents' indemnity and other costs attributable to commercial consulting services;
- Consulting and third party services (€ 11,883 thousand) mainly relating to the outsourcing to third parties of on-site customer maintenance and support;
- Hardware and Software subscription charges (€ 6,242 thousand) relating to periodic fees for support services and subscriptions for third party products;
- Strategic marketing costs (€ 1,720 thousand) relating to costs incurred again in 2017 for external consulting services in connection with the three year TeamSystem re-branding project that was launched in 2015;
- Tax optimization costs (€ 258 thousand) relating in particular to tax advice on patent box legislation and on an advance ruling in relation to the deductibility of financing fees associated with the Notes.
- Acquisition and merger costs (€ 1,282 thousand) mainly relating to advisory costs incurred for the acquisition of companies recognised in the year and for the mergers of TSS S.p.A. and ACG S.p.A., which were merged into TeamSystem in 2017;
- Strategic project and reorganization costs (totalling € 10,463 thousand) that include the following categories:
  - Advisory expenses related to reorganization and cost saving projects (€ 5,937 thousand) with particular reference to costs for projects focusing on customer support, to the sole sales channel project, to an analysis of outsourcing projects and a review of the purchase cycle, all of which were incurred within the broader reorganisation framework of the Group's new operating model;

4. COST OF SERVICES (Continued)

  - Cost for international projects (€ 306 thousand) relating to advisory costs incurred for the Group's expansion into foreign markets;
  - Costs for changing and closing locations (€ 767 thousand);
  - IT costs for system integration and transformation (€ 1,866 thousand) relating, in particular, to consulting costs and information systems interventions to integrate the data of companies merged into TeamSystem S.p.A. in 2017 and for other interventions linked to the new operating model;
  - Costs for change management program (€ 1,184 thousand) relating to HR consulting costs and special training events that took place in 2017 in connection with the broader Group reorganisation process.
  - Costs for credit collection project (€ 405 thousand).
- Other minor items of € 254 thousand that include management costs for bonds issued by the Group and charged by various parties (banks and lawyers).
- Other service costs (€ 11,891 thousand), mainly consisting of:
  - Costs for shipping and transport of € 380 thousand;
  - Costs for reimbursement of expenses of € 5,428 thousand, relating to travel costs and daily allowances for technicians and commercial staff who are involved in installation, support and training at customers' premises;
  - Maintenance costs of € 653 thousand;
  - Insurance costs of € 607 thousand.

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

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

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

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

4. COST OF SERVICES (Continued)

- other minor items of € 426 thousand that include management costs for bonds issued by the Group and charged by various parties (banks and lawyers).

5. PERSONNEL COSTS

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

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

Of the restructuring costs in 2017, € 2,826 thousand relate to personnel downsizing costs attributable to restructuring carried out by TeamSystem Group as part of the operating model project launched in 2017.

Personnel costs also include € 512 thousand of special bonuses awarded to employees under the *Change Management* programme.

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

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

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

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

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

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

6. OTHER OPERATING COSTS

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

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

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

7. FINANCE INCOME

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

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

8. FINANCE COSTS

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

8. FINANCE COSTS (Continued)

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

- Interest costs on Notes (€ 49,228 thousand), of which € 13,538 thousand relates to Senior Notes of € 150,000 million issued by TeamSystem Holding and € 35,690 thousand relates to Senior Secured Notes of € 570,000 thousand issued by TeamSystem S.p.A.;
- Interest cost on financing fees (€ 6,859 thousand) relates to financing fees for Senior Notes of € 150,000 thousand (€ 778 thousand), to financing fees for Senior Secured Notes of € 570 million (€ 4,992 thousand) and to financing fees for the RCF (€ 1,089 thousand);
  - Cost associated with the remeasurement of the vendor loan (€ 15,290 thousand) arising from a change in the fair value thereof due to the remeasurement of the initial exercise price of the options.
- IFRS finance costs (€ 5,376 thousand), which include finance costs recognised by the Group on having discounted the vendor loan based on the new discount rate for the period.

9. TOTAL INCOME TAX

Current income and deferred tax

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

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

The decrease in current tax compared to the figure for the 2016 financial year is mainly attributable to the following two factors:

(a) the impact arising, in relation to the 2015 financial year, from the option for the patent box regime exercised by TeamSystem S.p.A. (and by the assignors TSS and ACG) for specific software, which is subjected to indirect use. The impact of the above option was computed autonomously by TeamSystem S.p.A. based on clarifications provided by the Revenue Agency under Resolution No. 28 of 9 March 2017;

(b) the impact of the recomputation of finance costs deductible for tax purposes in accordance with Art. 96 of Presidential Decree 917 of 22 December 1986 that was performed based on the response provided by the Revenue Agency to the advance ruling request No. 954-288/2017 submitted by TeamSystem (with this response, in particular, having permitted the company to consider as deductible, in the financial year as incurred and over and above the quantitative limits provided for by the aforementioned Art. 96 of Presidential Decree 917 of 1986, costs incurred in relation to the Notes issue in 2016).

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

10. CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

10. CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

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

Acquisition of investments = as regards the amount of € 5.1 million:

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

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

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

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

10. CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

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

11. TANGIBLE FIXED ASSETS

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

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

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

11. TANGIBLE FIXED ASSETS (Continued)

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

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

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

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

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

12. INTANGIBLE ASSETS

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

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

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

12. INTANGIBLE ASSETS (Continued)

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

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

13. GOODWILL

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

As previously disclosed, in 2017, Management reviewed the organisational structure and related internal reporting and identified, in accordance with IFRS 8, the following operating segments:

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

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

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

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

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

The increase in goodwill recorded in the 2017 financial year of € 9,499 thousand relates to the companies acquired by the Group during the year, being:

- Evols S.r.l. (€ 2,810 thousand);
- Netlex S.r.l. (€ 2,362 thousand);
- Software Time S.r.l. (€ 823 thousand)
- Evolution Fit S.r.l. (€ 1,404 thousand);
- Cassanova S.r.l. (€ 2,100 thousand).

13. GOODWILL (Continued)

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

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

Impairment Test

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

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

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

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

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

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

13. GOODWILL (Continued)

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

SOFTWARE SOLUTIONS
Cover Impairment Sensitivity

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

CLOUD SOFTWARE SOLUTIONS
Cover Impairment Sensitivity

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

HARDWARE
Cover Impairment Sensitivity

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

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

14. ALLOCATION OF PROVISIONAL GOODWILL

EVOLS

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

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

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

14. ALLOCATION OF PROVISIONAL GOODWILL (Continued)

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

Euro thousands

STATEMENT OF FINANCIAL POSITION
EVOLS S.r.l.

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

Euro thousands

STATEMENT OF FINANCIAL POSITION
EVOLS S.r.l.

LIABILITIES	March 2017 After PPA Provisional Adjustments	NOTES
Staff leaving indemnity	176	
Provisions for risks and charges	99	
TOTAL NON CURRENT LIABILITIES	**274**	
Financial liabilities with banks and other institutions - current	1,876	
Trade payables	518	
Tax liabilities - current	46	
Other liabilities - current	1,320	
TOTAL CURRENT LIABILITIES	**3,759**	
TOTAL LIABILITIES	**4,033**	**B**
Fair Value of acquired net assets	**742**	**C = A - B**
Cost of the investment - net of transaction costs	**3,552**	**D**
Provisional Goodwill IFRS 3	**2,810**	**E = D - C**

□ □ □

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

14. ALLOCATION OF PROVISIONAL GOODWILL (Continued)

NETLEX

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

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

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

Euro thousands

STATEMENT OF FINANCIAL POSITION
NETLEX S.r.l.

ASSETS	April 2017 After PPA Provisional Adjustments	NOTES
Tangible assets	1	
Intangible assets	233	
Deferred tax assets	6	
TOTAL NON CURRENT ASSETS	**240**	
Trade receivables	28	
Other receivables - current	19	
Other financial assets - current	5	
Cash and bank balances	194	
TOTAL CURRENT ASSETS	**247**	
TOTAL ASSETS	**487**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION
NETLEX S.r.l.

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

□ □ □

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

14. ALLOCATION OF PROVISIONAL GOODWILL (Continued)

SOFTWARE TIME

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

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

Euro thousands

STATEMENT OF FINANCIAL POSITION
SOFTWARE TIME S.r.l.

ASSETS	May 2017 After PPA Provisional Adjustments	NOTES
Tangible assets	13	
TOTAL NON CURRENT ASSETS	**13**	
Trade receivables	169	
Other receivables - current	3	
Cash and bank balances	72	
TOTAL CURRENT ASSETS	**244**	
TOTAL ASSETS	**257**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION
SOFTWARE TIME S.r.l.

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

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EVOLUTION FIT

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

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

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

14. ALLOCATION OF PROVISIONAL GOODWILL (Continued)

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

Euro thousands

STATEMENT OF FINANCIAL POSITION
EVOLUTION FIT S.r.l.

ASSETS	July 2017 After PPA Provisional Adjustments	NOTES
Tangible assets	2	
Intangible assets	1	
TOTAL NON CURRENT ASSETS	**3**	
Trade receivables	5	
Tax receivables	3	
Other receivables - current	32	
Cash and bank balances	9	
TOTAL CURRENT ASSETS	**49**	
TOTAL ASSETS	**52**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION
EVOLUTION FIT S.r.l.

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

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CASSANOVA

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

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

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

14. ALLOCATION OF PROVISIONAL GOODWILL (Continued)

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

Euro thousands

STATEMENT OF FINANCIAL POSITION
CASSANOVA S.r.l.

ASSETS	July 2017 After PPA Provisional Adjustments	NOTES
Tangible assets	3	
Intangible assets	420	
Goodwill	(0)	
TOTAL NON CURRENT ASSETS	**423**	
Inventories	8	
TOTAL CURRENT ASSETS	**8**	
TOTAL ASSETS	**431**	**A**

Euro thousands

STATEMENT OF FINANCIAL POSITION
CASSANOVA S.r.l.

LIABILITIES	July 2017 After PPA Provisional Adjustments	NOTES
Staff leaving indemnity	32	
TOTAL NON CURRENT LIABILITIES	**32**	
Other liabilities - current	28	
TOTAL CURRENT LIABILITIES	**28**	
TOTAL LIABILITIES	**61**	**B**
Fair Value of acquired net assets	**370**	**C = A - B**
Cost of the investment - net of transaction costs	**2,469**	**D**
Provisional Goodwill IFRS 3	**2,100**	**E = D - C**

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

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

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

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

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

ALIASLAB

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

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

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ALIASLAB GROUP

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

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

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

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ALIASLAB GROUP

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

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

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

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

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

16. RESTATEMENT OF STATEMENT OF FINANCIAL POSITION FINANCIAL AT 31 DECEMBER 2016 (Continued)

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TEAMSYSTEM GROUP

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

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

16. RESTATEMENT OF STATEMENT OF FINANCIAL POSITION FINANCIAL AT 31 DECEMBER 2016 (Continued)

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TEAMSYSTEM GROUP

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

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17. INVESTMENTS IN OTHER COMPANIES AND INVESTMENTS IN ASSOCIATES

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

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

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

17. INVESTMENTS IN OTHER COMPANIES AND INVESTMENTS IN ASSOCIATES (Continued)

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

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

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

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

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

18. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

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

18. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets at 31 December 2017 include approximately € 8,499 thousand relating to a step-up for tax purposes of goodwill recognised by TSS S.p.A. (merged by absorption into TeamSystem S.p.A. in 2016). The other main components for which the Group companies have recognised deferred tax assets relate to the allowance for bad debts, to the provision for agents' indemnity and other provisions for risks and charges which are disallowed for tax purposes. These deferred tax assets are not subject to any maturity or expiration. In addition, deferred tax assets of approximately € 1,007 thousand have been recognised at 31 December 2017 relating to tax loss carryforwards pertaining to TeamSystem Holding as a consequence of the deductibility on a cash basis of financing fees incurred in relation to the Notes issue.

Deferred tax liabilities

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

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

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

18. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

19. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS)

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

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

Senior Notes

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

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

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

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

19. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS) (Continued)

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

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

Senior Secured Notes

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

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

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

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

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

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

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

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

Revolving credit facility (RCF)

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

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

19. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS) (Continued)

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

Collateral provided

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

Vendor loan

The vendor loan (€ 101,448 thousand at 31 December 2017) relates to put and call options and/or earn-outs due to non-controlling interest holders of certain consolidated subsidiaries (Metodo S.p.A., TeamSystem Communication S.r.l., Danea Soft S.r.l., Madbit Entertainment S.r.l., Euresys S.r.l., Aliaslab S.p.A., Mondora S.r.l., Evols S.r.l., Netlex S.r.l., Cassanova S.r.l. and Evolution Fit S.r.l.). As previously stated in the paragraph on "Basis of consolidation", the Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by non-controlling interest holders of the acquiree. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous existence of put and call clauses, the investee is consolidated and the estimated amount of the exercise price under the put and call agreements is included in the cost of the acquisition and contributes to the determination of goodwill; recognition is then made of a liability due to non-controlling interest holders ("vendor loan"), which is subject to fair value measurement and subsequent changes therein.

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

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

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

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

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

20. INVENTORIES

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

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

20. INVENTORIES (Continued)

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

21. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

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

22. TAX RECEIVABLES

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

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

22. TAX RECEIVABLES (Continued)

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

Advances and tax credits consist of:

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

23. OTHER CURRENT RECEIVABLES

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

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

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

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

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

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

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

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
31 Dec 2016 - Restated	**5,450**	**636,720**	**(3)**	**0**	**(75,771)**	**566,396**	**1,060**	**567,456**
Profit (Loss) allocation		(75,771)			75,771	0		0
TeamSystem Holding S.p.A. distribution of reserves		(1,279)				(1,279)		(1,279)
Change in Non controlling interests IFRS 3			(823)			(822)	(157)	(980)
Dividends						(0)	(227)	(227)
Profit (Loss) on comprehensive income		84		–	(57,134)	(57,050)	347	(56,702)
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**

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

The decrease in Other reserves (€ 76,966 thousand) mainly relates to:

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

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

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

25. STAFF LEAVING INDEMNITY

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

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

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

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

25. STAFF LEAVING INDEMNITY (Continued)

In accordance with IAS 19, the staff leaving indemnity is considered to be a defined benefit plan to be accounted for by applying the "Projected Unit Credit Method," which consists of discounting an estimate of the amount to be paid to each employee on termination of their employment and the consequent determination of:

- initial DBO, that is, the present value of employee service payments expected to be made in the future, already available at the beginning of the period;

- service cost, that is, the present value of expected future employee service relating to services provided in the current period;

- interest cost, namely, interest on the provision at the beginning of the period and on corresponding movements in the period being considered;

- benefits paid and transfers in/out represent all payments and transfers in and out relating to the period being considered, being elements that lead to the utilisation of the provision

- the actuarial gain / loss, namely, the actuarial gain/loss relating to the valuation period.

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

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

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

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

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

26. PROVISIONS FOR RISKS AND CHARGES

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

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

26. PROVISIONS FOR RISKS AND CHARGES (Continued)

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

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

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

27. CURRENT TAX LIABILITIES

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

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

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

28. OTHER CURRENT AND NON-CURRENT LIABILITIES

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

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

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

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

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

29. FINANCIAL INSTRUMENTS AND IFRS 7

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

Foreign exchange risks

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

Similarly, due to the insignificance of the amounts concerned, the risk arising from the translation of foreign currency financial statements for consolidation purposes is also insignificant.

Credit risk

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

29. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

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

a) the control and assessment of credit standing;

b) a control of the flow of receipts;

c) taking appropriate action by issuing reminders and by the use of credit collection procedures, including recourse to companies specialised in debt recovery.

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

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

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

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

Interest rate risk

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

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

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

Liquidity risk

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

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

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

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

29. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

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

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

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

Financial instruments by category (IFRS 7 paragraph 8)

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

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

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

29. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

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

KEY TO FINANCIAL INSTRUMENT CATEGORIES

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

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

Levels of fair value hierarchy

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

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

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

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

29. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

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

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

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

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

Vendor loan Sensitivity - 2017

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

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

Guarantees provided

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

- pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.;
- assignment by way of security of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.;
- assignment by way of security of TeamSystem S.p.A.'s receivables arising from the purchase agreement dated 7 December 2015 in connection with the acquisition of TeamSystem Group completed in 2016;
- pledge over 100% of the shares of Gruppo Euroconference S.p.A. held by TeamSystem S.p.A.;
- pledge over industrial property rights of TeamSystem S.p.A.; and

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

30. GUARANTEES PROVIDED, COMMITMENTS AND OTHER CONTINGENT ASSETS AND LIABILITIES (Continued)

- special lien pursuant to Art. 46 of Legislative Decree 385/1993 over movable assets owned by TeamSystem S.p.A.

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

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

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

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

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

Other significant commitments and contractual rights

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

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

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

Operating and property lease arrangements

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

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

30. GUARANTEES PROVIDED, COMMITMENTS AND OTHER CONTINGENT ASSETS AND LIABILITIES (Continued)

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

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

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

Other commitments and contingent assets/liabilities

The Group companies, in the performance of their activities, are exposed to a series of legal, tax and other risks. These risks relate to ongoing legal disputes (the outcome of which cannot be forecast with certainty) or claims made against Group companies for the recovery of damages suffered by third parties. An adverse outcome of these proceedings could lead to the payment of costs not covered (or not fully covered) by insurance with a consequent impact on the financial position.

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

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

Investments in associates

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

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

(*) = the company was incorporated in 2017;

(**) = figures updated to 31 December 2016 financial statements.

Investments in subsidiaries with material non-controlling interests

As required by IFRS 12, a summary is provided below of information concerning the Group's principal subsidiaries with material non-controlling interests. The amounts shown in the following tables are before intercompany eliminations and consolidation entries.

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

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

Note that the percentage holding in the subsidiaries is the actual percentage held by the Group at the reporting date, without taking account of the impact of vendor loan agreements entered into by the Group (further details are provided in the paragraphs on "Scope of consolidation" and on "Basis of consolidation").

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

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

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

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

Euro thousands

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

Euro thousands

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

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

Emoluments

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

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

(*) = 2017 Figueres do not include 2017 bonuses

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

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

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

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

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

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

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

Associates

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

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

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

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

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

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

Related companies

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

33. INDEPENDENT AUDITORS

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

34. MANAGEMENT AND COORDINATION

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

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

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

(expressed in Euro)

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

(expressed in Euro)

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

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

34. MANAGEMENT AND COORDINATION (Continued)

(expressed in Euro)

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

35. SUBSEQUENT EVENTS

Outsourcing of standard hardware and systems

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

Definitive purchase of “MynPrivacy” software and related rights

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

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

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

Acquisition of MMdata Informatica S.r.l.:

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

35. SUBSEQUENT EVENTS (Continued)

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

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

Milan, 28 February 2018

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

Deloitte.

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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

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concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of TeamSystem Holding S.p.A. or the termination of the business or have no realistic alternatives to such choices.

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Jessica Lanari
Partner

Ancona, Italy
March 2, 2018

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

TeamSystem Holding S.p.A.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Euro thousands

	31 Dec 2016	NOTES
Revenue	227,202	1 / 2
Other operating income	2,193	1 / 2
TOTAL REVENUE	**229,395**	1 / 2
Cost of raw and other materials	(22,602)	3
Cost of services	(46,542)	4
Personnel costs	(79,019)	5
-of which non recurring	(1,261)	
Other operating costs	(4,961)	6
Non recurring expenses	(18,366)	7
Depreciation and amortization of non current assets	(54,247)	12 / 13
Allowance for bad debts	(3,595)	20
Other provisions for risks and charges	(457)	
OPERATING RESULT	**(393)**	
Share of Profit (Loss) of associates	(114)	
Finance income	117	8
Finance cost	(76,863)	9
-of which non recurring	(23,953)	
PROFIT (LOSS) BEFORE INCOME TAXES	**(77,253)**	
Current income tax	(13,652)	10
Deferred income tax	15,430	10
-of which non recurring	2,795	10
TOTAL INCOME TAX	**1,778**	
PROFIT (LOSS) FOR THE YEAR	**(75,475)**	
(Profit) Loss for the year - Non controlling interests	**(296)**	
PROFIT (LOSS) FOR THE YEAR - OWNERS OF THE COMPANY	**(75,771)**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro thousands	31 Dec 2016	NOTES
PROFIT (LOSS) FOR THE YEAR	**(75,475)**	
Actuarial evaluation of Staff leaving indemnity	(761)	**24**
Tax effect	183	**24**
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX	**(579)**	
Exchange rate differences	(6)	
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**(6)**	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(76,060)**	
Total comprehensive (income) loss for the year attributable to Non controlling interests	(290)	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR—OWNERS OF THE COMPANY	**(76,351)**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro thousands	31 Dec 2016	NOTES
ASSETS		
Tangible assets	13,385	**12**
Intangible assets	735,596	**13**
Goodwill	725,340	**14**
Other Investments	335	**16**
Investments in associates	331	**16**
Deferred tax assets	13,732	**17**
Other financial assets - non current	250	**18**
TOTAL NON CURRENT ASSETS	**1,488,969**	
Inventories	1,422	**19**
Trade receivables	103,367	**20**
Tax receivables	1,752	**21**
Other receivables - current	14,788	**22**
Other financial assets - current	1,145	**18**
Cash and bank balances	19,406	**18**
TOTAL CURRENT ASSETS	**141,879**	
TOTAL ASSETS	**1,630,848**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro thousands	31 Dec 2016	NOTES
EQUITY AND LIABILITIES		
Share capital	5,450	**23**
Other reserves	636,717	**23**
Profit (Loss) attributable to Owners of the Company	(75,771)	**23**
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**566,396**	
Non controlling interests - Capital and reserves	764	**23**
Non controlling interests - Profit (Loss)	296	**23**
TOTAL NON CONTROLLING INTERESTS	**1,060**	
TOTAL EQUITY	**567,456**	
Financial liabilities with banks and other institutions - non current	640,000	**18**
Financing Fees - non current	(24,828)	**18**
Other financial liabilities - non current	81,497	**18**
Staff leaving indemnity	18,478	**24**
Provisions for risks and charges	3,906	**25**
Deferred tax liabilities	198,874	**17**
Other liabilities - non current	698	**27**
TOTAL NON CURRENT LIABILITIES	**918,625**	
Financial liabilities with banks and other institutions - current	47,945	**18**
Financing Fees - current	(10,640)	**18**
Other financial liabilities - current	10,893	**18**
Trade payables	33,710	
Tax liabilities - current	5,834	**26**
Other liabilities - current	57,025	**27**
TOTAL CURRENT LIABILITIES	**144,767**	
TOTAL LIABILITIES	**1,063,392**	
TOTAL EQUITY AND LIABILITIES	**1,630,848**	

CONSOLIDATED STATEMENT OF CASH FLOWS

Euro thousands	31 Dec 2016	NOTES
Operating Result	**(393)**	
Depreciation and amortisation of non-current assets	54,247	
Amortisation, Depreciation, Write-off, Impairment	**54,247**	
Trade receivables	68,112	
Inventories	50	
Other receivables - current	1,754	
Trade payables	(143)	
Other liabilities - current	(67,477)	
Other liabilities - non current	(52)	
Change in Working capital	**2,245**	
Staff leaving indemnity	(617)	
Provisions for risks and charges	(39)	
Change in provisions	**(656)**	
Income tax	**(12,606)**	
CASH FLOWS FROM OPERATING ACTIVITIES	**42,836**	
Tangible assets	(3,118)	
Intangible assets	(3,607)	
Capitalized development costs - personnel costs	(8,080)	
Capitalized development costs - service costs	(2,414)	
Capital Expenditure	**(17,219)**	
Acquisition of investments	(811,698)	**11**
Cash and bank balances at the date of acquisition	37,594	**11**
Acquisition of investments	**(774,105)**	
CASH FLOWS FROM INVESTING ACTIVITIES	**(791,324)**	
Financial balance paid / cashed-in and change in financial assets / liabilities	**171,508**	**11**
Financing Fees paid	**(39,639)**	
Vendor loan paid	**(6,575)**	**11**
Dividends paid	**(163)**	
Other changes in Equity	**642,700**	
CASH FLOWS FROM FINANCING ACTIVITIES	**767,832**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES	**19,344**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES DUE TO EXCHANGE RATE MOVEMENTS	**13**	
CASH AND BANK BALANCES - BEGINNING OF THE YEAR	**50**	
CASH AND BANK BALANCES - END OF THE YEAR	**19,407**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

▶ ACQUISITION OF THE PREVIOUS TEAMSYSTEM GROUP BY PRIVATE EQUITY FUNDS ADVISED BY HELLMAN & FRIEDMAN

On 1 March 2016, private equity funds advised by Hellman & Friedman ("H&F") acquired a controlling interest in TeamSystem Group (inclusive of HGCapital LLP, the majority shareholder) from the previous shareholders (the "Acquisition"). On completion of the transaction, the private equity funds affiliated with Hellman & Friedman held an interest in TeamSystem Group of 87.89%, whereas the remaining interest of 12.11% was held by HGCapital LLP (8.54%), which remained as a holder of a non-controlling interest, and by senior and middle Management of TeamSystem Group (3.57%) – with the conditions applicable to the latter being the same as for the other shareholders.

More specifically, on 1 March 2016, 100% of the share capital of TeamSystem Holding S.p.A., TeamSystem Group's holding company, was acquired by Barolo Bidco S.p.A., a special purpose vehicle and an indirect subsidiary of equity funds advised by Hellman & Friedman. As a consequence of this transaction, the € 45 million revolving credit facility (made available to TeamSystem S.p.A. in 2013) was cancelled and Barolo Bidco S.p.A. took out a line of credit of € 65 million, which was made available to TeamSystem Group to finance its cash needs. Barolo Midco S.p.A. (the direct parent company of Barolo Bidco S.p.A.) then issued € 150 million of floating rate notes, to partly fund the consideration of € 771.1 million for the acquisition of the share capital of TeamSystem Holding S.p.A. The remainder of the purchase price was financed via equity funding provided by Hellman & Friedman, HGCapital LLP and TeamSystem Group Management. Subsequently, on 20 May 2016, Barolo Bidco S.p.A. issued € 450 million of floating rate notes (subsequently increased to € 490 million on 22 December 2016) and, on the same date, TeamSystem Holding S.p.A. redeemed the outstanding corporate bond, which had been issued in prior years, of € 430 million.

Subsequent to the Acquisition, on 6 October 2016, a reverse merger took place involving TeamSystem S.p.A. (surviving company), TeamSystem Holding S.p.A. and Barolo Bidco S.p.A. (the latter two being absorbed companies, which were extinguished as of the merger's effective date for legal purposes). The effective date for accounting purposes was backdated to 1 March 2016, the date on which Barolo Bidco S.p.A. effectively acquired ownership of TeamSystem Group. After the transactions described above, Barolo Midco S.p.A., the new parent and holding company of TeamSystem Group, was renamed TeamSystem Holding S.p.A.

The decision to proceed with a reverse merger was due to the need for the largest operating company within TeamSystem Group to retain all its own complex legal relationships and licences, thus simplifying and avoiding the administrative burden of transferring licences and approvals, as well as substituting the company in all of its commercial relationships.

Barolo Midco S.p.A., which was subsequently renamed TeamSystem Holding S.p.A. as described above, was formed on 1 December 2015 and has not thus prepared financial statements for the 2015 financial year (neither separate nor consolidated, given that it did not hold any equity investments at 31 December 2015); as a consequence of the foregoing, no comparatives have been presented for the year ended 31 December 2015. The Consolidated Statements of Profit or Loss include the results of the previous TeamSystem Group for 10 months, from the acquisition date (1 March 2016) to the closing date of 31 December 2016.

▶ COMPANY BACKGROUND

TeamSystem Holding S.p.A. (formerly Barolo Midco S.p.A.) is a company registered with the Pesaro Business Register, it is domiciled in Italy and its registered office is 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).

▶ COMPANY BACKGROUND (Continued)

The company is a 100% directly held subsidiary of Barolo Lux 1 S.à.r.l., it is a 87.89% indirectly held subsidiary of the private equity firm Hellman & Friedman and is for 8.54% held by the private investment firm HGCapital LLP, with the remainder held by TeamSystem's senior and middle managers (3.57%).

The consolidated financial statements were approved by the Board of Directors on 18 April 2017.

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▶ ACCOUNTING STANDARDS ADOPTED

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

IFRS is intended to mean all "International Financial Reporting Standards", all International Accounting Standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as Standing Interpretations Committee ("SIC") endorsed by the European Commission at the date of approval of the draft consolidated financial statements by the Parent Company's Board of Directors and covered by EU Regulations published at that date.

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

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▶ GOING CONCERN BASIS

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

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▶ CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include:

1. **A consolidated statement of profit or loss** for the year ended 31 December 2016. As indicated before the Consolidated Statement of Profit or Loss is related to the period from 1 March to 31 December, for 10 months. In particular, it should be noted that the consolidated statement of profit or loss format presents an analysis of costs aggregated by nature, since this classification is considered to be more relevant for the purposes of an understanding of TeamSystem Group's results. Moreover, since no discontinued or similar operations occurred in 2016, profit (loss) for the year is derived solely from continuing operations; consequently, the Group has not presented profit (loss) for the year from continuing operations since, as indicated, this coincides with profit (loss) for the year.
2. **A consolidated statement of comprehensive income** for the year ended 31 December 2016. In fact, IAS 1 requires that the statement of changes in equity has to evidence only changes generated by transactions with shareholders along with comprehensive income as defined below. The statement of comprehensive income begins with the profit or loss for the year followed by a

▶ CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

section on other components of comprehensive income recognised directly in equity and then comprehensive income for the year, being the total profit (loss) for the year and other components of comprehensive income. The other comprehensive income section presents revenue and expense line items grouped between those items that will not be reclassified to profit and loss in subsequent periods and those that, on the fulfilment of certain predetermined conditions envisaged by the pertinent IAS/IFRS, will be reclassified to profit and loss.

3. **A consolidated statement of financial position** at 31 December 2016. In particular, the statement of financial position sheet has been prepared using a format, in accordance with IAS 1, classified on the basis of the operating cycle, with a distinction between current and non-current components. On the basis of this distinction, assets and liabilities are considered to be current, if it is expected that they will be realised or settled during the normal operating cycle.
4. **A consolidated statement of cash flows** for the year ended 31 December 2016. The statement of cash flows is presented using the indirect method, as permitted by IAS 7, under which profit or loss for the year is adjusted for the effects of non-cash transactions, such as those arising from deferrals or allocations to provisions linked to previous or future costs and payments. The Group has decided to apply the indirect method starting with the operating result, on account of factors relating to the quality of the information provided.
5. **A consolidated statement of changes in equity** for the year ended 31 December 2016.
6. **Notes** to the consolidated financial statements.

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▶ SCOPE OF CONSOLIDATION

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

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

It should be noted that all the following figures derives from the statutory Financial Statement for period of 12 months, except for the TeamSystem S.p.A. that reports a period of 10 months, from 1 March 2016, the data on which Hellman & Friedmann effectively acquired ownership of TeamSystem:

Amounts in Euro

CONSOLIDATED COMPANIES LINE BY LINE	Registered office	Share capital	Equity	Profit (Loss)	Currency	Operating Segments	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Pesaro	5,450,000	642,798,191	48,191	EUR	SWSS			
TeamSystem S.p.A.	Pesaro	24,000,000	573,451,553	(69,102,441)	EUR	SWSS	100.00	100.00	
Lexteam S.r.l. ..	Pesaro	20,000	2,469,748	838,493	EUR	SWSS	100.00	100.00	
Metodo S.p.A.	Bassano (VI)	100,000	6,026,764	1,266,023	EUR	SWSS	90.00	100.00	1
Inforyou S.r.l. ...	Castello di Godego (TV)	31,250	3,138,534	650,525	EUR	SWSS	85.00	100.00	1

▶ SCOPE OF CONSOLIDATION (Continued)

Amounts in Euro

CONSOLIDATED COMPANIES LINE BY LINE	Registered office	Share capital	Equity	Profit (Loss)	Currency	Operating Segments	% held	% consolidation	Notes
TeamSystem Service S.r.l.	Campobasso	200,000	1,377,135	567,677	EUR	SWSS	100.00	100.00	
TeamSystem Communication S.r.l.	Civitanova Marche (MC)	23,300	23,216	(2,405)	EUR	SWSS	60.00	100.00	**1**
Danea Soft S.r.l.	Vigonza (PD)	100,000	3,896,097	2,521,611	EUR	SWSS	51.00	100.00	**1**
Digita S.r.l.	Asolo (TV)	10,000	1,087,507	579,256	EUR	SWSS	100.00	100.00	
H-Umus S.r.l.	Roncade (TV)	50,000	970,192	306,938	EUR	SWSS	100.00	100.00	
Madbit Entertainment S.r.l.	Treviolo (BG)	10,000	204,105	78,783	EUR	SWSS	51.00	100.00	**1** / **2**
ACG S.r.l.	Pesaro	100,000	1,837,016	1,737,016	EUR	SWSS	100.00	100.00	
TSS S.p.A.	Milan	7,232,000	78,260,435	3,118,605	EUR	SWSS	100.00	100.00	
Esa Napoli S.r.l.	Naples	10,000	34,735	24,735	EUR	SWSS	100.00	100.00	**8**
Lira S.r.l.	Turin	18,000	686,298	225,039	EUR	SWSS	100.00	100.00	
Euresys S.r.l.	Turin	99,000	407,843	181,733	EUR	SWSS	60.00	100.00	**1**
Mondora S.r.l.	Milan	105,000	1,206,960	747,764	EUR	SWSS	51.00	100.00	**1**
Cidiemme Informatica S.r.l.	Verona	10,000	778,208	212,764	EUR	SWSS	100.00	100.00	
Voispeed Limited	Saint Albans—UK	1,000	112,573	47,034	GBP	SWSS	85.00	85.00	**3**
TeamSystem C&D S.r.l.	Naples	10,000	114,269	(560,844)	EUR	SWSS	100.00	100.00	
Aliaslab S.p.A.	Milan	156,000	6,453,245	6,264,243	EUR	SWSS	51.00	100.00	**1**
Elaide S.r.l.	Padua	12,000	321,422	127,542	EUR	SWSS	51.00	51.00	**4**
Reviso International ApS	Copenhagen	50,011	(1,178,001)	(6,326,763)	DKK	SWSS	100.00	100.00	
Reviso Cloud Accounting Limited	Reading	1	6,136	6,135	GBP	SWSS	100.00	100.00	**5**
Reviso Soluciones Cloud S.L.	Madrid	3,000	3,855	1,409	EUR	SWSS	100.00	100.00	**5**
Reviso Deutschland GmbH	Berlin	25,000	28,106	3,106	EUR	SWSS	100.00	100.00	**5**
Gruppo Euroconference S.p.A.	Verona	300,000	9,174,844	1,676,018	EUR	Education	96.87	96.87	**6**
Nuovamacut Automazione S.p.A.	Reggio Emilia	108,000	5,880,058	2,162,043	EUR	CAD/CAM	100.00	100.00	
Nuovamacut Nord Ovest S.r.l.	Reggio Emilia	89,957	2,640,600	1,487,817	EUR	CAD/CAM	86.34	86.34	**7**
Nuovamacut Centro Sud S.r.l.	Rome	10,000	398,825	238,277	EUR	CAD/CAM	70.00	70.00	**7**

▶ SCOPE OF CONSOLIDATION (Continued)

Amounts in Euro

CONSOLIDATED COMPANIES EQUITY METHOD	Registered office	(**) Share capital	(**) Equity	(**) Profit (Loss)	Currency	Operating Segments	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	105,461	(44,578)	EUR	n.a.	40.00	40.00	**8**
Mondoesa Lazio S.r.l.	Frosinone	20,800	293,828	19,181	EUR	n.a.	35.00	35.00	**8**
Mondoesa Milano Nordovert S.r.l.	Milan	50,000	42,246	(7,754)	EUR	n.a.	49.00	49.00	**8**
Cesaco S.r.l.	Vicenza	90,000	175,692	9,112	EUR	n.a.	48.00	48.00	**8**
Aldebra S.p.A.	Trento	1,398,800	1,441,778	(183,435)	EUR	n.a.	17.65	17.65	**8**

(1) = equity interest would be 100% should PUT/CALL option be exercised;

(2) = investment held by Danea Soft S.r.l.;

(3) = investment held by TeamSystem Communication S.r.l.;

(4) = investment held by Aliaslab S.p.A.;

(5) = investment held by Reviso International ApS;

(6) = takes account of treasury shares held by Gruppo Euroconference;

(7) = investment held by Nuovamacut Automazione S.p.A.;

(8) = investment held by TSS S.p.A.

(**) = the amounts relate to the financial statements for the year ended 31 December 2015.

Acquisitions completed in 2016

In addition to the Acquisition that took place on March 2016 and previously commented, which gave rise to a change in the ultimate parent company of TeamSystem Group (from HGCapital LLP to the private equity firm Hellmann & Friedman), the following further acquisitions have taken place, as a result of which the scope of consolidation has changed with respect to that at 1 March 2016 (and with respect to that previously pertaining to TeamSystem Group):

- On 11 March 2016, TeamSystem Group completed the acquisition of a 60% interest in Euresys, a company that has operated in the HR management software market for more than twenty years. The consideration paid was € 1.2 million. The remaining 40% will be acquired subsequently through a put and call option mechanism. The software solutions offered by Euresys permit the complete management of human resources within any Italian business thanks to its advanced capabilities in the following areas: attendance records, management of CVs and career paths, expense claims and access control. The company brings with it consolidated experience in the HR sector with more than 2,300 active customers in Italy. Its flagship products enable a more attentive and efficient management of human capital and are capable of interfacing in real time with TeamSystem's management software.
- On 11 March 2016, TeamSystem Group completed the acquisition of a 100% interest in Lira, TeamSystem Group's historical Turin-based dealer, which focuses mainly on the accountants sector. The consideration paid was € 2 million. Lira brings with it skills, know-how and direct experience with customers that will add to those of the Group's north west hub.
- In April and May 2016, TeamSystem Group completed the acquisition of a 100% interest in ECI Denmark ApS (which changed its name to Reviso International ApS in June 2016), a Danish software house that has developed Cloud-SaaS-native accounting and invoicing software designed mainly for small and medium-sized enterprises. The acquisition of ECI Denmark APS represents a fundamental pillar of the Group's cloud strategy that will reinforce the product range offered.

▶ SCOPE OF CONSOLIDATION (Continued)

- On 15 June 2016, TeamSystem completed the acquisition of a 51% interest in Mondora S.r.l., a company which develops and markets advanced cloud/Saas solutions using programming techniques. The remaining 49% will be acquired subsequently through a put and call option mechanism. Mondora will contribute to TeamSystem Group by bringing new capabilities for the development of advanced cloud/Saas solutions and strategic expertise needed to achieve ambitious cloud growth targets. It will also be a key player for the implementation of HUB B2B and other SaaS/cloud solutions that will be sold through TeamSystem S.p.A.'s commercial channels.
- On 15 June 2016, TeamSystem S.p.A. completed the acquisition of a 100% interest in Cidiemme Informatica S.r.l., a company that has developed strong capabilities and which holds a "AV2000" licence. The company will add to TeamSystem S.p.A. a consolidated customer base of wine producers and a high quality skill set focused on sales, delivery and development of IT solutions for the wine sector with the aim of sales growth and enhancement of "Alyante Vitivinicolo", TeamSystem S.p.A. software designed for wine production.
- On 3 October 2016, TeamSystem Group, through its subsidiary Danea Soft, completed the acquisition of a 100% interest in the IT division of Alké (Easyfatt Dev S.r.l.), which is specialised in the development of management software for microenterprises. The transaction gave rise to the insourcing of a strategic supplier to the Group.
- In September 2016, Inforyou S.r.l. completed the acquisition of a 100% interest in Informatica Veneta S.r.l., which is mainly focused on the sale of cloud software for gyms and wellness centres. Thanks to its SaaS/Cloud technology related skills and know-how, Informatica Veneta S.r.l. has contributed a portfolio of 250 active customers to TeamSystem Group.
- On 12 December 2016, TeamSystem S.p.A. acquired a 100% interest in TeamSystem C&D S.r.l. (a TeamSystem S.p.A. dealer) for a consideration of € 2.2 million.

  At the end of 2014, an agreement had been entered into with the dealer TeamSystem C&D S.r.l., whereby the owners of the latter granted TeamSystem S.p.A. a call option, by means of which, at predetermined due dates, the latter would have been able to acquire a 100% interest in TeamSystem C&D.
- On 22 December 2016, TeamSystem acquired a 51% controlling interest in AliasLab, a company specialised in electronic signature and authentication services, with distinctive market positioning in Italy and with total revenue for 2016 of approximately € 13.5 million. The remaining 49% will be acquired subsequently through a put and call option mechanism. The transaction has made it possible for TeamSystem to leverage a series of solutions and state-of-the-art skills at European level and to immediately become a significant player in a market, such as that for digital signatures, which is destined to quadruple its value in Europe by 2020.

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▶ REFERENCE DATE

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

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

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▶ BASIS OF CONSOLIDATION

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

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

Business combinations

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

All other costs associated with a transaction are expensed.

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

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

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

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

TeamSystem Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by minority owners of the acquiree. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated, since the substance of the binding option agreement is that of the payment of deferred consideration for part of the investee's capital, as evidenced by a series of transactions completed in the past. Accordingly, the estimated value of the exercise price of the put / call is included in the cost of acquisition and contributes to the overall determination of goodwill. This accounting method applies only where the Group has acquired majority control of the voting rights of the companies acquired and where no doubt exists as to the distribution of relevant amounts of dividends in the

▶ BASIS OF CONSOLIDATION (Continued)

period up to the date the option is exercised. In view of the recognition of goodwill related to these options, TeamSystem Group accounts for, as financial liabilities, the payable (so-called vendor loan) related to the estimated actual consideration for the exercise of the options. In accordance with this principle, subsequent changes in the fair value of the payable, due to amendments made to the initial assessment of the exercise consideration, are recognised in the consolidated income statement, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. In the absence of clear accounting rules for the recognition of non-controlling interests where put and call agreements exist, as well as on account of ongoing issues being debated by IFRIC and IASB, the Group has decided to use the accounting method described above that complies with the regulatory framework and current doctrine.

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

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

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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 31 December 2016 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 use the Danish Krone (DKK).

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

EXCHANGE RATES	Average 2016	31 Dec 2016
GBP	0.81948	1.25000
DKK	7.44519	7.43440

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▶ ACCOUNTING POLICIES

Set out below are the accounting policies adopted by the Group for the measurement of the components of the financial statements for the year ended 31 December 2016.

▶ ACCOUNTING POLICIES (Continued)

Research and development expenses

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

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

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

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

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

Customer relationship

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

Proprietary software

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

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

Third party software licenced for internal use

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

Brands

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

Goodwill

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

▶ ACCOUNTING POLICIES (Continued)

In accordance with applicable IFRSs, goodwill is not amortised, but is allocated to its respective Cash Generating Unit (hereinafter "CGU") and subjected annually (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to impairment testing in accordance with IAS 36 "Impairment of Assets".

Subsequent costs

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

Amortisation

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

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

Tangible fixed assets

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

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

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

Leased assets

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

▶ ACCOUNTING POLICIES (Continued)

order to produce a constant periodic interest rate on the remaining balance of the liability. Financial charges are expensed in the year.

Investments in other companies

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

Investments in associates

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

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

Inventories

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

Trade receivables

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

Cash and bank balances

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

Assets and liabilities classified as held for sale

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

No discontinued or similar operations occurred in 2016 and, accordingly, these financial statements do not present any assets and liabilities classified as held for sale.

Foreign currency transactions

The functional and presentation currency of the Group companies is the Euro. As required by IAS 21, amounts originally denominated in foreign currency are translated at exchange rates ruling at the year

▶ ACCOUNTING POLICIES (Continued)

end. Exchange differences realised on the collection of foreign currency receivables and on the payment of foreign currency payables are recognised in the consolidated statement of profit of profit or loss.

Writedowns (Impairment)

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

The carrying amounts of other assets, of financial instruments covered by IAS 39 and of deferred tax assets (IAS 12), are tested for impairment annually (or more frequently if events occur or changes in circumstances indicate that an asset may be impaired) to determine whether there is an indication that an asset may be impaired. The estimated recoverable amount is represented by the higher of value in use or fair value less costs to sell. For the purposes of assessment, assets are grouped into the smallest identifiable unit for which Management is capable of separating the related cash inflows (CGU).

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

The Group’s CGUs, as identified by Management at 31 December 2016 are the following:

- **Software and Services (SWSS) CGU**, consisting of all TeamSystem Group companies operating in the software sector;
- **CAD/CAM CGU** (relating to Nuovamacut Group companies); and
- **Education CGU** (consisting of Gruppo Euroconference S.p.A.).

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

Interest bearing financial liabilities

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

Hedging instruments

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

At the start of a hedging transaction, the Group designates and formally documents the hedging relationship to which it intends applying hedge accounting, its risk management objectives and the strategies pursued. The documentation includes the identification of the hedging instrument, of the element or transaction subject to hedging, of the nature of the risk and the means by which the business intends assessing the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged element or in the cash flows attributable to the hedged risk. It is expected that

▶ ACCOUNTING POLICIES (Continued)

these hedges are highly effective in offsetting the hedged exposure or changes in the hedged cash flows attributable to the hedged risk. The assessment of whether these hedges have been proven to be highly effective is performed on a continuous basis during the financial year in which they have been designated. The transactions that satisfy the criteria for cash flow hedge accounting are accounted for on the basis of the following policy.

The portion of the gain or loss on the hedging instrument relating to the effective hedge is taken directly to equity, whereas the non effective portion is immediately recognised in the consolidated statement of profit or loss. The gain or loss included in equity is reclassified to the consolidated statement of profit or loss in the year in which the hedged transaction impacts the consolidated statement of profit or loss, that is, when the financial charge or income is recognised. If it is believed that the envisaged transaction will no longer take place, the amounts initially recorded in equity are transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold or annulled or if its designation as hedging is revoked, the amounts previously included in equity remain as such until such time as the expected transaction takes place.

Employee benefit plans

1. Defined contribution plans

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

2. Defined benefit plans

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

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

Provisions for risks and charges

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

Trade and other payables

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

▶ ACCOUNTING POLICIES (Continued)

Revenue

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

Software and services operating segment (SWSS)

Direct channel

Software licences: revenue from sales of software licenses is recognised on the delivery date on account of the fact that all contractual obligations have normally been fulfilled and there are no rights of return or acceptance clauses. In the event that a sale agreement provides for more than one revenue component, such as maintenance and assistance, the revenue arising from these components is separately identifiable in the agreement.

Maintenance and customer support: maintenance and support agreements, which include software updates, helplines and direct support, generally cover a twelve-month period and related revenue is recognised on a straight line basis over the contract term, with recognition of the revenue component pertaining to future years as deferred income.

Hardware and other products: revenue from hardware components and other products purchased from third parties is recognised on the delivery date on account of the fact that all contractual obligations have normally been fulfilled and there are no rights of return or acceptance clauses.

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

Indirect channel

VAR (value added reseller) agreements:
These agreements generally cover a three-year period and include a fixed fee that grants VARs the right to download an unlimited number of software licenses and to receive software updates and system support services. Revenue arising from these agreements is invoiced on a quarterly or annual basis and is recognised on a straight line basis over the agreement term.

Software licences: revenue from sales of software not covered by VAR agreements (see previous paragraph) is recognised on the delivery date on account of the fact that all contractual obligations have normally been fulfilled and there are no rights of return or acceptance clauses.

As regards sales of additional feature licenses as TALs (temporary annual licenses), whereby downloads are made directly from the VAR's website, revenue is recognised on the download date for new licenses and on a straight line basis for renewals which automatically take place at the beginning of each year.

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

Education operating segment

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

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

▶ ACCOUNTING POLICIES (Continued)

Integrated information systems: this revenue includes newsletter subscriptions and technical update documents, which generally cover a twelve-month period. Related revenue is recognised over the subscription agreement term, with the recognition of the portion of revenue pertaining to future years as deferred revenue.

CAD/CAM operating segment

Software licences: revenue from sales of software licenses is recognised on the delivery date on account of the fact that all contractual obligations have normally been fulfilled and there are no rights of return or acceptance clauses. In the event that a sale agreement provides for more than one revenue component, such as maintenance and assistance, the revenue arising from these components is separately identifiable in the agreement.

Maintenance and support agreements: maintenance and support agreements, which include software updates, helplines and direct support, generally cover a period that may range from one to three years and related revenue is recognised on a straight line basis over the contract term, with recognition of the revenue component pertaining to future years as deferred income.

Grants

Government grants are recognised when there is reasonable certainty that they will be received and that all related conditions will be met. Government grants towards cost components are recognised as income, but are systematically allocated to the financial year, in order to match the costs they are intended to offset. For grants towards the cost of an asset, the asset and the grant are recognised at their nominal value and the release to income takes place gradually, on a straight line basis, over the expected useful life of the asset.

Where a non cash grant is received, the asset and the contribution are recognised at their nominal value and are released to income on a straight line basis over the expected useful life of the asset.

Dividends

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

Rent and operating lease charges

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

Finance income and costs

Financial income and costs are recognised in profit or loss on an accruals basis.

Current and deferred taxation

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

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

▶ ACCOUNTING POLICIES (Continued)

Non-recurring items

TeamSystem Group has disclosed profit and loss components deemed to be non-recurring, since they pertain to events or transactions, the occurrence of which is non-recurring, that is, resulting from transactions or facts that are not repeated frequently in the normal conduct of business activities and that are of an abnormal nature. The more significant components include:

- Non-recurring cost of services (such as tax and legal advice, acquisition advisory costs etc.) and non-recurring personnel costs (linked to restructuring of the Group's workforce). Specifically, in 2016, a significant component of non-recurring cost of services related to costs incurred for the Acquisition of TeamSystem Group by private equity funds advised by H&F, as described previously;
- Non-recurring finance costs, also attributable to a large extent to the Acquisition, which gave rise to a change in the financial structure, with a consequent writedown of finance costs linked to the existing Notes and which had not yet been amortised at the date the debt was replaced, as well as to costs and penalties incurred for the early redemption of the Notes;
- Non-recurring taxation arising from unusual changes in income and deferred tax. Specifically, in 2016, the non-recurring tax component related to the derecognition of the deferred tax liability relating to costs incurred for the issue of Senior Secured Notes redeemed during the year. The deferred tax had been treated as tax deductible on a cash basis (as permitted by applicable legislation) whereas, for statutory accounting purposes, it was being amortised over the term to maturity of the Bond to which it related.

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▶ EARNINGS PER SHARE

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

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▶ SEGMENT INFORMATION

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which discrete financial information is available.

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

- **Software and Services (SWSS)**, that is, the operating segment consisting of all the Group companies operating in the software production/marketing sector;
- **Education**, that is, the segment consisting of companies operating in the professional training sector, consisting of Gruppo Euroconference S.p.A.;
- **CAD/CAM**, that is, the operating segment relating to Nuovamacut Group companies.

▶ SEGMENT INFORMATION (Continued)

The companies acquired in 2016 have been classified within the Software and Services (SWSS) operating segment, taking account of the characteristics of the products and services offered and the nature of the activities that they carry out.

Note that, following the entry of the new majority shareholder, H&F, TeamSystem Group's operating segments and the management reporting related thereto are being subjected to an in-depth review. At the date of preparation of these financial statements, the statements of profit and loss and the statements of financial position were still being drawn up and the associated reports were still to be finalised; since the redesign of the Group's reporting structure is still ongoing, use was made of the Group's historical CGUs for the purpose of IFRS 8 disclosure requirements and for impairment tests at 31 December 2016.

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▶ USE OF ESTIMATES

The preparation of consolidated financial statements requires the Group to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss and consolidated statement of cash flows, as well as the disclosures provided. The actual amounts of the financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.

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

- Business combinations (IFRS 3) and measurement of assets acquired and liabilities assumed: the process of allocation of the cost of a transaction to the assets of TeamSystem Group following a business combination is based on estimates and assumptions derived from Management's professional judgement. Professional judgement is also used to determine the most appropriate methodologies for the measurement of assets acquired and liabilities assumed (including contingent assets and liabilities) and in certain cases provisional initial recognition has been opted for, as permitted by the applicable accounting standard.

- Goodwill and other intangible assets: goodwill and other intangible assets with an indefinite useful life (none of the latter existed as at the reporting date) are tested annually for impairment and during the course of the year if there is any indication thereof. Other intangible assets are tested annually for impairment when there are indications that the carrying amount may not be recovered. When value in use needs to be computed, the Directors estimate the cash flows expected from an asset or from the cash generating unit and choose a discount rate in order to calculate the present value of the cash flows. Accordingly, the impairment test for fixed assets is performed using forecasts, which are naturally subject to uncertainty, of cash flow included in business plans approved by the relevant Boards of Directors or in projections prepared by management of the Group companies in periods in which the business plan has not been updated for the insights needed to make strategic choices.

▶ USE OF ESTIMATES (Continued)

- Development expenses: the initial capitalisation of costs is subject to confirmation of the judgement of Directors as to the technical and economic feasibility of the project, usually when the project has achieved a precise phase of the development plan. To determine the amount to be capitalised, the Group applies various assumptions regarding expected future cash flows from the asset, the discount rate to apply and the periods in which the expected benefits will occur.
- Employee benefits: The cost of employee benefit plans is determined using actuarial assessments. An actuarial assessment requires the application of assumptions with respect to discount rates, the expected yield from investments, future wage increases, mortality rates and future increases in pensions. Due to the long term nature of these plans, the estimates are subject to a significant degree of uncertainty;
- Vendor loan: this represents the estimated liability with respect to put and call options or earn-out agreements relating to non-controlling holdings in the Group. It is accounted for at its estimated fair value, having applied various assumptions regarding the estimated indicators that form the basis for its computation and the expected timing of disbursements. The nominal value of the exercise price of the vendor loan is then discounted at the reporting date by applying the relevant discount rate which is the same as that adopted for the cost of debt component in impairment tests.
- Deferred tax assets: Deferred tax assets are recognised for all temporary differences and tax loss carryforwards, to the extent that it is probable that there will be sufficient taxable profits against which the losses may be used. A significant discretional assessment is required of directors to determine the amount that can be accounted for as a deferred tax asset. They have to estimate the probable timing and the amount of future taxable profits, as well as a planning strategy for future taxation. Further details are provided in the paragraphs which follow.

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▶ ROUNDING

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

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

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▶ ALTERNATIVE NON-IFRS PERFORMANCE INDICATORS

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

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

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

▶ ALTERNATIVE NON-IFRS PERFORMANCE INDICATORS (Continued)

ADJUSTED EBITDA =	calculated as EBITDA (as defined above) without taking account of the allowance for bad debts.
NET WORKING CAPITAL =	calculated as the aggregate of (i) trade receivables, (ii) inventories and (iii) other current and non-current assets, net of the aggregate of (iv) trade payables and (v) other current and non-current liabilities.
CAPEX =	**Tangible and Intangible Assets** = this is calculated as additions (to tangible and intangible assets) net of disposals and other movements; **Capitalised development costs** = this equals the cost of services and personnel costs capitalised as development costs.
NET CASH/DEBT =	calculated as the aggregate of (i) other financial assets (current and non-current) (ii) cash and bank balances and (iii) financing fees (current and non-current), net of the aggregate of (iv) financial liabilities with banks and other institutions (current and non-current) and (v) other financial liabilities (current and non-current).
NET INVESTED CAPITAL =	calculated as the aggregate of (i) tangible assets (ii) intangible assets (iii) goodwill (iv) investments (v) deferred tax assets (vi) net working capital (as defined above) and (vii) tax assets, net of the aggregate of (viii) staff leaving indemnity (ix) provision for risks and charges (x) deferred tax liabilities and (xi) tax liabilities.

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ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE AS FROM 1 JANUARY 2016

The following accounting standards, amendments and IFRS interpretations are applicable to the Group for the first time as from 1 January 2016:

- ***Amendments to IAS 19 Defined benefit plans: Employee Contributions*** (published on 21 November 2013): deals with the recognition in financial statements of contributions from employees or third parties to defined benefit plans. The adoption of the amendments has had no effect on these financial statements.
- ***Amendments to IAS 16 and to IAS 38 Clarification of acceptable methods of depreciation and amortisation*** (published on 12 May 2014): according to which a depreciation or amortisation method that is based on revenue is generally deemed to be inappropriate, given that revenue generated by an initiative that includes the use of a depreciable or amortisable asset generally reflects factors that differ from the consumption of the economic benefit of the asset, being a requirement that needs to be met for depreciation or amortisation. The adoption of the amendments has had no effect on these financial statements.
- ***Amendments to IAS 1 – Disclosure Initiative*** (published on 18 December 2014): the objective of the amendments is to clarify certain disclosure issues that could be perceived as impediments to the preparation of clear and intelligible financial statements. The adoption of the amendments has had no effect on these financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE AS FROM 1 JANUARY 2016 (Continued)

Lastly, as part of the annual process of improvements to accounting standards, on 12 December 2013 the IASB issued ***Annual Improvements to IFRSs: 2010-2012 Cycle*** (inclusive of IFRS 2 Share-based Payment – Definition of vesting conditions, IFRS 3 Business Combinations – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and on 25 September 2014 ***Annual Improvements to IFRSs: 2012-2014 Cycle*** (inclusive of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits) and which amend existing IFRSs. The adoption of the amendments has had no effect on these financial statements.

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2016

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

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

  - identification of the contract with the customer;
  - identification of the performance obligations in the contract;
  - determination of the transaction price;
  - allocation of the transaction price to the performance obligations in the contracts;
  - revenue recognition criteria when the entity satisfies a performance obligation.

  The standard is applicable as from 1 January 2018, although early application is permitted. The amendments to IFRS 15 and Clarifications to IFRS 15 – Revenue from Contracts with Customers, which were published by the IASB on 12 April 2016, have not yet been endorsed by the European Union. The Directors believe that the application of IFRS 15 may have an impact on revenue recognition and on related disclosures in the Company's financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Company has completed a detailed analysis of contracts with customers, which is ongoing, although an initial assessment phase has been completed.

- ***Finalised version of IFRS 9 – Financial Instruments*** (published on 24 July 2014). The document contains the results of the IAS 39 replacement project:

  - it introduces new criteria for the classification and measurement of financial assets and liabilities;
  - 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

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2016 (Continued)

39) using supportable information, which is available without undue cost or effort that includes historical, current and prospective figures;

- it introduces a new hedge accounting model (an increase in the types of transactions eligible for hedge accounting, a change in accounting for forwards and options included in a hedging relationship and replacement of the effectiveness test).

The new standard is effective for annual periods beginning on or after 1 January 2018.

The Directors believe that the application of IFRS 9 may have an impact on the amounts recognised and on the disclosures provided in the financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Company has completed a detailed analysis.

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

As of the reporting date, the European Union's delegated bodies had not yet concluded the endorsement process required for the adoption of the amendments and standards described below.

- ***IFRS 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 were early adopters of IFRS 15 – Revenue from Contracts with Customers. The directors believe that the application of IFRS 16 will have an impact on the recognition of lease arrangements and on related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis.

- ***Amendments to IAS 12 "Recognition of Deferred tax assets for Unrealised Losses"*** (published on 19 January 2016). The objective of the amendments is to provide clarifications about the recognition of deferred tax assets resulting from unrealised losses upon the occurrence of certain circumstances and about the estimation of future taxable income. The amendments are applicable as from 1 January 2017, although early application is permitted. The directors do not envisage that the adoption of the amendments will have a significant effect on the financial statements.

- ***Amendments to IAS 7 – Disclosure Initiative*** (published on 29 January 2016). The objective of the amendments is to provide clarifications to improve disclosures concerning financial

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION (Continued)

liabilities. Specifically, the amendments require disclosures to be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are applicable as from 1 January 2017, although early application is permitted. There is no requirement to provide comparative information. The directors do not expect the foregoing to have a significant effect on the financial statements.

- ***Amendments to IFRS 2 Classification and measurement of share-based payment transactions*** (published on 20 June 2016), which provide clarifications concerning accounting for the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement features and accounting for changes to terms and conditions of share-based payment transactions that change their classification from cash-settled to equity-settled. The amendments are applicable as from 1 January 2018, although early application is permitted. The directors do not expect the foregoing to have a significant effect on the financial statements.

- ***Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*** (published on 12 September 2016). For entities whose business predominantly consists of insurance business, the objective of the amendments is to provide clarifications about concerns arising from the application of the new standard IFRS 9 to financial assets, before the replacement by the IASB of the current standard IFRS 4 with a new standard that is currently being drafted that addresses the measurement of financial liabilities. The directors do not envisage that the adoption of the amendments will have a significant effect on the financial statements.

- ***Annual Improvements to IFRSs: 2014-2016 Cycle,*** published on 8 December 2016 (inclusive of IFRS 1 First-Time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice and IFRS 12 Disclosure of interests in other entities – Clarification of the scope of the Standard) and which amend existing IFRSs. The directors do not expect the foregoing to have a significant effect on the financial statements.

- ***IFRIC 22 Foreign currency transactions and Advance Consideration*** (published on 8 December 2016). The objective of the interpretation is to provide guidelines for foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation provides guidance on how entities should determine the date of a transaction, and, consequently, the spot exchange rate to be used when foreign currency transactions take place for which there are payments or receipts in advance. IFRIC 22 is applicable as from 1 January 2018, although early application is permitted. The directors do not expect the foregoing to have a significant effect on the financial statements.

- ***Amendments to IAS 40 Transfers of Investment Property*** (published on 8 December 2016). These amendments provide clarifications concerning transfers to, or from, investment properties. More specifically, an entity should transfer a property to, or from, investment properties only when there is evidence of a change in use of the property. The change must be attributable to a specific event that has occurred and not to a change in management’s intentions for the use of a property. The amendments are applicable as from 1 January 2018, although early application is permitted. The directors do not expect the foregoing to have a significant effect on the financial statements.

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION (Continued)

- ***Amendments to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"*** (published on 11 September 2014). The amendments were proposed due to the conflict between the requirements of IAS 28 and IFRS 10 concerning the measurement of gains and losses resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity interest in the latter. For the time being, the IASB has postponed the application of these amendments.

□ □ □

Notes to the Consolidated Financial Statements
(all amounts are expressed in thousands of Euro except where otherwise indicated)

1. TOTAL REVENUE

	31 Dec 2016
Hardware	7,081
Software	41,757
Hardware subscriptions	1,570
Software subscriptions	133,318
Other products	1,333
Other services	33,943
Education	8,221
Discount Paid	(21)
Revenue	**227,202**
Recovery of expenses	1,666
Operating grants	390
Other income	138
Other operating income	**2,193**
Total Revenue	**229,395**

Total revenue for the year ended 31 December 2016 came to € 229,395 thousand. The main components of total revenue are the following:

- Hardware (€ 7,081 thousand), relating to sales of hardware products;
- Software (€ 41,757 thousand), relating to sales of Software licences;
- Software subscriptions (€ 133,318 thousand), relating to the provision of maintenance and support, which include software updates, helplines and direct support;
- Other services (€ 33,943 thousand), relating to training, implementation and software customisation;
- Education (€ 8,221 thousand), relating to revenue recognised by companies operating in the professional training sector, namely Gruppo Euroconference S.p.A.

Other operating income (€ 2,193 thousand) includes recovery of expenses of € 1,666 thousand and revenue grants of € 390 thousand.

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

2. OPERATING SEGMENTS

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which separate financial information is available.

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

- **Software and Services (SWSS)**, that is, the operating segment consisting of all the Group companies operating in the software production/marketing sector;
- **Education**, that is, the segment consisting of companies operating in the professional training sector, namely Gruppo Euroconference S.p.A.;
- **CAD/CAM**, that is, the operating segment relating to Nuovamacut Group companies.

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

2. OPERATING SEGMENTS (Continued)

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

OPERATING SEGMENTS—IFRS REPORTED 31 Dec 2016	Software and Services	Education	CAD/CAM	Intercompany Elimination	Consolidated Financial Statement
TOTAL REVENUE	**194,410**	**9,114**	**27,139**	**(1,268)**	**229,395**
Total Revenue—external segments	193,956	8,382	27,057		
Total Revenue—internal segments	454	732	82		
Cost of raw and other materials	(9,642)	(175)	(12,886)	101	(22,602)
Cost of services	(39,558)	(4,723)	(3,193)	932	(46,542)
Personnel	(70,194)	(1,554)	(6,110)	100	(77,757)
Other operating costs	(4,523)	(211)	(314)	88	(4,961)
ADJUSTED EBITDA	**70,492**	**2,451**	**4,637**	**(47)**	**77,533**
Allowance for bad debts	(3,473)	(20)	(102)	0	(3,595)
EBITDA	**67,019**	**2,431**	**4,535**	**(47)**	**73,938**
Depreciation of non current tangible assets	(1,541)	(67)	(45)	0	(1,653)
Amortization of non current intangible assets	(50,754)	(369)	(1,471)	0	(52,594)
Other provisions for risks and charges	(337)	(120)	0	0	(457)
Non recurring personnel and expenses	(19,750)	(49)	125	47	(19,628)
OPERATING RESULT	**(5,363)**	**1,826**	**3,144**	**0**	**(393)**
Finance income	5,351	149	142	(284)	5,357
Dividends	774	0	0	(774)	(0)
Finance cost	(82,336)	(43)	(123)	284	(82,217)
PROFIT (LOSS) BEFORE TAX	**(81,574)**	**1,932**	**3,163**	**(774)**	**(77,253)**
Current income tax	(11,474)	(676)	(1,503)	0	(13,652)
Deferred income tax	14,996	90	344	0	15,430
PROFIT (LOSS) FOR THE PERIOD	**(78,051)**	**1,346**	**2,004**	**(774)**	**(75,475)**

SEGMENT INFORMATION 31 Dec 2016	Software and Services	Education	CAD/CAM	Reconciliation Intercompany	Consolidated Financial Statement
Net invested capital	**1,252,758**	**18,787**	**19,978**	**0**	**1,291,523**
Net financial indebtedness	**(747,660)**	**12,566**	**11,027**	**0**	**(724,067)**

TOTAL REVENUE Total revenue for the year ended 31 December 2016 came to € 229,395 thousand.

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

2. OPERATING SEGMENTS (Continued)

SOFTWARE AND SERVICES—TOTAL REVENUE Total revenue achieved by the Software and Services operating segment for the year ended 31 December 2016 came to € 194,410 €/thousand, with the main contributors thereto having been TeamSystem S.p.A. (€ 113,223 thousand) and TSS S.p.A. (€ 53,849 €/thousand).

EDUCATION—TOTAL REVENUE Total revenue achieved by the Education operating segment for the year ended 31 December 2016 came to € 9,114 thousand, relating to revenue recognised by Gruppo Euroconference S.p.A.

CAD/CAM—TOTAL REVENUE Total revenue achieved by the CAD/CAM operating segment for the year ended 31 December 2016 came to € 27,139 thousand.

ADJUSTED EBITDA Adjusted EBITDA for the year ended 31 December 2015 came to € 77,533 thousand, with the main contributors thereto having been TeamSystem S.p.A. (€ 40,667 thousand), TSS S.p.A. (€ 13,399 thousand) and Danea Soft S.r.l. (€ 3,787 thousand).

Note that, following the entry of the new majority shareholder, H&F, TeamSystem Group's operating segments and the management reporting related thereto are being subjected to an in-depth review.

At the date of preparation of these financial statements, the statements of profit and loss and the statements of financial position were still being drawn up and the associated reports were still to be finalised; since the redesign of the Group's reporting structure is still ongoing, use was made of the Group's historical CGUs for the purpose of IFRS 8 disclosure requirements and for impairment tests at 31 December 2016.

3. COST OF RAW AND OTHER MATERIALS

	31 Dec 2016
Hardware purchases	5,071
Third parties' software	15,103
Handbooks and forms	33
Materials for education	133
Fuel	1,514
Other materials	703
Change in inventory of raw materials	45
Total	**22,602**

The cost of raw and other materials came to € 22,602 thousand for the year ended 31 December 2016. This mainly relates to the cost of sales of hardware, third party software and manuals.

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

4. COST OF SERVICES

	31 Dec 2016
Agent commissions and other costs	9,282
Consulting and third parties services	8,828
Software and Hardware maintenance costs	4,447
Web recall costs	9
Administrative tax and legal	2,026
Education—consulting and copyrights	2,443
Magazines—consulting and copyrights	1,215
Other costs for education services	1,542
Advertising and marketing	3,796
Car rentals	4,105
Utilities	2,695
Other services	8,569
Cost of services—Gross of capitalization	**48,956**
Services capitalised development costs	(2,414)
Total	**46,542**

Cost of services came to € 46,542 thousand for the year ended 31 December 2016, net of amounts capitalised in the year pertaining to software projects. The main components are the following:

- Agent commissions and other costs (€ 9,282 thousand), relating to compensation payable to agents, an allocation to the provision for agents' indemnity and other costs attributable to commercial consulting services;
- Consulting and third party services (€ 8,828 thousand), relating to the outsourcing to third parties of on-site customer maintenance and support;
- Hardware and Software subscription charges (€ 4,447 thousand), relating to periodic fees for support services and subscriptions for third party products;
- Other service costs (€ 8,569 thousand), mainly consisting of:
- Costs for shipping and transport of € 467 thousand;
  - Costs for reimbursement of expenses of € 3,662 thousand, relating to travel costs and daily allowances for technicians and commercial staff who are involved in installation, support and training at customers' premises;
  - Maintenance costs of € 459 thousand;
  - Insurance costs of € 514 thousand.

As regards the capitalisation of cost of services recognised in 2016 (€ 2,414 thousand) reference should be made to Note 13 on Intangible Assets.

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

5. PERSONNEL COSTS

	31 Dec 2016
Wages, salaries and social contributions	79,792
Staff leaving indemnities	3,369
Other personnel costs	28
Employees costs	**83,189**
Freelancers and collaborators fees	102
Directors' fees and related costs	2,546
Directors and Collaborators	**2,648**
Non recurring personnel costs	1,261
Non recurring personnel costs	**1,261**
Personnel—Gross of capitalization	**87,099**
Personnel capitalised development costs	(8,080)
Total	**79,019**

Personnel costs came to € 79,019 thousand for the year ended 31 December 2016.

In 2016, non-recurring personnel costs related mainly to personnel downsizing costs attributable to restructuring carried out by TeamSystem S.p.A. and TSS S.p.A.

As regards the capitalisation of personnel costs recognised in 2016 (€ 8,080 thousand) reference should be made to Note 13 on Intangible Assets.

The following table provides details of employee numbers at 31 December 2016.

	Average 2016	31 Dec 2016
Managers	49	53
Middle managers / white collars / workers	1,793	1,916
Total	**1,842**	**1,969**

The number of Group employees at 31 December 2016 obviously comprises employees of the companies acquired in 2016; more specifically, employee numbers relating to Euresys S.r.l. (25), Lira S.r.l. (15), Reviso International Group (18), Mondora S.r.l. (35), Cidiemme Informatica S.r.l. (6), TeamSystem C&D S.r.l. (36), Aliaslab S.p.A. (24) and Elaide S.r.l. (7).

6. OTHER OPERATING COSTS

	31 Dec 2016
Rents	3,067
Rentals	219
Other expenses for use of third parties assets	573
Other taxes	361
Losses from assets disposals	27
Other expenses	714
Total	**4,961**

Other operating costs came to € 4,961 thousand for the year ended 31 December 2016. The main components are the following:

- Rent (€ 3,067 thousand) mostly incurred for the main premises;
- Other lease and rental expense (€ 573 thousand) mainly relates to royalties payable for the use of third party proprietary software components incorporated in software products distributed by ACG S.r.l.

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

7. NON-RECURRING EXPENSES

Non-recurring expenses for the year ended 31 December 2016 came to € 18,366 thousand and relate to tax and legal advisory services and other costs, the nature of which is deemed by Management to be non-recurring with respect to normal business operations. Specifically, these costs include:

- costs attributable to the acquisition of TeamSystem Group by H&F (of approximately € 10 million);
- advisory costs incurred for the acquisition of equity interests;
- non-recurring costs incurred for the start /completion of extraordinary projects relating to the review, strengthening and rationalisation of the Group's organisation and /or its distribution channel model. These projects were developed by leading international consulting firms with the objective of improving the commercial performance of the Group, the quality of the Group's product range and the efficiency of its business processes with the primary objective of rendering the Group's procedures more efficient, in terms of cost savings and in terms of new revenue streams;
- marketing costs of a non-recurring nature.

8. FINANCE INCOME

	31 Dec 2016
Interest and other finance income	25
Gains on foreign exchange	40
Interest from cash pooling and other loans	35
Interest from banks	6
Vendor Loan depreciation	11
Total	**117**

Finance income came to € 117 thousand for the year ended 31 December 2016 and mainly consisted of exchange gains and interest income.

9. FINANCE COST

	31 Dec 2016
Interest on bank overdrafts and loans	963
Interest on Notes	54,128
Interest on Notes Premium	(5,206)
Interest on financing fees	17,723
Vendor Loan revaluation	6,320
Bank commissions	879
Interest on actuarial valuation of employee benefits	243
Other IFRS financial charges	1,644
Other financial charges	49
Losses on foreign exchange	19
Write-downs of investment	100
Total	**76,863**

Finance costs came to € 76,863 thousand for the year ended 31 December 2016. The main components are the following:

- Interest costs on Notes (€ 54,128 thousand), of which € 11,214 related to Senior Notes of € 150 million issued by TeamSystem Holding, € 15,858 thousand related to penalties incurred for the early redemption of Existing Notes and € 20,002 thousand related to Senior Secured Notes of € 490 million issued by TeamSystem S.p.A.;

9. FINANCE COST (Continued)

- Interest cost on financing fees (€ 17,723 thousand), related specifically to the early redemption of Existing Notes (€ 11,325 thousand) and the original RCF (€ 1,975 thousand);
- Cost associated with the remeasurement of the vendor loan (€ 6,320 thousand) arising from a change in the fair value thereof due to the remeasurement of the initial exercise price of the options.
- IFRS finance costs (€ 1,644 thousand), which include finance costs recognised by the Group after having discounted the vendor loan.

Non-recurring costs of € 23,953 thousand are attributable to the early redemption of Existing Notes and the RCF as indicated above.

10. TOTAL INCOME TAX

Current income and deferred tax

Current tax for the 2016 financial year amounted to € 13,652 thousand and consists of the following:

- IRES of € 11,087 thousand;
- IRAP of € 2,523 thousand;
- Taxation relating to prior years of € 42 thousand.

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

Non-recurring deferred tax

Non-recurring deferred tax of € 2,795 thousand, represents the non-recurring amount attributable to the derecognition of the deferred tax liability recognised by TeamSystem Holding S.p.A. (which was merged into TeamSystem S.p.A.) relating to expenses incurred on the issue of Senior Secured Notes that were redeemed during the year. The deferred tax had been treated as tax deductible on a cash basis (as permitted by applicable legislation) whereas, for statutory accounting purposes, it was being amortised over the term to maturity of the Bond to which it related.

11. CONSOLIDATED STATEMENT OF CASH FLOWS

As regards the more significant components of the statement of cash flows, a description is provided below of the main factors impacting the Group's cash flow in the course of 2016:

Vendor loan paid = the amount of the Vendor loan paid in 2016 was € 6.6 million in relation to the acquisition of further interests in Gruppo Euroconference S.p.A., TeamSystem Emilia S.r.l., Inforyou S.r.l. and Digita S.r.l. and the payment of the earn-out relating to the investment in Lexteam S.r.l. (see also Note 18). The amount of € 6.6 million includes € 1.0 million relating to dividends paid to non-controlling interest holders.

Finance costs/income paid/cashed-in and change in Financial Assets / Liabilities = as regards the amount of 172 €/million reported for the year ended 31 December 2016:

- € 65.4 million relates to finance costs paid by the Group in the course of 2016. Specifically, this amount includes:
  1) € 15.9 million relating to penalties incurred for the early redemption of Existing Notes;
  2) € 15.8 million relating to interest on Existing Notes paid up to the date of redemption (20 May 2016);
  3) € 32 million relating to interest of € 11.2 million paid on Senior Notes of € 150 million and to interest of € 20.8 million paid on Senior Secured Notes of € 490 million);
  4) € 1.0 million relating mainly to the payment of bank charges.

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

11. CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

- € 237 million relating to proceeds from new loans / proceeds from financial assets net of disbursements in connection with financial liabilities as detailed below:
  1) € 28 million relating to new RCF drawdowns in 2016;
  2) € 430 million relating to the early redemption of Existing Notes;
  3) € 640 million relating to the issue of Senior Notes and Senior Secured Notes of € 150 million and € 490 million, respectively;

Acquisition of Investments = as regards the amount of € 774 million:

- € 37.6 million consists of an amount of € 31.8 €/million relating to cash and bank balances held by TeamSystem Group at 1 March 2016 (the Acquisition date), whereas the residual amount of € 5.8 million relates to cash and bank balances held by subsidiaries that entered the scope of consolidation in 2016 at the dates of the acquisitions thereof (in particular, € 3.4 million relates to Aliaslab S.p.A. and € 0.9 million relates to Cidiemme Informatica);
- The amount of € 811.7 million mainly relates to:
  1) cash-out paid by Barolo Bidco S.p.A. for the acquisition of TeamSystem Group at 1 March 2016 (€ 771.1 million);
  2) cash-out paid for the acquisition of a controlling interest in Aliaslab S.p.A. (€ 24 million);
  3) cash-out paid for the acquisition of Reviso Group (€ 7.0 million);
  4) cash-out paid for the acquisition of Easyfatt Dev S.r.l. (€ 2.4 million);
  5) cash-out paid for the acquisition of other companies (€ 7.0 million).

12. TANGIBLE ASSETS

Tangible assets at 31 December 2016 amounted to € 13,385 thousand and related mainly to leasehold and freehold land and buildings. The change is due to the net effect of depreciation at 31 December 2016 (1.653 €/thousand) and additions (amounting to 3.188 €/thousand). Additions, in particular, are concentrated in the category Buildings and are due to the new headquarters of the Group in Pesaro.

COST	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Additions	Other movements and disposals	31 Dec 2016
Land		1.073				1.073
Buildings		8.840		45		8.885
Plant and machinery		4.223	110	112	822	5.267
Equipment		1.558	17	150	343	2.068
Other assets		17.421	1.327	1.764	(318)	20.193
Tangible assets under construction		214		1.190	(1.404)	
Total		**33.329**	**1.454**	**3.261**	**(556)**	**37.487**

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

12. TANGIBLE ASSETS (Continued)

ACCUMULATED DEPRECIATION	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Depreciation	Other movements and disposals	31 Dec 2016
Land						
Buildings		3.022		309		3.331
Plant and machinery		3.233	100	221	(31)	3.524
Equipment		1.358	14	90	10	1.473
Other assets		14.190	946	1.033	(394)	15.775
Tangible assets under construction						
Total		**21.803**	**1.061**	**1.653**	**(414)**	**24.103**

NET BOOK VALUE	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Additions	(Depreciation)	Other movements and disposals	31 Dec 2016
Land		1.073					1.073
Buildings		5.818		45	(309)		5.554
Plant and machinery		990	9	112	(221)	853	1.743
Equipment		200	3	150	(90)	333	596
Other assets		3.231	381	1.764	(1.033)	76	4.418
Tangible assets under construction		214		1.190		(1.404)	
Total		**11.526**	**393**	**3.261**	**(1.653)**	**(142)**	**13.385**

Intangible assets have gone from € 11,526 thousand at 1 March 2016 to € 13,385 thousand at 31 December 2016, representing an increase of € 1,859 thousand, being the sum of sales, purchases (€ 3,261 thousand for the year ended 31 December 2016) and amortisation recognised in profit or loss in the period (€ 1,653 thousand). Purchases relate in particular to the start of the Group's headquarters in Pesaro.

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

13. INTANGIBLE ASSETS

NET BOOK VALUE	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements and disposals	Capitalization	Additions	(Amortization)	(Write-downs)	31 Dec 2016
Development costs—completed		16,021	487	1,663	8,284	6	(6,582)		19,880
Development costs—in progress		2,259		(1,545)	2,128				2,842
Capitalized development costs		**18,280**	**487**	**118**	**10,413**	**6**	**(6,582)**		**22,721**
Brand IFRS		134,325					(5,689)		128,636
Software IFRS		66,625					(11,138)		55,487
Customer relationship IFRS		522,151					(23,533)		498,617
Other IFRS assets		18,142					(840)		17,302
Asset IFRS		**741,242**					**(41,200)**		**700,042**
Software, trademarks, patents		8,493	324	244	19	2,949	(3,194)		8,836
Other intangible assets		4,348	368	(118)		672	(1,619)		3,652
Intangible assets under construction		256		(463)	62	490			345
Other intangible assets		**13,097**	**693**	**(337)**	**81**	**4,112**	**(4,812)**		**12,832**
Total		**772,619**	**1,180**	**(219)**	**10,494**	**4,118**	**(52,594)**		**735,596**

Intangible assets have gone from € 772,619 thousand at 1 March 2016 to € 735,596 thousand at 31 December 2016, representing a decrease of € 37,023 thousand, being the sum of sales, purchases, the capitalisation of development expenses (€ 10,494 thousand for the year ended 31 December 2016) and amortisation recognised in profit or loss in the period (€ 52,594 thousand).

Development costs in progress relate to costs capitalised for new products and new software modules, which, at 31 December 2016, had not yet been completed or for which the marketing and sales phase had not yet started.

As regards capitalised development costs recognised in 2016 of € 10,494 thousand, the main components relate to:

a) capitalised development costs of € 6,404 thousand relating to new products and/or new software modules developed by the subsidiary TeamSystem S.p.A. during the course of 2016;

b) capitalised development costs of € 2,128 thousand relating to new products and/or new software modules developed by the subsidiary TSS S.p.A. during the course of 2016.

In 2016, the Group continued to develop a complex long-term technological renewal project (that is, “Software products renewal project”). The software products renewal project is a highly strategic project for the Group given that its objective is the technological upgrading of the Group’s entire software portfolio and application platforms by means of the renewal and innovation of existing software products and the alignment of the product range to more recent and innovative technologies.

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

14. GOODWILL

	Opening Balance	TeamSystem Group Acquisition	Other movements	Additions	(Impairment)	31 Dec 2016
Goodwill SWSS CGU		582,921		94,048		676,968
Goodwill Education CGU		24,734				24,734
Goodwill CAD / CAM CGU		23,637				23,637
Total		**631,292**		**94,048**		**725,340**

The goodwill of € 631,292 thousand relates to the amount recognised upon the acquisition of TeamSystem Group by H&F (through the special purpose entity Barolo Bidco S.p.A.) in March 2016. The purchase price allocation (PPA) was still provisional at the reporting date, since the 12 month measurement period for the recognition thereof had not yet ended. The goodwill recognised 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 and has been allocated to the Group's CGUs:

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

The additions recorded in the year of € 94,048 thousand relate to the companies acquired by the Group subsequent to 1 March 2016, being:

- Euresys S.r.l. (€ 2,560 thousand);
- Lira S.r.l. (€ 2,736 thousand);
- Reviso International ApS (€ 10,856 thousand)
- Cidiemme Informatica S.r.l. (€ 1,431 thousand);
- Mondora S.r.l. (€ 4,975 thousand);
- Easyfatt Dev S.r.l. (€ 4,000 thousand);
- Informatica Veneta S.r.l. (€ 1,335 thousand);
- TeamSystem C&D S.r.l. (€ 2,094 thousand);
- Aliaslab S.p.A. (€ 64,061 thousand).

The purchase price allocations recognised for the acquisition of these companies was still provisional at 31 December 2016 and, consequently, the related goodwill was also provisional. Further details are provided in the paragraph on "Provisional allocation of goodwill".

Impairment Test

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

For the purpose of the impairment test, steps were taken to determine the recoverable amount (enterprise value) of each CGU of TeamSystem Group as a whole, by means of the application of discounted cash flow methodology. The test was performed by discounting prospective cash flows for 2017-2021 based on amounts included in the 2017-2021 Group Business Plan approved by TeamSystem Holding S.p.A's Board of Directors on 18 April 2017.

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

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

14. GOODWILL (Continued)

In addition to the g rate assumption, the main assumptions adopted regarded an estimate of the weighted average cost of capital ("WACC") of 6.85% for the SWSS and CAD/CAM CGUs and 5.83% for the Gruppo Euroconference CGU.

The results of the impairment tests at CGU level did not provide any indication of impairment of the various CGUs.

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

CGU SWSS
Cover Impairment Sensitivity

Euro million		WACC				
		5.85%	6.35%	6.85%	7.35%	7.85%
	0.90%	738.5	552.8	398.4	268.0	156.5
	1.40%	931.8	707.9	525.3	373.5	245.4
G RATE	**1.90%**	1,173.9	898.0	**678.0**	498.5	349.3
	2.40%	1,486.4	1,136.2	865.0	648.7	472.2
	2.90%	1,904.9	1,443.6	1,099.3	832.6	619.9

CGU EDUCATION—Gruppo Euroconference
Cover Impairment Sensitivity

Euro million		WACC				
		4.83%	5.33%	5.83%	6.45%	6.95%
	0.90%	21.3	18.9	16.9	15.0	13.8
	1.40%	24.1	21.0	18.6	16.3	14.8
G RATE	**1.90%**	27.9	23.7	**20.6**	17.8	16.0
	2.40%	33.3	27.4	23.3	19.7	17.5
	2.90%	41.7	32.7	26.9	22.1	19.4

CGU CAD/CAM
Cover Impairment Sensitivity

Euro million		WACC				
		5.85%	6.35%	6.85%	7.44%	7.94%
	0.90%	20.6	17.9	15.8	13.6	12.1
	1.40%	23.4	20.1	17.6	15.1	13.3
G RATE	**1.90%**	26.9	22.9	**19.7**	16.7	14.7
	2.40%	31.5	26.3	22.4	18.8	16.4
	2.90%	37.7	30.8	25.8	21.3	18.4

The impairment test models and related results were approved by the Board of Directors of TeamSystem Holding S.p.A. on 18 April 2017, in accordance with the guidelines contained in the joint document No. 4 of March 2010 issued by ISVAP, Bank of Italy and Consob.

As previously indicated in the paragraph on operating segments, the Group is currently involved in a revision of the reporting model, which will impact the determination of the CGUs. Since the project has not yet been completed, impairment testing was performed based on the current organisational and management structure in line with prior years.

15. PROVISIONAL GOODWILL

TEAMSYSTEM GROUP

Following the acquisition of TeamSystem Group on 1 March 2016 by private equity funds advised by Hellman & Friedman, further details of which are provided in the paragraph on "Acquisition of TeamSystem Group by private equity funds advised by Hellman & Friedman" contained in these notes to the consolidated financial statements for the year ended 31 December 2016, an amount of goodwill has been recognised of € 631,292 thousand.

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

15. PROVISIONAL GOODWILL (Continued)

The purchase price allocation recognised for the acquisition of TeamSystem Group, details of which are provided below, was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 631,292 thousand) may be subject to adjustments backdated to 31 December 2016.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
TEAMSYSTEM GROUP

ASSETS	01 Mar 2016	PPA Provisional Adjustments	01 Mar 2016 After PPA Provisional Adjustments
Tangible assets	11,578	(52)	11,526
Intangible assets	276,625	495,994	772,619
Goodwill	364,363	(364,363)	0
Other Investments	175		175
Investments in associates	445		445
Deferred tax assets	13,709	145	13,854
TOTAL NON CURRENT ASSETS	**666,895**	**131,724**	**798,618**
Inventories	1,534	(450)	1,084
Trade receivables	160,642	(288)	160,354
Tax receivables	3,358	(536)	2,823
Other receivables—current	15,233	(607)	14,627
Financing Fees prepayments—current	1,838		1,838
Other financial assets—current	451		451
Cash and bank balances	31,752		31,752
TOTAL CURRENT ASSETS	**214,809**	**(1,880)**	**212,929**
TOTAL ASSETS	**881,704**	**129,843**	**1,011,548**

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

15. PROVISIONAL GOODWILL (Continued)

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
TEAMSYSTEM GROUP

EQUITY AND LIABILITIES	01 Mar 2016	PPA Provisional Adjustments	01 Mar 2016 After PPA Provisional Adjustments
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**150,151**	**(10,358)**	**139,793**
TOTAL NON CONTROLLING INTERESTS	**800**	**0**	**800**
Staff leaving indemnity	15,933		15,933
Provisions for risks and charges	2,882	866	3,748
Deferred tax liabilities	75,471	139,335	214,806
Other liabilities—non current	750		750
TOTAL NON CURRENT LIABILITIES	**95,036**	**140,201**	**235,237**
Financial liabilities with banks and other institutions—current	463,632		463,632
Financing Fees—current	(11,462)		(11,462)
Other financial liabilities—current	29,483		29,483
Trade payables	30,037		30,037
Tax liabilities—current	4,736		4,736
Other liabilities—current	119,292		119,292
TOTAL CURRENT LIABILITIES	**635,718**	**0**	**635,718**
TOTAL LIABILITIES	**730,753**	**140,201**	**870,955**
TOTAL EQUITY AND LIABILITIES	**881,704**	**129,843**	**1,011,548**

PROVISIONAL ALLOCATED GOODWILL TEAMSYSTEM GROUP	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Tax credits write-off	(536)		(536)	1
Fair value of Land and Buildings	(52)	14	(37)	2
Goodwill Write-off	(364,363)		(364,363)	3
Other receivables write-off	(607)	0	(607)	4
Trade receivables write-off	(288)	0	(288)	5
Inventories write-off	(450)	126	(324)	6
Intangible fair value—Software	54,409	(15,498)	38,912	7
Intangible fair value—Customer Relationship	317,393	(89,016)	228,376	8
Intangible fair value—Brand	108,147	(30,334)	77,814	9
Other Intangible asset	16,044	(4,502)	11,542	10
Provisions for risks and charges	(866)	20	(846)	11
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**128,832**	**(139,190)**	**(10,358)**	**A**
Equity before PPA adjustments			**150,151**	**B**
EQUITY IFRS after PROVISIONAL PPA			**139,793**	**C = A + B**
Cost of the investment			**781,096**	**D**
Transaction costs capitalized			**(10,011)**	**E**
Cost of the investment—net of transaction costs			**771,085**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**631,292**	**G = F – C**

15. PROVISIONAL GOODWILL (Continued)

Note 1) Note 4) and Note 5) Provisional writedown of other tax receivables pertaining to TSS S.p.A. (of € 536 thousand gross of the tax effect, deemed to be unrecoverable at the acquisition date); other current receivables (€ 607 thousand gross of the tax effect—of which € 524 thousand pertains to TeamSystem S.p.A.); trade receivables pertaining to TeamSystem S.p.A. and TSS S.p.A. (€ 200 thousand and € 88 thousand, respectively, gross of the tax effect);

Note 2) and Note 6) Provisional writedown of land and buildings of TeamSystem S.p.A. (of € 52 thousand gross of the tax effect); of inventories pertaining to TeamSystem S.p.A. and TeamSystem Communication S.r.l. (of € 250 thousand and € 200 thousand, respectively, both gross of the tax effect);

Note 3) Elimination of goodwill prior to the acquisition of TeamSystem Group by the private equity firm H&F;

Note 7) Provisional allocation to software of TeamSystem S.p.A., Nuovamacut S.p.A., ACG S.r.l. and TSS S.p.A. of € 41,622 thousand, € 964 thousand, € 3,860 thousand and € 7,963 thousand, respectively, all gross of the tax effect.

Note 8) Provisional allocation to customer relationships of TeamSystem S.p.A. and ACG S.r.l. of € 316,915 thousand and € 6,271 thousand, respectively, both gross of the tax effect. Provisional writedown of the customer relationships of TSS S.p.A. of € 5,793 thousand, gross of the tax effect.

Note 9) Provisional allocation to brands pertaining to TeamSystem, Nuovamacut and ESA (TSS S.p.A.) of € 98,823 thousand, € 8,349 thousand and € 1,505 thousand, respectively, gross of the related tax effect. Provisional writedown of brands pertaining to Euroconference and Metodo of € 24 thousand and € 503 thousand, respectively, both gross of the tax effect.

Note 10) Provisional allocation to the Solid Works licence (held by Nuovamacut S.p.A.) of € 16,044 thousand, gross of the tax effect.

Note 11) Provisional allocations to provisions for risks and charges for liabilities deemed to be probable pertaining to ACG S.r.l. and TSS S.p.A. (totalling € 866 thousand gross of the tax effect).

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EURESYS

On 11 March 2016, TeamSystem Group completed the acquisition of a 60% interest in Euresys, a company that has operated in the HR management software market for more than twenty years. The consideration paid was € 1.2 million. The Group has entered into a put and call agreement for the residual 40%. The software solutions offered by Euresys permit the complete management of human resources within any Italian business thanks to its advanced capabilities in the following areas: attendance records, management of CVs and career paths, expense claims and access control. The company brings with it consolidated experience in the HR sector with more than 2,300 active customers in Italy. Its flagship products enable a more attentive and efficient management of human capital and are capable of interfacing in real time with TeamSystem’s management software.

Euresys S.r.l.’s results have been consolidated in 2016 as from April 2016, which was close to the date of acquisition.

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

15. PROVISIONAL GOODWILL (Continued)

The purchase price allocation recognised for the acquisition of Euresys S.r.l. was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 2,560 thousand) was also provisional at the reporting date.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EURESYS S.r.l.

ASSETS	31 Mar 2016	PPA Provisional Adjustments	31 Mar 2016 After PPA Provisional Adjustments
Tangible assets	41		41
Intangible assets	220		220
Goodwill	192	(192)	(0)
Other Investments	60		60
Deferred tax assets	30	16	46
TOTAL NON CURRENT ASSETS	**543**	**(176)**	**367**
Inventories	172		172
Trade receivables	1,000	(24)	976
Tax receivables	49		49
Other receivables - current	67		67
Cash and bank balances	16		16
TOTAL CURRENT ASSETS	**1,304**	**(24)**	**1,280**
TOTAL ASSETS	**1,847**	**(200)**	**1,647**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EURESYS S.r.l.

EQUITY AND LIABILITIES	31 Mar 2016	PPA Provisional Adjustments	31 Mar 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**220**	**(243)**	**(23)**
Staff leaving indemnity	194	43	237
TOTAL NON CURRENT LIABILITIES	**194**	**43**	**237**
Financial liabilities with banks and other institutions - current	540		540
Trade payables	149		149
Tax liabilities - current	57		57
Other liabilities - current	686		686
TOTAL CURRENT LIABILITIES	**1,433**	**0**	**1,433**
TOTAL LIABILITIES	**1,627**	**43**	**1,670**
TOTAL EQUITY AND LIABILITIES	**1,847**	**(200)**	**1,647**

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

15. PROVISIONAL GOODWILL (Continued)

PROVISIONAL ALLOCATED GOODWILL EURESYS S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Actuarial evaluation of Staff leaving indemnity	(43)	10	(33)	
Goodwill Write-off	(192)		(192)	
Bad debt Write-off	(24)	6	(18)	
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**(259)**	**16**	**(243)**	**A**
Equity before PPA adjustments			**220**	**B**
EQUITY IFRS after PROVISIONAL PPA			**(23)**	**C = A + B**
Cost of the investment			**2,613**	**D**
Transaction costs capitalized			**(76)**	**E**
Cost of the investment - net of transaction costs			**2,537**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**2,560**	**G = F - C**

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LIRA

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

Lira S.r.l.'s results have been consolidated in 2016 as from April 2016, which was close to the date of acquisition.

The purchase price allocation recognised for the acquisition of Lira S.r.l. was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 2,736 thousand) was also provisional at 31 December 2016.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LIRA S.r.l.

ASSETS	31 Mar 2016	PPA Provisional Adjustments	31 Mar 2016 After PPA Provisional Adjustments
Tangible assets	63		63
Intangible assets	31		31
Other Investments	1		1
Deferred tax assets	0	62	62
TOTAL NON CURRENT ASSETS	**95**	**62**	**157**
Inventories	1		1
Trade receivables	2,860	(169)	2,691
Tax receivables	1		1
Other receivables - current	730		730
Other financial assets - current	108		108
Cash and bank balances	290		290
TOTAL CURRENT ASSETS	**3,989**	**(169)**	**3,820**
TOTAL ASSETS	**4,084**	**(107)**	**3,977**

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

15. PROVISIONAL GOODWILL (Continued)

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION LIRA S.r.l.

EQUITY AND LIABILITIES	31 Mar 2016	PPA Provisional Adjustments	31 Mar 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**549**	**(195)**	**354**
Staff leaving indemnity	317	88	405
TOTAL NON CURRENT LIABILITIES	**317**	**88**	**405**
Financial liabilities with banks and other institutions - current	758		758
Trade payables	548		548
Tax liabilities - current	45		45
Other liabilities - current	1,867		1,867
TOTAL CURRENT LIABILITIES	**3,218**	**0**	**3,218**
TOTAL LIABILITIES	**3,535**	**88**	**3,623**
TOTAL EQUITY AND LIABILITIES	**4,084**	**(107)**	**3,977**

PROVISIONAL ALLOCATED GOODWILL LIRA S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Actuarial evaluation of Staff leaving indemnity	(88)	21	(67)	
Bad debt Write-off	(169)	41	(128)	
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**(257)**	**62**	**(195)**	**A**
Equity before PPA adjustments			**549**	**B**
EQUITY IFRS after PROVISIONAL PPA			**354**	**C = A + B**
Cost of the investment			**3,236**	**D**
Transaction costs capitalized			**(146)**	**E**
Cost of the investment - net of transaction costs			**3,090**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**2,736**	**G = F - C**

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REVISO INTERNATIONAL

In May 2016, TeamSystem Group completed the acquisition of a 100% interest in ECI Denmark ApS (which changed it name to Reviso International ApS in June 2016), a Danish software house that has developed Cloud-SaaS-native accounting and invoicing software designed mainly for small and medium-sized enterprises. The acquisition of ECI Denmark APS represents a fundamental pillar of the Group's cloud strategy that will reinforce the product range offered. The consideration paid was € 7 million.

Reviso International ApS's results have been consolidated in 2016 as from June 2016.

The purchase price allocation recognised for the acquisition of Reviso International ApS was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 10,856 thousand) was also provisional at 31 December 2016.

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

15. PROVISIONAL GOODWILL (Continued)

The table below sets out the provisional determination of goodwill relating to Reviso International ApS resulting from the provisional allocation of the purchase price.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REVISO GROUP

ASSETS	31 May 2016	PPA Provisional Adjustments	31 May 2016 After PPA Provisional Adjustments
Tangible assets	17		17
Intangible assets	278	—	278
TOTAL NON CURRENT ASSETS	**295**	**0**	**295**
Trade receivables	38		38
Other receivables - current	124		124
Cash and bank balances	374	—	374
TOTAL CURRENT ASSETS	**536**	**0**	**536**
TOTAL ASSETS	**831**	**0**	**831**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION REVISO GROUP

EQUITY AND LIABILITIES	31 May 2016	PPA Provisional Adjustments	31 May 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**425**	**0**	**425**
Trade payables	(10)		(10)
Other liabilities - current	417	—	417
TOTAL CURRENT LIABILITIES	**406**	**0**	**406**
TOTAL LIABILITIES	**406**	**0**	**406**
TOTAL EQUITY AND LIABILITIES	**831**	**0**	**831**

PROVISIONAL ALLOCATED GOODWILL REVISO GROUP	Adjustments	Tax Adjustments	Impact on Equity	NOTES
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**0**	**0**	**0**	**A**
Equity before PPA adjustments			**425**	**B**
EQUITY IFRS after PROVISIONAL PPA			**425**	**C = A + B**
Cost of the investment			**11,697**	**D**
Transaction costs capitalized			**(416)**	**E**
Cost of the investment - net of transaction costs			**11,281**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**10,856**	**G = F - C**

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CIDIEMME INFORMATICA

On 15 June 2016, TeamSystem S.p.A. completed the acquisition of a 100% interest in Cidiemme Informatica S.r.l., a company that has developed strong capabilities and which holds a “AV2000” licence. The consideration paid was € 1.5 million. The company will add to TeamSystem S.p.A. a

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

15. PROVISIONAL GOODWILL (Continued)

consolidated customer base of wine producers and a high quality skill set focused on sales, delivery and development of IT solutions for the wine sector with the aim of sales growth and enhancement of "Alyante Vitivinicolo", TeamSystem S.p.A. software designed for wine production.

Cidiemme Informatica S.r.l's results have been consolidated in 2016 as from July 2016, which was close to the date of acquisition of control thereover.

The purchase price allocation recognised for the acquisition of Cidiemme Informatica S.r.l. was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 1,431 thousand) was also provisional at 31 December 2016.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CIDIEMME INFORMATICA S.r.l.

ASSETS	30 Jun 2016	PPA Provisional Adjustments	30 Jun 2016 After PPA Provisional Adjustments
Tangible assets	9		9
Intangible assets	1		1
Deferred tax assets	0	6	6
TOTAL NON CURRENT ASSETS	**10**	**6**	**16**
Inventories	10		10
Trade receivables	334		334
Tax receivables	14		14
Other receivables - current	31		31
Cash and bank balances	868		868
TOTAL CURRENT ASSETS	**1,258**	**0**	**1,258**
TOTAL ASSETS	**1,268**	**6**	**1,274**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CIDIEMME INFORMATICA S.r.l.

EQUITY AND LIABILITIES	30 Jun 2016	PPA Provisional Adjustments	30 Jun 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**706**	**(19)**	**687**
Staff leaving indemnity	238	25	263
TOTAL NON CURRENT LIABILITIES	**238**	**25**	**263**
Trade payables	51		51
Tax liabilities - current	73		73
Other liabilities - current	200		200
TOTAL CURRENT LIABILITIES	**324**	**0**	**324**
TOTAL LIABILITIES	**561**	**25**	**586**
TOTAL EQUITY AND LIABILITIES	**1,268**	**6**	**1,274**

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

15. PROVISIONAL GOODWILL (Continued)

PROVISIONAL ALLOCATED GOODWILL CIDIEMME INFORMATICA S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Actuarial evaluation of Staff leaving indemnity	(25)	6	(19)	
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**(25)**	**6**	**(19)**	**A**
Equity before PPA adjustments			**706**	**B**
EQUITY IFRS after PROVISIONAL PPA			**687**	**C = A + B**
Cost of the investment			**2,169**	**D**
Transaction costs capitalized			**(51)**	**E**
Cost of the investment - net of transaction costs			**2,118**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**1,431**	**G = F - C**

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MONDORA

On 15 June 2016, TeamSystem S.p.A. acquired a 51% interest in Mondora S.r.l. for a consideration of € 0.9 million and entered into a put and call agreement for the residual 49%.

Mondora will contribute to TeamSystem Group by bringing new capabilities for the development of advanced cloud/Saas solutions and strategic expertise needed to achieve ambitious cloud growth targets. It will also be a key player for the implementation of HUB B2B and other SaaS/cloud solutions that will be sold through TeamSystem S.p.A.'s commercial channels.

Mondora S.r.l.'s results have been consolidated in 2016 as from July 2016.

The purchase price allocation recognised for the acquisition of Mondora S.r.l. was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 4,975 thousand) was also provisional at 31 December 2016.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION MONDORA S.r.l.

ASSETS	30 Jun 2016	PPA Provisional Adjustments	30 Jun 2016 After PPA Provisional Adjustments
Tangible assets	18		18
Intangible assets	289		289
Deferred tax assets	7	1	8
TOTAL NON CURRENT ASSETS	**314**	**1**	**315**
Trade receivables	389		389
Tax receivables	12		12
Other receivables - current	326		326
Cash and bank balances	601	—	601
TOTAL CURRENT ASSETS	**1,327**	**0**	**1,327**
TOTAL ASSETS	**1,641**	**1**	**1,642**

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

15. PROVISIONAL GOODWILL (Continued)

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION MONDORA S.r.l.

EQUITY AND LIABILITIES	30 Jun 2016	PPA Provisional Adjustments	30 Jun 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**845**	**(5)**	**840**
Staff leaving indemnity	121	6	127
TOTAL NON CURRENT LIABILITIES	**121**	**6**	**127**
Financial liabilities with banks and other institutions - current	47		47
Trade payables	68		68
Tax liabilities - current	197		197
Other liabilities - current	364	—	364
TOTAL CURRENT LIABILITIES	**676**	**0**	**676**
TOTAL LIABILITIES	**797**	**6**	**803**
TOTAL EQUITY AND LIABILITIES	**1,641**	**1**	**1,642**

PROVISIONAL ALLOCATED GOODWILL MONDORA S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Actuarial evaluation of Staff leaving indemnity	(6)	1	(5)	
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**(6)**	**1**	**(5)**	**A**
Equity before PPA adjustments			**845**	**B**
EQUITY IFRS after PROVISIONAL PPA			**840**	**C = A + B**
Cost of the investment			**5,817**	**D**
Transaction costs capitalized			**(2)**	**E**
Cost of the investment - net of transaction costs			**5,815**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**4,975**	**G = F - C**

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EASYFATT

On 29 July 2016, Danea Soft S.r.l. acquired, for a consideration of € 2.4 million, a 100% interest in Easyfatt Dev S.r.l., which is specialised in the development of management software for microenterprises. The transaction gave rise to the insourcing of a strategic supplier to the Group.

Easyfatt Dev S.r.l.'s results have been consolidated in 2016 as from October 2016.

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

15. PROVISIONAL GOODWILL (Continued)

The purchase price allocation recognised for the acquisition of Easyfatt Dev S.r.l. was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 4,000 thousand) was also provisional at 31 December 2016.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION EASYFATTDEV S.r.l.

ASSETS	03 Oct 2016	PPA Provisional Adjustments	03 Oct 2016 After PPA Provisional Adjustments
Tangible assets	1		1
Goodwill	50	(50)	0
TOTAL NON CURRENT ASSETS	**51**	**(50)**	**1**
TOTAL ASSETS	**51**	**(50)**	**1**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION EASYFATTDEV S.r.l.

EQUITY AND LIABILITIES	03 Oct 2016	PPA Provisional Adjustments	03 Oct 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**50**	**(50)**	**0**
Other liabilities - current	1		1
TOTAL CURRENT LIABILITIES	**1**	**0**	**1**
TOTAL LIABILITIES	**1**	**0**	**1**
TOTAL EQUITY AND LIABILITIES	**51**	**(50)**	**1**

PROVISIONAL ALLOCATED GOODWILL EASYFATTDEV S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Goodwill Write-off	(50)	_	(50)	
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**(50)**	**0**	**(50)**	**A**
Equity before PPA adjustments			**50**	**B**
EQUITY IFRS after PROVISIONAL PPA			**0**	**C = A + B**
Cost of the investment			**4,000**	**D**
Transaction costs capitalized			**0**	**E**
Cost of the investment - net of transaction costs			**4,000**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**4,000**	**G = F - C**

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INFORMATICA VENETA

In September 2016, Inforyou S.r.l. completed the acquisition of a 100% interest in Informatica Veneta S.r.l., which is mainly focused on the sale of cloud software for gyms and wellness centres. The consideration paid was € 0.3 million. Thanks to its SaaS/Cloud technology related skills and know-how, Informatica Veneta S.r.l. has contributed a portfolio of 250 active customers to TeamSystem Group.

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

15. PROVISIONAL GOODWILL (Continued)

Informatica Veneta S.r.l.'s results have been consolidated in 2016 as from 1 October 2016.

The purchase price allocation recognised for the acquisition of Informatica Veneta S.r.l. was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 1,335 thousand) was also provisional at 31 December 2016.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
INFORMATICA VENETA S.r.l.

ASSETS	30 Sep 2016	PPA Provisional Adjustments	30 Sep 2016 After PPA Provisional Adjustments
Tangible assets	10		10
Intangible assets	32	–	32
TOTAL NON CURRENT ASSETS	**43**	**0**	**43**
Inventories	24		24
Trade receivables	216		216
Tax receivables	6		6
Other receivables - current	13		13
Cash and bank balances	7	–	7
TOTAL CURRENT ASSETS	**267**	**0**	**267**
TOTAL ASSETS	**309**	**0**	**309**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
INFORMATICA VENETA S.r.l.

EQUITY AND LIABILITIES	30 Sep 2016	PPA Provisional Adjustments	30 Sep 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**40**	**0**	**40**
Staff leaving indemnity	16	–	16
TOTAL NON CURRENT LIABILITIES	**16**	**0**	**16**
Financial liabilities with banks and other institutions - current	11		11
Other financial liabilities - current	50		50
Trade payables	166		166
Tax liabilities - current	2		2
Other liabilities - current	25	–	25
TOTAL CURRENT LIABILITIES	**254**	**0**	**254**
TOTAL LIABILITIES	**270**	**0**	**270**
TOTAL EQUITY AND LIABILITIES	**309**	**0**	**309**

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

15. PROVISIONAL GOODWILL (Continued)

PROVISIONAL ALLOCATED GOODWILL INFORMATICA VENETA S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**0**	**0**	**0**	**A**
Equity before PPA adjustments			**40**	**B**
EQUITY IFRS after PROVISIONAL PPA			**40**	**C = A + B**
Cost of the investment			**1,378**	**D**
Transaction costs capitalized			**(3)**	**E**
Cost of the investment - net of transaction costs			**1,375**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**1,335**	**G = F - C**

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TEAMSYSTEM C&D

On 12 December 2016, TeamSystem S.p.A. acquired a 100% interest in TeamSystem C&D S.r.l. (a TeamSystem S.p.A. dealer) for a consideration of € 0.8 million.

At the end of 2014, an agreement had been entered into with the dealer TeamSystem C&D S.r.l., whereby the owners of the latter granted TeamSystem S.p.A. a call option, by means of which, at predetermined due dates, the latter would have been able to acquire a 100% interest in TeamSystem C&D.

For the purpose of these consolidated financial statements, only the newly acquired company's financial position at 31 December 2016 has been included.

The purchase price allocation recognised for the acquisition of TeamSystem C&D S.r.l. was still provisional at 31 December 2016 and, consequently, the related goodwill (€ 2,094 thousand) was also provisional at 31 December 2016.

The table below sets out the provisional determination of goodwill relating to TeamSystem C&D S.r.l.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TEAMSYSTEM C&D S.r.l.

ASSETS	31 Dec 2016	PPA Provisional Adjustments	31 Dec 2016 After PPA Provisional Adjustments
Tangible assets	54		54
Intangible assets	293		293
Goodwill	106	(106)	0
Deferred tax assets	0	11	11
TOTAL NON CURRENT ASSETS	**453**	**(95)**	**358**
Inventories	14		14
Trade receivables	1,974		1,974
Tax receivables	40		40
Other receivables - current	68		68
Other financial assets - current	178		178
Cash and bank balances	233		233
TOTAL CURRENT ASSETS	**2,507**	**0**	**2,507**
TOTAL ASSETS	**2,960**	**(95)**	**2,865**

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

15. PROVISIONAL GOODWILL (Continued)

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION TEAMSYSTEM C&D S.r.l.

EQUITY AND LIABILITIES	31 Dec 2016	PPA Provisional Adjustments	31 Dec 2016 After PPA Provisional Adjustments
TOTAL EQUITY	**114**	**(139)**	**(25)**
Staff leaving indemnity	612	44	656
TOTAL NON CURRENT LIABILITIES	**612**	**44**	**656**
Financial liabilities with banks and other institutions - current	56		56
Trade payables	1,920		1,920
Tax liabilities - current	31		31
Other liabilities - current	227		227
TOTAL CURRENT LIABILITIES	**2,234**	**0**	**2,234**
TOTAL EQUITY AND LIABILITIES	**2,960**	**(95)**	**2,865**

PROVISIONAL ALLOCATED GOODWILL TEAMSYSTEM C&D S.r.l.

	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Actuarial evaluation of Staff leaving indemnity	(44)	11	(33)	
Goodwill Write-off	(106)		(106)	
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**(150)**	**11**	**(139)**	**A**
Equity before PPA adjustments			**114**	**B**
EQUITY IFRS after PROVISIONAL PPA			**(25)**	**C= A + B**
Cost of the investment			**2,169**	**D**
Transaction costs capitalized			**(100)**	**E**
Cost of the investment - net of transaction costs			**2,069**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**2,094**	**G = F - C**

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ALIASLAB

On 22 December 2016, TeamSystem S.p.A. acquired a 51% interest in Aliaslab S.p.A. for a consideration of € 24.6 million and entered into a put and call agreement for the residual 49%. Aliaslab is a company specialised in electronic signature and authentication services, with distinctive market positioning in Italy and with total revenue for 2016 of approximately € 13.5 million. The transaction has made it possible for TeamSystem to leverage a series of solutions and state-of-the-art skills at European level and to immediately become a significant player in a market, such as that for digital signatures, which is destined to quadruple its value in Europe by 2020.

For the purpose of these consolidated financial statements, only the newly acquired company's financial position at 31 December 2016 has been included.

The purchase price allocation recognised for the acquisition of Aliaslab S.p.A. was still provisional at 31 December 2016 and, consequently, the related goodwill recognised in the Group's consolidated financial statements (€ 64,061 thousand) was also provisional at 31 December 2016, while further information is obtained on the subsidiary in the months subsequent to the reporting date.

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

15. PROVISIONAL GOODWILL (Continued)

The table below sets out the provisional determination of goodwill relating to Aliaslab S.p.A.

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ALIASLAB GROUP

ASSETS	31 Dec 2016	PPA Provisional Adjustments	31 Dec 2016 After PPA Provisional Adjustments
Tangible assets	180		180
Intangible assets	35		35
Goodwill	857	(857)	0
Other Investments	200		200
Deferred tax assets	7	10	17
TOTAL NON CURRENT ASSETS	**1,279**	**(847)**	**432**
Inventories	167		167
Trade receivables	4,508		4,508
Tax receivables	1		1
Other receivables - current	437		437
Other financial assets - current	98		98
Cash and bank balances	3,452		3,452
TOTAL CURRENT ASSETS	**8,663**	**0**	**8,663**
TOTAL ASSETS	**9,941**	**(847)**	**9,094**

Euro thousands

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ALIASLAB GROUP

EQUITY AND LIABILITIES	31 Dec 2016	PPA Provisional Adjustments	31 Dec 2016 After PPA Provisional Adjustments
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**6,453**	**(889)**	**5,564**
TOTAL NON CONTROLLING INTERESTS	**157**	**0**	**157**
TOTAL EQUITY	**6,611**	**(889)**	**5,722**
Staff leaving indemnity	325	42	367
Provisions for risks and charges	197		197
TOTAL NON CURRENT LIABILITIES	**523**	**42**	**565**
Trade payables	671		671
Tax liabilities - current	717		717
Other liabilities - current	1,419		1,419
TOTAL CURRENT LIABILITIES	**2,808**	**0**	**2,808**
TOTAL LIABILITIES	**3,331**	**42**	**3,373**
TOTAL EQUITY AND LIABILITIES	**9,941**	**(847)**	**9,094**

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

15. PROVISIONAL GOODWILL (Continued)

PROVISIONAL ALLOCATED GOODWILL ALIASLAB GROUP	Adjustments	Tax Adjustments	Impact on Equity	NOTES
Actuarial evaluation of Staff leaving indemnity	(42)	10	(32)	
Goodwill Write-off	(857)	—	(857)	
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**(899)**	**10**	**(889)**	**A**
Equity before PPA adjustments			**6,453**	**B**
EQUITY IFRS after PROVISIONAL PPA			**5,564**	**C = A + B**
Cost of the investment			**70,630**	**D**
Transaction costs capitalized			**(1,005)**	**E**
Cost of the investment - net of transaction costs			**69,625**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**64,061**	**G = F - C**

16. OTHER INVESTMENTS AND INVESTMENTS IN ASSOCIATES

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

Investments in associates relate to investments held through the subsidiary TSS S.p.A. The revaluations and writedowns have arisen from the application of the equity method for the measurement thereof.

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

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

Deferred tax assets at 31 December 2016 amounted to € 13,732 thousand. Details of movements in deferred tax assets in 2016 are shown in the following table.

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

Deferred tax assets at 31 December 2016 include approximately € 8.7 million relating to the step-up for tax purposes of goodwill enacted by the subsidiary TSS S.p.A. The other main components for which the Group companies have recognised deferred tax assets relate to the allowance for bad

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

17. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

debts, to the provision for agents' indemnity and other provisions for risks and charges which are disallowed for tax purposes. These deferred tax assets are not subject to any maturity or expiration.

Deferred tax liabilities

Deferred tax liabilities at 31 December 2016 amounted to € 198,874 thousand. Movements in deferred tax liabilities in 2016 are summarised in the following table.

DEFERRED TAX LIABILITIES	Opening Balance	TeamSystem Group Acquisition	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2016
Financing Fees		2,795				(2,795)	
Fair value valuation of lands and buildings		1,869				(163)	1,706
TeamSystem - Intangibles		180,512				(10,179)	170,333
Capitalized development costs		5				(5)	
Investments revaluation		730					730
TeamSystem S.p.A.		**185,911**				**(13,142)**	**172,769**
TSS - Intangibles		1,396				(427)	969
TSS S.p.A.		**1,396**				**(427)**	**969**
Deferred tax liabilities of other Subsidiaries							
Other Subsidiaries							
Euroconference - Intangibles		1,120				(52)	1,068
Euroconference - Services in progress		28				(28)	
Finance lease and valuation of asset at fair value							
Investments revaluation		(730)					(730)
Other minor items		3					3
Nuovamacut - Intangibles		8,101				(405)	7,696
TSS - Intangibles		11,710				(1,522)	10,188
ACG - Intangibles		6,607				(560)	6,047
Capitalized development costs		660			324	(120)	864
Consolidation entries		**27,499**			**324**	**(2,687)**	**25,136**
Total		**214,806**			**324**	**(16,256)**	**198,874**

The main decrease in 2016 of € 10,179 thousand relates to the reversal of the deferred tax liability recognised on the amortisation of intangible assets (software, brands, customer relationships and other IFRS assets) identified for the purpose of the allocation of the price paid for the acquisition by TeamSystem Group by the private equity firm H&F.

The overall change in deferred tax assets and liabilities gave rise to a positive impact on the consolidated statement of profit or loss of € 15,430 thousand (and a further positive impact on the consolidated statement of comprehensive income of € 183 thousand). Of this amount, € 2,795 thousand consists of a non-recurring amount attributable to the derecognition of TeamSystem S.p.A.'s deferred tax liability recognised on expenses incurred on the issue of Senior Secured Notes

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

17. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

that were redeemed during the year. This deferred tax had been treated as tax deductible on a cash basis (as permitted by applicable legislation) whereas, for statutory accounting purposes, it was being amortised over the term to maturity of the Bond to which it related.

On account of the circumstances whereby almost all the Group companies are domiciled in Italy, the most significant difference between the actual tax rate and the nominal tax rate relates to deferred tax that the Group has not recognised on interest expense that was not deducted as it exceeded the limit of gross operating profit.

18. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS)

	Current	Non Current	31 Dec 2016 Total
Bank accounts and post office	19,031		19,031
Cash and bank balances	375		375
Total Cash and bank balances	**19,406**		**19,406**
Loans	769		769
Other financial assets	375	250	625
Total Other financial assets	**1,145**	**250**	**1,395**
Loans with banks	(47,703)		(47,703)
Overdrafts with banks	(202)		(202)
Notes		(640,000)	(640,000)
Dividends to be paid	(40)		(40)
Total Financial liabilities	**(47,945)**	**(640,000)**	**(687,945)**
Financing Fees - notes	9,551	20,834	30,386
Financing Fees - banks	1,089	3,993	5,082
Total Financing Fees	**10,640**	**24,828**	**35,468**
Vendor loan	(10,858)	(81,497)	(92,356)
Commissions financial liabilities	(32)		(32)
Other financial liabilities	(2)		(2)
Total Other financial liabilities	**(10,893)**	**(81,497)**	**(92,390)**
Total	**(27,647)**	**(696,420)**	**(724,067)**

Net debt as of December 2016 amounted to € 724,067 thousand.

Existing Notes

In May 2013, TeamSystem Holding S.p.A. underwent a complex refinancing of its financial structure that culminated on 7 May 2013 with an issue of Notes (“Original Notes” or “Existing Notes”) of a total principal amount of € 300 million, followed by a further € 130 million that was treated as an additional tranche and which was issued in April 2014.

The Existing Notes were listed on the ExtraMot segment of the Italian Stock Exchange and on the Luxembourg Stock Exchange. The Existing Notes had a coupon payable half-yearly (15 May and 15 November) and bore interest at 7.375% of the principal amount of the Existing Notes.
The costs incurred for the issue of the above Existing Notes were recognised as financing fees and amortised on a straight line basis over the contractual term of the Existing Notes (the maturity date of which had been envisaged to be 15 May 2020).

Following the acquisition of TeamSystem Group on 1 March 2016 by private equity funds advised by Hellman & Friedman, on 20 May 2016 TeamSystem Holding redeemed the Existing Notes and paid

18. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS) (Continued)

the related Applicable Premium of € 15.9 million (as provided for by the Indenture governing the Existing Notes). As a consequence of the early redemption of the Existing Notes, the residual amount of the financing fees pertaining to the Existing Notes (at 20 May 2016) was charged to the Group's consolidated statement of profit or loss. The foregoing gave rise to the recognition of non-recurring finance costs of € 27,183 thousand, as previously stated in these notes.

Senior Notes

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

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

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

- At any time prior to 1 March 2018, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes plus an Applicable Premium (as provided for by the Indenture governing the Senior Notes);
- at any time prior to 1 March 2018, up to 40% of the aggregate principal amount of the Senior Notes may also be redeemed with funds in an aggregate amount not exceeding the cash proceeds of one or more Equity Offerings at a redemption price equal to the lesser of (i) 109.000% of the principal amount of the Senior Notes, plus accrued and unpaid interest and any Additional Amounts (each term as defined in the Indenture), and (ii) the Applicable Premium, to, but not including, the applicable redemption date, according to the terms and conditions of the Senior Notes Indenture; and
- at any time on or after 1 March 2018 and up to the maturity date, the Senior Notes may be redeemed at a redemption price equal to the percentage of principal set out in the Senior Notes Indenture for each relevant twelve month period

Upon the occurrence of certain events constituting a "change of control", the New TeamSystem Holding S.p.A. may be required to offer to repurchase the Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase.

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

Senior Secured Notes

On 20 May 2016, TeamSystem S.p.A. (formerly Barolo Bidco S.p.A.) issued €450 million in aggregate principal amount of senior secured floating rate notes due 2022 (the "Original Senior Secured Notes") (ISIN: XS1408420443). On the same day, TeamSystem Holding S.p.A. repaid its existing €430 million 7.375% Senior Secured Notes due 2020 using proceeds from the issuance of the Senior Secured Notes and satisfied and discharged the Existing Indenture. On 22 December 2016, TeamSystem S.p.A. issued €40 million in aggregate principal amount of senior secured floating rate notes due 2022 (the "Additional Senior Secured Notes" and, together with the Original Senior Secured Notes, the "Senior Secured Notes") (ISIN: XS1408420443).

The Senior Secured Notes bear interest payable quarterly (1 April, 1 July, 1 October and 1 January, commencing 1 July 2016) at an interest rate equating to the three-month Euribor rate - with a floor of 1% - plus a spread of 6.25%.

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

18. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS) (Continued)

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

- at any time prior to 20 May 2017, in whole or in part, at a redemption price equal to the 100% of the principal amount of the notes plus the relevant Applicable Premium, as defined in the indenture governing the Senior Secured Notes (the “Senior Secured Notes Indenture”); and
- at any time on or after 20 May 2017 and up to the maturity date, the Senior Secured Notes may be redeemed at a redemption price equal to the percentage of principal set out in the Senior Secured Notes Indenture for each relevant twelve month period

Upon the occurrence of certain events constituting a “change of control”, the issuer of the Senior Secured Notes may be required to offer to repurchase the Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase.

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

Revolving credit facility (RCF)

As part of its previous debt restructuring in May 2013, the Group had also negotiated a revolving credit facility of € 45 million (the ”Original RCF”) the maturity date of which was 15 November 2019.

The costs incurred to obtain the above credit facility had been recognised as financing fees and were being amortised on a straight line basis over the contractual term of the facility, which, as stated above, had a maturity date of 15 May 2019.

Following the acquisition of TeamSystem Group on 1 March 2016, the Original RCF was cancelled and the residual amount of the financing fees pertaining thereto (at 1 March 2016) was charged to the Group’s consolidated statement of profit or loss.

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

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

Collateral provided

Liens and pledges over the shares of TeamSystem S.p.A. and TeamSystem Holding S.p.A. have been provided as collateral for both the revolving credit facility and the Senior Notes and the Senior Secured Notes, as detailed in Note 29.

Vendor loan

The vendor loan (€ 92,356 thousand at 31 December 2016) relates to put and call options and/or earn-outs due to non-controlling interest holders of certain consolidated subsidiaries (Metodo S.p.A., Inforyou S.r.l., Gruppo Euroconference S.p.A., TeamSystem Communication S.r.l., TeamSystem Emilia S.r.l., Danea Soft S.r.l., Digita S.r.l. and Madbit Entertainment S.r.l., Euresys S.r.l., Aliaslab S.p.A. and Mondora S.r.l.). As previously stated in the paragraph on “Basis of consolidation”, the Group, normally at the same time as the acquisition of majority / controlling stakes in an investee, enters into put and call option agreements for the residual stake held by non-controlling interest holders of the acquiree. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous existence of put and call clauses, the

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

18. NET FINANCIAL POSITION – (NET FINANCIAL INDEBTEDNESS) (Continued)

investee is consolidated and the estimated amount of the exercise price under the put and call agreements is included in the cost of the acquisition and contributes to the determination of goodwill; recognition is then made of a liability due to non-controlling interest holders ("vendor loan"), which is subject to fair value measurement and subsequent changes therein.

Changes in the vendor loan in 2016 are summarised below.

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

In 2016, € 5.6 million of vendor loan payments were made relating to the following acquisitions:

- 22.09% of the capital of TeamSystem Emilia S.r.l.;
- 0.14% of the capital of Gruppo Euroconference S.p.A.;
- 12.5% of the capital of Inforyou S.r.l.; and
- 40% of the capital of Digita S.r.l.;
- as well as due to the exercise of the earn-out clause relating to the investment in Lexteam S.r.l.

19. INVENTORIES

	31 Dec 2016
Raw and ancillary materials	381
Finished products and goods	1,558
(Allowance for slow-moving inventory)	(517)
Total	**1,422**

Inventories amounted to € 1,422 thousand at 31 December 2016 and included hardware products not yet delivered at the reporting date, as well as consumables, accessories and third party software modules and software licences for resale characterised by a high turnover.

20. TRADE RECEIVABLES

	31 Dec 2016
Trade receivables	119,256
(Allowance for bad debts)	(15,889)
Total	**103,367**

Trade receivables at 31 December 2016 amounted to € 103,367 thousand, net of the allowance for bad debts of € 15,889 thousand.

Movements in the allowance for bad debts in 2016 are summarised below.

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

(*) = Credit Losse balances included both in Addition and Utilisation figures

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

20. TRADE RECEIVABLES (Continued)

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

The balances shown in the column headed "Change in cons. area" relate to the allowances for bad debts of the companies newly consolidated in 2016 as at their respective acquisition dates (€ 781 thousand of which relates to TeamSystem C&D S.r.l.).

21. TAX RECEIVABLES

	31 Dec 2016
Tax credits	13
Other tax receivables	277
Advances and credit on income taxes	1,462
Total	**1,752**

Tax receivables at 31 December 2016 amounted to € 1,752 thousand.

Advances and tax credits consist of:

- a receivable due to Group companies of approximately € 1.4 million arising from non-recurring income triggered by an IRES refund attributable to the non-deduction of IRAP, which was acknowledged in 2012.
- tax receivables due to certain subsidiaries.

22. OTHER RECEIVABLES - CURRENT

	31 Dec 2016
VAT receivables	653
Deposits	606
Receivables from employees	211
Other receivables - current	2,410
Accrued income	147
Prepayments	10,761
Other current receivables	**14,788**

Other current receivables came to € 14,788 at 31 December 2016. The main components are the following:

- Other sundry current receivables (€ 2,410 thousand), which mainly consist of advances to suppliers paid to various Group companies;
- Prepaid expenses (€ 10,761 thousand), which mainly consist of fees for maintenance and support provided by third parties.
- Deposits (€ 606 thousand) mainly relating to cautionary deposits required by rental arrangements.

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

23. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND MINORITY INTERESTS

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

Equity attributable to owners of the parent company at 31 December 2016 amounted to € 566,396 thousand.

On 19 February 2016, the shareholders of TeamSystem Holding S.p.A. (formerly Barolo Midco S.p.A.) in general meeting approved a cash capital increase of a maximum nominal amount of € 5,400 thousand via the issue of 5,400,000 new ordinary shares with a par value of Euro 1.00 each.

On 1 March 2016, the shareholder Barolo Lux 1 S.à.r.l. paid an amount of € 565,530 thousand, having thus subscribed to the entire capital increase (and, accordingly, to all the 5,400,000 new ordinary shares with a par value of Euro 1.00 each) for a total subscription price of € 540,000 thousand (generating a share premium of € 534,600 thousand). The excess amount of € 25,531 thousand constituted a capital contribution.

On the same date (1 March 2016), the shareholder Barolo Lux 1 S.à.r.l. declared its intention to give effect to a capital contribution to Barolo Midco S.p.A. associated with a receivable of € 77,170 thousand arising from a loan agreement entered into by Barolo Bidco S.p.A.

The decrease in other reserves (€ 580 thousand) mainly relates to the recognition of actuarial differences in compliance with IAS 19 (see Note 24).

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

Equity attributable to non-controlling interest holders (€ 1,060 thousand) relates to equity interests held by third parties in Gruppo Euroconference S.p.A., Nuovamacut Nord Ovest S.r.l., Nuovamacut Centro Sud S.r.l., Voispeed Limited and Elaide S.r.l.

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

24. STAFF LEAVING INDEMNITY

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

The liability associated with the staff leaving indemnity at 31 December 2016 amounted to € 18,478 thousand. Part of the change in the staff leaving indemnity is due to a change in the scope of consolidation attributable to newly consolidated companies.

In accordance with IAS 19, the staff leaving indemnity is considered to be a defined benefit plan to be accounted for by applying the "Projected Unit Credit Method," which consists of discounting an estimate of the amount to be paid to each employee on termination of their employment and the consequent determination of:

- **initial DBO**, that is, the present value of employee service payments expected to be made in the future, already available at the beginning of the period;
- **service cost**, that is, the present value of expected future employee service relating to services provided in the current period;
- **interest cost**, namely, interest on the provision at the beginning of the period and on corresponding movements in the period being considered;
- **benefits paid and transfers in/out** represent all payments and transfers in and out relating to the period being considered, being elements that lead to the utilisation of the provision
- **the actuarial gain / loss,** namely, the actuarial gain/loss relating to the valuation period.

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

	Year ended 31.12.2016
Turnover	4.00%
Discount rate	1.62%
Anticipation rate	1.00%

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

Moreover, it should be noted that, should the annual discount rate vary by +/- 0,25%, the staff leaving indemnity would amount to approximately € 18.9 million and € 17.8 million, respectively.

IAS 19 - Employee Benefits requires the recognition of actuarial gains and losses arising from the "remeasurement" of liabilities and assets in the consolidated statement of comprehensive income. Consequently, the income included in the consolidated statement of comprehensive income for the year ended 31 December 2016 (€ 761 thousand) corresponds to the actuarial gains/losses, as stated above, net of the tax effect of € 183 thousand.

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

25. PROVISIONS FOR RISKS AND CHARGES

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

Provisions for risks and charges amounted to € 3,906 thousand at December 2016. The components thereof are the following:

- Provision for pensions and similar obligations of € 1,516 thousand, relating mainly to the provision for agents' indemnity;
- Provision for litigation and disputes of € 1,331 thousand, relating to liabilities deemed to be probable that could arise from legal and tax disputes involving TeamSystem S.p.A., ACG S.r.l. and Metodo S.p.A.;
- Other provisions for risks and charges of € 1,058 thousand, relating to other liabilities deemed to be probable involving TeamSystem S.p.A., TSS S.p.A. and Aliaslab S.p.A.

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

26. TAX LIABILITIES - CURRENT

	31 Dec 2016
Income tax payables	5,723
Other tax liabilities	111
Total	**5,834**

Current tax liabilities came to € 5,834 at 31 December 2016. The balance almost entirely consists of current IRES and IRAP liabilities.

27. OTHER LIABILITIES - CURRENT AND NON CURRENT

	31 Dec 2016
VAT liabilities	1.453
Withholdings liabilities	3.825
Employees payables and Social security liabilities	21.360
Advances	3.453
Other liabilities	467
Accrued liabilities	301
Deferred revenues	26.165
Other current liabilities	**57.025**
Social security liabilities - non current	658
Other tax liabilities - non current	40
Other non current liabilities	**698**
Total Other liabilities	**57.723**

27. OTHER LIABILITIES - CURRENT AND NON CURRENT (Continued)

Other current and non-current liabilities amounted to a total of € 57,723 thousand at 31 December 2016.

Employee payables and Social security liabilities of € 15,103 thousand, relate to salaries and 2016 production bonuses (not yet paid at the year end) payable to employees, directors and collaborators, as well as accruals for public holidays and holiday pay. There are no employee bonuses due beyond one year worthy of note.

Advances at 31 December 2016 amounted to € 3,453 thousand and mainly relate to advances received by the Education operating segment for ongoing training services being provided at the reporting date.

Deferred revenue (€ 16,156 thousand) mainly relates to the portion of revenue for software subscriptions (pertaining essentially to Nuovamacut Group companies, TSS S.p.A. and Danea Soft S.r.l.) attributable to future financial years, based upon the duration of the underlying contracts.

Other non-current liabilities at 31 December 2016 amounted to € 698 thousand and relate primarily to the following balances pertaining to TeamSystem S.p.A.:

- € 40 thousand relating to income tax, VAT and other taxes pertaining to TeamSystem Fabriano, which was merged into TeamSystem in 2001;
- € 658 thousand relating to social contributions, of which € 646 thousand relates to the ancillary establishment in Campobasso and € 11 thousand relates to the ancillary establishment in Fabriano.

28. FINANCIAL INSTRUMENTS AND IFRS 7

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

Foreign exchange risks

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

In 2016, following the acquisition of Reviso International ApS and its subsidiaries, as well as the first-time consolidation of Vospeed Limited, which operates mainly in the UK, German, Danish and Spanish markets, there was an increase in foreign currency transactions, which, as things now stand, consist of modest amounts.

Similarly, due to the insignificance of the amounts concerned, the risk arising from the translation of foreign currency financial statements for consolidation purposes is also insignificant.

Credit risk

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

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

a) the control and assessment of "credit standing";

b) the control of the flow of payment collection;

c) taking appropriate action by issuing reminders and by the use of credit collection procedures, including recourse to companies specialised in debt recovery.

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

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

As at 31 December 2016 the Group did not have any guarantees covering trade receivables.

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

With respect to overdue receivables, the writedown recorded in the consolidated financial statements was determined based on a specific analysis of doubtful debts.

Interest rate risk

The sensitivity analysis was conducted on the basis of the following hypotheses and assumptions:

- the sensitivity analysis were performed by applying reasonably variations in the relevant risk variables of Consolidated financial statements December 31, 2016's amount, as a hypothesis which assumes an increase in the EURIBOR reference rate of 100 bps;
- it was considered null and void the impact on senior notes for a total amount of € 150 million and the Senior Secured Notes for a total amount of € 490 million as it is contractually agreed a 1% floor on both bonds;
- The risk to the interest rate occurs on the RCF credit line, which is entered in December 31, 2016 for an amount of € 47 / million and involves the application of a variable base rate equal to Euribor duration draw.

With the assumptions described above borrowing costs could therefore increase by about 372 € /year Thousands.

Liquidity risk

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

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

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

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

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

Set out below are details of the Group's financial assets and liabilities analysed according to the related due dates of the payment outflows. The flows indicated are non-discounted nominal cash flows, determined with reference to the residual contractual maturity for both capital and interest elements for which the assumed interest rates have remained unchanged from those existing at 31 December 2016.

POSITION AT 31 DECEMBER 2016	31 Dec 2016	within 12 months	within 1 - 2 years	within 2 - 5 years	over 5 years	Total cash flows
Accruals and prepaid commissions						
Crediti per finanziamenti	769	773				**773**
Other financial assets	625	376	100	150		**626**
Loans with banks	(47,703)	(1,286)			(47,000)	**(48,286)**
Overdrafts with banks	(202)	(202)				**(202)**
Notes	(640,000)	(49,035)	(49,035)	(147,104)	(669,470)	**(914,644)**
Financial liabilities with other institutions						
Dividends to be paid	(40)	(40)				**(40)**
Commissions financial liabilities	(32)	(32)				**(32)**
Other financial liabilities	(2)	(2)				**(2)**
Vendor loan	(92,356)	(10,915)	(6,470)	(68,843)	(28,296)	**(114,524)**
Total	**(778,941)**	**(60,363)**	**(55,405)**	**(215,797)**	**(744,766)**	**(1,076,331)**

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

Financial instruments by category (IFRS 7 paragraph 8)

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

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

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

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

EXPLANATIONS OF FINANCIAL INSTRUMENT CATEGORIES

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

On account of the features of the financial assets and liabilities recorded in the financial statements and as shown by the above table, the fair value of many of these (current trade receivables and payables and current and non-current financial liabilities) do not differ from their related carrying amounts, with the exception of the Senior Notes and Senior Secured Notes for which the quoted prices at 31 December 2016 (€ 82,576 thousand and € 103,688 thousand, respectively) correspond to the best estimate of fair value at 31 December 2016.

Levels of fair value hierarchy

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

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

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

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

The vendor loan financial payable is the main category within level 3 of the fair value hierarchy and it consists of the fair value of the estimated liability arising from put and call or earnout agreements relating to various non-controlling interests in Group companies; the related fair value was determined considering the contractual hypotheses for the determination of the consideration. Changes in fair value, due both to timing and possible changes in estimated indicators that form the basis for the computation of the consideration, are recognised in the consolidated statement of profit or loss; the impact recognised in the 2016 consolidated statement of profit or loss arising from the change in the fair value measurement of the vendor loan amounts to a decrease in its measurement of approximately € 11 thousand and an increase in its measurement of approximately € 6,320, whereas an amount of € 1,643 thousand was recognised as Other IFRS financial charges (see Note 8 Finance Income, Note 9 Finance Costs and Note 18 Net Cash/Debt).

Note that the discount rate applied for the measurement of the vendor loan at 31 December 2016 is that adopted for the performance of Group impairment tests at 31 December 2016, that is, the rate that equates to the cost of debt (gross of the tax effect) of 5.52% at 31 December 2016. This cost of debt is deemed representative of TeamSystem Group's specific credit risk at the balance sheet date.

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

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

In this regard, the Group has also performed analysis of the sensitivity of the carrying amount of the vendor loan to interest rates applied. The results of this analysis are set out in the table below.

Vendor loan Sensitivity - 2016

Cost of Debt - gross of tax	**4.52%**	**5.02%**	**5.52%**	**6.02%**	**6.52%**
Vendor loan	94,689	93,505	**92,355**	91,239	90,154

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

Guarantees Provided

Set out below are details of the collateral provided in connection with the revolving credit facility at 31 December 2016 (Note 18):

- Pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.;
- Assignment as collateral of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.;
- Pledge over 100% of the shares of Gruppo Euroconference S.p.A. held by TeamSystem S.p.A. (subject to the consent of the non-controlling interest holders that could be requested prior to or on the Reimbursement Date);
- Pledge over 100% of the shares of TSS S.p.A. held by TeamSystem S.p.A.;
- Pledge over industrial property rights of TeamSystem S.p.A.;
- Special lien granted by TeamSystem S.p.A;
- Assignment as collateral of the intercompany receivables due to TeamSystem S.p.A. by its subsidiaries;
- Pledge over the quotas of ACG S.r.l. held by TeamSystem S.p.A.;

At 31 December 2016, collateral had been granted for the revolving credit facility by TeamSystem Holding S.p.A. and TeamSystem S.p.A.

The main elements of the collateral provided in connection with the Senior Secured Notes (Note 18) at 31 December 2016 are:

- Pledge over 100% of the shares of TeamSystem S.p.A. held by TeamSystem Holding S.p.A.;
- Assignment as collateral of the intercompany receivable due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.;
- Assignment as collateral of TeamSystem S.p.A.'s rights arising from the purchase agreement dated 7 December 2015 in connection with the Acquisition.

At 31 December 2016, collateral had been granted for the Senior Secured Notes by TeamSystem Holding S.p.A. and TeamSystem S.p.A.

The main elements of the collateral provided in connection with the Senior Notes (Note 18) at 31 December 2016 are:

- Pledge over the shares of TeamSystem Holding S.p.A.;
- Pledge over the shares of TeamSystem S.p.A.;
- TeamSystem Holding S.p.A.'s rights in connection with certain intercompany receivables due to TeamSystem Holding S.p.A. by TeamSystem S.p.A.

At 31 December 2016, collateral had been granted for the Senior Notes by H&F Barolo Lux 1 S.à.r.l. and TeamSystem S.p.A.

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

29. GUARANTEES PROVIDED, COMMITMENTS AND OTHER CONTINGENT ASSETS AND LIABILITIES (Continued)

Other significant commitments and contractual rights

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

Put / Call Options Outstanding	31 Dec 2016
Metodo S.p.A.	10.00%
Inforyou S.r.l.	15.00%
TeamSystem Communication S.r.l.	40.00%
Danea Soft S.r.l.	49.00%
Madbit Entertainment S.r.l.	49.00%
Euresys S.r.l.	40.00%
Aliaslab S.p.A.	49.00%
Mondora S.r.l.	49.00%

The exercise price of these options will be determined based on normalised earnings parameters for the companies in question to which will be added the average (or actual) financial indebtedness for the period in which the put options may be exercised. The best estimate of the net present value of future disbursements has been recognised in the financial statements (Note 18) while the best estimate of future disbursements (by financial year) is indicated in the table shown in Note 29 – Liquidity risk – analysis of financial liabilities by due date of cash outflows.

Operating and property lease arrangements

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

The Group companies are party to operating lease agreements mainly for the use of motor cars. The amount of outstanding instalments for these operating leases at 31 December 2016 was approximately € 7.0 million.

Most of TeamSystem Group's operational premises are held under property leases. Outstanding instalments for these operational premises at 31 December 2016 amounted to approximately € 17.5 million.

Other commitments and contingent assets/liabilities

The Group companies, in the performance of their activities, are exposed to a series of legal, tax and other risks. These risks relate to ongoing legal disputes (the outcome of which cannot be forecast with certainty) or claims made against Group companies for the recovery of damages suffered by third parties. An adverse outcome of these proceedings could lead to the payment of costs not covered (or not fully covered) by insurance with a consequent impact on the financial position.

The Group, in accordance with opinions provided by its legal advisers, has made specific provision as part of the provision for risks and charges (Note 25) for litigation for which it is believed that a disbursement of resources is probable and for which the amount is capable of being reliably estimated. Based on the information available, there are no further potentially significant contingent liabilities that could lead to significant disbursements for the Group.

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

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

Investments in associates

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

INVESTMENTS IN ASSOCIATES	Registered office	% held	(**) ASSETS	(**) LIABILITIES	(**) EQUITY	(**) REVENUE	(**) PROFIT (LOSS) FOR THE YEAR
Mondoesa Emilia S.r.l.	Parma	40.00	2,451	2,346	105	3,607	(45)
Mondoesa Lazio S.r.l.	Frosinone	35.00	1,399	1,105	294	2,175	19
Mondoesa Milano Nordovest S.r.l.	Milan	49.00	1,782	1,740	42	3,008	(8)
Cesaco S.r.l.	Vicenza	48.00	427	251	176	613	9
Aldebra S.p.A.	Trento	17.65	12,402	10,960	1,442	25,017	(183)

(**) = figures updated to 31 December 2015 financial statements

Investments in Consolidated subsidiaries - material non-controlling interests

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

Euro thousands

METODO	METODO 31 Dec 2016	METODO 31 Dec 2015	Change
% Held by Non Controlling Interests	10	10	0.00
Total Current Assets	7,639	7,180	459
Total Non Current Assets	502	230	272
Total Current Liabilities	1,328	1,382	(54)
Total Non Current Liabilities	786	667	119
Total Equity	6,027	5,361	666
Total Equity attributable to non controlling interests	603	536	67
Total Revenue	6,843	6,405	438
Operating Result	1,994	1,490	504
Profit (Loss) for the year	1,266	1,104	162
Profit (Loss) for the year - Non controlling Interests	127	110	16

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

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Euro thousands

INFORYOU	INFORYOU 31 Dec 2016	INFORYOU 31 Dec 2015	Change
% Held by Non Controlling Interests	15	25	-10.00
Total Current Assets	4,044	3,423	621
Total Non Current Assets	1,544	103	1,441
Total Current Liabilities	2,369	572	1,797
Total Non Current Liabilities	80	66	14
Total Equity	3,139	2,888	251
Total Equity attributable to non controlling interests	471	722	(251)
Total Revenue	4,695	3,566	1,130
Operating Result	992	1,282	(291)
Profit (Loss) for the year	651	878	(228)
Profit (Loss) for the year - Non controlling Interests	98	220	(122)

Euro thousands

TEAMSYSTEM COMMUNICATION	TEAMSYSTEM COMMUNICATION 31 Dec 2016	TEAMSYSTEM COMMUNICATION 31 Dec 2015	Change
% Held by Non Controlling Interests	40	40	0.00
Total Current Assets	(399)	1,457	(1,857)
Total Non Current Assets	1,245	1,187	58
Total Current Liabilities	630	2,461	(1,831)
Total Non Current Liabilities	192	158	35
Total Equity	23	26	(2)
Total Equity attributable to non controlling interests	9	10	(1)
Total Revenue	2,346	2,080	266
Operating Result	76	84	(8)
Profit (Loss) for the year	(2)	2	(5)
Profit (Loss) for the year - Non controlling Interests	(1)	1	(2)

Euro thousands

DANEA SOFT	DANEA SOFT 31 Dec 2016	DANEA SOFT 31 Dec 2015	Change
% Held by Non Controlling Interests	49	49	0.00
Total Current Assets	3,286	4,553	(1,268)
Total Non Current Assets	5,454	1,494	3,960
Total Current Liabilities	4,664	2,792	1,872
Total Non Current Liabilities	180	141	39
Total Equity	3,896	3,114	782
Total Equity attributable to non controlling interests	1,909	1,526	383
Total Revenue	6,170	5,614	555
Operating Result	3,701	2,536	1,165
Profit (Loss) for the year	2,522	1,742	780
Profit (Loss) for the year - Non controlling Interests	1,236	853	382

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

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Euro thousands

MADBIT	MADBIT 31 Dec 2016	MADBIT 31 Dec 2015	Change
% Held by Non Controlling Interests	49	49	0.00
Total Current Assets	846	457	389
Total Non Current Assets	7	6	1
Total Current Liabilities	639	336	304
Total Non Current Liabilities	10	2	7
Total Equity	204	125	79
Total Equity attributable to non controlling interests	100	61	39
Total Revenue	861	365	497
Operating Result	134	90	44
Profit (Loss) for the year	79	55	24
Profit (Loss) for the year - Non controlling Interests	39	27	12

Euro thousands

GRUPPO EUROCONFERENCE	GRUPPO EUROCONFERENCE 31 Dec 2016	GRUPPO EUROCONFERENCE 31 Dec 2015	Change
% Held by Non Controlling Interests	3.13	3.27	-0.14
Total Current Assets	15,052	13,786	1,267
Total Non Current Assets	1,441	1,187	254
Total Current Liabilities	6,790	6,308	482
Total Non Current Liabilities	529	366	163
Total Equity	9,175	8,299	876
Total Equity attributable to non controlling interests	287	271	16
Total Revenue	11,020	10,417	604
Operating Result	2,326	2,293	33
Profit (Loss) for the year	1,676	1,653	23
Profit (Loss) for the year - Non controlling Interests	52	54	(2)

Euro thousands

MONDORA	MONDORA 31 Dec 2016	MONDORA 31 Dec 2015	Change
% Held by Non Controlling Interests	49	n.a.	n.a.
Total Current Assets	1,818	492	1,326
Total Non Current Assets	250	461	(210)
Total Current Liabilities	712	351	362
Total Non Current Liabilities	149	143	7
Total Equity	1,207	459	748
Total Equity attributable to non controlling interests	591	n.a.	n.a.
Total Revenue	2,921	1,480	1,441
Operating Result	1,090	62	1,028
Profit (Loss) for the year	748	34	713
Profit (Loss) for the year - Non controlling Interests	366	n.a.	n.a.

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

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Euro thousands

ALIASLAB	ALIASLAB 31 Dec 2016	ALIASLAB 31 Dec 2015	Change
% Held by Non Controlling Interests	49	n.a.	n.a.
Total Current Assets	8,240	12,263	(4,022)
Total Non Current Assets	1,432	1,457	(25)
Total Current Liabilities	2,776	3,618	(843)
Total Non Current Liabilities	443	587	(143)
Total Equity	6,453	9,515	(3,062)
Total Equity attributable to non controlling interests	3,162	n.a.	n.a.
Total Revenue	12,846	13,066	(220)
Operating Result	8,543	6,022	2,522
Profit (Loss) for the year	6,264	4,146	2,118
Profit (Loss) for the year - Non controlling Interests	3,069	n.a.	n.a.

Euro thousands

ELAIDE	ELAIDE 31 Dec 2016	ELAIDE 31 Dec 2015	Change
% Held by Non Controlling Interests	49	n.a.	n.a.
Total Current Assets	719	846	(127)
Total Non Current Assets	11	27	(17)
Total Current Liabilities	329	263	66
Total Non Current Liabilities	79	66	13
Total Equity	321	544	(222)
Total Equity attributable to non controlling interests	157	n.a.	n.a.
Total Revenue	914	922	(8)
Operating Result	195	174	22
Profit (Loss) for the year	128	55	73
Profit (Loss) for the year - Non controlling Interests	62	n.a.	n.a.

Euro thousands

NUOVAMACUT NORD OVEST	NUOVAMACUT NORD OVEST 31 Dec 2016	NUOVAMACUT NORD OVEST 31 Dec 2015	Change
% Held by Non Controlling Interests	13.66	13.66	0.00
Total Current Assets	15,041	13,111	1,931
Total Non Current Assets	78	116	(38)
Total Current Liabilities	11,956	10,839	1,118
Total Non Current Liabilities	523	450	73
Total Equity	2,641	1,938	703
Total Equity attributable to non controlling interests	361	265	96
Total Revenue	12,304	10,977	1,327
Operating Result	2,192	1,579	613
Profit (Loss) for the year	1,488	1,046	442
Profit (Loss) for the year - Non controlling Interests	203	143	60

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

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Euro thousands

NUOVAMACUT CENTRO SUD	NUOVAMACUT CENTRO SUD 31 Dec 2016	NUOVAMACUT CENTRO SUD 31 Dec 2015	Change
% Held by Non Controlling Interests	30	30	0.00
Total Current Assets	1,634	1,430	203
Total Non Current Assets	18	14	3
Total Current Liabilities	1,195	1,135	60
Total Non Current Liabilities	58	49	9
Total Equity	399	261	138
Total Equity attributable to non controlling interests	120	78	41
Total Revenue	1,660	1,291	369
Operating Result	364	220	145
Profit (Loss) for the year	238	137	102
Profit (Loss) for the year - Non controlling Interests	71	41	30

31. RELATED PARTY TRANSACTIONS, BOARD OF DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT

Remuneration

As required by IAS 24, the table below shows the amounts due for year 2016 to the members of the Board of Directors, to the members of the Board of Statutory Auditors and to the Group's Top Management.

	31 Dec 2016
Directors	
Statutory Auditors	18
Top Management	4,155
Total emoluments	**4,173**

As previously indicated in these notes, on 1 March 2016, TeamSystem Group was acquired by private equity funds advised by Hellman & Friedman. Following this transaction, middle and senior Management of TeamSystem holds a 3.57% interest therein, with applicable conditions similar to those applicable to the Group's other shareholders.

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

The table below summarises the balances at 31 December 2016 and transactions in the year then ended with the parent company Barolo Lux 1 S.à.r.l.

PARENT COMPANY	Trade payables	Other payables	Financial payables	Financial receivables	31 Dec 2016
Barolo Lux 1 S.à.r.l.				675	675
Total				**675**	**675**

PARENT COMPANY	Total Revenues	Non recurring revenues	Finance income	31 Dec 2016
Barolo Lux 1 S.à.r.l.			35	35
Total			**35**	**35**

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

31. RELATED PARTY TRANSACTIONS, BOARD OF DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT (Continued)

Associates

A summary is provided below of balances at 31 December 2016 with associated companies and transactions therewith in the year then ended.

	Trade and Other receivables	Financial receivables	31 Dec 2016	Trade and Other payables	Financial liabilities	31 Dec 2016
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	19		**19**	40		**40**
Mondoesa Lazio S.r.l.	14		**14**	46		**46**
Mondoesa Milano Nordovest S.r.l.	104		**104**	5		**5**
Cesaco S.r.l.			**0**	51		**51**
Aldebra S.p.A.	2	—	**2**		—	**0**
Total	**139**	**0**	**139**	**142**	**0**	**142**

	Total Revenues	Non recurring revenues	Finance income	31 Dec 2016
INVESTMENTS IN ASSOCIATES				
Mondoesa Emilia S.r.l.	874			**874**
Mondoesa Lazio S.r.l.	268			**268**
Mondoesa Milano Nordovest S.r.l.	874			**874**
Cesaco S.r.l.	22			**22**
Aldebra S.p.A.	408	—	—	**408**
Total	**2,446**	**0**	**0**	**2,446**

	Operating costs	Other provisions	Non recurring expenses	Finance cost	Income taxes	31 Dec 2016
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	127					**127**
Mondoesa Lazio S.r.l.	236					**236**
Mondoesa Milano Nordovest S.r.l.	8					**8**
Cesaco S.r.l.	158					**158**
Aldebra S.p.A.	0	—	—	—	—	**0**
Total	**529**	**0**	**0**	**0**	**0**	**529**

Related companies

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

32. INDEPENDENT AUDITORS

In addition to the above information, note that fees payable to Deloitte & Touche S.p.A. as independent auditors, recognised by the Group in profit or loss in 2016 for the audit of the financial statements, amounted to approximately € 227 thousand.

33. 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.

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

33. OVERSIGHT AND COORDINATION ACTIVITY (Continued)

The financial statements of Barolo Lux 1 S.à.r.l. for the year ended 31 December 2015 are set out below.

Barolo Lux 1 S.à.r.l.

Balance sheet as at 31 December 2015

(expressed in Euro) ASSETS	31 Dec 2015
Financial Fixed assets	50,000
Other Current assets	53
Cash and bank balances	9,656
Total Assets	**59,709**

(expressed in Euro) LIABILITIES	31 Dec 2015
Capital and Reserves	12,500
Profit (Loss) for the financial year	(27,011)
Trade payable	21,010
Tax liabilities	3,210
Other current liabilities	50,000
Total liabilities	**59,709**

(expressed in Euro) PROFIT AND LOSS ACCOUNT	31 Dec 2015
CHARGES	
Other external charges	**23,801**
Income tax	**3,210**
TOTAL CHARGES	**27,011**
INCOME	
TOTAL INCOME	

34. SUBSEQUENT EVENTS

Funding of € 20 / million loan from Barolo socio Lux 1 S.A.R.L.

On February 22, 2017, the Barolo Lux 1 S.A.R.L. has provided a loan of € 20 /million, functional to make more flexible the financial sources available to the Group. The loan is interest bearing and is repayable in variable interest rates determined on the basis of the “Euro Currency Rate” plus a spread of 4 percentage points.

The repayment of the expiration three months disbursement indicated above, is free and can be done with a notice of four days communicated to the financing partner.

34. SUBSEQUENT EVENTS (Continued)

Acquisition of Evols S.r.l.

On 9 March 2017, TeamSystem acquired a controlling interest of 51% in Evols S.r.l., a company specialised in management software solutions for hotels and tourism operators, with revenue for 2016 of approximately € 3.6 million. The transaction has made it possible to enter into the hospitality software segment by leveraging state of the art Evols solutions, already integrated into POLYEDRO.

Sesto San Giovanni, 18 April 2017

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

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

To the Sole Shareholder of
TeamSystem Holding S.p.A. (formerly Barolo Midco S.p.A.)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries (the "TeamSystem Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the TeamSystem Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

We draw attention to the paragraph of the explanatory notes “Acquisition of the previous TeamSystem Group by private equity funds advised by Hellman & Friedman”, which describes the acquisition carried out during 2016, through the vehicle Barolo Bidco S.p.A., by Barolo Midco S.p.A., subsequently renamed TeamSystem Holding S.p.A..

The effects of this transaction are described by the Directors in the explanatory notes to the consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries at December 31, 2016. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of TeamSystem Holding S.p.A., with the consolidated financial statements of the TeamSystem Group as at December 31, 2016. In our opinion, the report on operations is consistent with the consolidated financial statements of the TeamSystem Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Jessica Lanari
Partner

Ancona, Italy
April 28, 2017

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

TeamSystem Holding S.p.A.
RESTATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Restated 31 Dec 2015	Restated 31 Dec 2014	NOTES
	Euro thousands		
Revenue	251,359	210,806	1/2
Other operating income	2,495	1,763	1/2
TOTAL REVENUE	**253,854**	**212,569**	1/2
Cost of raw and other materials	(23,719)	(20,738)	3
Cost of services	(62,879)	(53,949)	4
Personnel costs	(93,882)	(75,633)	5
Other operating costs	(6,704)	(7,250)	6
Depreciation and amortization of non current assets	(39,149)	(34,821)	11/12
Allowance for bad debts	(5,071)	(7,400)	20
Other provisions for risks and charges	(174)	(200)	
Impairment of non current assets	(0)	(3,330)	
OPERATING RESULT	**22,277**	**9,248**	
Gain (Loss) on disposal of subsidiaries	(3,512)	0	15
Share of Profit (Loss) of associates	(79)	0	
Finance income	1,238	1,279	7
Finance cost	(42,073)	(39,272)	8
PROFIT (LOSS) BEFORE INCOME TAXES	**(22,150)**	**(28,745)**	
Current income tax	(10,691)	(6,878)	9
Deferred income tax	14,660	3,725	9
TOTAL INCOME TAX	**3,968**	**(3,153)**	
PROFIT (LOSS) FOR THE YEAR	**(18,182)**	**(31,898)**	
(Profit) Loss for the year—Non controlling interests	**(234)**	**(139)**	
PROFIT (LOSS) FOR THE YEAR—OWNERS OF THE COMPANY	**(18,415)**	**(32,036)**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro thousands	31 Dec 2015	31 Dec 2014	NOTES
PROFIT (LOSS) FOR THE YEAR	**(18,182)**	**(31,898)**	
Actuarial evaluation of Staff leaving indemnity	368	(1,901)	24
Tax effect	(35)	523	24
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX	**333**	**(1,378)**	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(17,849)**	**(33,276)**	
Total comprehensive (income) loss for the year attributable to Non controlling interests	**(237)**	**(128)**	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR—OWNERS OF THE COMPANY	**(18,086)**	**(33,404)**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	31 Dec 2015	31 Dec 2014	NOTES
	Euro thousands		
EQUITY AND LIABILITIES			
Share capital	3,214	3,214	23
Other reserves	179,401	211,108	23
Retained earnings (accumulated losses)	(11,389)	(11,389)	23
Profit (Loss) attributable to Owners of the Company	(18,415)	(32,036)	23
TOTAL EQUITY attributable to OWNERS OF THE COMPANY	**152,811**	**170,897**	
Non controlling interests—Capital and reserves	565	568	23
Non controlling interests—Profit (Loss)	234	139	23
TOTAL NON CONTROLLING INTERESTS	**799**	**707**	
TOTAL EQUITY	**153,610**	**171,604**	
Financial liabilities with banks and other institutions—non current	434,169	435,567	18
Financing Fees—non current	(9,172)	(11,767)	18
Other financial liabilities—non current	19,832	20,585	18
Staff leaving indemnity	15,931	16,358	24
Provisions for risks and charges	2,868	2,483	25
Deferred tax liabilities	76,739	92,967	17
Other liabilities—non current	760	823	27
TOTAL NON CURRENT LIABILITIES	**541,127**	**557,016**	
Financial liabilities with banks and other institutions—current	8,854	6,323	18
Financing Fees—current	(2,732)	(2,689)	18
Other financial liabilities—current	9,586	924	18
Trade payables	32,099	28,403	
Tax liabilities—current	8,625	4,970	26
Other liabilities—current	48,240	42,585	27
TOTAL CURRENT LIABILITIES	**104,671**	**80,516**	
TOTAL LIABILITIES	**645,797**	**637,532**	
TOTAL EQUITY AND LIABILITIES	**799,407**	**809,135**	

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 Dec 2015	31 Dec 2014	NOTES
	Euro thousands		
Operating Result	**22,277**	**9,248**	
Depreciation and amortisation of non-current assets	39,149	34,821	
Write-off of non current assets	0	330	
Impairment of non current assets	0	3,000	
Amortisation, Depreciation, Write-off, Impairment	**39,149**	**38,151**	
Trade receivables	(8,883)	1,462	
Inventories	(52)	(33)	
Other receivables—current	(3,038)	(1,695)	
Trade payables	4,142	2,172	
Other liabilities—current	5,671	(3,675)	
Change in Working capital	**(2,160)**	**(1,768)**	
Other liabilities—non current	(62)	(63)	
Other fiscal assets	40	(271)	
Other fiscal liabilities	229	(134)	
Change in other assets / liabilities	**207**	**(468)**	
Staff leaving indemnity	(257)	114	
Provisions for risks and charges	(11)	(16)	
Change in provisions	**(268)**	**98**	
Income tax	**(8,398)**	**(7,884)**	
CASH FLOWS FROM OPERATING ACTIVITIES	**50,805**	**37,377**	
Tangible assets	(1,686)	(1,863)	
Intangible assets	(3,142)	(900)	
Capitalized development costs—personnel costs	(7,484)	(6,199)	
Capitalized development costs—service costs	(3,359)	(2,756)	
Capital Expenditure	**(15,671)**	**(11,718)**	
Disposal of investments	50		10
Cash and bank balances at the date of disposal	(268)		10
Disposal of investments	**(218)**	**0**	
Acquisition of investments	(3,544)	(83,813)	10
Cash and bank balances at the date of acquisition	800	922	10
Acquisition of investments	**(2,744)**	**(82,891)**	
CASH FLOWS FROM INVESTING ACTIVITIES	**(18,633)**	**(94,609)**	
Financial balance paid / cashed-in and change in financial assets / liabilities	**(29,570)**	**68,748**	10
Financing Fees paid	**(72)**	**(5,836)**	
Vendor loan paid	**(3,239)**	**(5,278)**	10
Dividends paid	**(646)**	**(47)**	
CASH FLOWS FROM FINANCING ACTIVITIES	**(33,526)**	**57,586**	
INCREASE (DECREASE) IN CASH AND BANK BALANCES	**(1,353)**	**354**	
CASH AND BANK BALANCES—BEGINNING OF THE YEAR	**17,888**	**17,534**	
CASH AND BANK BALANCES—END OF THE YEAR	**16,534**	**17,888**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
31 Dec 2013	**3,214**	**219,699**	**103**	**(11,389)**	**(28,550)**	**183,077**	**711**	**183,788**
Profit (Loss) allocation		(28,550)			28,550	0		0
Other movements		22,500				22,500		22,500
Change in Non controlling interests IFRS 3		(277)				(277)	(84)	(360)
Dividends		(1,000)				(1,000)	(47)	(1,047)
Profit (Loss) on comprehensive income			(1,368)		(32,036)	(33,404)	128	(33,276)
31 Dec 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
31 Dec 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**
Profit (Loss) allocation		(32,036)			32,036	0		0
Dividends						(0)	(146)	(146)
Profit (Loss) on comprehensive income			329		(18,415)	(18,086)	237	(17,849)
31 Dec 2015	**3,214**	**180,337**	**(936)**	**(11,389)**	**(18,415)**	**152,810**	**799**	**153,610**

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

▶ INTRODUCTION

The Directors of the company currently named TeamSystem Holding S.p.A. (formerly Barolo Midco S.p.A. – the “Company”), the acquiror of the company formerly named TeamSystem Holding S.p.A. and its subsidiaries (hereinafter the “Group”) have restated, on a voluntary basis, these consolidated financial statements for the year ended 31 December 2015. The restated consolidated financial statements have been prepared solely for inclusion in the offering memorandum of the fully owned subsidiary TeamSystem S.p.A. in connection with the issuance of senior secured notes in order to present the consolidated income statement based on the schemes adopted by the Company in the consolidated financial statements as at December 31, 2017. In fact, in connection with this process the Directors have adopted, applicable to the Group’s consolidated financial statements for the year ended 31 December 2017 (having also adjusted the consolidated comparatives for the year ended 31 December 2016), a new accounting policy relating to the classification of certain cost components, which had previously been presented in the statement of profit or loss as “non-recurring” and which have been reclassified to the related cost categories by nature, in line with best practice and as recommended by ESMA (European Securities and Markets Authority) in its communication ESMA/2015/1415 “ESMA Guidelines on Alternative Performance Measures” of 5 October 2015. In fact, for the sole purpose of comparability within the offering memorandum, that present the consolidated financial information of the Group for the three years 2015-2017, the consolidated statement of profit or loss for the year ended 31 December 2015 has also been restated, in accordance with the above new policy; the consolidated statement of profit or loss for the year ended 31 December 2014, which has been presented as comparatives in these 2015 financial statements, has also been reclassified in line with the foregoing.

▶ COMPANY BACKGROUND

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

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

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

More specifically, on 1 March 2016, 100% of the share capital of TeamSystem Holding S.p.A. was acquired by Barolo Bidco S.p.A., an indirect subsidiary of funds adivised by Hellman & Friedman; HG funds and TeamSystem Management. In connection with the TeamSystem Group acquisition as described before, the € 45 million revolving credit facility made available to TeamSystem S.p.A. in 2013 was fully repaid and cancelled. Barolo BidCo S.p.A. has a € 65 million revolving credit facility, the proceeds of which can be made available to the TeamSystem Group for general corporate purposes. Barolo MidCo S.p.A. (the direct parent company of Barolo BidCo S.p.A.) issued € 150 million of floating rate senior notes to part-fund the consideration for the acquisition of

▶ COMPANY BACKGROUND (Continued)

TeamSystem Holding S.p.A.'s shares. The balance of the consideration was funded by equity invested by the funds and TeamSystem Management. The € 430 million aggregate principal of floating rate senior secured notes issued by TeamSystem Holding S.p.A. in 2013 and 2014 remained outstanding on 1 March 2016. The intention is to redeem these notes on or before 31 May 2016, using the proceeds of floating rate senior secured notes to be issued by Barolo BidCo S.p.A.

The present restated consolidated financial statements at December 31, 2015 have been approved by the current Board of Directors on 28 February 2018; the former consolidated financial statements of the Group at December 31, 2015, prepared for statutory purposes, were approved by the previous Board of Directors on 24 March 2016.

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▶ ACCOUNTING STANDARDS ADOPTED

TeamSystem Holding S.p.A. has adopted International Financial Reporting Standards as endorsed by the European Commission (hereinafter "IFRS") for the preparation of its consolidated financial statements pursuant to the provisions of articles 3 and 4 of Legislative Decree 28 February 2005, no. 38, which rules in Italy the exercise of options provided for by article 5 of Community regulations no. 1606/2002 concerning IFRS.

IFRS is intended to mean all "International Financial Reporting Standards", all International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as Standing Interpretations Committee ("SIC") endorsed by the European Commission at the date of approval of the draft consolidated financial statements by the Parent company's Board of Directors and covered by EU Regulations published at that date.

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

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▶ GOING CONCERN BASIS

TeamSystem Holding S.p.A. consolidated financial statements have been prepared on a going concern basis and the Board of Directors is not aware of any material uncertainties or doubts concerning TeamSystem Group ability to continue its activities in the foreseeable future.

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▶ CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include:

1. **The consolidated statement of profit or loss** for the year ended 31 December 2015, together with the comparative consolidated statement of profit or loss for the prior year. In particular, it should be noted that the consolidated statement of profit or loss format presents an analysis of costs aggregated by nature, since this classification is considered to be more relevant for the purposes of an understanding of TeamSystem Group's results. Moreover, since no discontinued or similar operations occurred in either the 2015 or 2014 financial years, "Profit (Loss) for the year" is derived solely from current operations; consequently, the Group has not presented an income statement line "Income (loss) for the year from continuing operations" since, as indicated,

▶ CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

this coincides with "Profit (Loss) for the year". As detailed in a relevant note below and as disclosed in the introduction, the consolidated statement of profit or loss for the year ended 31 December 2015 (and the comparative figures for the prior year ended 31 December 2014), has been restated, solely for inclusion in the offering memorandum, to reflect the new accounting policy adopted by the Group in the 2017 financial year concerning certain cost components, which had previously been presented in the statement of profit or loss as "non-recurring" and which have been classified within the related cost categories by nature, in line with best practice and as recommended by ESMA (European Securities and Markets Authority) in the communication ESMA/2015/1415 "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015.

2. **The consolidated statement of comprehensive income** for the year ended 31 December 2015, compared to the consolidated statement of comprehensive income for the year ended 31 December 2014. In fact IAS 1 requires that the statement of changes in equity has to evidence only changes generated by transactions with shareholders along with comprehensive income as defined below. The statement of profit or loss and other comprehensive income begins with the profit or loss for the year followed by a section on the other components of comprehensive income recognised in equity and thus the comprehensive income for the year, being the total profit (loss) for the year and other components. The section relating to the other components of comprehensive income presents separately items of income and expense that will never be recognised in profit or loss from those which will be, upon the occurrence of certain predetermined conditions, as set out in the applicable IAS/IFRSs.

3. **The consolidated statement of financial position** at 31 December 2015, together with the comparative consolidated statement of financial position at 31 December 2014. In particular, the consolidated statement of financial position has been prepared using a format, in accordance with IAS 1, classified on the basis of the operating cycle, with a distinction between current and non-current components. On the basis of this distinction, assets and liabilities are considered to be current, if it is assumed that they will be realised or settled during the normal operating cycle.

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

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

6. **The notes** to the consolidated financial statements.

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▶ SCOPE OF CONSOLIDATION

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

A listing of businesses consolidated on a line-by-line basis is provided in the following table and it should be noted that the consolidation % takes into account any put and call options stipulated during the course of acquisitions (the "% held" column indicates the percentage held by the Group in the company in question at the reporting date without taking account of the put/call options contract):

Amounts in Euro

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

▶ SCOPE OF CONSOLIDATION (Continued)

Amounts in Euro thousand

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

(1) = holding would be 100% should put/call option be exercised;

(2) = takes account of treasury shares held by Gruppo Euroconference;

(3) = holding would be 96.87% should put/call option be exercised;

(4) = investments held by Nuovamacut Automazione S.p.A.;

(5) = investments held by Danea Soft S.r.l.;

(6) = investments held by TSS S.p.A.;

(7) =Paradigma profit or loss statement is consolidated in 2015 figures from 1 January 2015 to 30 September 2015 because in October 2015 TeamSystem S.p.A. sold the entire quota capital held in Paradigma S.r.l.

(*) = Equity and Profit (Loss) figure are those of 31 December 2014.

Changes to the scope of consolidation that have occurred in 2015

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

- In July 2015 the subsidiary Danea Soft S.r.l. acquired a 51% stake in Madbit Entertainment S.r.l. for a consideration of 1.4 million and entered put/call agreement for the remaining 49%;
- In July 2015 the subsidiary TSS S.p.A. acquired a 100% stake in Ulisse Tecnologie S.r.l. for a consideration of € 1.9 million. With the objective of simplifying the organisational structure of TeamSystem Group and rationalising the operating costs of the respective corporate structures, Group Management considered it appropriate to integrate (into TeamSystem S.p.A.'s operating structure) the activities of Ulisse Tecnologie S.r.l. As part of this corporate integration, in December 2015, TeamSystem S.p.A. acquired from TSS S.p.A. the entire share capital of Ulisse S.p.A. and then merged by absorption Ulisse Tecnologie S.r.l. into TeamSystem S.p.A. (by means of a deed of merger dated 23 December 2015), effective for legal purposes as of 31 December 2015.

  Again, with the objective of simplifying the organisational structure of the Group and of rationalising operating costs, in December 2015 TSS S.p.A. sold its investment in Diamante S.p.A. to TeamSystem S.p.A., which then merged by absorption this company by means of a deed of merger dated 23 December 2015, effective for legal purposes as of 31 December 2015.
- In July 2015 TeamSystem 2 S.r.l. (via its subsidiary TeamSystem 3 S.r.l. incorporated in July 2015 with the specific purpose of managing the acquisition of Mondoesa Laghi Business unit) acquired from a TSS S.p.A. reseller a business division (Mondoesa Laghi) for a consideration of 0.1 million mainly consisting of a more than 400 client-base portfolio. In December 2015, TeamSystem 3 S.r.l. was merged by absorption into TeamSystem 2 S.r.l., effective for legal purposes as of 31 December 2015.

▶ SCOPE OF CONSOLIDATION (Continued)

- In 31 December 2015 Consolidated Financial Statements, Esa Napoli S.r.l.'s results have been consolidated for the first time; the subsidiary Esa Napoli S.r.l. have been incorporated in November 2014 and excluded in 31 December 2014 Consolidated Financial Statements because of the immateriality of the balances;
- In October 2015, the investment held in the subsidiary Paradigma S.r.l. was sold by TeamSystem S.p.A.; consequently Paradigma 's results were consolidated for 9 months in 2015 Profit or Loss Accounts (see Note 15). Paradigma did not constitute a separate major line of business of the Group and, accordingly, there was no requirement to apply IFRS 5 thereto.

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▶ REFERENCE DATE

The consolidated financial statements have been prepared based on the financial statements of the controlled subsiaries within consolidation perimeter already approved by respective Boards of Directors.

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

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▶ BASIS OF CONSOLIDATION

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

In the preparation of the consolidated financial statements, the statement of financial position, the statement of profit or loss and the comprehensive income are consolidated line-by-line. Receivables and payables, income and charges and gains and losses originating from transactions between and among the subsidiaries included in the consolidation are eliminated. The carrying value of consolidated equity investments is eliminated against the corresponding portion of equity attributable to the Group (or to non-controlling interests). Associated companies are carried under the equity method.

Business combinations

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

All other costs associated with a transaction are expensed.

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

Goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree and the net of the acquisition-

▶ BASIS OF CONSOLIDATION (Continued)

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

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

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

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

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

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

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▶ TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

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

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▶ ACCOUNTING POLICIES

Set out below are the accounting policies adopted by the Group for the measurement of the components of the financial statements for the year ended 31 December 2015. The accounting policies adopted for the financial statements for the year ended 31 December 2015 are substancially the same as those adopted for the financial statements for the year ended 31 December 2014.

Research and development expenses

In accordance with IAS 38, research expenses are charged to profit or loss account as incurred.

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

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

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

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

Customer relationship

Customer relationship (which arose on accounting for the acquisition of TeamSystem Group that took place on 30 September 2010 by HGCapital LLP) represents the total of contractual (supply contracts and service contracts etc.) and non contractual customer relationships and has been valued based on discounted income flows (Income Approach). The asset is amortised over its useful life estimated to be twenty years.

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

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

Again with reference to ACG S.r.l., the customer relationship also includes the estimated fair value of the obligation to provide future services for ongoing maintenance contracts relating to the ACG

▶ ACCOUNTING POLICIES (Continued)

acquisition for which payment has already been received by ACG's seller; this asset, which counterpart has been booked as deferred revenues according to IFRS 3, is amortised over a useful life estimated to be ten years.

Proprietary software

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

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

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

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

Third party software licenced for internal use

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

Brands

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

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

Goodwill

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

Goodwill is not amortised, as required by IFRS, but is allocated to its respective Cash Generating Unit (hereinafter "CGUs") and subjected annually (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to impairment testing in accordance with IAS 36 "Impairment of Assets".

Subsequent costs

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

▶ ACCOUNTING POLICIES (Continued)

Amortisation

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

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

Property, plant and equipment

Property, plant and equipment consisting mainly of land, buildings, electronic machines, furniture and fittings and general and specific plant are stated at purchase cost, net of accumulated depreciation and writedowns. Costs incurred subsequent to acquisition (repairs and maintenance costs and replacement costs) are recorded as part of the carrying value of an asset, or recognised as a separate asset, only when it is believed that it is probable that associated future economic benefits will be generated and that the cost of the asset can be measured in a reliable manner. Repairs and maintenance costs (or costs of replacements that do not have the above characteristics) are expensed in the year in which they are incurred. Property, plant and equipment assets are systematically depreciated each year at rates determined on the basis of the residual useful life of the asset.

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

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

Leased assets

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

Other Investments

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

Investments in Associates

An associate is an entity over which the Group has significant influence, but not control or joint control, by means of which it participates in the financial and operating policy decisions of the

▶ ACCOUNTING POLICIES (Continued)

investee. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale.

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

Inventories

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

Trade receivables

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

Cash and Bank balances

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

Asset and liabilites classified as held for sale

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

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

Foreign currency transactions

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

Writedowns (Impairment)

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

The carrying value of other assets, except for financial instruments covered by IAS39 and for deferred tax assets (IAS12), are subject to assessment at each consolidated statement of financial position

▶ ACCOUNTING POLICIES (Continued)

date (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to determine whether there is any indication that an asset may be impaired (impairment test). The estimated recoverable amount is represented by the higher of value in use or fair value less costs to sell. For the purposes of assessment, assets are grouped into the smallest identifiable unit for which the Management is capable of separating the related cash inflows (CGU).

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

As at 31 December 2015, the Group CGUs that have been identified by Management are the following:

- **the Software and Services (SWSS) CGU**, consisting of all TeamSystem Group companies operating in the software sector;
- **the CAD/CAM CGU** (relating to Nuovamacut Group companies);
- **and the Education CGU** (consisting of Gruppo Euroconference S.p.A.).

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

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

Interest bearing financial liabilities

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

Hedging Instruments

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

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

The portion of the gain or loss on the hedging instrument relating to the effective hedge is taken directly to equity, whereas the non effective portion is immediately recognised in the consolidated

▶ ACCOUNTING POLICIES (Continued)

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

Employee Benefit Plans

1. Defined contribution plans

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

2. Defined benefit plans

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

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

Provisions

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

Trade and Other payables

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

Revenue

The criteria to account and recognize revenues in TeamSystem Group's business vary, considering the different nature of sales (software licenses, products as hardware components and assistance

▶ **ACCOUNTING POLICIES (Continued)**

services) and the related different streams of revenue, also connected to our three business operating segments. In detail:

Software and Services Business Unit (SWSS)

Direct Channel

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

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

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

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

Indirect Channel

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

Software licenses: revenue from sales of software licenses not included in a flat fee contract (see previous paragraph) are recognized at the delivery date, as all contractual obligations are performed and generally there are no rights of return or acceptance clauses

In case of software sales related to additional features which are sold as Temporary Annual Licenses (TAL), downloaded from website by VARs, revenue is recognized at the download date for new licenses and on a straight line basis for the renewals which automatically take place at the beginning of each year.

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

Education Business Unit

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

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

▶ ACCOUNTING POLICIES (Continued)

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

CAD/CAM Business Unit

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

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

Grants

Grants are recognised when there is reasonable certainty that they will be received and that all related conditions will be met. Grants towards cost components are recognised as income, but are systematically allocated to the financial year, in order to match the costs they are intended to offset. For grants towards the cost of an asset, the asset and the grant are recognised at their nominal value and the release to income takes place gradually, on a straight line basis, over the expected useful life of the asset.

Where a non cash grant is received, the asset and the contribution are recognised at their nominal value and are released to income on a straight line basis over the expected useful life of the asset.

Dividends

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

Rent and operating leases charges

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

Financial income and expense

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

Current and deferred taxation

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

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

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▶ EARNINGS PER SHARE

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

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▶ OPERATING SEGMENTS

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which discrete financial information is available.

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

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

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

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▶ USE OF ESTIMATES

The preparation of the consolidated financial statements requires the Group to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated profit or loss statement and consolidated cash flow statement, as well as the disclosures provided. The actual amounts of the consolidated financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.

▶ USE OF ESTIMATES (Continued)

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

- Business combinations (IFRS 3) and measurement of acquired assets and assumed liabilities: the process of allocation of Goodwill to the assets of TeamSystem Group following a business combination is based on estimates and assumptions derived from the professional judgement of the Management. Professional judgement is also used to determine the most appropriate methodologies for measurement of assumed assets and acquired liabilities (including the contingent ones), and in certain cases provisional initial accounting has been opted for, as permitted by the accounting standard.
- Goodwill and other intangible assets: goodwill and other intangible assets with an indefinite useful life are tested annually for impairment and during the course of the year if there is any indication thereof. Other intangible assets are tested annually for impairment when there are indications that the carrying amount may not be recovered. When value in use needs to be computed, the Management estimate the cash flows expected from an asset or from the cash generating unit and choose a discount rate in order to calculate the present value of the cash flows. Accordingly, the impairment test for fixed assets is performed using forecasts, which are naturally subject to uncertainty, of cash flow included in business plans approved by the relevant Board of Directors or in projections prepared by management of the Group companies in periods in which the business plan has not been updated for the insights needed to make strategic choices.
- Development expenses: the initial capitalisation of costs is subject to confirmation of the judgement of Management as to the technical and economic feasibility of the project, usually when the project has achieved a precise phase of the development plan. To determine the amount to be capitalised, the Group applies various assumptions regarding expected future cash flows from the asset, the discount rate to apply and the periods in which the expected benefits will occur.
- Employee benefits: The cost of employee benefit plans is determined using actuarial assessments. An actuarial assessment requires the application of assumptions with respect to discount rates, the expected yield from investments, future wage increases, mortality rates and future increases in pensions. Due to the long term nature of these plans, the estimates are subject to a significant degree of uncertainty;
- Vendor loan: they represent the estimated liability with respect to put and call options or earn-out agreements relating to non controlling holdings in the Group. They are accounted at their estimated fair value which implies various assumptions regarding the estimated indicators that form the basis for computation and the timing of cash-outs. The nominal value of the exercise price of the vendor loan is then discounted at the reporting date by applying the relevant discount rate which is the same as adopted for the cost of debt component in the impairment tests.

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▶ ROUNDING ADJUSTMENTS OF DATA

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

Certain numerical figures contained in this consolidated financial statements, including financial information and certain operating data, have been subject to rounding adjustments due to the above

▶ ROUNDING ADJUSTMENTS OF DATA (Continued)

presentation of numbers in thousands of Euros. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row.

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

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

- On 20 May 2013 the interpretation **IFRIC 21 – Levies** was issued and which provides clarifications on when to recognise a liability for a levy (that differs from income taxes) imposed by a government entity. The standard provides guidance on liabilities for levies that are accounted for in accordance with IAS 37 – *Provisions, contingent liabilities and contingent assets* and those where the timing and amount of the levy is certain. The interpretation is applicable retrospectively for annual periods beginning on or after 17 June 2014. The adoption of the new interpretation has had no effect on the Group's consolidated financial statements.
- On 12 December 2013 the IASB issued ***Annual Improvements to IFRSs: 2011-2013 Cycle,*** a collection of amendments to standards as part of the annual process of improvements thereto (inclusive of: IFRS 3 *Business Combinations – Scope exceptions for joint ventures*, IFRS 13 *Fair Value Measurement – Scope of portfolio exception, IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40).* These amendments are applicable for annual periods beginning on or after 1 January 2015. The adoption of these amendments has had no effect on the Group's consolidated financial statements.

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2015

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

- Amendments to IAS 19 ***Defined benefit plans: Employee Contributions*** (published on 21 November 2013): deals with the recognition in financial statements of contributions from employees or third parties to defined benefit plans. These amendments are applicable for annual periods beginning on or after 1 February 2015.
- Amendments to **IFRS 11** ***Joint Arrangements – Accounting for acquisitions of interests in joint operations*** (published on 6 May 2014): deals with the accounting for an acquisition of an interest in a joint operation in which the activity constitutes a business. The amendments are applicable as from 1 January 2016, although early application is permitted.
- Amendments to **IAS 16** ***Property, plant and equipment*** and **IAS 41** ***Agriculture – Bearer Plants*** (published on 30 June 2014): bearer plants, that is, fruit trees that are expected to provide an annual harvest (for example, grape vines and hazelnut trees), are to be accounted for in accordance with IAS 16 (rather than IAS 41). The amendments are applicable as from 1 January 2016, although early application is permitted.
- Amendments to **IAS 16** ***Property, plant and equipment*** and to **IAS 38** ***Intangible assets – Clarification of acceptable methods of depreciation and amortisation*** (published on 12 May 2014): according to which a depreciation or amortisation method that is based on revenue is generally deemed to be inappropriate, given that revenue generated by an activity that includes the use of a depreciable or amortisable asset generally reflects factors that differ from the

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, BUT NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2015 (Continued)

consumption of the economic benefit of the asset, being a requirement that needs to be met for depreciation or amortisation. The amendments are applicable as from 1 January 2016, although early application is permitted.

- Amendments to **IAS 1 – *Disclosure Initiative*** (published on 18 December 2014): the objective of the amendments is to clarify certain disclosure issues that could be perceived as impediments to the preparation of clear and intelligible financial statements. The amendments are applicable as from 1 January 2016, although early application is permitted.
- Amendments to **IAS 27 - *Equity Method in Separate Financial Statements*** (published on 12 August 2014): the amendments introduce an option to allow an entity to use the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applicable as from 1 January 2016, although early application is permitted.

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

Lastly, as part of the annual process of improvements to accounting standards, on 12 December 2013 the IASB issued "Annual Improvements to IFRSs: 2010-2012 Cycle" (inclusive of IFRS 2 *Share-based Payment – Definition of vesting conditions*, IFRS 3 *Business Combinations – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments* and *Reconciliation of total of the reportable segments' assets to the entity's assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables.*) and on 25 September 2014 "Annual Improvements to IFRSs: 2012-2014 Cycle" (inclusive of: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 – *Financial Instruments: Disclosures* and IAS 19 – *Employee Benefits*) which partially integrate the pre-existing standards. These amendments are applicable for annual periods beginning on or after 1 February 2015 and for annual periods beginning on or after 1 January 2016.

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

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

As of the reference date of these financial statements, the European Union's delegated bodies had not yet concluded the endorsement process required for the adoption of the amendments and standards described below.

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

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION (Continued)

- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contracts;
- revenue recognition criteria when the entity satisfies a performance obligation.

The standard is applicable as from 1 January 2018, although early application is permitted. The Directors believe that the application of IFRS 15 may have a significant impact on revenue recognition and on related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis of customer contracts.

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

The new standard, which replaces the previous versions of IFRS 9, is effective for annual periods beginning on or after 1 January 2018.

The Directors believe that the application of IFRS 9 may have a significant impact on the amounts recognised and on the disclosures provided in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis.

- On 13 January 2016 the IASB issued **IFRS 16 –** ***Leases*** which replaces IAS 17 – *Leases*, as well as the interpretations IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  The new standard provides a new definition of a lease and introduces a criterion based on control (right of use) over an asset in order to differentiate lease contracts from service contracts, identifying the following features: identification of the asset, the right to replacement thereof, the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the underlying asset.

  The standard sets out a single model for the recognition and measurement of lease contracts for a lessee that requires the recognition of assets held under leases, inclusive of operating leases, as balance sheet assets with an opposite entry to financial liabilities and it also makes it possible not to recognise as leases contracts for low-value assets and leases with a contractual duration equal to or less than 12 months. On the other hand, the standard does not include any significant amendments for lessors.

  The standard is applicable as from 1 January 2019, although early application is permitted, but only for companies that were early adopters of IFRS 15—*Revenue from Contracts with*

▶ ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION (Continued)

Customers. The Directors believe that the application of IFRS 16 may have a significant impact on the recognition of lease arrangements and on related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effects thereof until the Group has completed a detailed analysis of the related contracts.

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

On 11 September 2014 the IASB issued Amendments to ***IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***. The amendments were proposed due to the conflict between the requirements of IAS 28 and IFRS 10 concerning the measurement of gains and losses resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity interest in the latter. For the time being, the IASB has postponed the application of these amendments.

□ □ □

Notes to Restated Consolidated Financial Statement Components
(All amounts are expressed in thousands of Euro except where otherwise indicated)

1. TOTAL REVENUE

	Restated 31 Dec 2015	Restated 31 Dec 2014	Change	% Change
Hardware	8,393	7,485	908	12.1%
Software	48,885	38,736	10,149	26.2%
Hardware subscriptions	1,584	1,611	(27)	-1.7%
Software subscriptions	146,641	120,626	26,016	21.6%
Other products	1,562	1,990	(427)	-21.5%
Other services	33,171	27,750	5,422	19.5%
Education	11,141	12,633	(1,493)	-11.8%
Discount Paid	(19)	(25)	6	-23.8%
Revenue	**251,359**	**210,806**	**40,553**	**19.2%**
Other income	2,345	1,750	595	34.0%
Operating grants	150	13	138	n.s.
Other operating income	**2,495**	**1,763**	**732**	**41.5%**
Total Revenue	**253,854**	**212,569**	**41,285**	**19.4%**

Total Revenue amounts to € 253,854 thousand for the year ended 31 December 2015, up by € 41,285 thousand from the amount for the year ended 31 December 2014 (€ 212,569 thousand).
This variance is basically due to:

- the fact that 12 months of TSS S.p.A. and Diamante 's results have been consolidated in 2015 (with TSS S.p.A. contributing to the 2015 line item for € 56,802 thousand and Diamante S.p.A. contributing for € 1,046 thousand), whereas in 2014 the results of TSS S.p.A. and of its subsidiary Diamante S.p.A. had been consolidated as from 28 May 2014, that is, as from the date on which control was obtained of the above mentioned company, with a contribution to the 2014 line item of € 31,617 thousand;
- the fact that only 9 months of Paradigma S.r.l.'s results (€ 1,492 thousand) have been included in the 2015 consolidated figures (that is, up to 30 September 2015, given that, in October 2015, the investment was sold by TeamSystem S.p.A.), whereas the consolidated financial statements for the year ended 31 December 2014 consolidate 12 months of this company's results (with a contribution of €3,400 thousand);
- the first-time consolidation of the results of Ulisse Tecnologie S.r.l. (with a contribution of € 1,003 thousand in terms of Total revenue), Madbit Entertainment S.r.l. (which contributed € 365 thousand in terms of Total revenue) and Esa Napoli S.r.l. (which contributed € 1.144 thousand);
- and, with respect to the remainder, the change is attributable to organic growth achieved by the Group in 2015.

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

2. OPERATING SEGMENTS

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which discrete financial information is available.

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

2. OPERATING SEGMENTS (Continued)

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

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

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

OPERATING SEGMENTS - IFRS REPORTED 31 Dec 2014	Software and Services	Education	CAD/CAM	Intercompany Elimination	Consolidated Financial Statement
TOTAL REVENUE	**177,220**	**13,445**	**22,790**	**(886)**	**212,569**
Total Revenue - external segments	176,938	12,907	22,723		
Total Revenue - internal segments	282	538	66		
ADJUSTED EBITDA	**62,831**	**2,733**	**2,489**	**(1)**	**68,053**
Net invested capital	**570,332**	**22,951**	**6,772**	**72**	**600,127**

OPERATING SEGMENTS - IFRS REPORTED 31 Dec 2015	Software and Services	Education	CAD/CAM	Intercompany Elimination	Consolidated Financial Statement
TOTAL REVENUE	**215,592**	**11,896**	**27,475**	**(1,109)**	**253,854**
Total Revenue - external segments	215,172	11,336	27,346		
Total Revenue - internal segments	420	560	129		
ADJUSTED EBITDA	**71,599**	**2,381**	**3,987**	**(23)**	**77,943**
Net invested capital	**569,401**	**20,189**	**5,290**	**354**	**595,234**

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

2. OPERATING SEGMENTS (Continued)

Each of the above operating segments operates based on its own market strategy and related objectives, which are aligned to the guidelines established by the Group. In particular, the Executive Committee (or the Chief Operating Decision Maker -“CODM”-), composed of a limited number of frontline managers who report to the CEO, measures the Group’s performance and allocates resources and capital expenditure based on various indicators, the pre-eminent and most significant of which are Adjusted EBITDA (defined as profit (loss) for the year plus (i) income tax (ii) finance income and costs (iii) impairment of non-current assets (iv) other provisions for risks and charges (v) depreciation and amortisation of non-current assets (vi) allocations to the allowance for bad debts and (vii) certain costs deemed by Management to be non-core for the measurement of the Group’s performance. Set out below is a reconciliation of Adjusted EBITDA to the Group’s net result for the year ended 31 December 2015:

(€ in thousand)	Restated 31 Dec 2015
Profit (Loss) for the year	**(18,182)**
Income taxes	(3,968)
Financial income and expenses	44,426
Other provisions for risks and charges	174
Depreciation and amortization of non-current assets	39,149
Allowance for bad debt	5,071
Acquisitions and mergers cost	1,729
Strategic marketing expenses	946
Settlements with clients and agents	509
Personnel redundancy	3,960
Costs for changing and closing locations	664
Advisory expenses related to reorganization and cost saving projects	2,703
Costs for change management program	244
Tax optimization costs	21
Cost for credit collection project	161
Adjusted EBITDA	**77,943**

3. COST OF RAW AND OTHER MATERIALS

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

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

3. COST OF RAW AND OTHER MATERIALS (Continued)

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

4. COST OF SERVICES

	Restated 31 Dec 2015	Restated 31 Dec 2014	Change	% Change
Agent commissions and other costs	13,384	6,762	6,622	97.9%
Consulting and third parties services	12,353	10,795	1,559	14.4%
Software and Hardware maintenance costs	4,365	3,982	383	9.6%
Administrative tax and legal	2,491	2,965	(474)	-16.0%
Education - consulting and copyrights	3,025	3,073	(48)	-1.6%
Magazines - consulting and copyrights	1,322	1,242	80	6.5%
Other costs for education services	1,760	1,696	65	3.8%
Advertising and marketing	3,410	2,556	854	33.4%
Car rentals	4,099	3,354	746	22.2%
Utilities	3,377	2,284	1,093	47.8%
Costs for merger and acquisitions	1,729	2,994	(1,265)	-42.3%
Tax optimization costs	21	17	4	23.5%
Strategic marketing expenses	946	1,755	(809)	-46.1%
Costs for strategic projects and reorganizations	3,771	5,525	(1,754)	-31.7%
Other services	9,846	7,707	2,139	27.8%
Other minor items	338		338	
Cost of services - Gross of capitalization	**66,238**	**56,706**	**9,532**	**16.8%**
Services capitalised development costs	(3,359)	(2,756)	(602)	21.9%
Total	**62,879**	**53,949**	**8,930**	**16.6%**

The Cost of services for the year ended 31 December 2015 (€ 62,879 thousand) increased in total by € 8,930 thousand compared to the amount for the year ended 31 December 2014 (€ 53,949 thousand). This mainly comes to the net effects of the below:

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

4. COST OF SERVICES (Continued)

Following the elimination of the line item previously named as Non-recurring costs and as disclosed in the introduction to these explanatory notes, with respect to the 2015 financial year, the following reclassifications have been made from the previous caption Non-recurring costs to Cost of services:

- Acquisition and merger costs (€ 1,729 thousand) mainly relating to external consulting services and due diligence in connection with the acquisitions completed in the 2015 financial year;
- tax optimization costs (€ 21 thousand) relating, in particular, to tax advice mainly concerning work performed by the Group's consultants to analyse new patent box regulations;
- strategic marketing costs of € 946 thousand relating to costs incurred in 2015 for external consulting services in connection with the three year TeamSystem re-branding project that was launched in the current year;
- strategic project and reorganization costs totalling € 4,109 thousand that include the following categories:
    - advisory costs of € 2,703 thousand related to reorganization and cost saving projects, attributable, in particular, to a review of business processes;
    - cost of services (€ 244 thousand) relating to change management and to HR consulting services for management recruitment;
    - credit collection project costs (€ 161 thousand);
    - office closure and relocation costs (€ 664 thousand) incurred by the Group in relation to the project concerning the reduction in and amalgamation of a number of corporate locations;
- other minor costs of € 338 thousand that mainly include costs associated with management costs for bonds issued by the Group as charged by various parties (banks and rating agencies).

With respect to the 2014 comparatives, following the elimination of the line item previously known as Non-recurring costs, the following reclassifications have been made within Cost of services:

- acquisition and merger costs (€ 2,994 thousand) mainly relating to consulting services and accounting, tax and legal due diligence in connection with acquisitions completed in the 2015 financial year;
- strategic marketing costs of € 1,755 thousand relating to costs incurred in the year for external consulting services in connection with a study of the re-branding project that was launched in 2015;
- tax optimization costs (€ 17 thousand) relating, in particular, to tax consulting costs incurred in the year;
- strategic project and reorganization costs totalling € 5,525 thousand that include the following categories:
    - advisory costs of € 4,655 thousand related to reorganization and cost saving projects, attributable, in particular, to the indirect channel project and the integration of acquired companies;
    - the cost of services relating to change management (€ 82 thousand);
    - office closure and relocation costs (€ 263 thousand);
    - other minor costs of € 524 thousand.

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

5. PERSONNEL

	Restated 31 Dec 2015	Restated 31 Dec 2014	Change	% Change
Wages, salaries and social contributions	88,716	72,643	16,073	22.1%
Staff leaving indemnities	4,257	3,418	839	24.5%
Other personnel costs	56	15	40	n.s.
Personnel costs for redundancy and reorganization	3,960	1,558	2,402	n.s.
Employees costs	**96,988**	**77,634**	**19,354**	**24.9%**
Freelancers and collaborators fees	827	600	227	37.9%
Directors' fees and related costs	3,551	3,598	(47)	-1.3%
Directors and Collaborators	**4,378**	**4,198**	**180**	**4.3%**
Personnel - Gross of capitalization	**101,366**	**81,832**	**19,534**	**23.87%**
Personnel capitalised development costs	**(7,484)**	**(6,199)**	**(1,285)**	**20.7%**
Total	**93,882**	**75,633**	**18,249**	**24.1%**

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

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

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

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

5. PERSONNEL (Continued)

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

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

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

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

6. OTHER OPERATING COSTS

	Restated 31 Dec 2015	Restated 31 Dec 2014	Change	% Change
Rents	3.518	3.736	(218)	-5,8%
Rentals	743	637	107	16,7%
Other expenses for use of third parties assets	766	663	103	15,5%
Other taxes	421	408	13	3,1%
Losses from assets disposals	8	13	(5)	-38,1%
Other expenses and settlements costs	1.248	1.793	(545)	-30,4%
Total	**6.704**	**7.250**	**(545)**	**-7,5%**

Other operating costs for the year ended 31 December 2015 (€ 6,704 thousand) have decreased by € 545 thousand compared to the corresponding amount for the period ended 31 December 2014 (€ 7,250 thousand). This increase is due to the consolidation of TSS S.p.A. for the entire year in 2015 (compared to a contribution of almost seven months in 2014) and to the Group organic growth in 2015 that caused a related increase in other operating costs.

Other expenses and settlement costs include an amount of € 509 thousand relating to settlements with customers and agents, which had previously been recognised as non-recurring (€ 1,205 thousand in 2014).

7. FINANCE INCOME

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

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

7. FINANCE INCOME (Continued)

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

8. FINANCE COST

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

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

Interest on Bond premium (€ 1,236 thousand for the year ended 31 December 2015 and € 830 thousand for the year ended 31 December 2014) relates to a pro-rata release of a total amount of € 7,475 thousand recognised as a premium on Bond issuance in April 2014 on the issue of an additional € 130 million tranche of the Bond – see also Note 18 for further details.

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

9. TOTAL INCOME TAX

Current and deferred income tax

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

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

With respect to the amount of deferred tax recorded in the consolidated income statement, reference should be made to details provided in Note 17.

10. CONSOLIDATED STATEMENT OF CASH FLOW

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

Vendor loan paid = the amount of the Vendor loan paid in 2015 was € 3.2 million in relation to the acquisition of a further interest in Lexteam S.r.l., Gruppo Euroconference S.p.A., TeamSystem Ancona

10. CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

S.r.l., H-Umus S.r.l. and to the payment of a purchase price adjustment to the minority owners of InforYou S.r.l. (see also Note 18). The amount of € 3.2 million includes an amount of € 0.9 million relating to dividends paid to minority owners.

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

- € 33.2 million relates to financial charges paid by the Group in the course of 2015. Specifically, this amount includes:
  1) € 31.7 million of Bond Coupon paid by the Group;
  2) the remaining amount of € 1.5 million relates mainly to the payment of bank charges.
- € 3.6 million relates to the balance of taking on of new financing and cashing-in the proceeds from financial assets net of cash-outflows related to financial liabilities as detailed below:
  1) € 3 million relates to new RCF drawdowns made in December 2015 and still existing at the reporting date;
  2) € 0.5 million relates to the repayment of a number of small financial liabilities by TSS S.p.A. (approximately € 0.1 million) and by TeamSystem S.p.A. (approximately € 0.4 million) (in the case of the latter, it relates to the repayment of balances on cash-pooling current accounts with Paradigma S.r.l., the investment in which was sold in October 2015);
  3) € 1 million relates to proceeds from the sale of certain financial assets recognised in the financial statements of Ulisse Tecnologie S.r.l. that had been consolidated by the Group for the first time in 2015 (see also Note 14).

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

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

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

1) the cash and bank balances held (at the date of disposal) by the subsidiaries Paradigma S.r.l (€ 0.3 million).
2) as regards the consideration received from the sale of Paradigma S.r.l, € 0.05 million was collected in 2015, whereas the remainder will be collected in line with an annual instalment payment plan, of which the last due date is envisaged to fall in November 2020 – see Note 15.

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

11. TANGIBLE ASSETS

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

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

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

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

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

11. TANGIBLE ASSETS (Continued)

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

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

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

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

12. INTANGIBLE ASSETS

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

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

12. INTANGIBLE ASSETS (Continued)

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

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

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

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

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

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

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

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

13. GOODWILL

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

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

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

- Software and Services (SWSS);
- Gruppo Euroconference;
- CAD/CAM.

Goodwill increased in subsequent years as a result of acquisitions made by Group companies. Specifically, in 2015 the following acquisitions were made (all of which pertain to the Software and Services CGU – SWSS):

- Ulisse Tecnologie S.r.l., which generated goodwill (a provisional figure has been recognised in the statement of financial position at 31 December 2015 not been completed the Purchase Price Allocation activity) of € 924 thousand, as detailed in Note 14;
- Madbit Entertainment S.r.l., which generated goodwill of € 7,072 thousand, a provisional figure has again been recognised in the statement of consolidated financial position at 31 December 2015 not been completed the Purchase Price Allocation activity. Again, for further details, please refer to Note 14.

During the course of 2015, the investment held in the subsidiary Paradigma S.r.l. was sold by the Group; consequently, there is a zero balance relating to this investee and a loss was recognised on the sale (see Note 15 for further details).

Paradigma did not constitute a separate major line of business of the Group and, accordingly, there was no requirement to apply IFRS 5 thereto.

Finally, it should be noted that the definition of purchased Goodwill arising in 2014 and pertaining to:

- Atys S.r.l. (for an amount of € 866 thousand);
- Knosdms S.r.l. (for an amount of € 1,365 thousand);
- TSS S.p.A. and Diamante S.p.A (for an amount of € 58,156 thousand).

(All amounts are expressed in thousands of Euro except where otherwise indicated)

13. GOODWILL (Continued)

and which were considered to be provisional for the purposes of the 2014 consolidated financial statements, did not lead to any differences with respect to the amount recorded in those consolidated financial statements and, accordingly, it has not been necessary to restate the 2014 consolidated financial statements.

Impairment Test

The goodwill pertaining to each of the aforementioned CGUs is subject to impairment testing at least annually.

With respect to impairment test, steps were taken to determine the recoverable amount (so-called Enterprise Value) of each CGU of TeamSystem Group as a whole, by means of the application of discounted cash flow methodology. The test was performed by discounting prospective cash flow for 2016-2020 based on 2016 - 2020 Group Business Plan approved by TeamSystem Holding S.p.A's Board of Directors on 24 March 2016)

Beyond the time span of the Business Plan, a terminal value was determined assuming an operating cash flow (Net operating profit Less Adjusted Tax - NOPLAT) suitably normalised to maintain conditions of normal business operations. In the choice of the growth rate to apply to NOPLAT, it was established that, consistent with the development foreseen by the Business Plan and with historical growth, there was a reasonable expectation of growth of 1.90% (so-called g rate) as for the last impairment test.

In addition to that for the g rate, the main assumptions adopted regard the estimate of the weighted average cost of capital (WACC) of 7.44%[1] (8.01% was the rate used for the 2014 impairment test) for the SWSS CGU and the CAD/CAM CGU and of 6.51% for the Gruppo Euroconference CGU (7.37% was the rate used for the 2014 impairment test).

The reduction of WACC is partly attributable to the decrease in the risk-free interest rate component of the 2015 WACC (1.70%, that is average quotes of BTP Italy) with respect to the correspondent risk-free intest rate component adopted in 2014 Impairment test (2.87%).

The outcome of the impairment tests at CGU level did not provide any indication of impairment for all the CGUs.

The Group has also performed sensitivity analysis, by applying more different assumptions for the determination of WACC and g-rate parameters and the results of this analysis for the three CGUs are set out below:

CGU SWSS Cover Impairment Sensitivity					**WACC**			
Euro million		**5.94%**	**6.44%**	**6.94%**	**7.44%**	**7.94%**	**8.44%**	**8.94%**
	0.00%	666.8	567.8	483.2	410.0	346.1	289.8	239.9
	0.90%	854.1	722.4	612.6	519.7	440.0	371.0	310.7
	1.40%	990.3	832.2	702.7	594.8	503.4	425.1	357.3
G RATE	**1.90%**	1,160.1	966.1	810.7	**683.4**	577.3	487.5	410.5
	2.40%	1,378.0	1,133.2	942.4	789.6	664.5	560.2	471.9
	2.90%	1,667.5	1,347.5	1,106.8	919.3	769.0	646.0	543.4
	3.40%	2,071.0	1,632.3	1,317.6	1,081.0	896.6	748.8	627.8

(All amounts are expressed in thousands of Euro except where otherwise indicated)

13. GOODWILL (Continued)

CGU EDUCATION—Gruppo Euroconference
Cover Impairment Sensitivity

Euro million		WACC 5.01%	5.51%	6.01%	6.51%	7.01%	7.51%	8.01%
	0.00%	16.1	12.9	10.2	7.9	5.9	4.2	2.7
	0.90%	22.7	18.2	14.5	11.4	8.9	6.7	4.9
	1.40%	27.9	22.1	17.6	13.9	11.0	8.5	6.3
G RATE	**1.90%**	34.6	27.1	21.4	**17.0**	13.4	10.5	8.0
	2.40%	43.9	33.7	26.4	20.8	16.4	12.9	10.0
	2.90%	57.7	42.9	32.9	25.7	20.2	15.9	12.4
	3.40%	80.0	56.5	41.9	32.1	25.0	19.6	15.4

CGU CAD/CAM
Cover Impairment Sensitivity

Euro million		WACC 5.94%	6.44%	6.94%	7.44%	7.94%	8.44%	8.94%
	0.00%	44.6	40.8	37.5	34.6	32.1	29.9	28.0
	0.90%	51.9	46.8	42.5	38.9	35.8	33.1	30.7
	1.40%	57.2	51.0	46.0	41.8	38.2	35.2	32.5
G RATE	**1.90%**	63.8	56.3	50.2	**45.2**	41.1	37.6	34.6
	2.40%	72.3	62.7	55.3	49.4	44.5	40.4	37.0
	2.90%	83.5	71.1	61.7	54.4	48.6	43.8	39.8
	3.40%	99.2	82.1	69.9	60.7	53.5	47.8	43.0

The impairment test models and related results were approved by TeamSystem Holding S.p.A.'s Board of Directors on 24 March 2016, in accordance with guidelines of the joint document No. 4 of March 2010 issued by ISVAP, Bank of Italy and Consob.

14. PROVISIONAL GOODWILL—ULISSE TECNOLOGIE and MADBIT ENTERTAINMENT

ULISSE TECNOLOGIE S.r.l.

[1]With regard to the WACC adopted solely for 2016, the rate used was 7.42% for the SWSS CGU and CAD/CAM and 6.45% for the Education CGU. The difference in the WACC rate for 2016 (compared to the WACC rates adopted for other years for the performance of impairment tests) is justified by the legislative amendments introduced by law 208 of 28 December 2015 that reduced the IRES rate (from 27.5% to 24.00%) for tax periods subsequent to that in course at 31 December 2016 – see also Note 17.

On 28 July 2015 TSS S.p.A. acquired a 100% stake in Ulisse Tecnologie S.r.l. for a consideration of € 1,944 thousand. Ulisse Tecnologie S.r.l. is a supplier of TSS S.p.A. and provides indispensable tax software modules already integrated with TSS's products.

With the objective of

- simplifying the organisational structure of TeamSystem Group;
- rationalising the operating costs of the respective corporate structures;

Group Management considered it appropriate to integrate (into TeamSystem S.p.A.'s operating structure) the activities of Ulisse Tecnologie S.r.l.. As part of this corporate integration, in December 2015, TeamSystem S.p.A. acquired from TSS S.p.A. the entire quota capital of Ulisse Tecnologid S.r.l. and then merged by absorption Ulisse Tecnologie S.r.l. into TeamSystem S.p.A. (by means of a deed of merger dated 23 December 2015), effective for legal purposes as of 31 December 2015.

The results of Ulisse Tecnologie S.r.l. have been consolidated for the entire 2015 financial year considering the immateriality of the acquisition in question.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

14. PROVISIONAL GOODWILL—ULISSE TECNOLOGIE and MADBIT ENTERTAINMENT (Continued)

The process for the allocation of the purchase price paid to the seller for the acquisition of Ulisse Tecnologie S.r.l. is still provisional as at 31 December 2015 and, consequently, the goodwill pertaining to the above mentioned company (€ 924 thousand) has also to be considered as provisional at 31 December 2015. The following table sets out the proposed provisional determination of goodwill attributable to Ulisse Tecnologie S.r.l..

STATEMENT OF FINANCIAL POSITION
ULISSE TECNOLOGIE S.r.l.

ASSETS	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
Tangible assets	6		6	
Other financial assets—non current	1,050	—	1,050	
TOTAL NON CURRENT ASSETS	**1,056**	**0**	**1,056**	
Trade receivables	1		1	
Tax receivables	54		54	
Other receivables - current	17		17	
Cash and bank balances	595	—	595	
TOTAL CURRENT ASSETS	**667**	**0**	**667**	
TOTAL ASSETS	**1,723**	**0**	**1,723**	

STATEMENT OF FINANCIAL POSITION
ULISSE TECNOLOGIE S.r.l.

EQUITY AND LIABILITIES	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
EQUITY	**1,020**	**0**	**1,020**	
Staff leaving indemnity	81		81	
Provisions for risks and charges	537	—	537	
TOTAL NON CURRENT LIABILITIES	**619**	**0**	**619**	
Trade payables	40		40	
Tax liabilities—current	18		18	
Other liabilities—current	25	—	25	
TOTAL CURRENT LIABILITIES	**84**	**0**	**84**	
TOTAL LIABILITIES	**702**	**0**	**702**	
TOTAL EQUITY AND LIABILITIES	**1,723**	**0**	**1,723**	

PROVISIONAL ALLOCATED GOODWILL ULISSE TECNOLOGIE S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
TOTAL PROVISIONAL ADJUSTMENTS PPA IFRS	**0**	**0**	**0**	**A**
Equity ITA GAAP			**1,020**	**B**
EQUITY IFRS after PROVISIONAL PPA			**1,020**	**C = A + B**
Cost of the investment			**1,944**	**D**
Transaction costs capitalized				**E**
Cost of the investment—net of transaction costs			**1,944**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**924**	**G = F - C**

□ □ □

(All amounts are expressed in thousands of Euro except where otherwise indicated)

14. PROVISIONAL GOODWILL—ULISSE TECNOLOGIE and MADBIT ENTERTAINMENT (Continued)

MADBIT ENTERTAINMENT S.r.l.

Acquisition of Madbit Entertainment S.r.l.

On 7 July 2015 the subsidiary Danea Soft S.r.l. acquired a 51% stake in Madbit Entertainment S.r.l. for a consideration of 1.4 million and entered put/call agreement for the remaining 49%. TeamSystem Group Management believe that Madbit Entertainment S.r.l. acquisition represents a key pillar in the Group's cloud strategy, adding a very valuable SaaS solution for microbusiness and high quality set of competencies.

The results of Madbit Entertainment S.r.l. have been consolidated for the entire 2015 financial year considering the immateriality of the acquisition in question.

The process for the allocation of the purchase price paid for the acquisition of Madbit Entertainment S.r.l. was still provisional at 31 December 2015 and, consequently, the goodwill pertaining to Madbit Entertainment S.r.l. (€ 7,072 thousand) was also provisional at 31 December 2015.

The following table sets out the proposed provisional determination of goodwill pertaining to Madbit Entertainment S.r.l..

STATEMENT OF FINANCIAL POSITION MADBIT ENTERTAINMENT S.r.l. ASSETS	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
Cash and bank balances	205	—	205	
TOTAL CURRENT ASSETS	**205**	**0**	**205**	
TOTAL ASSETS	**205**	**0**	**205**	

STATEMENT OF FINANCIAL POSITION MADBIT ENTERTAINMENT S.r.l. EQUITY AND LIABILITIES	1 Jan 2015	PPA Provisional Adjustments	1 Jan 2015 after PPA Provisional Adjustments	NOTES
EQUITY	**71**	**0**	**71**	
Other liabilities—current	134	—	134	
TOTAL CURRENT LIABILITIES	**134**	**0**	**134**	
TOTAL LIABILITIES	**134**	**0**	**134**	
TOTAL EQUITY AND LIABILITIES	**205**	**0**	**205**	

PROVISIONAL GOODWILL MADBIT ENTERTAINMENT S.r.l.	Adjustments	Tax Adjustments	Impact on Equity	NOTES
TOTAL ADJUSTMENTS PROVISIONAL PPA IFRS	**0**	**0**	**0**	**A**
Equity ITA GAAP			**71**	**B**
EQUITY IFRS after PROVISIONAL PPA			**71**	**C = A + B**
Cost of the investment			**7,142**	**D**
Transaction costs capitalized				**E**
Cost of the investment—net of transaction costs			**7,142**	**F = D + E**
PROVISIONAL GOODWILL IFRS 3			**7,072**	**G = F - C**

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(All amounts are expressed in thousands of Euro except where otherwise indicated)

15. SALE OF PARADIGMA INVESTMENT—LOSS ON DISPOSAL OF SUBSIDIARIES

In October 2015, on account of the changes that had taken place in the high-end corporate publishing market (in which Paradigma operates) and of the fact that it was not considered strategic for TeamSystem Group to invest in this segment, TeamSystem S.p.A. sold its entire equity interest in Paradigma S.r.l. for a consideration of € 500 thousand. Of this consideration, € 50 thousand was collected in 2015 and the remainder shall be paid in 5 annual instalments, the last of which fall due in November 2020.

The subsidiary Paradigma, despite having been considered a separate CGU of the Group, did not constitute a separate major line of business thereof; consequently, it was not necessary to apply IFRS 5 to the recognition of the sale transaction. Due to the sale transaction that took place in October 2015, the consolidated statement of profit or loss for the year ended 31 December 2015 includes the results of Paradigma up to 30 September 2015; the decision to simplify the deconsolidation process (30 September 2015 used as the date of sale rather than 22 October 2015, the effective date of sale) has no impact for disclosure purposes on the consolidated financial statements for the year ended 31 December 2015, on account of the immateriality of the amounts pertaining to the intervening period.

For the determination of the loss on sale of the investment (recognised in the consolidated statement of profit or loss for the year ended 31 December 2015) the net contribution of the assets and liabilities contributed by Paradigma to the balance sheet at 30 September 2015 (that amounts to € 4,012 thousand as shown by the table below) was compared to the sale consideration (€ 500 thousand), arising in a difference equating to a loss on sale of the investment in Paradigma S.r.l. of € 3,512 thousand.

STATEMENT OF FINANCIAL POSITION
PARADIGMA S.r.l.

ASSETS	30 Sept 2015	
Tangible assets	40	
Intangible assets	1	
Goodwill	3,636	
Deferred tax assets	40	
TOTAL NON CURRENT ASSETS	**3,717**	
Trade receivables	346	
Tax receivables	46	
Other receivables—current	15	
Other financial assets—current	382	
Cash and bank balances	268	
TOTAL CURRENT ASSETS	**1,057**	
TOTAL ASSETS	**4,775**	**A**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

15. SALE OF PARADIGMA INVESTMENT—LOSS ON DISPOSAL OF SUBSIDIARIES (Continued)

STATEMENT OF FINANCIAL POSITION
PARADIGMA S.r.l.

LIABILITIES	30 Sept 2015	
Staff leaving indemnity	176	
Provisions for risks and charges	142	
TOTAL NON CURRENT LIABILITIES	**318**	
Trade payables	486	
Tax liabilities—current	(175)	
Other liabilities—current	134	
TOTAL CURRENT LIABILITIES	**445**	
TOTAL LIABILITIES	**762**	**B**
TOTAL NET ASSETS		
PERTAINING TO PARADIGMA S.R.L.	**4,012**	**C = A - B**
CONSIDERATION FOR THE SALE OF PARADIGMA S.R.L.	**500**	**D**
LOSS ON DISPOSAL OF PARADIGMA S.R.L.	**3,512**	**E = C - D**

16. OTHER INVESTMENTS and INVESTMENTS IN ASSOCIATES

	Restated 31 Dec 2013	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	31 Dec 2014
Investments in Associates		828	(73)		(268)		486
Other Investments	293					110	403
Total	**293**	**828**	**(73)**		**(268)**	**110**	**889**

	31 Dec 2014	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	31 Dec 2015
Investments in Associates	486			26	(191)	124	445
Other Investments	403					30	433
Total	**889**			**26**	**(191)**	**154**	**878**

Investments in Associates relate to investments held by TSS. Revaluations and write-downs are due to the application of equity-method valuation.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

Deferred tax assets at 31 December 2015 amount to € 13,739 thousand, down by € 1,641 thousand compared to the balance at 31 December 2014 of € 15,380 thousand. Details of movements in deferred tax assets in 2015 and in 2014 are provided in the following tables.

DEFERRED TAX ASSETS	Restated 31 Dec 2013	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2014
Provision for slow-moving inventories	4						4
Provision for pension and similar obligation	71				7		78
Staff leaving indemnity—actuarial valuation					64		64
Provision for litigations	152					(3)	149
Provision for bad-debts	351				502	(196)	657
Other Provision	27						27
TeamSystem S.p.A.	**604**				**572**	**(199)**	**978**
Provision for bad-debts		1,229			269		1,498
Fiscal step-up of Goodwill		10,883				(265)	10,618
Staff leaving indemnity—actuarial valuation					49		49
Losses carried forward		887		(562)		(183)	142
Other Provision		30				(8)	22
Other minor items		35				(35)	
TSS S.p.A.		**13,064**		**(562)**	**318**	**(491)**	**12,329**
Deferred tax asset of other Subsidiaries	718				645		1,363
Other Subsidiaries	**718**				**645**		**1,363**
Mark-up on intercompany inventories	7					(3)	4
Write-off start-up costs	25					(7)	18
Write-off other tangible/intangible assets	36					(9)	27
Provision for litigations	31	41					72
Fair value deferred revenue—ACG	740					(651)	89
Provision for pension and similar obligations—ACG	157						157
Bad debts write-off—TSS		248				(248)	
Write-off capitalized development costs—TSS		817				(817)	
Staff leaving indemnity—actuarial valuation	18				325		343
Consolidation entries	**1,014**	**1,106**			**325**	**(1,735)**	**710**
Total	**2,337**	**14,170**		**(562)**	**1,860**	**(2,425)**	**15,380**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

17. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

DEFERRED TAX ASSETS	31 Dec 2014	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2015
Provision for slow-moving inventories	4						4
Provision for pension and similar obligation	78				23	(32)	69
Staff leaving indemnity—actuarial valuation	64					(39)	25
Provision for litigations	149						149
Provision for bad-debts	657		(92)		289	(223)	631
Other Provision	27				40		66
TeamSystem S.p.A.	**978**		**(92)**		**352**	**(294)**	**944**
Provision for bad-debts	1,498		(201)		461	(379)	1,379
Fiscal step-up of Goodwill	10,618		(1,101)			(431)	9,086
Staff leaving indemnity—actuarial valuation	49				77	(115)	11
Losses carried forward	142					(142)	
Other Provision	22					(3)	19
TSS S.p.A.	**12,329**		**(1,302)**		**538**	**(1,070)**	**10,495**
Deferred tax asset of other Subsidiaries	1,363	(22)			714	(498)	1,557
Other Subsidiaries	**1,363**	**(22)**			**714**	**(498)**	**1,557**
Mark-up on intercompany inventories	4					(4)	0
Write-off start-up costs	18	(7)				(5)	5
Write-off other tangible/intangible assets	27					(8)	19
Provision for litigations	72						72
Fair value deferred revenue—ACG	89					(69)	20
Provision for pension and similar obligations—ACG	157						157
Bad debts write-off					97		97
Staff leaving indemnity—actuarial valuation	343	(10)			74	(97)	310
Other minor items					63		63
Consolidation entries	**710**	**(18)**			**234**	**(184)**	**743**
Total	**15,380**	**(40)**	**(1,394)**		**1,838**	**(2,046)**	**13,739**

With reference to the 2015 figures, the amounts shown in the column headed "Change in consolidation area" (€ 40 thousand) relate to the decrease in deferred tax assets as a consequence of the sale of Paradigma investment. The column headed "Change in tax rate" shows the impact on the deferred tax assets as a consequence of the change in the IRES rate (introduced by law 208 of 28 December 2015) that will come into force as from the 2017 tax year.

Deferred tax assets at 31 December 2015 include approximately € 9.1 million that relates to the step-up for tax purposes of goodwill enacted by the subsidiary TSS S.p.A.. In addition to that, the other main components for which the Group companies have recognised deferred tax assets relate to the allowance for bad debts, to the provision for agents' indemnity and other provisions for risks and charges which are disallowed for tax purposes. These tax assets are not subject to any time maturity/expiration.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

17. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities

Deferred tax liabilities at 31 December 2015 amount to € 76,739 thousand, down on the balance at 31 December 2014 (€ 92,967 thousand) by approximately € 16,228 thousand. Movements in deferred tax liabilities in 2015 and 2014 are summarised below.

DEFERRED TAX LIABILITIES	Restated 31 Dec 2013	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2014
Financing Fees	2,088				2,445	(559)	3,974
TeamSystem Holding S.p.A.	**2,088**				**2,445**	**(559)**	**3,974**
Fair value valuation of lands and buildings	1,401					(49)	1,352
TeamSystem—Intangibles	66,812					(3,987)	62,825
Staff leaving indemnity—actuarial valuation	79					(79)	(0)
Investments revaluation	244						244
TeamSystem S.p.A.	**68,535**					**(4,114)**	**64,421**
TSS—Intangibles		3,646				(1,107)	2,539
TSS S.p.A.		**3,646**				**(1,107)**	**2,539**
Deferred tax liabilities of other Subsidiaries	3					(2)	1
Other Subsidiaries	**3**					**(2)**	**1**
Staff leaving indemnity—actuarial valuation	46					(46)	
Euroconference—Intangibles	1,446					(86)	1,360
Euroconference—Services in progress	224				7	(224)	7
Finance lease and valuation of asset at fair value	791					(27)	764
Investments revaluation	(244)						(244)
Metodo—Intangibles	805					(361)	444
Nuovamacut—Intangibles	1,485					(190)	1,294
TSS—Intangibles		13,515			280	(777)	13,018
ACG—Intangibles	5,628					(688)	4,940
Capitalized development costs	337				300	(187)	450
Consolidation entries	**10,517**	**13,515**			**587**	**(2,588)**	**22,032**
Total	**81,144**	**17,161**			**3,032**	**(8,370)**	**92,967**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

17. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

DEFERRED TAX LIABILITIES	31 Dec 2014	Change in cons. area	Change in tax rate	Other movements	Additions	(Utilisations)	31 Dec 2015
Financing Fees	3,974		(317)			(740)	2,917
Teamsystem Holding S.p.A.	**3,974**		**(317)**			**(740)**	**2,917**
Fair value valuation of lands and buildings	1,352		(145)			(49)	1,158
TeamSystem—Intangibles	62,825		(6,113)			(3,987)	52,726
Staff leaving indemnity—actuarial valuation	(0)						(0)
Investments revaluation	244						244
TeamSystem S.p.A.	**64,421**		**(6,258)**			**(4,036)**	**54,128**
TSS—Intangibles	2,539		(122)			(946)	1,471
TSS S.p.A.	**2,539**		**(122)**			**(946)**	**1,471**
Deferred tax liabilities of other Subsidiaries	1				1	(1)	1
Other Subsidiaries	**1**				**1**	**(1)**	**1**
Staff leaving indemnity—actuarial valuation							
Euroconference—Intangibles	1,360		(132)			(86)	1,141
Euroconference—Services in progress	7			(13)	14	(4)	4
Finance lease and valuation of asset at fair value	764					(27)	737
Investments revaluation	(244)						(244)
Metodo—Intangibles	444		(14)			(279)	150
Nuovamacut—Intangibles	1,294		(108)			(180)	1,007
TSS—Intangibles	13,018		(1,183)		393	(1,332)	10,897
ACG—Intangibles	4,940		(397)			(688)	3,854
Capitalized development costs	450			13	427	(213)	677
Consolidation entries	**22,032**		**(1,834)**		**835**	**(2,810)**	**18,223**
Total	**92,967**		**(8,532)**		**836**	**(8,532)**	**76,739**

As regards the 2015 year end balances, the column headed “Change in tax rate” shows the impact on the deferred tax liabilities as a consequence of the change in the IRES rate (introduced by law 208 of 28 December 2015) that will come into force as from the 2017 tax year.

The main decrease in the deferred tax liability that took place in 2015 relates to an amount of € 7,498 thousand concerning the reversal of the deferred tax component pertaining to the amortisation of intangible assets (Software, Brands, Customer relationships and other IFRS assets) identified on allocation of the price paid for the acquisition of TeamSystem Group, ACG S.r.l. and TSS S.p.A.

Overall, changes in the deferred tax asset and deferred tax liability had a positive impact on the consolidated income statement of € 14,660 thousand (and a negative impact on the consolidated statement of comprehensive income of € 35 thousand). Of this amount, € 7,138 thousand is attributable to the change in the IRES tax rate (introduced by law 208 of 28 December 2015) that has reduced (as from the tax period subsequent to that in course at 31 December 2016) the IRES rate from 27.5% to 24%. This legislative change has been reflected in TeamSystem Group’s financial statements for the year ended 31 December 2015 by means of the remeasurement of deferred tax assets and liabilities, with a consequent total impact of € 7,138 thousand.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

17. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

On account of the circumstances whereby all the Group companies are domiciled in Italy, the only significant difference between the actual tax rate and the nominal tax rate relates to deferred tax that the Group (as from the 2012 financial year) has not recognised on interest expense that was not deducted as it exceeded the limit of "Risultato Operativo Lordo" (ROL). In any case, it is hereby confirmed that the potential deferred tax asset relating to the foregoing is approximately € 22.8 million at 31 December 2015.

18. NET FINANCIAL POSITION—(NET FINANCIAL INDEBTEDNESS)

	Current	Non Current	31 Dec 2015 Total	Current	Non Current	31 Dec 2014 Total
Bank accounts and post office	16,443		16,443	17,817		17,817
Cash and bank balances	91		91	71		71
Total Cash and bank balances	**16,534**		**16,534**	**17,888**		**17,888**
Other financial assets	100	350	450	7		7
Total Other financial assets	**101**	**350**	**451**	**7**		**7**
Loans with banks	(3,147)		(3,147)	(106)	(158)	(265)
Overdrafts with banks	(4)		(4)	(16)		(16)
Bond	(3,964)	(430,000)	(433,964)	(3,964)	(430,000)	(433,964)
Premium on Bond issue	(1,240)	(4,169)	(5,409)	(1,236)	(5,409)	(6,645)
Dividends to be paid	(500)		(500)	(1,000)		(1,000)
Total Financial liabilities	**(8,854)**	**(434,169)**	**(443,024)**	**(6,323)**	**(435,567)**	**(441,890)**
Financing Fees—bond	2,697	9,070	11,767	2,689	11,767	14,456
Financing Fees—banks	36	102	138			
Financing Fees—prepayments	498	1,429	1,927	518	2,007	2,525
Total Financing Fees	**3,231**	**10,601**	**13,831**	**3,207**	**13,774**	**16,981**
Vendor loan	(9,468)	(19,832)	(29,300)	(806)	(20,585)	(21,390)
Commissions financial liabilities	(115)		(115)	(119)		(119)
Other financial liabilities	(2)		(2)	(0)		(0)
Total Other financial liabilities	**(9,586)**	**(19,832)**	**(29,417)**	**(924)**	**(20,585)**	**(21,509)**
Total	**1,426**	**(443,050)**	**(441,625)**	**13,855**	**(442,378)**	**(428,523)**

Net financial indebtedness at 31 December 2015 amounts to minus € 441,625 thousand with an increase of € 13,102 thousand with respect to the corresponding balance at 31 December 2014 of minus € 428,523 thousand.

Bond

In May 2013 TeamSystem Holding S.p.A. underwent a complex refinancing of its financial structure that culminated on 7 May 2013 with a Bond issue (ISIN codes XS0808635782—XS0808638372) of a total nominal amount of € 300 million.

In April 2014 TeamSystem Holding S.p.A. has successfully priced an offering of further € 130 million Bond tranche in aggregate principal amount of its 7.375% Senior existing Bond due 2020. This

18. NET FINANCIAL POSITION—(NET FINANCIAL INDEBTEDNESS) (Continued)

€ 130 million Bond tranche is treated as additional Bond under the Indenture (the "Indenture") governing the TeamSystem Holding S.p.A. existing € 300 million 7.375% Bond and is treated as a single class with the existing Bond for all purposes of the Indenture.

The € 130 million Bond tranche has been issued at a price of 105.75% of principal amount thus recording a Premium on Bond Issuance of € 7,475 thousand which is recognized in the profit or loss account on a straight line basis over the duration of the Bond.

The Bond is listed on the ExtraMot segment of the Italian Stock Exchange and on the Luxembourg Stock Exchange. The Bond is expected to be redeemed in full on the maturity date (15 May 2020) at a price equal to 100% of its nominal value. The Bond bears coupons which are paid on a six month basis (15 May—15 November) and equate to 7.375% of the nominal value of the Bond.

Following the completion of the additional € 130 million Bond issue, in April 2014 Moody's confirmed the "B2" rating on the TeamSystem Holding S.p.A.'s Bond but changed the outlook to "negative" from "stable" while Standard & Poor's lowered the rating on TeamSystem Holding S.p.A. Bond to "B-" from "B" with "stable outlook".

The Bond may be redeemed:

- at any time prior to 15 May 2016, in whole or in part, at a redemption price equal to the 100% of the principal amount of the notes plus the relevant Applicable Premium (as defined in the Indenture);
- at any time prior to 15 May 2016, up to 40% of the aggregate principal amount of the Bond, may also be redeemed with funds in an aggregate amount not exceeding the cash proceeds of one or more Equity Offerings at a redemption price of 107.375% of the principal amount of the Bond, plus accrued and unpaid interest and any Additional Amounts (each term as defined in the Indenture), according to the terms and conditions of the Indenture;
- at any time on or after 15 May 2016 and up to the maturity date, the Bond may be redeemed at a redemption price equal to the percentage of principal set out in the Indenture for each relevant twelve month period, and a request for redemption may be made by any bondholder in the event of a change of control, as defined in the Indenture, in accordance with the terms therein.

The costs incurred to obtain the above mentioned Bond have been accounted for as Financing Fees and have been amortised on a straight line basis over the contractual duration of the Bond which expires, as above specified, on 15 May 2020.

Following the acquisition of TeamSystem Group (by private equity funds affiliated with Hellman & Friedman on 1 March 2016, further details of which are disclosed in the Company Background paragraph in these notes to the consolidated financial statements for the year ended 31 December 2015), the intention of TeamSystem Group Management is to redeem the € 430 million Bond on 31 May 2016 (or earlier) with the payment of the Applicable Premium (as provided for by the Indenture governing the Bond). As a consequence of the probable early redemption of the Bond, the residual carrying amount of the Financing Fees relating to the Bond (at the potential early redemption date), will be charged to the Group's consolidated statement of profit or loss. As at 31 December 2015, the residual carrying amount of the Financing Fees relating to the Bond was approximately € 11,767 thousand.

Revolving credit facility (RCF)

Following the reorganisation of the Group's financial structure occurred in May 2013, the Group also negotiated a Revolving credit facility (of a total amount of € 45 million), the maturity date of which is 15 November 2019. The interest rate payable on this credit facility is based on Euribor plus a spread (which may vary between 4.00% and 4.50%) linked to the achievement of certain financial parameters ("Consolidated leverage ratio") as defined in the terms of the financing agreement. The revolving credit facility may be drawn down to finance investment or to finance working capital needs.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

18. NET FINANCIAL POSITION—(NET FINANCIAL INDEBTEDNESS) (Continued)

The revolving credit facility contains certain incurrence covenants, as well as certain affirmative and negative covenants that, at 31 December 2015, have been fully complied with.

The costs incurred to obtain the above mentioned credit facility have been accounted for as Financing Fees and have been amortised on a straight line basis over the contractual duration of the credit facility which expires, as above specified, on 15 November 2019.

In the month of December 2015 the Revolving credit facility has been partially drawn down for an amount of € 3 million for general corporate purposes.

As previously disclosed, upon the acquisition of TeamSystem Group on 1 March 2016 by private equity funds affiliated with Hellman & Friedman, the Revolving Credit Facility (RCF) agreement (that had been entered into by TeamSystem S.p.A.) was terminated. The residual carrying amount of the Financing Fees relating to the agreement (at the termination date) will be charged to the Group's consolidated statement of profit or loss in 2016; note that the residual carrying amount of the Financing Fees at 31 December 2015 was € 2,065 thousand.

Guarantess Provided

Secured guarantees and pledges over the shares of TeamSystem S.p.A. and TeamSystem Holding S.p.A. have been provided for both the Revolving credit facility and the Bond as detailed in Note 29.

Dividends to be paid

The general meeting of shareholders of TeamSystem Holding S.p.A. held on 5 December 2014 approved a distribution out of equity reserves of an amount of € 1,000 thousand to the parent company TeamSystem HoldCo S.à.r.l. with the aim of providing the parent company TeamSystem HoldCo S.à.r.l. with sufficient liquidity to cover its operating costs. As at the reporting date, the dividends had been paid for an amount of € 500 thousand.

Vendor loan

The Vendor Loan (€ 29,300 thousand at 31 December 2015 and € 21,390 at 31 December 2014) relates to put / call options and/or earn-outs due to non-controlling shareholders of some consolidated subsidiaries (Metodo S.p.A., Lexteam S.r.l., Inforyou S.r.l., Gruppo Euroconference S.p.A., TeamSystem Communication S.r.l., TeamSystem Emilia S.r.l., Atys S.r.l., Danea Soft S.r.l., Digita S.r.l. and Madbit Entertainment S.r.l.). As already explained in "Basis of consolidation" paragraph, TeamSystem Group, normally at the same time as the acquisition of controlling stakes in an investee, enters into put and call option agreements for the residual stake held by non-controlling owners of the acquiree. For those cases, where part of the acquisition takes place through the stipulation of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated and the estimated value of the exercise price of the put / call is included in the cost of acquisition and contributes to the overall determination of goodwill; a debt towards minorities (the above called " vendor loan") is accounted for, subject to fair value measurement and subsequent changes.

Movements in the Vendor loan balance in 2015 and in 2014 are summarised below.

	Restated 31 Dec 2013	Change in cons. area	Interest	Revaluations and Dividend cost	Write-downs	Payments	Dividends paid	31 Dec 2014
Vendor Loan	18,701	2,900	1,037	5,123	(1,094)	(4,252)	(1,026)	21,390
Total	**18,701**	**2,900**	**1,037**	**5,123**	**(1,094)**	**(4,252)**	**(1,026)**	**21,390**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

18. NET FINANCIAL POSITION—(NET FINANCIAL INDEBTEDNESS) (Continued)

	31 Dec 2014	Change in cons. area	Interest	Revaluations and Dividend cost	Write-downs	Payments	Dividends paid	31 Dec 2015
Vendor Loan	21,390	5,792	1,094	5,344	(1,081)	(2,390)	(848)	29,300
Total	**21,390**	**5,792**	**1,094**	**5,344**	**(1,081)**	**(2,390)**	**(848)**	**29,300**

During the course of 2015, Vendor loan payments were made of € 2.4 million due to the acquisition:

- of 15% of the quota capital of H-Umus S.r.l.;
- of 0.14% of the share capital of Gruppo Euroconference S.p.A.;
- of 12.5% of the quota capital of Lexteam S.r.l.;
- of 15.72% of the quota capital of TeamSystem Ancona S.r.l.;
- and due to the exercise of the earn-out agreement relating to the investment in Inforyou S.r.l.

In addition to that, dividends were paid for an amount of € 848 thousand.

Furthermore, in the course of 2015, following the acquisition of the investment in Madbit Entertainment S.r.l., the put/call option in Danea Soft S.r.l. has been re-negotiated.

In addition to the agreements indicated above, at the end of 2014 an agreement was entered into with the reseller TeamSystem C&D S.r.l., whereby the quotaholders of the latter granted TeamSystem S.p.A. a call option, by means of which the latter has the right, exercisable on specified dates, to acquire the entire capital of TeamSystem C&D. The company has considered the fair value of the option at 31 December 2015 and deemed it was immaterial, given that the exercise price thereof approximates the fair value of the investment and considering that no price was paid at the date of the subscription of the call option agreement.

19. INVENTORIES

	31 Dec 2015	31 Dec 2014	Change	% Change
Raw and ancillary materials	165	209	(44)	-20.8%
Finished products and goods	1,371	1,271	100	7.9%
Advances		5	(5)	-100.0%
(Allowance for slow-moving inventory)	(74)	(74)		
Total	**1,463**	**1,411**	**52**	**3.7%**

Inventories have increased by € 52 thousand at 31 December 2015 (€ 1,463 thousand) compared to the balance at 31 December 2014 (€ 1,411 thousand). The closing inventory of finished products and goods includes hardware products not yet delivered at the consolidated statement of financial position date as well as consumables, accessories, third party software modules and licences for resale characterised by a high turnover.

20. TRADE RECEIVABLES

	31 Dec 2015	31 Dec 2014	Change	% Change
Trade receivables	103,471	93,888	9,583	10.2%
(Allowance for bad debts)	(13,621)	(12,576)	(1,045)	8.3%
Total	**89,850**	**81,312**	**8,538**	**10.5%**

Trade receivables at 31 December 2015 amount to € 89,850 thousand (net of the relevant Allowance for bad debts), with an increase of € 8,538 thousand compared to the balance at 31 December 2014 (€ 81,312 thousand).

(All amounts are expressed in thousands of Euro except where otherwise indicated)

20. TRADE RECEIVABLES (Continued)

Movements in the Allowance for bad debts in 2015 and 2014 are summarised below.

	Restated 31 Dec 2013	Change in cons. area	Other movements	(*) Additions	(*) (Utilisations)	31 Dec 2014
Allowance for bad debts	3,403	5,191		7,400	(3,418)	12,576
Total	**3,403**	**5,191**		**7,400**	**(3,418)**	**12,576**

(*) = Credit Losses balance included both in Addition and Utilisation figures

	31 Dec 2014	Change in cons. area	Other movements	(*) Additions	(*) (Utilisations)	31 Dec 2015
Allowance for bad debts	12,576	(20)	27	5,071	(4,033)	13,621
Total	**12,576**	**(20)**	**27**	**5,071**	**(4,033)**	**13,621**

(*) = Credit Losses balance included both in Addition and Utilisation figures

The utilisations of the provision are due to the write-off of receivables, based on elements of certainty and precision, or based on ongoing insolvency proceedings.

The amounts shown in the column headed "Change in consolidation area" relate to the allowances for bad debts of the new companies consolidated in 2015 (Ulisse Tecnologie S.r.l., Madbit Entertainment S.r.l.) at the respective acquisition dates, net of balance of Paradigma S.r.l. which has been sold during the 2015.

21. TAX RECEIVABLES

	31 Dec 2015	31 Dec 2014	Change	% Change
VAT receivables	370	399	(29)	-7.3%
Tax credits	546	217	329	n.s.
Other tax receivables	531	825	(293)	-35.6%
Withholding tax credit	2	1	2	n.s.
Tax consolidation receivables	(0)	(0)	0	-1.9%
Advances and credit on income taxes	3,945	2,997	948	31.6%
Total	**5,394**	**4,437**	**957**	**21.6%**

Tax receivables at 31 December 2015 amount to € 5,394 thousand, up compared to the balance at 31 December 2014 (€ 4,437 thousand) by € 957 thousand.

Advances and credit on income tax mainly relates to:

- an amount receivable by the Group companies for approximately € 1.4 million concerning income from a reimbursement of IRES due to the failure to make an IRAP deduction which has been credited in 2012 financial year;
- and for the remaining amount is attributable to income tax credit balances pertaining to some subsidiaries.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

22. OTHER RECEIVABLES—CURRENT

	31 Dec 2015	31 Dec 2014	Change	% Change
Deposits	667	651	17	2.5%
Receivables from employees	329	131	198	n.s.
Other receivables—current	1,878	1,031	846	82.0%
Accrued income	76	29	46	n.s.
Prepayments	10,303	8,370	1,933	23.1%
Other current receivables	**13,252**	**10,212**	**3,040**	**29.77%**

The Other receivables balance at 31 December 2015 amounts to € 13,252 thousand up by € 3,040 thousand compared to the corresponding balance at 31 December 2014 (€ 10,212 thousand) and it is mainly due to the increase in the balance of Prepayment for € 1,933 thousand as a consequence of both of the new acquisition made by the Group in 2015 and the organic increase of the business.

23. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY and MINORITY INTERESTS

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
31 Dec 2013	**3,214**	**219,699**	**103**	**(11,389)**	**(28,550)**	**183,077**	**711**	**183,788**
Profit (Loss) allocation		(28,550)			28,550	**0**		**0**
Other movements		22,500				**22,500**		**22,500**
Change in Non controlling interests IFRS 3		(277)				**(277)**	(84)	**(360)**
Dividends		(1,000)				**(1,000)**	(47)	**(1,047)**
Profit (Loss) on comprehensive income			(1,368)		(32,036)	**(33,404)**	128	**(33,276)**
31 Dec 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non controlling interests	TOTAL
31 Dec 2014	**3,214**	**212,373**	**(1,265)**	**(11,389)**	**(32,036)**	**170,897**	**707**	**171,604**
Profit (Loss) allocation		(32,036)			32,036	**0**		**0**
Dividends						**(0)**	(146)	**(146)**
Profit (Loss) on comprehensive income			329		(18,415)	**(18,086)**	237	**(17,849)**
31 Dec 2015	**3,214**	**180,337**	**(936)**	**(11,389)**	**(18,415)**	**152,810**	**799**	**153,610**

At 31 December 2015 Total Equity attributable to owner of the company amounts to € 152,810 thousand compared to the corresponding balance at 31 December 2014 of € 170,897 thousand.

The general meeting of shareholders of TeamSystem Holding S.p.A. held on 8 May 2015 passed a resolution to allocate the statutory loss for 2014 (€ 2,898 thousand) to the share premium reserve.

Other Profit (Loss) net of income taxes relate primarily to the recognition of actuarial differences in accordance with the standard IAS 19. The application thereof had a positive effect on comprehensive income of € 333 thousand net of tax effect (see Note 24).

(All amounts are expressed in thousands of Euro except where otherwise indicated)

23. TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY and MINORITY INTERESTS (Continued)

In accordance with common Italian practice, the table below shows the reconciliation of Equity and Profit (Loss) of the TeamSystem Holding S.p.A. and Equity and Profit (Loss) of the consolidated financial statements for the year ended 31 December 2015.

RECONCILIATION BETWEEN PROFIT (LOSS) AND EQUITY OT THE PARENT COMPANY AND PROFIT (LOSS) AND EQUITY OF THE CONSOLIDATED FINANCIAL STATEMENT

	Profit (Loss)	Equity
Profit (Loss) and Equity—TeamSystem Holding S.p.A.	**(1,309)**	**245,205**
Reversal of goodwill amortisation and other fixed assets' depreciation	442	(3,243)
Reversal of unrealized gains on intercompany transactions—Inventory	7	19
Valuation of ongoing services related to Education projects	(23)	7
Fixed assets under finance lease and fair value of tangible assets	(59)	(151)
Adjustment resulting from actuarial valuation of Staff leaving indemnity	(84)	(1,188)
Amortisation of intangible assets	(3,070)	(10,412)
Capitalized development costs	468	3,529
Reversal of transaction costs capitalized on the investment cost	(127)	(224)
Fair value evaluation of vendor loan	(985)	(136)
Equity method valuation of associates	(148)	(148)
Deferred revenue	14	1,437
Trade receivables write-downs	(254)	399
Dividends received from consolidated companies	(3,634)	(3,634)
Results and equity pertaining to the consolidated companies and acquisition of non controlling interests	(9,656)	(78,652)
Profit (Loss) and Equity of the Consolidated Financial Statement	**(18,415)**	**152,810**

24. STAFF LEAVING INDEMNITY

	Restated 31 Dec 2013	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain)/loss	(Utilisations)	31 Dec 2014
Staff leaving indemnity	10,846	2,991	(15)	899	445	1,901	(709)	16,358
Total	**10,846**	**2,991**	**(15)**	**899**	**445**	**1,901**	**(709)**	**16,358**

	31 Dec 2014	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain)/loss	(Utilisations)	31 Dec 2015
Staff leaving indemnity	16,358	(95)		1,067	304	(369)	(1,334)	15,931
Total	**16,358**	**(95)**		**1,067**	**304**	**(369)**	**(1,334)**	**15,931**

Staff leaving indemnity at 31 December 2015 amounts to € 15,931 thousand, down on the balance at 31 December 2014 (€ 16,358 thousand) by € 427 thousand. Part of the variance in the amount of Staff leaving indemnity is due to the change in consolidation area attributable to:

- the contribution of the new-consolidated company Ulisse Tecnologie S.r.l. (€ 81 thousand);
- the de-consolidation of the subsidiary Paradigma S.r.l. (€ 176 thousand).

(All amounts are expressed in thousands of Euro except where otherwise indicated)

24. STAFF LEAVING INDEMNITY (Continued)

In accordance with IAS 19, employee termination indemnities are considered to be a defined benefit plan to be accounted for by applying the "Projected Unit Credit Method," which consists of discounting an estimate of the amount to be paid to each employee on termination of their employment and which involves the determination of:

- **initial DBO**, that is, the present value of employee service payments expected to be made in the future, already available at the beginning of the period;
- **service cost**, that is, the present value of employee service expected to be made in the future relating to services provided in the current period;
- **interest cost**, namely, interest on the provision at the beginning of the period and on corresponding movements in the period being considered;
- **benefits paid and transfers in/out** represent all payments and transfers in and out relating to the period being considered, being elements that lead to the utilisation of the provision
- **the actuarial gain and loss**, namely, the actuarial gain/loss relating to the valuation period.

The estimate, performed by an independent actuary, was computed on the basis of the following main assumptions:

	Financial year 2015	Financial year 2014
Turnover	4.00%	4.00%
Discount rate	2.30%	1.86%
Anticipation rate	1.00%	1.00%

The discount rate used for the determination of the present value of the provision for severance indemnities was determined with reference to the IBoxx Eurozone Corporate A index both for 31 December 2015 and for 31 December 2014.

Furthermore, it should be noted that, should the annual discount rate vary by plus or minus 0.25%, the provision for severance indemnities would be approximately € 15.5 million and € 16.4 million respectively.

IAS 19—Employee benefits requires that the actuarial gains and losses arising from "remeasurement" of assets and liabilities are recognised in the consolidated statement of comprehensive income. Consequently, the charge included in the 2015 consolidated statement of comprehensive income (€ 368 thousand) equates to the actuarial gain and loss as indicated above, net of the tax effect of € 35 thousand.

25. PROVISIONS FOR RISKS AND CHARGES

	Restated 31 Dec 2013	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2014
Provision for pension and similar obligation	1,217	56		84	(42)	1,315
Provision for litigations	657	130		30	(83)	734
Other Provision for risks and charges	357	83	(74)	91	(22)	435
Total	**2,231**	**269**	**(74)**	**205**	**(148)**	**2,483**

	31 Dec 2014	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2015
Provision for pension and similar obligation	1,315	537		301	(663)	1,490
Provision for litigations	734	(120)		431	(21)	1,024
Other Provision for risks and charges	435	(22)		163	(222)	354
Total	**2,483**	**395**		**895**	**(906)**	**2,868**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

25. PROVISIONS FOR RISKS AND CHARGES (Continued)

Provisions for risks and charges at 31 December 2015 amount to € 2,868 thousand, up by € 385 thousand compared to the balance at 31 December 2014 (€ 2,483 thousand) mainly due to the contribution of the change in consolidation area which refers to:

- the contribution of the newly acquired company Ulisse Tecnologie S.r.l. (for an amount of € 537 thousand);
- the de-consolidation of Paradigma balances for an amount of 142 thousand.

Lastly, note that the Group companies are not party to any additional litigation or disputes worthy of note (in terms of probable liabilities) other than those already reflected by the figures in the financial statements.

26. TAX LIABILITIES—CURRENT

	31 Dec 2015	31 Dec 2014	Change	% Change
VAT liabilities	1,100	1,286	(187)	-14.51%
Income tax payables	4,144	710	3,434	n.s.
Withholdings liabilities	3,305	2,959	346	11.71%
Other tax liabilities	76	16	61	n.s.
Total	**8,625**	**4,970**	**3,655**	**73.5%**

Current tax liabilities at 31 December 2015 amount to € 8,625 thousand, up by € 3,655 thousand compared to the balances at 31 December 2014 (€ 4,970 thousand). This change is mainly attributable to an increase in Income Tax payables for an amount of € 3,434 thousand.

27. OTHER LIABILITIES—CURRENT AND NON CURRENT

	31 Dec 2015	31 Dec 2014	Change	% Change
Social security liabilities—current	6,648	5,885	762	13.0%
Employees payables	12,550	11,326	1,223	10.8%
Advances	3,449	3,386	63	1.9%
Other liabilities	748	820	(72)	-8.8%
Accrued liabilities	185	84	101	n.s.
Deferred revenues	24,660	21,083	3,577	17.0%
Other current liabilities	**48,240**	**42,585**	**5,655**	**13.28%**
Social security liabilities—non current	706	755	(49)	-6.5%
Other tax liabilities—non current	54	67	(14)	-20.1%
Other non current liabilities	**760**	**823**	**(62)**	**-7.57%**
Total Other liabilities	**49,000**	**43,407**	**5,593**	**12.88%**

Other current and non current liabilities at 31 December 2015 amount to € 49,000 thousand, up by € 5,593 thousand compared to the balance at 31 December 2014 (€ 43,407 thousand). This increase is mainly due to a change in Deferred revenues (€ 3,577 thousand), to a change in Employees payables for € 1,223 thousand and to Social security liabilities (€ 762 thousand).

Employee payables of € 12,550 thousand relate to remuneration and 2015 performance bonuses (not yet paid at the year end) payable to employees, directors and collaborators, as well as accruals for holiday pay and leave of absence. It should be noted that there are no employee bonuses due beyond one year worthy of mention.

27. OTHER LIABILITIES—CURRENT AND NON CURRENT (Continued)

Advances at 31 December 2015 amount to € 3,449 thousand and mainly relate to advances received by the Education business unit relating to training services being provided at the consolidated statement of financial position date.

Deferred revenue (€ 24,660 thousand) mainly relates to the portion of revenue for software subscriptions (pertaining essentially to Nuovamacut Group companies and TSS S.p.A.) attributable to future financial years, based upon the contract duration.

Other non current liabilities at 31 December 2015 amount to € 760 thousand (€ 823 thousand at 31 December 2014) and relate primarily to the following balances pertaining to TeamSystem S.p.A.:

- € 54 thousand relating to income tax, VAT and other taxes of TeamSystem Fabriano, merged by absorption into TeamSystem in 2001;
- € 706 thousand relating to social contributions, of which € 691 thousand relates to the ancillary establishment in Campobasso and € 15 thousand relates to the ancillary establishment in Fabriano.

28. FINANCIAL INSTRUMENTS AND IFRS 7

The Group is exposed to a variety of risks of a financial nature that are managed and monitored centrally and which can be categorised as follows:

Foreign exchange risks

The Group operate almost exclusively in Italy and, accordingly, are not exposed to foreign exchange risks.

Credit risk

The credit risk is substantially reduced by the high fragmentation of the customer base and the high degree of customer loyalty. Moreover, accurate procedures for the control of overdue balances limit doubtful balances to insignificant amounts.

In any case, the customer credit policy, by customer category (resellers and end-users), envisages:

a) the control and assessment of “credit standing”;

b) the control of the flow of payment collection;

c) taking appropriate action by issuing reminders and by the use of credit collection procedures, including recourse to companies specialised in credit recovery.

The maximum theoretical exposure to credit risk for the Group is represented by the carrying value of trade receivables as presented in the consolidated financial statements, as well as residual financial receivables recorded in current and non current financial assets.

As at 31 December 2015 the Group does not have any guarantees covering trade receivables.

The tool most widely used by the Group for the classification and control of trade receivables consists of an Ageing List, in which amounts of overdue receivables are summarised by ageing category, from the most recent (0-30 days) to the oldest (over 180 days).

With respect to overdue receivables, the writedown recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts.

Interest rate risk

Subsequent to the debt refinancing process (as described in Note 18), TeamSystem Group ‘s financial structure is essentially characterised by fixed rate debt, with the sole exception of a revolving credit facility which, in any case, has been drawn down for an amount of € 3 million at 31 December 2015.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

Accordingly, as at the balance sheet date of 31 December 2015, there are no significant financial risks linked to fluctuations in market interest rates and, consequently, the Group has not performed any analysis of the sensitivity (of its funding costs) to fluctuations in market interest rates.

Liquidity risk

The two main factors that determine the dynamics of the Group's liquidity are, on one hand, the resources generated/absorbed by operating and investment activities and, on the other hand, the maturity and renewal of financial liabilities. Management of these risks is done by the Finance Department of TeamSystem Group.

Of the procedures adopted with the intention of optimising cash flow management and of reducing the liquidity risk, the following should be noted:

1) the maintenance of an adequate level of available liquidity;

2) the adoption of Cash-pooling at Group level;

3) the obtainment of adequate borrowing facilities;

4) the control of prospective liquidity conditions, in relation to the corporate planning process.

Set out below are details of the Group's financial assets and liabilities analysed according to the related due dates of the payment outflows. The flows indicated are non-discounted nominal cash flows, determined with reference to the residual contractual maturity for both capital and interest elements for which the assumed interest rates have remained unchanged from those existing at 31 December 2014 and 2015.

POSITION AT 31 DECEMBER 2014	31 Dec 2014	within 12 months	within 1 - 2 years	within 2 - 5 years	over 5 years	Total cash flows
Accruals and prepaid commissions						
Other financial assets	7	7				**7**
Loans with banks	(265)	(107)	(159)			**(265)**
Overdrafts with banks	(16)	(16)				**(16)**
Bond	(433,964)	(31,713)	(31,713)	(95,138)	(477,569)	**(636,131)**
Financial liabilities with other institutions						
Dividends to be paid	(1,000)	(1,000)				**(1,000)**
Commissions financial liabilities	(119)	(119)				**(119)**
Other financial liabilities	(0)					
Vendor loan	(21,390)	(825)	(10,785)	(3,689)	(10,658)	**(25,957)**
Total	**(456,747)**	**(33,772)**	**(42,656)**	**(98,826)**	**(488,227)**	**(663,481)**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

POSITION AT 31 DECEMBER 2015	31 Dec 2015	within 12 months	within 1 - 2 years	within 2 - 5 years	over 5 years	Total cash flows
Accruals and prepaid commissions						
Other financial assets	450	100	100	250		**450**
Loans with banks	(3,147)	(3,147)				**(3,147)**
Overdrafts with banks	(4)	(4)				**(4)**
Bond	(433,964)	(31,717)	(31,717)	(509,281)		**(572,715)**
Financial liabilities with other institutions						
Dividends to be paid	(500)	(500)				**(500)**
Commissions financial liabilities	(115)	(115)				**(115)**
Other financial liabilities	(2)	(2)				**(2)**
Vendor loan	(29,300)	(9,719)	(2,547)	(2,068)	(22,608)	**(36,942)**
Total	**(466,582)**	**(45,104)**	**(34,164)**	**(511,099)**	**(22,608)**	**(612,975)**

The difference between the amounts presented in the consolidated financial statements and total cash flow is mainly attributable to the computation of interest over the contractual duration for amounts due to banks, bond-holders or for the vendor loan liabilities.

Financial instruments by category (IFRS 7 paragraph 8)

As required by IFRS 7, paragraph 8, financial instruments have been identified by category pertaining to Group's assets and liabilities with respect to their classification in the statement of financial position.

POSITION AT 31 DECEMBER 2014	31 Dec 2014	FVTPL	LAR	AFS	FLAC
Current and Non current Assets					
Financing fees prepayments—current and non-current	2,525				2,525
Other financial assets—current and non current	7	0	0	0	7
Trade receivables	81,312		81,312		
Cash and bank balances	17,888				
Total	**101,733**	**0**	**81,312**	**0**	**2,532**
Current and Non Current Liabilities					
Financial liabilities with banks and other institutions—current and non current	441,890	0	0	0	441,890
Financing Fees—current and non current	(14,456)	0	0	0	(14,456)
Other financial liabilities—current and non current	21,509	21,390	0	0	119
Trade payables	28,403				
Total	**477,346**	**21,390**	**0**	**0**	**427,553**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

POSITION AT 31 DECEMBER 2015	31 Dec 2015	FVTPL	LAR	AFS	FLAC
Current and Non current Assets					
Financing fees prepayments—current and non-current	1,927				1,927
Other financial assets—current and non current	451	0	0	0	451
Trade receivables	89,850		89,850		
Cash and bank balances	16,534				
Total	**108,762**	**0**	**89,850**	**0**	**2,378**
Current and Non Current Liabilities					
Financial liabilities with banks and other institutions—current and non current	443,024	0	0	0	443,020
Financing Fees—current and non current	(11,904)	0	0	0	(11,904)
Other financial liabilities—current and non current	29,417	29,300	0	0	117
Trade payables	32,099				
Total	**492,635**	**29,300**	**0**	**0**	**431,233**

EXPLANATIONS OF FINANCIAL INSTRUMENTS' CATEGORIES

FVTPL = **Financial instruments at fair value through profit and loss**

LAR = **Loans and Receivables**

AFS = **Financial assets available for sale**

FLAC = **Financial liabilities measured at amortised cost**

Considering the features of the financial assets and liabilities recorded in the financial statements and shown by the above table, the fair value of many of these (current trade receivables and payables, current and non-current financial liabilities) do not differ from their carrying value with the exception of Bond for which the market quote as at 31 December 2015 (of approximately 104.04) consist of the best estimate of fair value as at 31 December 2015.

Levels of fair value hierarchy

In relation to the financial instruments recorded in the statement of financial position at fair value, IFRS 7 requires these amounts to be classified on the basis of levels of hierarchy that reflect the significance of the input used for the determination of fair value. The levels are the following:

- **Level 1** — prices quoted by active markets for assets or liabilities being measured;
- **Level 2** — inputs other than Level 1 inputs that are directly observable (prices) or indirectly (derived from prices) market inputs;
- **Level 3** – inputs not based on observable market data.

POSITION AT 31 DECEMBER 2014	Level 1	Level 2	Level 3	TOTAL
Assets				
Other Investments			403	**403**
Total			**403**	**403**
Liabilities				
Vendor loan			21,390	**21,390**
Total			**21,390**	**21,390**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

28. FINANCIAL INSTRUMENTS AND IFRS 7 (Continued)

POSITION AT 31 DECEMBER 2015	Level 1	Level 2	Level 3	TOTAL
Assets				
Other Investments			433	**433**
Total			**433**	**433**
Liabilities				
Vendor loan			29,300	**29,300**
Total			**29,300**	**29,300**

During the year there have been no significant transfers from one level to another of the fair value categories presented.

The financial payable relating to the vendor loan represents the main category within the fair value level 3 and it is represented by the fair value of the estimated liability with respect to put and call or earnout agreements relating to various non-controlling interests in the Group companies; the related fair value was determined considering the contractual hypotheses for the determination of the consideration. Changes in fair value, due both to timing and possible changes in estimated indicators that formed the basis for the computation of the consideration, are accounted for in the consolidated statement of profit or loss; the effect recorded in the 2015 consolidated statement of profit or loss resulting from the change in estimate of the fair value of the liability relating to the vendor loan amounts to approximately € 1,081 thousand as Vendor loan devaluation and approximately € 5,343 thousand as Vendor loan revaluation (included € 848 thousand of dividend paid) while € 1,094 thousand has been accounted for as Interest in the line Other IFRS financial charges (see Note 7 and Note 8 as to Finance Income and Finance Costs and Note 18 as to Net Financial Indebtedness).

Note that the discount rate applied for the measurement of the vendor loan at 31 December 2015 is that adopted for the performance of Group impairment tests at 31 December 2015 that is, the rate that equates to the cost of debt (gross of the tax effect) of 4.88% at 31 December 2015 (5.46% at 31 December 2014). This cost of debt is deemed representative of TeamSystem Group's specific credit risk at the balance sheet date. In this regard, the Group has also performed analysis of the sensitivity of the carrying amount of the vendor loan to interest rates applied. The results of this analysis are set out in the table below.

Vendor loan Sensitivity—2015

Cost of Debt—gross of tax	3.88%	4.38%	4.88%	5.38%	5.88%
Vendor loan	30,636	29,955	**29,300**	28,670	28,063

29. GUARANTEES PROVIDED, COMMITMENTS AND OTHER CONTINGENT ASSETS AND LIABILITIES

Guarantees Provided

Set out below are details of the collateral provided in connection with the TeamSystem S.p.A.'s Revolving credit facility (Note 18):

- Pledge over the shares of TeamSystem Holding S.p.A.;
- Pledge over the shares of TeamSystem S.p.A.;
- Assignment by way of security of receivables deriving from intercompany lending transactions (between TeamSystem Holding S.p.A. and TeamSystem S.p.A.) as per the loan agreements for the Funding Loan and Shareholders Loan;

(All amounts are expressed in thousands of Euro except where otherwise indicated)

29. GUARANTEES PROVIDED, COMMITMENTS AND OTHER CONTINGENT ASSETS AND LIABILITIES (Continued)

- Pledge over the shares of Gruppo Euroconference S.p.A. and TSS S.p.A. held by TeamSystem S.p.A.;
- Pledge over industrial property rights of TeamSystem S.p.A.;
- Special lien granted by TeamSystem S.p.A..

The main elements of the collateral provided in connection with the Bond (Note 18) include:

- Pledge over the entire share capital of TeamSystem Holding S.p.A.;
- Pledge over the shares of TeamSystem S.p.A.;
- Assignment by way of security of receivables deriving from intercompany lending transactions (between TeamSystem Holding S.p.A. and TeamSystem S.p.A.) as per the loan agreements for the Funding Loan and Shareholders Loan.

In addition to unsecured guarantees provided by Titan Luxco 3 S.à.r.l. (which became TeamSystem Holding 2 S.p.A. and was merged into TeamSystem Holding S.p.A.) and by TeamSystem S.p.A. in order to guarantee, within the limits established by the Indenture, the redemption of the Bond.

Other significant commitments and contractual rights

Group companies are party to put/call option agreements in respect of the shares/quotas held by non-controlling share in the following companies and for the percentage holdings as indicated below:

Put / Call Options Outstanding	31 Dec 2015	31 Dec 2014
Lexteam S.r.l.		12.50%
Metodo S.p.A.	10.00%	10.00%
Inforyou S.r.l.	25.00%	25.00%
Gruppo Euroconference S.p.A.	0.14%	0.28%
TeamSystem Emilia S.r.l.	22.09%	22.09%
TeamSystem Communication S.r.l.	40.00%	40.00%
TeamSystem Ancona S.r.l.		15.72%
Danea Soft S.r.l.	49.00%	49.00%
H-Umus S.r.l.		15.00%
Digita S.r.l.	40.00%	40.00%
Paradigma S.r.l.		22.50%
Madbit Entertainment S.r.l.	49.00%	

The strike price of these options will be determined based on normalised earnings parameters of the companies in question to which will be added the average (or actual) net financial indebtedness for the period in which the put/call options may be exercised. The best estimate of discounted future disbursements has been recognised in the financial statements (Note 18) while the best estimate of future disbursements (by financial year) is indicated in the table shown in Note 28—Liquidity risk—analysis of financial liabilities by due date of cash outflows.

In addition to the agreements indicated above, at the end of 2014 an agreement was entered into with the reseller TeamSystem C&D S.r.l., whereby the quotaholders of the latter granted TeamSystem S.p.A. a call option, by means of which the latter has the right, exercisable on specified dates, to acquire the entire capital of TeamSystem C&D. The company has considered the fair value of the option at 31 December 2015 and deemed it was immaterial, given that the exercise price thereof approximates the fair value of the investment and considering that no price was paid at the date of the subscription of the call option agreement.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

29. GUARANTEES PROVIDED, COMMITMENTS AND OTHER CONTINGENT ASSETS AND LIABILITIES (Continued)

Operating lease agreements and rental of property

Euro Million

POSITION AT 31 DECEMBER 2014	within 1 year	2 - 4 years	over 5 years	Total
Leases for motor cars	3,0	3,3		**6,3**
Leases for operational premises	3,6	8,9	7,7	**20,2**
Total	**6,6**	**12,2**	**7,7**	**26,5**

Euro Million

POSITION AT 31 DECEMBER 2015	within 1 year	2 - 4 years	over 5 years	Total
Leases for motor cars	2.9	3.0		**5.9**
Leases for operational premises	3.0	8.4	6.4	**17.8**
Total	**5.9**	**11.4**	**6.4**	**23.7**

The Group companies are party to operating lease agreements relating mainly to the use of motor cars. At 31 December 2015 the amount of outstanding instalments for operating leases was approximately € 5.9 million.

TeamSystem Group’s operational premises are mostly leased. At 31 December 2015, the amount of outstanding lease instalments was approximately € 17.8 million, down by € 2.4 million with respect to the 2014 balance (€ 20.2 million) mainly due to the renegotiation of existing lease agreements rather than the rationalisation / efficiency improvements in the management of operational premises currently used by the Group companies.

Other commitments and contingent assets/liabilities

The Group companies, in the performance of their activities, are exposed to a series of legal, tax and other risks. These risks relate to ongoing legal disputes (the outcome of which cannot be forecast with certainty) or claims made against Group companies for the recovery of damages suffered by third parties. An adverse outcome of these proceedings could lead to the payment of costs not covered (or not fully covered) by insurance and would thus impact the financial position.

The Group, in accordance with opinions provided by its legal advisers, has made specific provision as part of the provision for risks and charges (Note 25) for litigation for which it is believed that a disbursement of resources is probable and for which the amount is capable of being reliably estimated. Based on the information available, there are no further potentially significant contingent liabilities that could lead to significant disbursements for the Group.

Apart from the potential tax asset as disclosed in Note 17 (for approximately 22.8 million), the Group has not any further potential significant contingent asset as at 31 December 2015.

(All amounts are expressed in thousands of Euro except where otherwise indicated)

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON CONTROLLING INTERESTS

Investments in Associates

As requested by IFRS 12, additional disclosure regarding Investments in Associates are provided in the table set out below.

INVESTMENTS IN ASSOCIATES	Registered office	% held	(**) ASSETS	(**) LIABILITIES	(**) EQUITY	(**) REVENUE	(**) PROFIT (LOSS) FOR THE YEAR
Mondoesa Emilia S.r.l.	Parma	40.00	2,652	2,502	150	4,397	10
Mondoesa Lazio S.r.l.	Frosinone	35.00	1,383	1,108	275	2,214	16
Mondoesa Milano Nordovest S.r.l.	Milan	49.00	1,683	1,989	(306)	1,884	(348)
Cesaco S.r.l.	Vicenza	48.00	596	249	347	539	10
Aldebra S.p.A.	Trento	17.65	13,202	11,676	1,525	27,954	14

(**) = figures updated to 31 December 2014 financial statements

Investments in Consolidated subsidiaries—material non controlling interests

As requested by IFRS 12, summarised financial disclosure in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial disclosure below represents amounts before intragroup elimination and consolidation entries. Please also note that the percentage held in the subsidiaries is the actual percentage held by the Group at the reporting date, therefore without taking into consideration the vendor loan agreements negotiated by the Group (see also the paragraph "Scope of consolidation" and paragraph "Basis of consolidation" for further details).

Euro thousands

TEAMSYSTEM EMILIA	TEAMSYSTEM EMILIA 31 Dec 2015	TEAMSYSTEM EMILIA 31 Dec 2014	Change
% Held by Non Controlling Interests	22.09	22.09	0.00
Total Current Assets	7,142	6,266	875
Total Non Current Assets	223	297	(74)
Total Current Liabilities	2,760	2,705	55
Total Non Current Liabilities	1,190	1,097	93
Total Equity	3,414	2,761	653
Total Equity attributable to non controlling interests	754	610	144
Total Revenue	11,483	10,956	527
Operating Result	2,348	1,503	844
Profit (Loss) for the year	1,553	915	637
Profit (Loss) for the year—Non controlling Interests	343	202	141

(All amounts are expressed in thousands of Euro except where otherwise indicated)

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON CONTROLLING INTERESTS (Continued)

Euro thousands

METODO	METODO 31 Dec 2015	METODO 31 Dec 2014	Change
% Held by Non Controlling Interests	10	10	0.00
Total Current Assets	7,180	6,403	777
Total Non Current Assets	230	279	(49)
Total Current Liabilities	1,382	1,367	15
Total Non Current Liabilities	667	608	59
Total Equity	5,361	4,706	654
Total Equity attributable to non controlling interests	536	471	65
Total Revenue	6,405	6,739	(334)
Operating Result	1,490	1,371	119
Profit (Loss) for the year	1,104	865	239
Profit (Loss) for the year—Non controlling Interests	110	87	24

Euro thousands

INFORYOU	INFORYOU 31 Dec 2015	INFORYOU 31 Dec 2014	Change
% Held by Non Controlling Interests	25	25	0.00
Total Current Assets	3,423	3,092	330
Total Non Current Assets	103	122	(19)
Total Current Liabilities	572	893	(321)
Total Non Current Liabilities	66	61	5
Total Equity	2,888	2,260	628
Total Equity attributable to non controlling interests	722	565	157
Total Revenue	3,566	3,322	244
Operating Result	1,282	1,217	66
Profit (Loss) for the year	878	830	48
Profit (Loss) for the year—Non controlling Interests	220	207	12

Euro thousands

TEAMSYSTEM COMMUNICATION	TEAMSYSTEM COMMUNICATION 31 Dec 2015	TEAMSYSTEM COMMUNICATION 31 Dec 2014	Change
% Held by Non Controlling Interests	40	40	0.00
Total Current Assets	1,457	1,093	365
Total Non Current Assets	1,187	1,115	72
Total Current Liabilities	2,461	2,204	257
Total Non Current Liabilities	158	128	30
Total Equity	26	(125)	150
Total Equity attributable to non controlling interests	10	(50)	60
Total Revenue	2,080	1,715	365
Operating Result	84	(139)	223
Profit (Loss) for the year	2	(148)	150
Profit (Loss) for the year—Non controlling Interests	1	(59)	60

(All amounts are expressed in thousands of Euro except where otherwise indicated)

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON CONTROLLING INTERESTS (Continued)

Euro thousands

DANEA SOFT	DANEA SOFT 31 Dec 2015	DANEA SOFT 31 Dec 2014	Change
% Held by Non Controlling Interests	49	49	0.00
Total Current Assets	4,553	4,775	(221)
Total Non Current Assets	1,494	86	1,409
Total Current Liabilities	2,792	2,351	441
Total Non Current Liabilities	141	137	5
Total Equity	3,114	2,373	742
Total Equity attributable to non controlling interests	1,526	1,163	363
Total Revenue	5,614	4,887	727
Operating Result	2,536	2,175	360
Profit (Loss) for the year	1,742	1,509	233
Profit (Loss) for the year—Non controlling Interests	853	739	114

Euro thousands

DIGITA	DIGITA 31 Dec 2015	DIGITA 31 Dec 2014	Change
% Held by Non Controlling Interests	40	40	0.00
Total Current Assets	947	499	449
Total Non Current Assets	36	39	(3)
Total Current Liabilities	288	239	49
Total Non Current Liabilities	87	68	19
Total Equity	608	230	378
Total Equity attributable to non controlling interests	243	92	151
Total Revenue	1,314	881	433
Operating Result	569	240	329
Profit (Loss) for the year	378	154	224
Profit (Loss) for the year—Non controlling Interests	151	62	89

Euro thousands

MADBIT	MADBIT 31 Dec 2015	MADBIT 31 Dec 2014	Change
% Held by Non Controlling Interests	49		49.00
Total Current Assets	457	0	457
Total Non Current Assets	6	0	6
Total Current Liabilities	336	0	336
Total Non Current Liabilities	2	0	2
Total Equity	125	0	125
Total Equity attributable to non controlling interests	61	0	61
Total Revenue	365	0	365
Operating Result	90	0	90
Profit (Loss) for the year	55	0	55
Profit (Loss) for the year—Non controlling Interests	27	0	27

Euro thousands

(All amounts are expressed in thousands of Euro except where otherwise indicated)

30. IFRS 12 SUMMARISED FINANCIAL DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES WITH MATERIAL NON CONTROLLING INTERESTS (Continued)

GRUPPO EUROCONFERENCE	GRUPPO EUROCONFERENCE 31 Dec 2015	GRUPPO EUROCONFERENCE 31 Dec 2014	Change
% Held by Non Controlling Interests	3.27	3.41	-0.14
Total Current Assets	13,786	13,406	380
Total Non Current Assets	1,187	1,004	183
Total Current Liabilities	6,308	6,607	(298)
Total Non Current Liabilities	366	357	9
Total Equity	8,299	7,446	853
Total Equity attributable to non controlling interests	271	254	17
Total Revenue	10,417	11,723	(1,307)
Operating Result	2,293	2,274	19
Profit (Loss) for the year	1,653	1,597	56
Profit (Loss) for the year—Non controlling Interests	54	54	(0)

Euro thousands

NUOVAMACUT NORD OVEST	NUOVAMACUT NORD OVEST 31 Dec 2015	NUOVAMACUT NORD OVEST 31 Dec 2014	Change
% Held by Non Controlling Interests	13.66	13.66	0.00
Total Current Assets	13,111	9,745	3,366
Total Non Current Assets	116	68	48
Total Current Liabilities	10,839	7,690	3,149
Total Non Current Liabilities	450	431	19
Total Equity	1,938	1,692	246
Total Equity attributable to non controlling interests	265	231	34
Total Revenue	10,977	8,625	2,351
Operating Result	1,579	987	592
Profit (Loss) for the year	1,046	597	449
Profit (Loss) for the year—Non controlling Interests	143	82	61

31. RELATED-PARTIES TRANSACTIONS, BOARD OF DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT

Remuneration

As required by IAS 24 the table below shows the amounts due for 2015 and 2014 years to the members of TeamSystem Holding S.p.A.'s Board of Directors, those to statutory auditors and in addition those due to the Top Management of the Group.

	31 Dec 2014	31 Dec 2013
Directors	—	—
Statutory Auditors	38	38
Top Management	3,096	2,880
Total emoluments	**3,134**	**2,918**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

31. RELATED-PARTIES TRANSACTIONS, BOARD OF DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT (Continued)

	31 Dec 2015	31 Dec 2014
Directors	—	—
Statutory Auditors	38	38
Top Management	4,426	3,096
Total emoluments	**4,464**	**3,134**

In detail, compensations due to Top Management includes € 144 thousand at 31 December 2015 (€ 113 thousands at 31 December 2014) related to Italian T.F.R. allowance of the year.

As previously disclosed in these financial statements, on 1 March 2016 TeamSystem Group was acquired by Hellman & Friedman private equity funds. Following this transaction, TeamSystem's middle and senior Management hold an equity interest of 15.71%.

Receivables, payables, revenue and costs with TeamSystem Holdco S.à.r.l.

The table below summarises the balances at 31 December 2015 and the transactions occurred in 2015 with the parent company TeamSystem HoldCo S.à.r.l.

PARENT COMPANY	Trade payables	Other payables	Financial payables	31 Dec 2015
TeamSystem HoldCo S.à.r.l.			500	500
Total			**500**	**500**

Associates

A summary is provided below of balances at 31 December 2015 and transactions in the year then ended with associated companies.

	Trade and Other receivables	Financial receivables	31 Dec 2015	Trade and Other payables	Financial liabilities	31 Dec 2015
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	58		**58**	21		**21**
Mondoesa Lazio S.r.l.	17		**17**	30		**30**
Mondoesa Milano Nordovest S.r.l.	139		**139**			**0**
Cesaco S.r.l.			**0**	90		**90**
Aldebra S.p.A.	67	—	**67**		—	**0**
Total	**281**	**0**	**281**	**141**	**0**	**141**

	Total Revenues	Other revenues	Finance income	31 Dec 2015
INVESTMENTS IN ASSOCIATES				
Mondoesa Emilia S.r.l.	846			**846**
Mondoesa Lazio S.r.l.	349			**349**
Mondoesa Milano Nordovest S.r.l.	960			**960**
Cesaco S.r.l.	8			**8**
Aldebra S.p.A.	351	—	—	**351**
Total	**2,514**	**0**	**0**	**2,514**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

31. RELATED-PARTIES TRANSACTIONS, BOARD OF DIRECTORS, STATUTORY AUDITORS AND TOP MANAGEMENT (Continued)

	Operating costs	Other provisions	Other expenses	Finance cost	Income taxes	31 Dec 2015
INVESTMENTS IN ASSOCIATES						
Mondoesa Emilia S.r.l.	117					**117**
Mondoesa Lazio S.r.l.	224					**224**
Mondoesa Milano Nordovest S.r.l.						**0**
Cesaco S.r.l.	171					**171**
Aldebra S.p.A.		—	—	—	—	**0**
Total	**512**	**0**	**0**	**0**	**0**	**512**

Related companies

TeamSystem Group has not been party to any transactions with related companies that are worth disclosing other than those previously commented upon.

32. INDEPENDENT AUDITORS

In addition to the above information, please note that fees payable to Deloitte & Touche S.p.A. as independent auditors, expensed by the Group in the 2015 financial year for the audit of the financial statements, amount approximately to € 235 thousand.

33. OVERSIGHT AND COORDINATION ACTIVITY

TeamSystem Holding S.p.A. is subject to oversight and coordination activity pursuant to article 2497 and subsequent articles of the Italian Civil Code by TeamSystem HoldCo S.à.r.l.

Attached are the financial statements for the year ended 31 December 2014 of TeamSystem HoldCo S.à.r.l.

TeamSystem HoldCo S.à.r.l.
Balance sheet as at 31 December 2014
(expressed in Euro)

	31 Dec 2014	31 Dec 2013
ASSETS		
Formation expenses	1,427	3,012
Fixed assets	341,505,111	319,925,111
Current assets	2,124,922	781,009
Prepayment and accrued income		
Loss for the financial year		
Total Assets	**343,631,460**	**320,709,132**

	31 Dec 2014	31 Dec 2013
LIABILITIES		
Capital and Reserves	(200,704,587)	(142,662,832)
Provisions for liabilities and charges	3,235	6,435
Non subordinated debts	544,332,812	463,365,529
Total liabilities	**343,631,460**	**320,709,132**

(All amounts are expressed in thousands of Euro except where otherwise indicated)

33. OVERSIGHT AND COORDINATION ACTIVITY (Continued)

PROFIT AND LOSS ACCOUNT	31 Dec 2014	31 Dec 2013
CHARGES		
Value adjustments	**1,585**	**1,585**
Other operating charges	**614,524**	**520,593**
Interests and other financial charges	**57,420,846**	**50,474,403**
Income tax	**3,210**	**3,210**
Other tax	**6,025**	**25**
TOTAL CHARGES	**58,046,190**	**50,999,816**
INCOME		
Other interest and other financial income	**4,435**	**256,495**
TOTAL INCOME	**4,435**	**256,495**

34. SUBSEQUENT EVENTS TO THE DATE OF PREVIOUS BOARD APPROVAL (March 24, 2016)

Acquisition of TeamSystem Group by Hellman & Friedman private equity funds

As previously disclosed in these financial statements, on 1 March 2016, TeamSystem Group was acquired by private equity funds affiliated with Hellman & Friedman, holders of a controlling interest of 76.83% (while the remaining interest is held by HGCapital LLP, with a 7.46% stake and TeamSystem Management, with a 15.71% stake).

As a consequence of the acquisition of TeamSystem Group (as previously described), Management has announced its intention to redeem the outstanding Bond on or before 31 May 2016 at a redemption price compliant with that indicated in the Indenture governing the existing € 430 million Bond. This probable early redemption of the Bond would imply a potential charge (to the 2016 consolidated statement of profit or loss) relating to the residual carrying amount of the Bond Financing Fees at the date of the possible redemption (as at 31 December 2015, the carrying amount of Bond Financing Fees stands at € 11,767 thousand).

Again, as a result of the acquisition of TeamSystem Group, the Revolving Credit Facility agreement entered by TeamSystem S.p.A. was terminated on March 2016. The residual carrying amount of the Financing Fees relating to the agreement (at the termination date) will be charged to the Group's consolidated statement of profit or loss in 2016; note that the residual carrying amount of the Financing Fees at 31 December 2015 was € 2,065 thousand.

Acquisition of Lira and Euresys

Euresys

On 11 March, TeamSystem Group completed the acquisition of 60% of Euresys, a company that has operated in the HR management software market for more than twenty years. The consideration paid was € 1.2 million. The remaining 40% will be acquired subsequently through a put and call option mechanism. Euresys' total revenue in 2015 has been approximately € 2 million. The software solutions offered by Euresys permit the complete management of human resources within any Italian business thanks to its advanced capabilities in the following areas: attendance records, management of CVs and career paths, expense claims and access control. The company brings with it consolidated experience in the HR sector with more than 2,300 active customers in Italy. Its flagship products enable a more attentive and efficient management of human capital and are capable of interfacing in real time with TeamSystem 's management software.

34. SUBSEQUENT EVENTS TO THE DATE OF PREVIOUS BOARD APPROVAL (March 24, 2016) (Continued)

Lira

On 11 March, TeamSystem Group completed the acquisition of 100% of Lira, TeamSystem Group's historical Turin-based dealer, which focuses mainly on the accountants sector. The consideration paid has been € 2 million. Lira brings with it skills, know-how and direct experience with customers that will add to those of the Group's north west hub. Lira's total revenue in 2015 has been approximately € 2.4 million.

As at the date of approval of these restated consolidated financial statements for the year ended 31 December 2015, no subsequent events had occurred nor had any information been acquired that would have further affected the presentation and disclosures provided by the Directors in this document.

□ □ □

Milan, 28 February 2018

On behalf of the Board of Directors
TeamSystem Holding S.p.A.
Chief Executive Officer
Federico Leproux

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INDEPENDENT AUDITORS' REPORT ON THE RESTATED CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015

To the Board of Directors of
TeamSystem Holding S.p.A.

We have audited the accompanying restated consolidated financial statements of the former TeamSystem Holding S.p.A. (the "Company") and its subsidiaries (the "TeamSystem Group"), which comprise the consolidated statement of the financial position as at December 31, 2015 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The restated consolidated financial statements have been prepared solely for inclusion in the offering memorandum of the fully owned subsidiary TeamSystem S.p.A. in connection with the issuance of senior secured notes, in order to present the consolidated income statement based on the schemes adopted by the Company in the consolidated financial statements as at December 31, 2017.

Management's Responsibility for the Restated Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these restated consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these restated consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the restated consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the restated consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of restated consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the restated consolidated financial statements.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the restated consolidated financial statements give a true and fair view of the financial position of the TeamSystem Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by European Union.

Other Matters

The former TeamSystem Holding S.p.A. prepared for statutory purposes a separate set of consolidated financial statements for the year ended December 31, 2015 on which we issued a separate independent auditors' report dated April 22, 2016.

DELOITTE & TOUCHE S.p.A.

Jessica Lanari
Partner

Ancona, Italy
March 2, 2018

ANNEX A—2016 PRO FORMA INCOME STATEMENT

TeamSystem Holding S.p.A.

CONSOLIDATED PRO-FORMA
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Introduction

This document sets out the pro-forma statement of profit or loss (hereinafter "Pro-forma statement of profit or loss for the year ended 31 December 2016" or "2016 Pro-forma") of TeamSystem Holding S.p.A. (formerly Barolo MidCo S.p.A. and, hereinafter "TeamSystem Holding" or the "Company") and its subsidiaries (hereinafter "TeamSystem Group" or the "Group"). The Pro-forma statement of profit or loss for the year ended 31 December 2016 has been prepared for the purpose of inclusion in the Offering Memorandum prepared in connection with the Group's refinancing transaction via the issue of Senior Secured Notes to provide information relating to the trend in the Group's results that there would have been in the 2016 financial year if the acquisition of TeamSystem Group by private equity funds advised by Hellman & Friedman on 1 March 2016 and as described in the consolidated financial statements for the year ended 31 December 2016 (hereinafter the "Transaction") had taken place on 1 January 2016; the 2016 Pro-forma also reflects the backdated impact on the results of the other acquisitions, which have also been described in the consolidated financial statements for the year ended 31 December 2016 and which have been recognised by the Group during the course of 2016 (hereinafter "Acquisitions" and, together with the Transaction, the "Transactions").

The Pro-forma statement of profit or loss for the year ended 31 December 2016 is based on the restated consolidated statement of profit or loss for the year ended 31 December 2016 included in TeamSystem Group's consolidated financial statements for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") endorsed by the European Union.

With respect to the accounting policies adopted for the preparation of the historical figures in the Group's restated consolidated statement of profit or loss for the year ended 31 December 2016, reference should be made to the notes to the consolidated financial statements for the year ended 31 December 2017 and to the consolidated financial statements for the year ended 31 December 2016.

The Pro-forma statement of profit or loss for the year ended 31 December 2016 has been prepared in accordance with the criteria adopted by Management and described hereinafter, having made appropriate adjustments to the aforementioned historical figures to retroactively reflect the impact of the more material aspects of the Transactions on the consolidated statement of profit or loss as though they had taken place on 1 January 2016.

Given that the Pro-forma statement of profit or loss for the year ended 31 December 2016 represents, as previously indicated, a simulation, for illustration purposes only, of the potential impact that could have arisen from the Transactions on the consolidated results and, given that the 2016 Pro-forma figures have been prepared to retroactively reflect the impact of subsequent transactions, despite compliance with generally accepted practice and the use of reasonable assumptions, there are limitations concerning the nature of the 2016 Pro-forma figures. If, in fact, the transactions had actually taken place on the assumed date, they would not necessarily have produced the same results as presented in the 2016 Pro-forma.

The Pro-forma statement of profit or loss for the year ended 31 December 2016 does not intend in any way to represent a forecast of future results and should not be used to this effect: the 2016 Pro-forma figures do not reflect forecast figures, since they were prepared in order to merely present the more material aspects of the Transactions that are capable of being isolated and which are objectively measurable, without taking account of potential effects caused by changes in management policy and operational decisions that are a consequence of the Transactions.

The Pro-forma statement of profit or loss for the year ended 31 December 2016 is presented in a format that uses various columns to analytically illustrate the flow of transactions subject to the pro-forma adjustments.

Lastly, it should be noted that this appendix does not include a statement of cash flows, since this is not deemed necessary for the purpose of the document.

2. Consolidated pro-forma statement of profit or loss of TeamSystem Group for the year ended 31 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	31-dec-16 Restated	Integration PL "Transaction"	PRO-FORMA ADJUSTMENTS Costs "Transaction" *Note 4.1*	Amortization Intangible Assets PPA *Note 4.2*	Integration PL "Acquisitions"	Costs "Acquisitions" *Note 4.3*	Closing on Old Debt Structure *Note 4.4*	Interest on New Debt Structure *Note 4.5*	Interest on Vendor Loan *Note 4.6*	31-dec-16 PRO - FORMA
					(Euro thousands)					
Revenue	227,202	41,644			18,676					287,522
Other operating income	2,193	212			216					2,622
TOTAL REVENUE	**229,395**	**41,857**	**0**	**0**	**18,892**	**0**	**0**	**0**	**0**	**290,143**
Cost of raw and other materials	(22,602)	(3,882)			(1,268)					(27,752)
Cost of services	(64,374)	(9,648)	10,011		(2,977)	1,799				(65,190)
Personnel costs	(79,019)	(16,499)			(4,490)					(100,008)
Other operating costs	(5,495)	(1,092)			191					(6,396)
Depreciation and amortization of non current assets	(54,247)	(3,977)		(9,677)	(448)					(68,349)
Allowance for bad debts	(3,595)	(886)			(845)					(5,326)
Other provisions for risks and charges	(457)	(4)								(461)
Impairment of non current assets					(14)					(14)
OPERATING RESULT	**(393)**	**5,868**	**10,011**	**(9,677)**	**9,040**	**1,799**	**0**	**0**	**0**	**16,648**
Gain (Loss) on disposal of subsidiaries										
Share of Profit (Loss) of associates	(114)									(114)
Finance income	117	5			224					347
Finance cost	(76,863)	(6,101)			(101)		23,750	(7,333)	(2,527)	(69,176)
PROFIT (LOSS) BEFORE INCOME TAXES	**(77,253)**	**(227)**	**10,011**	**(9,677)**	**9,163**	**1,799**	**23,750**	**(7,333)**	**(2,527)**	**(52,295)**
Current income tax	(13,652)	(2,200)			(2,799)					(18,651)
Deferred income tax	15,430	822		2,915	(190)		(2,918)			16,059
TOTAL INCOME TAX	**1,778**	**(1,378)**	**0**	**2,915**	**(2,989)**	**0**	**(2,918)**	**0**	**0**	**(2,592)**
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(75,475)**	**(1,606)**	**10,011**	**(6,762)**	**6,174**	**1,799**	**20,832**	**(7,333)**	**(2,527)**	**(54,888)**
(Profit) Loss for the year—Non controlling interests	**(296)**	**(34)**			**(62)**					**(392)**
PROFIT (LOSS) FOR THE YEAR—OWNERS OF THE COMPANY	**(75,771)**	**(1,640)**	**10,011**	**(6,762)**	**6,112**	**1,799**	**20,832**	**(7,333)**	**(2,527)**	**(55,280)**

3. Assumptions made for the preparation of the Pro-forma income statement for the year ended 31 December 2016

The underlying assumptions behind the Pro-forma statement of profit or loss for the year ended 31 December 2016 relate to the impact that there would have been on the consolidated statement of profit or loss if the Transaction and Acquisitions had taken place on 1 January 2016.

Specifically, as far as the Transaction is concerned:

- backdating of the acquisition of the interest in TeamSystem Holding S.p.A. by private equity funds advised by Hellman & Friedman. More specifically, on 1 March 2016, 100% of the share capital of TeamSystem Holding S.p.A. was acquired by Barolo BidCo S.p.A., a special purpose entity set up for the Transaction controlled indirectly by private equity funds advised by Hellman & Friedman. As a consequence of this transaction, the € 45 million revolving credit facility (made available to TeamSystem S.p.A. in 2013) was cancelled and Barolo BidCo S.p.A. took out a revolving credit facility of € 65 million, which was made available to TeamSystem Group to finance its business needs. Barolo MidCo S.p.A. (the direct parent company of Barolo BidCo S.p.A.) then issued € 150 million of floating rate notes, the proceeds of which were made available to Barolo BidCo S.p.A. to partly fund the consideration of € 771 million for the acquisition of the share capital of TeamSystem Holding S.p.A. The remainder of the purchase price was financed via equity funding provided by Hellman & Friedman, HGCapital LLP and TeamSystem Group Management. Subsequently, on 20 May 2016, Barolo BidCo S.p.A. issued € 450 million of floating rate notes (increased to € 490 million on 22 December 2016) and, on the same date, TeamSystem Holding S.p.A. redeemed the existing Bond of € 430 million. Given that the previous Bond had been redeemed in connection with the Transaction, for the purpose of the Pro-forma statement of profit or loss, the costs associated with the closure of the previous Bond have been reversed from the Group's restated consolidated statement of profit or loss for the period from 1 March 2016 to 31 December 2016.

  As per the terms of the deed of merger dated 6 October 2016, TeamSystem Holding S.p.A. and Barolo BidCo S.p.A. were merged by absorption into TeamSystem S.p.A., whereas Barolo MidCo S.p.A. was renamed "TeamSystem Holding".
- inclusion of TeamSystem Group's statement of profit or loss for the first 2 months of 2016, from 1 January 2016 up to the Transaction date.
- backdating of the amortisation of intangible assets resulting from the Purchase Price Allocation process performed in connection with the Transaction.
- elimination of all the costs incurred for the Transaction that were recognised in the Group's statement of profit or loss for the period 1 March 2016 – 31 December 2016.

As far as the Acquisitions are concerned:

- backdating of the following acquisitions completed by TeamSystem Group during the course of 2016:
  - acquisition of Euresys S.r.l. by TeamSystem S.p.A. (subsidiary of TeamSystem Holding S.p.A.) on 11 March 2016;
  - acquisition of Lira S.r.l. by TeamSystem S.p.A. on 11 March 2016;
  - acquisition of Reviso International ApS and its subsidiaries by TeamSystem S.p.A. on 12 May 2016;
  - acquisition of Mondora S.r.l. by TeamSystem S.p.A. on 15 June 2016;
  - acquisition of Cidiemme Informatica S.r.l. by TeamSystem S.p.A. on 15 June 2016;
  - acquisition of Easyfatt Dev S.r.l. by Danea Soft S.r.l. (subsidiary of TeamSystem S.p.A.) on 29 July 2016;
  - acquisition of Informatica Veneta S.r.l. by Inforyou S.r.l. (subsidiary of TeamSystem S.p.A.) on 16 September 2016;
  - acquisition of Teamsystem C&D S.r.l. by TeamSystem S.p.A. on 12 December 2016;
  - acquisition of Aliaslab S.p.A. and its subsidiaries by TeamSystem S.p.A. on 22 December 2016.

- inclusion of TeamSystem Group's statement of profit or loss for the period from 1 January 2016 up to the date of the Acquisitions.
- elimination of all the costs incurred for the Acquisitions that were recognised in the Group's statement of profit or loss for the period 1 March 2016 – 31 December 2016.
- backdating of the amortisation of intangible assets resulting from the Purchase Price Allocation processes performed in connection with the Acquisitions (hereinafter, collectively, together with that relating to the above Transaction, "PPA").

4. Description of adjustments to the Pro-forma statement of profit or loss for the year ended 31 December 2016

The main pro-forma adjustments made to the historical statement of profit or loss figures may be summarised as follows:

- the "31 Dec 2016 Restated" column shows the restated statement of profit or loss for the year ended 31 December 2016 as presented in the Group's consolidated financial statements for the year ended 31 December 2017; more specifically, as disclosed in the notes to the consolidated financial statements for the year ended 31 December 2017, the 2016 comparative statement of profit or loss has been restated to reflect the new accounting policy adopted by the Group in 2017 concerning certain cost components, which had previously been identified in the statement of profit or loss as "non-recurring" and which have been classified within the related cost categories by nature, in line with best practice and as recommended by the communication ESMA/2015/1415 "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015.
- the "Integration PL Transaction" column shows TeamSystem Group's results for the fraction of the year prior to the Transaction;
- the "Integration PL Acquisitions" column shows the results of the other companies acquired (as listed above) for the fractions of the year prior to the Acquisitions in question (from 1 January 2016 to the day prior to the dates of the acquisitions made by the Group during the course of 2016).

Summary details of the other adjustments made, with the related tax effect thereof, are set out below:

4.1 Backdating of ancillary Transaction costs

Prior to the closing date of the Transaction, ancillary costs were incurred for the successful completion thereof amounting in total to approximately € 10,010 thousand, which, as indicated by the above assumptions, have been eliminated.

4.2 Accounting for additional amortisation of new assets arising from PPA

The table below shows the impact of the recognition of additional amortisation relating to intangible assets resulting from the definitive PPA determined in connection with the Transactions.

Description	Amortization	Deferred Tax	Total Effect
	(Euro thousands)		
PPA Transaction			
Amortization Software TeamSystem S.p.A.	(1,394)	438	(956)
Amortization Software Other Group Companies	(833)	262	(571)
Amortization Customer List TeamSystem S.p.A.	(2,179)	684	(1,495)
Amortization Custormer List Other Group Companies	(669)	210	(459)
Amortization Brand TeamSystem S.p.A.	(769)	241	(528)
Amortization Brand Other Group Companies	(141)	44	(97)
Amortization Other Intangible Assets	(168)	53	(115)
PPA Acquisitions			
Amortization Software	(1,582)	441	(1,141)
Amortization Customer List	(1,942)	542	(1,400)
Total Adjustment Amortization	**(9,677)**	**2,915**	**(6,762)**

4.3—Backdating of ancillary costs pertaining to the Acquisitions

Prior to the closing dates of the Acquisitions recognised by the Group during the course of 2016, ancillary costs were incurred for the successful completion thereof amounting in total to approximately € 1,800 thousand. Again in this case, as described in the assumptions, these have been eliminated.

4.4—Accounting for transactions linked to closure of old debt structure

Description	Finance Cost	Deferred Tax	Total Effect
	(Euro thousands)		
Write-off Financing Fees	13,301		13,301
Reversal of Deferred Tax		(2,918)	(2,918)
Finance costs on early redemption	15,858		15,858
Reversal of Existing Notes premium	(5,409)		(5,409)
Total Finance Cost Adjustment	**23,750**	**(2,918)**	**20,832**

With particular reference to the above items, further details are provided below of the reasoning behind these adjustments.

Having backdated the Transaction to 1 January 2016 and with the consequent execution of new financing agreements, adjustments have been made to reverse the impact of the early termination of the Group's previous debt structure. Specifically:

- elimination of the impact on profit and loss of the writedown of the ancillary costs of approximately € 11,325 thousand pertaining to the previous Bond issued by TeamSystem Holding S.p.A. of € 430 million and of costs of approximately € 1,976 thousand pertaining to the old revolving credit facility of € 45 million that had been granted to TeamSystem S.p.A.; as a contra entry, a reversal was made of the deferred tax liability recognised by TeamSystem Holding S.p.A. on the full deduction in advance, at the date of the Bond issue, of the ancillary costs related to the Bond as permitted by legislation in force as applied by the company. An adjustment was also made to eliminate the positive impact on the statement of profit or loss arising from the full recognition of the residual portion of the issue premium recognised on the placement date of the previous Bond.
- elimination of the impact on the statement of profit or loss of penalties incurred for the early redemption of the aforementioned Bond of approximately € 15,860 thousand.

4.5—Recognition of interest on the new debt structure and reversal of interest recognised on the old debt structure

The table below provides details of the reversal of interest recognised in the period 1 January – 20 May 2016 on the old debt structure and of the recognition of interest on the new debt structure, as though this had already been in place at 1 January 2016.

Description	Finance Cost	Deferred Tax	Total Effect
	(Euro thousands)		
Interest on Notes			
Write-off Interest on Existing Notes	12,333		12,333
Interest on new Notes—490 €/mil	(15,422)		(15,422)
Interest on new Notes—150 €/mil	(2,250)		(2,250)
Financing fees			
Write-off Financing Fees on Existing Notes	442		442
Write-off Financing Fees on Existing RCF	89		89
Financing Fees on new Notes—490 €/mil	(1,607)		(1,607)
Financing Fees on new Notes—150 €/mil	(110)		(110)
Financing Fees on new RCF	(176)		(176)
Interest on RCF			
Write-off Interest on Existing RCF	48		48
Interest on new RCF	(680)		(680)
Total Finance Cost Adjustment	**(7,333)**	**0**	**(7,333)**

4.6—Recognition of interest on Vendor loan

As described in the Group's consolidated financial statements for the year ended 31 December 2016, upon the acquisition of a majority / controlling stake in an investee, the Group normally enters into put and call option agreements for the residual stake held by non-controlling interest holders of the acquiree. For accounting purposes, such transactions give rise to the recognition of a financial liability (Vendor loan) related to the estimated actual consideration for the exercise of the options.

The table below shows the impact there would have been on profit or loss if the financial liabilities arising from the Acquisitions had all existed at 1 January 2016; similarly, account was taken of the impact on profit or loss of earn outs.

Description	Finance Cost	Deferred Tax	Total Effect
		(Euro thousands)	
Interest on Vendor Loan Euresys	(17)		(17)
Interest on Earn Out Cidiemme Informatica	(19)		(19)
Interest on TeamSystem C&D	(12)		(12)
Interest on Vendor Loan/Earn Out Aliaslab	(2,335)		(2,335)
Interest on Earn Out Reviso	(38)		(38)
Interest on Vendor Loan/Earn Out Mondora	(106)		(106)
Total Finance Cost Adjustment	**(2,527)**	**0**	**(2,527)**

5. Impact on 2016 Pro-Forma arising from the restatement of costs previously classed as "non-recurring"

Due to the previously described new accounting policy adopted by the Group in 2017 in relation to certain cost components previously classed as "non-recurring" and which were subsequently reclassified to relevant cost categories based on their nature, the restated 2016 comparative statement of profit or loss shown in the column headed "31 December 2016 Restated" no longer presents the previous separate cost category relating to "non-recurring" costs. Consequently, in a similar manner, neither does the 2016 Pro-forma statement of profit or loss present a "non-recurring" cost category. The following should be noted with respect to the costs per nature recognised in the 2016 Pro-Forma statement of profit or loss:

—personnel costs include € 1,352 thousand of costs related to personnel restructuring costs incurred in the year;

—cost of services includes € 6,602 thousand related to following cost categories:

- acquisition and merger costs of € 1,565 thousand consisting of advisory costs incurred in connection with various mergers that took place in 2016;
- strategic marketing costs of € 385 thousand relating to costs incurred in 2016 for external consulting services in connection with the three year TeamSystem re-branding project that was launched in 2015;
- tax optimization costs of € 169 thousand relating to tax advice mainly concerning new patent box regulations;
- strategic project and reorganization costs totalling € 4,023 thousand that include the following categories:
  - advisory costs of € 1,997 thousand related to reorganization and cost saving projects;
  - cost of services relating to change management (€ 281 thousand) attributable, in particular, to HR consulting services for managerial level recruitment;
  - credit collection project costs of € 117 thousand, relating, in particular, to external consulting services aimed at increased efficiency in credit management and collection;
  - office closure and relocation costs (€ 754 thousand) incurred by the Group in relation to the project concerning the reduction in and amalgamation of a number of corporate locations;
  - system integration and IT transformation costs of € 874 thousand relating, in particular, to external consulting services consisting of information systems interventions in connection with the Group reorganisation process;
- other minor costs of € 459 thousand that mainly include costs associated with management costs for bonds issued by the Group as charged by various parties (banks and rating agencies).

—other operating costs include € 29 thousand relating to minor costs, such as settlement agreements entered into with customers.

6. **Revenues Pro-Forma 2016 by revenues streams as adopted by the Group in the consolidated financial statements as at December 31, 2017**

Business segment	31-dec-16 Restated	Integration PL "Transaction"	Integration PL "Acquisitions"	31-dec-16 PRO - FORMA
Software Solutions	**213,045**	**39,748**	**4,543**	**257,336**
—ERP and Business Management Software Solutions	153,779	30,084	4,555	188,417
Direct Channel	82,422	15,589	4,555	102,565
Indirect Channel	71,357	14,495		85,852
—Vertical Solutions	61,588	10,137	2,912	74,646
—Software Solutions Reconciliation	-2,322	-473	-2,933	-5,727
Cloud Software Solutions	**11,247**	**1,887**	**13,550**	**26,684**
Hardware	**5,103**	**981**	**40**	**6,123**
Total	**229,395**	**42,616**	**18,133**	**290,143**

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