IMPORTANT NOTICE

THIS PRELIMINARY OFFERING MEMORANDUM (THE "**OFFERING MEMORANDUM**") IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR (2) PERSONS PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE (A "**MEMBER STATE**") OF THE EUROPEAN ECONOMIC AREA ("**EEA**") OR IN THE UNITED KINGDOM (THE "**U.K.**"), NOT RETAIL INVESTORS (AS DEFINED BELOW)).

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Memorandum following this notice, whether received by e-mail, other electronic communication or otherwise and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

The Offering Memorandum has been prepared in connection with the proposed offer and sale of the securities described herein. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OR LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities described in the attached Offering Memorandum, either you or the customers you represent must be either (1) a QIB or (2) a person purchasing the Notes outside of the United States in an offshore transaction in reliance on Regulation S (*provided* that investors resident in a Member State of the EEA must be qualified investors (within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and any relevant implementing measure in each Member State of the EEA) and not retail investors (as defined below) and investors resident in the UK must be qualified investors pursuant to the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**"). The Offering Memorandum is being sent at your request. By accepting this e-mail or other electronic transmission and by accessing the Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the attached Offering Memorandum (collectively, the "**Initial Purchasers**") that:

(1) you consent to delivery of such Offering Memorandum by electronic transmission, and

(2) either you or any customers you represent are:

  (a) QIBs; or

  (b) a person outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia (and, if you are a resident in a Member State of the EEA or in the U.K., you are not a retail investor).

(3) if you and any customer you represent are a resident of a Member State of the EEA, you are not a retail investor. For the purposes of this paragraph (3), the expression “retail investor” means a person who is one (or more) of the following:

(a) a “retail client” as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”);

(b) a customer within the meaning of Directive 2016/97/EU (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a “qualified investor” as defined in Article 2(e) of the Prospectus Regulation.

(4) if you and any customer you represent are a resident of the UK, you are not a retail investor. For the purposes of this paragraph (4), the expression “retail investor” means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of and any rules or regulations made under, the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA.

Prospective purchasers who are QIBs are hereby notified that the seller of the securities offered under the Offering Memorandum may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person.

Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Initial Purchaser of the Notes or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such an Initial Purchaser or affiliate on behalf of the issuer in such jurisdiction.

The Offering Memorandum is not being distributed by, nor has it been approved by, an authorized person in the U.K. and is for distribution only to (i) persons who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”)), (ii) persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) persons outside the U.K. or (iv) 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 securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). The Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The Notes are being offered solely to “qualified investors” as defined in the UK Prospectus Regulation.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, or any person who controls any Initial Purchasers or the Issuer (as defined in the Offering Memorandum), or any of their respective affiliates, directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you from the Initial Purchasers upon your request.

EEA product governance / Professional investors and ECPs (as defined below) only target market: Solely for the purposes of the product approval process of each manufacturer's, the target market assessment in respect of the securities described in the Offering Memorandum has led to the conclusion that: (i) the target market for such securities is eligible counterparties ("**ECPs**") and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such securities to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, and without prejudice to the Issuer's obligations in accordance with MiFID II, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only ECPs, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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 retail investors in the EEA: The securities described in the attached Offering Memorandum 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 (as defined above). No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached Offering Memorandum has been prepared on the basis that any offer of the securities in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Securities. The attached Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Prohibition of sales to UK retail investors: the attached Offering Memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from a requirement to publish a prospectus for offers of such securities. The attached Offering Memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. The securities described in the attached Offering Memorandum 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been or will be prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This preliminary offering memorandum is being distributed for information purposes only and is subject to completion and amendment (which may be material) without notice. This preliminary offering memorandum shall not, and is not intended to constitute or contain any offer of invitation to sell or the solicitation of any offer to buy and may not be used as, or in connection with any offer or invitation to sell or a solicitation of any offer to buy any of the Notes.

SUBJECT TO COMPLETION, DATED JANUARY 25, 2021

PRELIMINARY OFFERING MEMORANDUM

CONFIDENTIAL NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES

TeamSystem®

Brunello Bidco S.p.A.

€1,150,000,000

€ % Senior Secured Fixed Rate Notes due 2028
€ Senior Secured Floating Rate Notes due 2028

Brunello Bidco S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy (the "**Issuer**"), is offering (the "**Offering**") € aggregate principal amount of its % Senior Secured Fixed Rate Notes due 2028 (the "**Fixed Rate Notes**") and € aggregate principal amount of its Senior Secured Floating Rate Notes due 2028 (the "**Floating Rate Notes**" and, together with the Fixed Rate Notes, the "**Notes**"), to be used, among others, as part of the financing for the proposed acquisition (the "**Acquisition**") of Barolo Lux 1 S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*) (the "**Target**") and its subsidiaries (together with the Target, the "**Target Group**") by the Issuer. See "*Summary—The Transactions*" and "*Use of proceeds*." The Issuer is a holding company formed in connection with the Acquisition and will not control the Target prior to the consummation of the Acquisition.

The Issuer will pay interest on the Fixed Rate Notes at a rate equal to % per annum. The Issuer will pay interest on the Fixed Rate Notes semi-annually in arrears on and of each year, commencing on , 2021. The Fixed Rate Notes will mature on , 2028. At any time on or after , 2024, the Issuer may redeem all or part of the Fixed Rate Notes at the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). At any time prior to , 2024, the Issuer may redeem all or part of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of Notes—Optional Redemption.*" At any time prior to , 2024, the Issuer may redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes (including any additional Fixed Rate Notes), using the net cash proceeds from certain equity offerings at a redemption price equal to % of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, provided that at least 50% of the original aggregate principal amount of the Fixed Rate Notes (including any additional Fixed Rate Notes) remains outstanding after each redemption. At any time prior to , 2024, the Issuer may redeem during each calendar year up to 10% of the aggregate principal amount of the Fixed Rate Notes originally issued (including any additional Fixed Rate Notes) at its option, from time to time, at a redemption price equal to 103.000% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any.

The Issuer will pay interest on the Floating Rate Notes at a rate equal to the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) % per annum, reset quarterly. The Issuer will pay interest on the Floating Rate Notes quarterly in arrears on , , and of each year, commencing on , 2021. The Floating Rate Notes will mature on , 2028. At any time on or after , 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Floating Rate Notes at a redemption price equal to 100.000% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, as described under "*Description of Notes—Optional Redemption.*" At any time prior to , 2022, the Issuer may redeem all or part of the Floating Rate Notes at a redemption price equal to 100.000% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of Notes—Optional Redemption.*"

If a change of control occurs, each holder of the Notes may require the Issuer to repurchase all or a portion of its Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to but excluding 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. 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.*"

Pending consummation of the Acquisition and the satisfaction of certain other conditions, the Initial Purchasers (as defined herein) will, concurrently with the closing of this Offering on the Issue Date (as defined herein), deposit the gross proceeds of this Offering of Fixed Rate Notes and Floating Rate Notes into two segregated escrow accounts (the "**Escrow Accounts**"), each in the name of the Issuer. The Escrow Accounts will be controlled by JPMorgan Chase Bank, N.A. (the "**Escrow Agent**") and pledged in favor of the Trustee (as defined herein) on behalf of the holders of the relevant series of Notes. The release of the escrowed proceeds from the Escrow Accounts will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement (as defined herein) promptly following the escrow release. If the conditions to the release of the escrowed proceeds have not been satisfied on or prior to the date specified herein, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the initial issue price of such series of Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. See "*Description of Notes—Escrow of proceeds; Special Mandatory Redemption.*"

Following the Completion Date (as defined herein), we intend to use commercially reasonable efforts, subject to any relevant approval and/or authorization by any competent authority, to merge the Issuer with the Target, TeamSystem Holding and TeamSystem (each as defined herein) in accordance with applicable provisions of Italian law and as further described herein (the "**Post Completion Merger**"), with MergerCo (as defined herein) being the surviving entity, as soon as reasonably practicable following the Completion Date. The Post Completion Merger is subject to certain conditions and may not be completed. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all.*"

On the Issue Date, the Notes will only be guaranteed by the Parent Guarantor (as defined herein). In addition, in the event the Post Completion Merger does not occur on or prior to the date falling fifteen months after the Completion Date (the "**Cut-Off Date**"), the Issuer shall use commercially reasonable efforts to procure that, subject to the Agreed Security Principles (as defined herein) and to certain significant limitations under Italian law, TeamSystem guarantees the Notes within 60 days of the Cut-Off Date. As of the Issue Date and prior to the Completion Date, the Notes will be secured by a first-ranking security interest in the Escrow Accounts. On or about the Completion Date, the Notes will be secured on a first-ranking basis, subject to the Agreed Security Principles, by the Completion Date Collateral (as defined herein). Within 30 Business Days following the Completion Date, the Notes will also be secured on a first-ranking basis, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws, by the Post Completion Date Collateral (as defined herein). Following the Post Completion Merger, within the terms set forth in this Offering Memorandum, the Notes will also be secured by the Post Merger Collateral (as defined herein). In the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, the Issuer shall use commercially reasonable efforts to procure that the Notes will be secured, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws, by security interests granted on a first-priority basis over certain material current bank accounts of TeamSystem opened in Italy (if any) (the "**Target Group Collateral**") within 60 days of the Cut-Off Date. Subject to the terms of the Security Documents, the Shared Collateral (as defined herein) will be secured on a contractual second-priority basis by operation of the Intercreditor Agreement (as defined herein) for the benefit of the holders of the Holdco Private Notes. The Collateral (as defined herein) will also secure on a first-ranking basis the Revolving Credit Facility (as defined herein) and certain hedging obligations (if any). Under the terms of the Intercreditor Agreement, the holders of Notes will receive proceeds from the enforcement of the Collateral after the lenders under the Revolving Credit Facility and counterparties to such hedging obligations (if any) have been repaid in full. The Guarantees (as defined herein) and the security interests in the Collateral may be released under certain circumstances. Subject to the terms of the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. The Guarantees and the Collateral will be subject to certain material limitations pursuant to applicable laws and may be released under certain circumstances. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations,*" "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability,*" "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—There are circumstances other than the repayment or discharge of the Notes under which the Collateral will be released automatically without your consent or the consent of the Trustee or the Security Agent,*" "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of Notes—Security.*"

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**") if 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, events of default and transfer restrictions.

There is currently no public market for the Notes. Application will be 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. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market.

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 expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about , 2021 (the "**Issue Date**").

Investing in the Notes involves risks. See "Risk factors" beginning on page 48 of this Offering Memorandum.

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

The Notes and the Guarantees 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 connection with offshore transactions in reliance on Regulation S under the U.S. Securities Act. Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "*Plan of distribution*" and "*Transfer restrictions*" for additional information about eligible offerees and transfer restrictions.

Global Coordinator and Joint Bookrunner

J.P. Morgan

Joint Bookrunners

Barclays	**BNP PARIBAS**	**BofA Securities**	**Deutsche Bank**
Goldman Sachs International	**Morgan Stanley**	**Nomura**	**UniCredit Bank**

The date of this Offering Memorandum is , 2021

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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 copies 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 any of J.P. Morgan AG, Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, Morgan Stanley & Co. International plc, Nomura Financial Products Europe GmbH and UniCredit Bank AG (each an "**Initial Purchaser**" and, collectively, the "**Initial Purchasers**") has 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, any Guarantor nor any of the Initial Purchasers is 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 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

Guarantors 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 Guarantors 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 Guarantors 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 this 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 (the "**UK**"), 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 will be 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. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market. 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. 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.

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, J.P. MORGAN AG (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 and the Guarantees 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 INVESTORS IN THE EUROPEAN ECONOMIC AREA

Prohibition of Sales to EEA Retail Investors

In relation to each member state (each, a "**Member State**") of the European Economic Area (the "**EEA**"), each Initial Purchaser has represented and agreed that 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 Member State other than:

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

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), as permitted under the Prospectus Regulation, 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 1(4) of the Prospectus Regulation;

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 Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation. 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 has 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" "offer of notes to the public" or "offer of securities to the public," in each case in relation to any of the Notes in any 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, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 and includes any relevant implementing measure in the Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a 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 Regulation. 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.

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 Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution 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" within the meaning of Article 2(e) of Prospectus Regulation.

This Offering Memorandum has been prepared on the basis that any offer of the securities in any Member State of the EEA (each a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the securities. The attached offering memorandum is not a prospectus for the purposes of the Prospectus Regulation. The securities described in the attached offering memorandum 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 (as defined above) in a Relevant State. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any in-scope securities or otherwise making them available to retail investors in a Relevant State has been or will be prepared. Offering or selling the securities or otherwise making them available to any retail investor in a Relevant State may be unlawful.

Each person located in a Relevant State to whom any offer of securities is made, or who receives any communication in respect of an offer of securities, or who initially acquires any securities, or to whom the securities are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Initial Purchaser and the Issuer that (i) it is a "qualified investor" within the meaning of the law in that Relevant State implementing Article 2(e) of the Prospectus Regulation; and (ii) it is not a retail investor (as defined above).

EEA product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, 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 ("**ECPs**") and professional clients only, each as defined in 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.

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 or clearance 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 2(e) of the Prospectus Regulation; or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), and the applicable Italian laws and regulations.

The Initial Purchasers have each 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 Italian Legislative Decree No. 58 of February 24, 1998, as amended (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, Regulation No. 20307 of February 15, 2018, as amended ("**Regulation 20307**"), 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.*"

NOTICE TO UK INVESTORS

Prohibition of sales to certain UK investors

This Offering Memorandum has been prepared on the basis that any offer of the securities in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") from a requirement to publish a prospectus for offers of such securities. The attached offering memorandum is not a prospectus for the purpose of the UK Prospectus Regulation. The securities described in the attached offering memorandum 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been or will be prepared and, therefore, offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) are outside the UK, (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 (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the UK Prospectus Regulation. This Offering Memorandum has not been approved by the Financial Conduct Authority or any other competent authority. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

UK MiFIR product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only ECPs, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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.

NOTICE TO SWISS INVESTORS

The Offering in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**") because the Notes have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more, and further because the Notes qualify as money market instruments.

The Notes have not been and will not be listed or admitted to trading on a trading venue (i.e. exchange or multilateral trading facility) in Switzerland. This Offering Memorandum does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the Offering.

NOTICE TO HONG KONG INVESTORS

The Notes may not be offered or sold in Hong Kong by means of any document except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

NOTICE TO SINGAPORE INVESTORS

This Offering Memorandum has not been registered as an offering memorandum with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; (3) by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulation 2018 of Singapore.

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**," "**estimate**," "**expect**," "**intend**," "**may**," "**ongoing**," "**plan**," "**potential**," "**predict**," "**project**," "**seek**," "**target**" 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. In addition, even if our actual results are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. 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, expand or develop our relationships with our customers;
- our ability to maintain, expand or develop our relationships with VARs;
- competition from large or established competitors and local specialized competitors;
- our ability to keep pace with technological, regulatory and market developments and the expectations of our customers;
- impact of COVID-19 and related risks;
- adverse macroeconomic and market conditions in Italy;
- delayed payments or non-payments by our customers;
- our ability to maintain positive brand awareness;
- our ability to market and sell our product;
- our ability to identify, mitigate and prevent data security breaches;
- damages, interruptions and lack of redundancy of our or our partners' IT systems;
- undetected defects or delays in the introduction of new software products and enhancements;
- lower growth in the Microbusiness customer market segment in Italy than we expect;
- lower growth in the market for cloud-based applications than we expect or difficulty transitioning customers to cloud technology;
- more stringent regulations in the area of data privacy;
- new regulations or the absence of regulatory changes related to the sale of certain of our products;
- risks related to our outsourcing initiatives;
- cyclicality of a portion of our revenues;
- changes to the terms on which we sell third party software;
- unforeseen integration obstacles or costs of acquired businesses;

- the potential impact of non-controlling shareholders on the material business decisions of our majority-owned subsidiaries and payments required under related put and call options;
- our ability to attract and retain highly skilled employees;
- risks related to changes to our sales organization and other corporate functions;
- third party infringement on our intellectual property rights;
- claims from third parties that we are infringing on their intellectual property;
- the seasonal nature of our business;
- long sales cycles relating to our direct SME customers;
- higher employment costs;
- regulatory risk exposure associated with our subsidiaries operating in the financial industry;
- our ability to maintain an effective system of internal controls;
- regulatory changes related to the sales of certain of our products;
- labor disputes and work stoppages;
- market perceptions concerning the stability of the euro;
- potential goodwill impairments;
- tax and social security audits;
- the potential impact of litigation;
- liabilities associated with our directors, employees or other agents;
- competition and antitrust laws;
- changes to the corporate tax system;
- impact of the COVID-19 pandemic on data prepared and estimates made prior to its outbreak;
- other risks associated with our financial information, the Transactions, our financial profile, the Notes, our structure and the Financing; 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.

"Acquisition" . . . . refers to the acquisition by the Issuer of all of the equity interests in the Target pursuant to the Acquisition Agreement as described in this Offering Memorandum under "*Summary—The Transactions*."

"Acquisition Agreement" . . . . refers to the share purchase agreement relating to all of the equity interests in the Target dated January 15, 2021 among, *inter alios*, H&F Barolo Lux 2 S.à r.l, together with certain other sellers, and the Issuer, as purchaser, together with all annexes thereto, and as may be amended prior to the Completion Date.

"Agreed Security Principles" . . . . refers to the agreed security principles as set forth in an annex to the Indenture and summarized in "*Description of Notes—Security—General*."

"AliasLab" . . . . refers to Aliaslab S.p.A.

"B2B" . . . . refers to business-to-business commercial transactions.

"B2C" . . . . refers to business-to-consumer commercial transactions.

"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.

"Calculation Agent" . . . . . . refers to a financial institution appointed by the Issuer to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, London Branch.

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

"Collateral" . . . . refers to the Completion Date Collateral, the Post Completion Date Collateral, the Post Merger Collateral and the Target Group Collateral, as applicable, together with any and all assets in respect of which from time to time a security interest will be granted to secure the obligations under the Indenture or the Notes and/or any Guarantee, in each case as may be in existence from time to time, as further described under "*Summary—The Offering—Security*."

"Completion Date" . . . . refers to the date on which the Acquisition will be consummated.

"Completion Date Collateral" . . . . has the meaning ascribed to it under "*Summary—The Offering—Security*."

"Customer Retention Rate" . . . . is calculated as: (a) for our SME and professional customers (only within our Direct Channel business line and in respect of our Enterprise and Studio core

ERP software solutions), 1 *less* churn rate, where churn rate for any given year is the ratio of (i) the total recurring revenues for the prior year associated with customers who churned during the current year, to (ii) the total recurring revenues for such prior year; and (b) for our Microbusiness customers (only within our Micro and New Business Solutions business line and in respect of our Fatture in Cloud and other In Cloud products), 1 *less* churn rate, where churn rate for any twelve-month period ending in a given month is the ratio of (i) the total recurring revenues for the same month of the prior year associated with customers who churned between such month of the prior year and the same month of the current year, to (ii) the total recurring revenues for such month of the prior year. For the sake of clarity, in each case: (1) Customer Retention Rate is calculated on the prior year or twelve-month period perimeter, as applicable, and excludes the positive impact of price adjustments and of the additional recurring revenues from cross-sell or up-sell to existing customers and from sales to new customers generated during the current period; and (2) customers of our Indirect Channel and Vertical Solutions business lines and digital customers connected through their accountants are excluded for the purposes of calculating the Customer Retention Rate.

"Customer Inactivity Rate" . . . . refers to (i) in respect of our Direct Channel, Indirect Channel and Vertical Solutions business lines, the level of use of their respective core products, including certain Enterprise products (including TeamSystem Enterprise and TeamSystem HR), TeamSystem Studio, TeamSystem Construction, TeamSystem Hospitality and CAF solutions, and (ii) in respect of our Micro and New Business Solutions business line, the level of use of its core product, Fatture in Cloud, in each case by our relevant customers. The Customer Inactivity Rate is calculated for any given period as the ratio of (i) the number of customers that never logged into the relevant product for a period of two months prior to the date of calculation to (ii) the total number of existing customers of such product on the date of calculation.

"Cut-Off Date" . . . . refers to the date falling fifteen months after the Completion Date.

"Danea" . . . . refers to Danea Soft S.r.l.

"Digital" . . . . refers to our digital product line, which consists of cloud solutions for digitalization of processes, such as electronic invoicing, electronic signature and authentication services provided through a cloud-based platform for SMEs, professionals, Microbusinesses and all digital customers connected through our accountant customers. See "*Business—Our product offering—Digital*."

"Direct Channel" . . . . refers to our direct channel business line, which includes a range of software solutions and related services, including installation, start-up, maintenance and post-sale customer services, which are designed to address the needs of SMEs and professionals and are directly sold to our end-customers either by our "on field" sales team, composed of in-house representatives and sales agent, or, in case of our Digital product line, remotely by a dedicated sales team. See "*Business—Our business lines—Direct Channel*."

"Enterprise" . . . . refers to our enterprise product line, which consists of a wide range of scalable ERP and other business management software products for SMEs. See "*Business—Our product offering—Enterprise*."

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

"Escrow Accounts" . . . . . . refers to the two segregated escrow accounts in the name of the Issuer but controlled by the Escrow Agent pursuant to the terms of the Escrow Agreement into which the gross proceeds of the Offering of the Fixed Rate Notes and the Floating Rate Notes, respectively, will be deposited on the Issue Date.

"Escrow Agent"	refers to JPMorgan Chase Bank, N.A., in its capacity as escrow agent.
"Escrow Agreement"	refers to the escrow agreement to be dated on or prior to the Issue Date between the Issuer, the Trustee and the Escrow Agent relating to the Escrow Accounts.
"Escrow Longstop Date" . .	means June 30, 2021.
"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.
"Equity Contribution"	has the meaning ascribed to it under "*Summary—The Transactions—The Financing*."
"Existing 2023 Notes"	refers to TeamSystem's €550.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2023, which will be satisfied and discharged and ultimately redeemed in full on or about the Completion Date.
"Existing 2025 Notes"	refers to TeamSystem's €200.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2025, which will be satisfied and discharged and ultimately redeemed in full on or about the Completion Date.
"Existing Notes"	refers to, collectively, the Existing 2023 Notes and the Existing 2025 Notes, which will be satisfied and discharged and ultimately redeemed in full on or about the Completion Date with a portion of the proceeds from the Offering and certain available cash at TeamSystem.
"Existing Revolving Credit Facility"	refers to the €90.0 million revolving credit facility agreement dated March 22, 2018 between, *inter alios,* TeamSystem and TeamSystem Holding, on the one hand, and UniCredit Bank AG, Milan Branch, as Agent, on the other hand, which will be cancelled and discharged in full on or about the Completion Date.
"Fixed Rate Notes"	refers to the Issuer's € million % Senior Secured Fixed Rate Notes due 2028 offered hereby. See "*Summary—The Offering*."
"Floating Rate Notes"	refers to the Issuer's € million Senior Secured Floating Rate Notes due 2028 offered hereby. See "*Summary—The Offering*."
"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—Indirect Channel—VAR distribution agreements and revenue generation.*"
"Formulaic Fee"	refers to annual fees paid to us by VARs, which are subject to pre-determined annual increases that are subject to annual upward or downward adjustment on the basis of the VAR's performance. For further information, see "*Business—Indirect Channel—VAR distribution agreements and revenue generation.*"
"Fund VII"	means Hellman & Friedman Capital Partners VII, L.P., Hellman & Friedman Capital Partners VII (Parallel), L.P., HFCP VII (Parallel-C), L.P. and H&F Executives VII, L.P.
"Fund IX"	means, prior to the Completion Date, Hellman & Friedman Capital Partners IX, L.P and, following the Completion Date, Hellman & Friedman Capital Partners IX, L.P, Hellman & Friedman Capital Partners IX (Parallel), L.P., HFCP IX (Parallel-C), L.P., H&F Executives IX, L.P., H&F Executives IX-A, L.P. and H&F Associates IX 2021, L.P.
"GDPR"	refers to the General Data Protection Regulation (Regulation (EU) 2016/679).

"Group," "us," "we" and "our" . . . . refers to, prior to the Completion Date, the Target and its subsidiaries, following the Completion Date but prior to the Post Completion Merger, the Issuer and its subsidiaries, and, following the completion of the Post Completion Merger, MergerCo and its subsidiaries, unless otherwise specified or unless the context requires otherwise.

"Guarantees" . . . . has the meaning ascribed to it under "*Summary—The Offering—Guarantees*."

"Guarantors" . . . . has the meaning ascribed to it under "*Summary—The Offering—Guarantees*."

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

"HgCapital" . . . . refers to HgCapital LLP or to the limited partnerships comprising Hg Genesis 8, acting through their manager Hg Pooled Management Limited, a non-controlling indirect shareholder of the Issuer following the Transactions.

"Holdco" or "Parent Guarantor" . . . . refers to Brunello Midco 2 S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy and the Issuer's sole direct shareholder.

"Holdco Private Notes" . . . refers to the €300.0 million aggregate principal amount of Senior Floating Rate Pay-If-You-Want PIK Toggle Notes due 2029 to be issued through a private placement by Holdco on or about the Completion Date, as described in more detail under "*Description of certain financing arrangements—Holdco Private Notes*."

"Holdco Private Notes Indenture" . . . . refers to the indenture that will govern the Holdco Private Notes, to be dated on or prior to the Completion Date, by and among, *inter alios*, the Parent Guarantor (as issuer), the Trustee and the Security Agent.

"Holdco PIK Contribution" . . . . means the contribution to the equity of the Issuer or other share capital increase of the Issuer to be made by Holdco on or about the Completion Date with the net proceeds of the Holdco Private Notes, as described under "*Summary—The Transactions—The Financing*."

"IFRS" . . . . refers to International Financial Reporting Standards as adopted by the European Union.

"In Cloud" . . . . refers to our in cloud product line, which consists of cloud-based products, such as entry-level accounting products and other ancillary cloud products for Microbusinesses. See "*Business—Our product offering—In Cloud*."

"Indenture" . . . . refers to the indenture that will govern the Notes, dated as of the Issue Date, by and among, *inter alios*, the Issuer, the Parent Guarantor, the Trustee and the Security Agent.

"Indirect Channel" . . . . refers to our indirect channel business line, which includes our range of software solutions, designed to address the needs of SMEs and professionals and sold mainly by our VARs to the end-customers. See "*Business—Our business lines—Indirect Channel*."

"Iaas" . . . . means infrastructure as a service, a computing infrastructure provided and managed over the internet.

"Initial Purchasers" . . . . . . refers to, collectively, J.P. Morgan AG, Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Deutsche Bank Aktiengesellschaft, Goldman Sachs

International, Morgan Stanley & Co. International plc, Nomura Financial Products Europe GmbH and UniCredit Bank AG.

"Intercreditor Agreement" . . . . refers to the intercreditor agreement to be entered into on or about the Issue Date among, *inter alios*, the Issuer, Holdco, the Trustee, the agent under the Revolving Credit Facility Agreement and certain creditors thereunder and the Security Agent, as further described under "*Description of certain financing arrangements—Intercreditor Agreement*" and as amended, supplemented and restated from time to time.

"ISIN" . . . . refers to International Securities Identification Number.

"Issue Date" . . . . refers to the date on which the Notes offered hereby are originally issued, expected to be on or around , 2021.

"Issuer" . . . . refers to Brunello Bidco S.p.A., a joint stock company (*società per azioni*) incorporated 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.

"Italian Golden Power Legislation" . . . . the Italian Law Decree (*decreto legge*) No. 21 of March 15, 2012, as converted into law and amended by Italian Law No. 56 of May 11, 2012; the Italian Law Decree (*decreto legge*) No. 105 of September 21, 2019, as converted into law and amended by Italian Law No. 133 of November 18, 2019; and Italian Law Decree (*decreto legge*) No. 23 of April 8, 2020, as converted into law and amended by Italian Law No. 40 of June 5, 2020, each as subsequently amended and supplemented, and including the relevant implementing decrees adopted in relation to the abovementioned laws and regulations.

"Legislative Decree No. 231/2001" . . . . means Italian Legislative Decree No. 231 of June 8, 2001, governing the administrative liability of legal entities.

"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 our 2017 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, a portion of which is expected to be extinguished with part of the proceeds from this Offering, as further described under "*Use of Proceeds*."

"MadBit" . . . . refers to Madbit Entertainment S.r.l.

"MergerCo" . . . . refers to the surviving entity of the Post Completion Merger.

"Microbusiness" . . . . refers to a business that employs between one and ten individuals.

"Micro and New Business Solutions" . . . . refers to our micro and new business solutions business line, which includes our In Cloud product line, designed to address the needs of Microbusinesses. See "*Business—Our business lines—Micro and New Business Solutions*."

"NPS" . . . . refers to a survey-based metric we use to evaluate our customers' satisfaction with TeamSystem. We measure NPS by asking "how likely are you to recommend TeamSystem to a friend or colleague on a scale of 1 to 10." Responses of 9 or 10 are scored as "promoters," responses of 7 or 8 are scored as "passive" and

	excluded as respondents from the scoring, and responses from 0 to 6 are scored as "detractors." NPS is calculated as the sum of the percentage of promoters less the percentage of detractors.
"Notes"	refers to, collectively, the Fixed Rate Notes and the Floating Rate Notes offered hereby.
"Offering"	refers to the offering of the Notes pursuant to this Offering Memorandum.
"Offering Memorandum"	refers to the offering memorandum related to this Offering.
"Post Completion Date Collateral"	has the meaning ascribed to it under "*Summary—The Offering—Security*."
"Post Completion Merger"	has the meaning ascribed to it under "*Summary—The Transactions*."
"Post Merger Collateral"	has the meaning ascribed to it under "*Summary—The Offering—Security*."
"Purchase Agreement"	refers to the Purchase Agreement to be entered into by and among the Issuer, the Parent Guarantor and the Initial Purchasers in connection with the sale of the Notes.
"Refinancing"	refers to the redemption of all the outstanding Existing Notes, as described under "*Summary—The Offering—The Refinancing*."
"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"	refers to the €180.0 million revolving credit facility available pursuant to the Revolving Credit Facility Agreement, which is described in more detail under "*Description of certain financing arrangements—Revolving Credit Facility Agreement*" and which is expected to replace the Existing Revolving Credit Facility as part of the Transactions.
"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 Security Agent and the original lenders named therein, which is described in more detail under "*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 Deutsche Bank AG, London 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, *inter alia*, 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*").
"SDD"	refers to SEPA direct debt.
"SEPA"	refers to single European payment area.

"Shared Collateral" . . . . . . refers to the part of the Collateral securing the Notes that will secure the Holdco Private Notes on a contractual second-priority basis by operation of the Intercreditor Agreement, as identified under "*Summary—The Offering—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.

"Studio" . . . . refers to our studio product line, which consists of mission-critical software solutions for professionals, including labor advisors, accountants and law firms. See "*Business—Our product offering—Studio*."

"Skylab" . . . . refers to Skylab Italia S.r.l.

"Target" . . . . refers to Barolo Lux 1 S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*).

"Target Group" . . . . refers to the Target and its subsidiaries.

"Target Group Collateral" . . . . has the meaning ascribed to it under "*Summary—The Offering—Security*."

"TeamSystem" . . . . refers to TeamSystem S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy and a wholly-owned direct subsidiary of TeamSystem Holding.

"TeamSystem Digital" . . . . refers to our digital platform, which is designed to operate all our digital products and is integrated with all our ERP solutions. See "*Business*."

"TeamSystem Group" . . . . refers to TeamSystem Holding and its subsidiaries.

"TeamSystem Holding" . . . refers to TeamSystem Holding S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy and a wholly-owned direct subsidiary of the Target.

"TeamSystem Proceeds Loan" . . . . refers to the intercompany loan for an initial principal amount of approximately €840.5 million to be made by the Issuer to TeamSystem on or about the Completion Date with a portion of the proceeds of the Notes, comprised of "Facility A1" and "Facility A2," as described under "*Summary—The Transactions,*"as amended, accreted or partially repaid from time to time.

"Transactions" . . . . has the meaning ascribed to such term 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.

"U.S. Securities Act" . . . . . means the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder.

"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 solutions business line, which includes products and services, designed to address the needs of customers in specific industries, such as, among others, mechanical and manufacturing, construction, CAF/public sectors, legal, wellness, hospitality and professional education. See "*Business—Our business lines—Vertical Solutions*."

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Issuer

The Issuer is a holding company which was indirectly incorporated by Fund IX on September 16, 2020 for the purpose of the Acquisition, has not been involved in any operating activity since its incorporation and does not hold any material assets or liabilities. After the Issue Date and prior to the Completion Date, the Issuer will not have any subsidiaries and will have no assets other than the Escrow Accounts into which the proceeds of the Offering will be deposited and which will be pledged in favor of the Trustee on behalf of the holders of the Notes. The Issuer's only material assets and liabilities upon the Completion Date are expected to be its equity interests in the Target and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions, including its receivables under the TeamSystem Loan and its indebtedness under the Notes and the Revolving Credit Facility Agreement, if any. As a result, this Offering Memorandum does not present any financial information of the Issuer, except for certain limited "as adjusted" financial data presented on a consolidated basis as adjusted to reflect certain effects of the Transactions on a *pro forma* basis. Prior to the Post Completion Merger, the Issuer is currently not expected to engage in any activities other than those related to the Transactions and any other future potential transactions permitted by the Indenture.

TeamSystem Holding

The historical financial information contained in this Offering Memorandum is the consolidated financial information of TeamSystem Holding, the reporting entity of the TeamSystem Group and a direct wholly-owned subsidiary of the Target. The Target is a holding company which undertakes various holding activities, but from which no material operating income is generated. The Target has no material assets or liabilities, other than its equity interests in TeamSystem Holding, and therefore no financial information in respect of the Target is included in this Offering Memorandum.

The historical financial information of TeamSystem Holding included in this Offering Memorandum has been extracted or derived from:

(i) the audited consolidated financial statements of TeamSystem Holding as of and for the years ended December 31, 2019 (the "**2019 Financial Statements**"), December 31, 2018 (the "**2018 Financial Statements**") and December 31, 2017 (the "**2017 Financial Statements**" and, together with the 2018 Financial Statements and the 2019 Financial Statements, the "**Audited Financial Statements**"), each of which was prepared in accordance with IFRS; and

(ii) the unaudited interim condensed consolidated financial statements of TeamSystem Holding as of and for the nine months ended September 30, 2020, which include unaudited comparative financial data for the nine months ended September 30, 2019 (the "**Unaudited Interim Financial Statements**" and together with the Audited Financial Statements, the "**Consolidated Financial Statements**"), prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting"

Our Audited Financial Statements have been audited by Deloitte & Touche S.p.A.

The summary consolidated statement of financial position data of TeamSystem Holding as of December 31, 2017 presented in this Offering Memorandum has been derived from the corresponding comparative column in the 2018 Financial Statements (and not from the 2017 Financial Statements), which reclassified certain line items in the 2017 Financial Statements to reflect a different accounting treatment in respect of certain financing fees incurred by the TeamSystem Group in 2017. The reclassification resulted in an increase in "Total assets" and "Total liabilities" of €4.0 million.

Our Consolidated Financial Statements have not been adjusted to reflect the impact of any changes to the statement of profit or loss, statements of financial position or statement of cash flows that might occur as a result of purchase accounting adjustments to be applied as a result of the Transactions. However, the Issuer (prior to the completion of the Post Completion Merger) and MergerCo (following the completion of the Post Completion Merger), as applicable, will account for the Acquisition using the acquisition method of accounting under IFRS and will apply purchase accounting adjustments in connection with the Acquisition to the financial statements for accounting periods subsequent to the Completion Date. The application of purchase accounting could result in different carrying values for existing assets and liabilities and we may add additional assets to our statement of financial position, which may include, *inter alia*, intangible assets, such as goodwill, brand name, customer relationships, software. We may also recognize different amortization and depreciation expenses. Due to these and other potential adjustments, especially if we decide to provide consolidated financial statements for periods after the Completion Date at the level of the Issuer or (following the Post Completion Merger) MergerCo (instead of TeamSystem Holding), our future financial statements could be materially different once the adjustments are made and may not be comparable to our Consolidated Financial Statements included in this Offering Memorandum. See also "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations*."

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the board of directors to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are disclosed in our Consolidated Financial Statements. See also "*Management's discussion and analysis of financial condition and results of operations—Critical accounting policies*."

Unaudited financial information for the twelve months ended September 30, 2020

The historical unaudited consolidated financial information of TeamSystem Holding for the twelve months ended September 30, 2020 presented in this Offering Memorandum is calculated by adding each relevant statement of profit or loss line item for the nine months ended September 30, 2020 to the corresponding statement of profit or loss line item for the full year ended December 31, 2019 and subtracting from such sum the corresponding statement of profit or loss line item for the nine months ended September 30, 2019. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of TeamSystem Holding's financial reporting and has not been audited or reviewed by TeamSystem Holding's independent auditors.

Changes in Accounting Standards and Accounting Policies

We adopted IFRS 9 (*Financial Instruments: Recognition and Measurement*) and IFRS 15 (*Revenue from contracts with customers*), which replaced IAS18 (*Revenue*), from January 1, 2018. The introduction of IFRS 9 and IFRS 15 has not had a material impact on our earnings or financial position. We adopted IFRS 9 and IFRS 15 using the modified retrospective approach. Under this method, the impact of the standard is not restated retrospectively.

We early adopted IFRS 16 (*Leases*), which replaced IAS 17 (*Leases*), on January 1, 2018. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model with some exemptions for short-term and low-value leases. The lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. We adopted IFRS 16 using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying the standard as an adjustment to opening equity in the financial year in which the standard is applied without restating the comparative figure. As a result of initially applying IFRS 16, we recognized €26.4 million of right-of-use and financial liabilities at January 1, 2018. The Adjusted EBITDA figures that we present in this Offering Memorandum for the years ended December 31, 2018 and 2019, the nine months ended September 30, 2019 and 2020 and the twelve months ended September 30, 2020, include an impact from IFRS 16 of €6.2 million, €7.0 million, €4.8 million, €5.3 million and €7.5 million, respectively. For further information, see "*Summary—Summary historical financial information and other data—Other financial and pro forma data—Adjusted EBITDA*." See also sections "*New accounting standards adopted by the Group effective 1 January 2018,*" "*Summary of results of TeamSystem Group—Business units*" and "*Accounting standards, amendments and IFRS interpretations applicable as from 1 January 2018*" of our 2018 Financial Statements included elsewhere in this Offering Memorandum.

Due to the adoption of such new reporting standards and the associated accounting policies changes applied, our 2018 Financial Statements and 2019 Financial Statements and the corresponding figures presented in this

Offering Memorandum may not be directly comparable with the corresponding figures derived from our 2017 Financial Statements. See *"Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—Significant accounting policies."*

Impact of bolt-on acquisitions made by the TeamSystem Group

Our operating results and their comparability for the historical periods covered by the Consolidated Financial Statements are impacted by the effects of various bolt-on acquisitions made by the TeamSystem Group in such periods. Between 2017 and September 30, 2020, we acquired majority stakes in or the entire capital stock of 19 companies (excluding the transactions where we only increased our stake in previously acquired companies). In particular, we made five acquisitions in 2017, one acquisition in 2018, eight acquisitions in 2019 and five acquisitions during the nine months ended September 30, 2020. 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. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Acquisitions"* and "*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*."

Business lines and revenue breakdowns

Our 2017 Financial Statements and 2018 Financial Statements included elsewhere in this Offering Memorandum contain information and revenue breakdowns that reflect our previous accounting segments under IFRS 8: (i) Software Solutions, which included our results deriving from the sale of products 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.; (ii) Cloud Software Solutions, which included our results deriving from the sale of cloud-based software products; and (iii) Hardware, which included our results deriving from the resale of hardware components and accessories. Since January 1, 2019, we have reported under one reportable segment under IFRS 8 (*i.e.*, the Software segment), which encompasses all of our activities.

In addition, from 2019 we have adopted a new business line structure which we believe better represents and facilitates the understanding of our business model and operations. The revenue breakdowns that we present in this Offering Memorandum for all periods under review reflect our new business line structure, as follows:

- *Direct Channel:* which includes revenues deriving from the direct sales of products and services to our SME and professional end-customers.
- *Indirect Channel*: which mainly includes revenues deriving from the fees paid to us by our VARs, who resell our products to SME and professional end-customers.
- *Micro and New Business Solutions:* which includes revenues and services deriving from the sales of our products designed to address the needs of Microbusinesses.
- *Vertical Solutions:* which includes revenues deriving from the sales of products and services addressing the needs of SMEs and professional customers in specific industries, such as, among others, mechanical and manufacturing, construction, CAF/public sectors, legal, wellness, hospitality and professional education.

As part of such revenue breakdowns, we also present the "Hardware and others" category, which reflects minor revenues deriving from the resale of hardware components and accessories and certain *de minimis* revenues in respect of professional services rendered by our subsidiary Mondora S.r.l.

For the avoidance of doubt, our new business lines do not correspond to reportable segments under IFRS 8 and the information and data presented herein in respect of such business lines have not been audited or reviewed by our independent auditors, are based on our management accounts and rely on management judgment.

For more information on our new business line structure, see "*Business—Business lines.*"

Financial sector companies

In the first quarter of 2019, we incorporated certain majority-owned subsidiaries (collectively, the "**Financial Sector Companies**") in order to support our expansion in the digital financial services market. As of

September 30, 2020, the Financial Sector Companies did not meet the quantitative thresholds set out under IFRS 8 to be presented under a separate segment for reporting purposes. Therefore, in our 2019 Financial Statements and Unaudited Interim Financial Statements, the results of the Financial Sector Companies have been presented under the "*Other*" category, separate from the results of our IFRS 8 accounting segment (*i.e.*, the Software segment). For the twelve months ended September 30, 2020, revenue deriving from the "*Other*" category represented 0.1% of our total revenue. For more information on the Financial Sector Companies, see "*Business—Our product offering—Digital—TeamSystem Digital Finance*" and "*Risk factors—Risks related to our business—Two of our subsidiaries operate in the financial industry, which is highly regulated, and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change could adversely affect our business.*"

For the year ended December 31, 2019 and the nine months ended September 30, 2019 and 2020, as part of our new business line structure, revenues generated by the Financial Sector Companies have been allocated in our Micro and New Business Solutions business line.

As adjusted 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 September 30, 2020 for the as adjusted statement of financial position information and on October 1, 2019 for the as adjusted statement of profit or loss 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 as adjusted 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 or other metric 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 as adjusted information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Exchange Act, the Prospectus Regulation or any generally accepted accounting principles, including U.S. GAAP. Neither the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with International Standards on Auditing or any other generally accepted auditing standards. The as adjusted 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*."

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, *pro forma* total revenue, net working capital, capital expenditure, total financial debt, net financial debt, adjusted net financial debt, organic total revenue, organic revenue growth, recurring revenue, cloud revenue, adjusted operating cash flow and cash flow conversion rate, total revenue per full-time employee and Adjusted EBITDA per full-time employee 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 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 these 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.

An explanation of the relevance of each of the Non-IFRS Measures and Ratios, a reconciliation of the Non-IFRS Measures and Ratios to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out in this Offering Memorandum under "*Summary historical financial information and other data—Other financial and pro forma data*." We do not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

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 statement of profit or loss;
- 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; and
- 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.

For a description of Adjusted EBITDA, *Pro Forma* Adjusted EBITDA, Adjusted EBITDA margin, *Pro Forma* Adjusted EBITDA margin, *pro forma* total revenue, net working capital, capital expenditure, total financial debt, net financial debt, adjusted net financial debt, organic total revenue, organic revenue growth, recurring revenue, cloud revenue, adjusted operating cash flow and cash flow conversion rate, total revenue per full-time employee and Adjusted EBITDA per full-time employee, see "*Summary historical financial information and other data—Other financial and pro forma 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 this 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 twelve months ended September 30, 2020 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—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 cost saving initiatives, annualized recurring revenues, Adjusted EBITDA generated from bolt-on acquisitions and the resulting effect on Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2020. 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 or 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 may be substantially higher than our current estimates and may outweigh any benefit. *Pro Forma* Adjusted EBITDA does not represent the results we would have achieved (x) had the relevant cost saving initiatives been implemented as of October 1, 2019 and (y) had all of the relevant subscription agreements relating to our key cloud products (existing as of September 30, 2020) been in place as of October 1, 2019 and had all subscription fees thereunder been regularly paid by our customers for the entire relevant period. In addition, *Pro Forma* Adjusted EBITDA includes a *pro forma* adjustment for the Adjusted EBITDA contribution of certain bolt-on acquisitions for the periods and as further specified in footnote (3)(a) to "*Summary—Summary historical financial information and other data—Other financial and pro forma data*." Such adjustment does not reflect the costs we will incur to, among other things, integrate such businesses into the Group or any potential revenue or cost synergies or other impacts related to or expected to derive from such acquisitions, and, therefore, is not meant to represent what the Adjusted EBITDA contribution of such businesses would have been for the twelve months ended September 30, 2020 if we had acquired such businesses on October 1, 2019. *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, which also tracks (i) solutions activated by VARs' end-customers, (ii) the invoicing systems of our Direct Channel and Vertical Solutions business lines, which are used by our administration teams to track end-customers data (name, address, VAT number, etc.) and all the information needed to invoice them, (iii) our In Cloud product line customers database and (iv) our TeamSystem Digital platform, containing all the information on the digital customers connected through our accountant customers to our platform for e-invoicing services.

In calculating the number of customers, each person or entity that purchases one or more products from one of our business lines (including purchases made by digital customers connected through their accountants) is considered as one customer.

The statements and data regarding Customer Retention Rate contained in this Offering Memorandum are derived from internal company data from our invoicing system and from management estimates.

Data relating to Customer Retention Rate is calculated as: (a) for our SME and professional customers (only within our Direct Channel business line and in respect of our Enterprise and Studio core ERP software solutions), 1 *less* churn rate, where churn rate for any given year is the ratio of (i) the total recurring revenues for the prior year associated with customers who churned during the current year, to (ii) the total recurring revenues for such prior year; and (b) for our Microbusiness customers (only within our Micro and New Business

Solutions business line and in respect of our Fatture in Cloud and other In Cloud products), 1 *less* churn rate, where churn rate for any twelve-month period ending in a given month is the ratio of (i) the total recurring revenues for the same month of the prior year associated with customers who churned between such month of the prior year and the same month of the current year, to (ii) the total recurring revenues for such month of the prior year. For the sake of clarity, in each case: (1) Customer Retention Rate is calculated on the prior year or twelve-month period perimeter, as applicable, and excludes the positive impact of price adjustments and of the additional recurring revenues from cross-sell or up-sell to existing customers and from sales to new customers generated during the current period; and (2) customers of our Indirect Channel and Vertical Solutions business lines and digital customers connected through their accountants are excluded for the purposes of calculating the Customer Retention Rate.

Churning customers are those customers who have sent a written termination notice at least six months, in case of customers of our Direct Channel business line, or one month, in case of customers of our Micro and New Business Solutions business line, prior to the expiration date of their relevant contracts (which date coincides with the automatic renewal date).

We believe that our estimates regarding the number of our customers and the calculation of our Customer Retention Rate 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 TeamSystem 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 estimated or derived based on reports prepared by third party industry consultants, including, among others, The Nielsen Company (US), LLC ("**Nielsen**"), IDC Corporate USA ("**IDC**") and Gartner, Inc. ("**Gartner**"). In particular, (i) market share data are based on an industry report prepared by IDC, (ii) net promoter score ("**NPS**") data are based on an industry report prepared by Nielsen and (iii) certain data relating to the Italian ERP and business management market are based on two industry reports (Public Cloud Services and Enterprise Application Software) prepared by Gartner. The report prepared by IDC was prepared at our request in 2020, is based upon market data for the financial year ended 2019 and is the most recently available market data as of the date of this Offering Memorandum. The report prepared by Nielsen was prepared at our request in 2020 and is based upon data as of September 30, 2020. While Nielsen has accepted to have its name mentioned as source in this Offering Memorandum, no warranty or representation is made by Nielsen regarding the data sourced from Nielsen, and Nielsen does not accept any liability whatsoever to investors in respect of any data presented in this Offering Memorandum and investors should not rely on Nielsen data. The reports prepared by Gartner are based upon data as of June 30, 2020 (Public Cloud Services) and September 30, 2020 (Enterprise Application Software). 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 market segment, Microbusiness customer market segment, professional customer market 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 products and services for certain specific industries (such as our Vertical Solutions products and services). Market share for (i) the ERP and business management software market is estimated based on the number of seats, that is the number of users within each customer, and (ii) the e-invoicing market is estimated based on the number of e-invoices sent to the Italian Revenue Agency's exchange system through our TeamSystem Digital platform out of the total number of e-invoices sent to the Italian Revenue Agency in 2019 by SMEs, micro B2B-oriented businesses.

The Gartner content described in this Offering Memorandum (the "**Gartner Content**") represents research opinions or viewpoints published, as part of a syndicated subscription service, by Gartner, and is not a representation of fact. Gartner Content speaks as of its original publication date (and not as of the date of this Offering Memorandum), and the opinions expressed in the Gartner Content are subject to change without notice. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Certain market related information derived from the Gartner Content and reproduced in this Offering Memorandum, such as data in respect of the overall ERP and business management software market in Italy, includes large enterprises. As we do not operate in the large enterprise customer market segment, the market share data we present throughout this Offering Memorandum, which are based on the report prepared by IDC, reflect our market position in each of the SME and Microbusiness and professional customer market segments only, therefore excluding the large enterprise customer market segment.

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).

Market shares and other industry data and information presented in this Offering Memorandum, and in particular estimated market growth rates and other industry-related forecasts, were prepared prior to or concurrently with the outbreak of the COVID-19 pandemic, which started in late 2019 and has since had a material effect on the Italian economy. As a result, none of such data or information has been updated to account for the ongoing impact of the COVID-19 pandemic on the Italian ERP and business management market, neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such data or information in this Offering Memorandum and you should not place undue reliance on such data and information. See "*Risk factors—Risks related to our business—The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity*."

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 indicated, 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 January 22, 2021, was U.S. $1.2171 per €1.00.

	U.S. dollars per €1.00			
Year ended December 31,	**High**	**Low**	**Average[(1)]**	**Period end**
2016	1.1532	1.0389	1.1069	1.0520
2017	1.2036	1.0406	1.1300	1.2005
2018	1.2492	1.1245	1.1811	1.1452
2019	1.1543	1.0900	1.1193	1.1214
2020	1.2298	1.0691	1.1419	1.2217
Months in 2021	**High**	**Low**	**Average[(2)]**	**Period end**
January 2021 (through January 22, 2021)	1.2327	1.2077	1.2194	1.2171

(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 ERP, business management and e-invoicing 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 internal and external business processes through our premium cloud-based product offering and solutions which connect businesses, professionals and public administration organizations. 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, accounting management, enterprise asset management, human capital management, production and supply chain management, administration and invoicing management and customer management software solutions for SMEs and Microbusinesses. We provide assistance and software maintenance services for all 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, had 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. Our easy-to-use cloud-based software products have also enabled us to target Microbusiness customers who have historically not utilized higher-functionality and more complex on premise business management software. We believe we are the leading provider of ERP, business management and e-invoicing cloud products in Italy.

For the twelve months ended September 30, 2020, we generated total revenue, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA of €414.3 million, €182.2 million and €206.4 million, respectively. As of December 31, 2019, we had in the Italian ERP and business management software market a 41.3% market share among SMEs and Microbusinesses and a 41.2% market share among professionals, in each case based on number of seats. In addition, as of December 31, 2019, we had a 30.2% market share in the Italian e-invoicing market, based on the number of e-invoices sent to the Italian Revenue Agency's exchange system through our TeamSystem Digital platform out of the total number of e-invoices sent to the Italian Revenue Agency in 2019 by SMEs, micro B2B-oriented businesses.

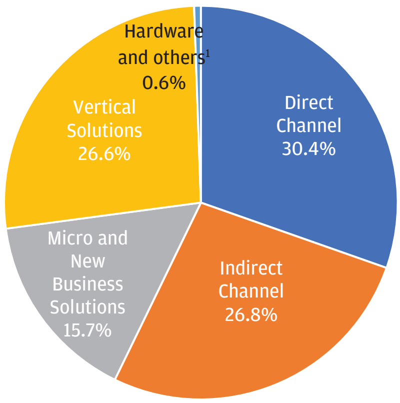
We offer our products and services through four main business lines (within the same reportable segment "Software"):

- Direct Channel. Our Direct Channel business line includes a range of software solutions and related services, including installation, start-up, maintenance and post-sale customer services, which are designed to address the needs of SMEs and professionals and are directly sold to our end-customers either by our "on field" sales team, composed of in-house sales representatives and our network of external agents, or, in case of our Digital product line, remotely by a dedicated sales team. For the twelve months ended September 30, 2020, our Direct Channel business line accounted for 30.4% of our total revenue;
- Indirect Channel. Our Indirect Channel business line includes our range of software solutions, designed to address the needs of SMEs and professionals and sold mainly by our value added resellers ("**VARs**") to the end-customers. For the twelve months ended September 30, 2020, our Indirect Channel business line accounted for 26.8% of our total revenue;
- Micro and New Business Solutions. Our Micro and New Business Solutions business line includes a range of software solutions designed to address the needs of Microbusinesses. For the twelve months ended September 30, 2020, our Micro and New Business Solutions accounted for 15.7% of our total revenue; and

- **Vertical Solutions**. Our Vertical Solutions business line includes products and services, designed to address the needs of customers in specific industries, such as, among others, mechanical and manufacturing, construction, CAF/public sectors, legal, wellness, hospitality and professional education. For the twelve months ended September 30, 2020, our Vertical Solutions business line accounted for 26.6% of our total revenue.

The following chart sets forth our total revenue breakdown by business line for the twelve months ended September 30, 2020.

Total revenue of €414.3 million



(1) "Hardware and others" reflects minor revenues deriving from our hardware operations and certain *de minimis* revenues in respect of certain professional services rendered by our subsidiary Mondora S.r.l.

For the twelve months ended September 30, 2020, we generated 79.4% of our total revenue from recurring sources, which are primarily related to annual software assistance and maintenance contracts, annual 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 critical role of 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.

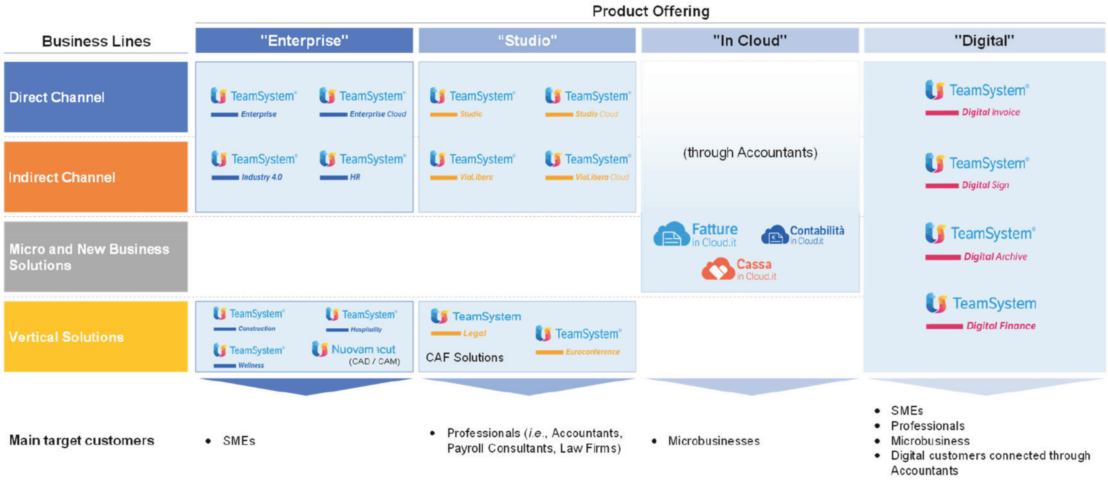
Our four key end-customer groups are SMEs, Microbusinesses, professionals and digital customers connected through our accountant customers to our e-invoicing platform. In addition, we have a network of VARs, which resell our products to these end-customer groups. Our end-customer base, including VAR's end-customers, increased from approximately 88,000 as of December 31, 2009 to approximately 1,551,000 as of September 30, 2020. Of this total figure, approximately 59,000 are SMEs, approximately 97,000 are professionals, approximately 430,000 are Microbusinesses and approximately 965,000 are digital customers connected through accountants. Our large and diverse end-customer base is highly fragmented and spread across a variety of industries, including accountancy, labor advisory, manufacturing, industrial, construction, wellness, hospitality, fashion, retail, distribution, food and beverage, legal and other professional services sectors. For the twelve months ended September 30, 2020, our ten largest end-customers and our ten largest VARs represented 3.1% and 7.6% of our total revenue, respectively. For the years ended December 31, 2019 and 2020, we experienced high and stable Customer Retention Rates of approximately 94.1% and 94.5% for SMEs and 93.0% and 92.2% for professionals, respectively. For the twelve months ended November 30, 2019 and 2020, our Customer Retention Rates for Microbusinesses were approximately 83.1% and 89.9%, respectively. 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. In addition, our digital platform, TeamSystem Digital, designed to operate all our digital products, is integrated with all our ERP solutions and allows our customers to digitally send, receive, register and store electronic invoices from and to private customers, companies, Microbusinesses, public entities, banks and external accountants and to send tax filings to the relevant tax authorities electronically.

We divide our product offering into the following four product lines:

- **Enterprise.** Our Enterprise product line consists of a wide range of scalable ERP and other business management and production management software products for SMEs. Our most successful software in this product line is TeamSystem Enterprise, which we sell both in on premise and SaaS (*Software as a Service*) versions.
- **Studio**. Our Studio product line consists of mission-critical software solutions for professionals, including accountants, labor advisors and law firms. Our most successful software in this product line is TeamSystem Studio, which we sell both in on premise and SaaS versions.
- **In Cloud.** Our In Cloud product line consists of cloud-based products, such as entry-level accounting products and other ancillary cloud products for Microbusinesses. Our most successful software in this product line is Fatture in Cloud.
- **Digital**. Our Digital product line consists of cloud solutions for digitalization of processes, such as electronic invoicing, electronic signature and authentication services provided through a cloud-based platform for SMEs, professionals, Microbusinesses and all digital customers connected through our accountant customers. Our most successful software in this product line is TeamSystem Digital Invoice.

In order to provide our customers with fully integrated software solutions and to facilitate the digitalization of their processes, we began investing in cloud products and our digital platform (TeamSystem Digital) in 2014 and we were among the first in Italy 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 outperform 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 TeamSystem Enterprise and TeamSystem Studio, as well as products such as Fatture in Cloud, Contabilità in Cloud and Cassa in Cloud. We believe that these 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 products, such as TeamSystem Digital Invoice, TeamSystem Digital Sign and TeamSystem Digital Archive, 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 demand for digitalization solutions will continue to grow as a result of incentives introduced by the Italian government, such as (i) "*Industry 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and Microbusinesses, (ii) the Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy with revenues higher than €65 thousand per year (with the exception of healthcare professionals), starting from January 1, 2019, to provide electronic invoices to other businesses with whom they conduct transactions, (iii) the "*Ecobonus*" Italian regulation introduced by the Italian Legislative Decree No. 34/2020, which provides tax credits and incentives for home renovations improving energy efficiency, upon submission of specific technical documentation and (iv) the new Italian regulation on crisis management and bankruptcy that is expected to enter into force in September 2021 and which will require companies to carry out periodic assessments of their financials based on pre-defined key performance indicators.

Set forth below is a graphic representing the interaction among our business lines, product lines and target customers.



Our strengths

Resilient and fragmented Italian ERP, business management and e-invoicing software market with strong fundamentals and highly attractive growth prospects

We are the leading provider of mission critical ERP, business management and e-invoicing software for SME, professional and Microbusiness customers in Italy. In 2020, the Italian ERP and business management software market is expected to generate a total revenue of approximately €3.2 billion across both the enterprise (including large enterprises, SMEs and Microbusinesses) and professional customer market segments, and between 2018 and 2024 is expected to grow at a CAGR of 5.2%. In 2018, Italy represented one of the largest SME and Microbusiness software markets in Europe, composed of approximately 3.8 million of such companies compared to approximately 3.1 million in France and approximately 2.1 million in the United Kingdom (source: European Commission).

The Italian ERP and business management software market has historically shown significant resilience. 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 the Italian ERP and business management software market grew by 3.0%, demonstrating the resilience of the market. In 2019, when the Italian GDP remained substantially flat compared to 2018, the Italian ERP and business management software market grew by approximately 7.0%. Between 2009 and 2018, despite the Italian GDP fluctuations, the number of SMEs and Microbusinesses in Italy remained relatively stable (0% CAGR). In 2014 and in the wake of two consecutive economic downturns, with the global financial crisis and the European debt crisis, the number of bankruptcies in Italy among such companies peaked at approximately 15.3 thousand. Even then, the number of bankruptcies only represented approximately 0.4% of the total number of SMEs and Microbusinesses in Italy in such year, and the increase compared to the average number of bankruptcies per year between 2009 and 2018 was only 23%.

Other important characteristics of the Italian ERP and business management software market are: (i) a significant competitive pressure exerted by local players like TeamSystem, especially with respect to international competitors, mainly due to local regulatory constraints and the importance of local relationships and proximity with customers; (ii) a rather limited degree of price sensitivity, as customers may be more concerned with the quality of products and services, which are mission critical for them, and the availability of product support; (iii) the critical role of switching costs for customers, in particular for SMEs and professionals, as ERP and business management solutions are usually deeply integrated with their business processes and other IT systems; (iv) fragmented local market, with larger local players having strong distribution networks in certain areas and addressing the different functionalities needed across different industries; and (v) significant areas of potential growth not fully addressed yet, particularly with respect to cloud products and digitalization, as SMEs and Microbusinesses are now aware of digitalization needs and benefits, but they have just started their way towards full digitalization.

In particular, within the ERP and business management software market, the cloud software solutions market in Italy, in line with global trends, has experienced significant growth over the past few years, with expectations to reach €2.0 billion by 2024. 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 SaaS software (which is anticipated to increase its penetration of the ERP software market from 48% in 2020 to 51% in 2024 (source: Gartner Public Cloud Services Q2 2020 and Gartner Enterprise Application Software Q3 2020)), with very high levels of accessibility; (ii) a readiness of the market to adopt broader cloud software solutions, including ancillary digital functionalities never used before (*e.g.*, e-invoicing, digital signature) due to the decline of cybersecurity concerns and the widespread use of cloud technology on smartphones; (iii) the increased availability of high-quality infrastructure services such as broadband; and (iv) the trend towards digitalization and new solutions which facilitate the information flow with suppliers, public administration, banks and other parties involved in the day-by-day business of customers. The shift from on premise solutions to cloud solutions is leading to lower total costs of ownership for customers, eliminating perpetual license costs and hardware/infrastructure costs typical of on premise installation, which are usually higher than the annual subscription costs paid by customers for the use of the software and the associated customer support, technical assistance and maintenance services, as well as software updates. See "*Industry*."

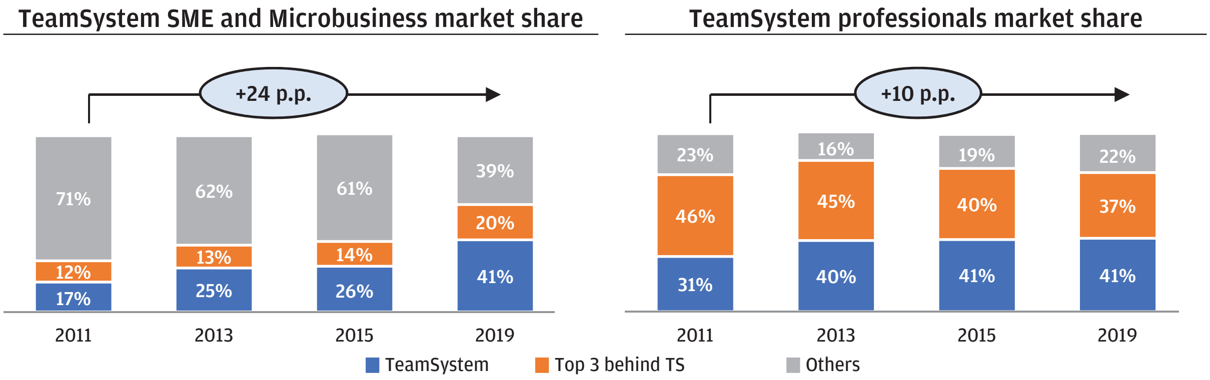
The ongoing digitalization trend in Italy has also been driven by certain Italian regulatory requirements which provide that, since March 2015, all invoices to the Italian central and local public administration organizations and, since January 1, 2019, all invoices issued by businesses with revenues higher than €65 thousand per year (with the exception of healthcare professionals) must be submitted electronically. As a consequence of these innovative requirements, the number of electronic invoices processed in Italy increased from approximately two million in 2014 to approximately 2.1 billion in 2019.

We expect that demand for digitalization solutions will continue to grow as a result of incentives introduced by the Italian government, such as (i) "*Industry 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and Microbusinesses, (ii) the "*Ecobonus*" Italian regulation introduced by the Italian Legislative Decree No. 34/2020, which provides tax credits and incentives for home renovations improving energy efficiency, upon submission of specific technical documentation and (iii) the new Italian regulation on crisis management and bankruptcy that is expected to enter into force in September 2021 and which will require companies to carry out periodical assessments of their financials based on pre-defined key performance indicators.

Leadership position in ERP, business management and e-invoicing software, with a track record of strong market share gains in targeted customer market segments

We are the market leader in the Italian ERP and business management software market in the SME, Microbusiness and professional customer market segments with a 41.3% market share among SMEs and Microbusinesses and a 41.2% market share among professionals, in each case as of December 31, 2019 and based on number of seats. In 2019, we also had a 30.2% market share in the Italian e-invoicing market, based on the number of e-invoices submitted to the Italian Revenue Agency's exchange system through our TeamSystem Digital platform out of the total number of e-invoices submitted to the Italian Revenue Agency by SMEs and Microbusinesses in such year. Based on the number of e-invoices sent through our TeamSystem Digital platform, in 2019, we were the leading e-invoicing platform both in Italy and Europe.

As set out in the charts below, our market share among SMEs and Microbusinesses within the fragmented Italian ERP and business management software market, based on number of seats, increased by 24 percentage points from December 31, 2011 to December 31, 2019, while our market share among professionals increased by 10 percentage points during the same period.



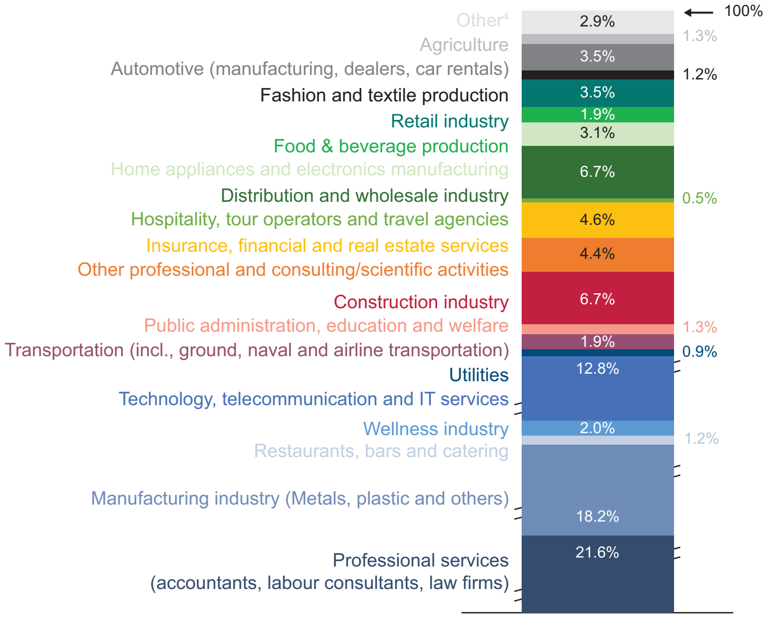
The Italian ERP and business management software market is characterized by local regulatory constraints and the importance of local relationships and proximity with customers. We believe that these features favor local players, such as TeamSystem. In addition, we believe that we are well-positioned compared to our local competitors on several key parameters, such as: (i) pricing, in certain customer market segments (*e.g.*, SMEs), where the market perceives our product quality to be similar at more attractive prices (based on the average yearly price per seat for SME software); (ii) offering, where our offering is perceived to be more focused, making it easier for our sales network to sell our products; (iii) our cloud offering, where we are perceived to be ahead on the cloud development roadmap, having an extended SaaS multi-tenant portfolio; and (iv) ease of installation, where our products are perceived as being less complex to migrate to.

With respect to the Italian e-invoicing market, we took advantage of the strong digitalization trend involving Microbusinesses, which has been driven by the new regulatory requirements introduced by the Italian e-invoicing regulation. We entered and achieved a leadership position in this market through the launch of digital solutions designed to enable our customers to comply with such requirements (*e.g.*, Fatture in Cloud and TeamSystem Digital Invoice).

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

From 2009 to September 2020, our end-customer base, including VARs' end-customers, increased at a CAGR of 31% from approximately 88,000 customers to approximately 1,551,000 customers, of which 59,000 were SMEs and 97,000 were professionals using our ERP, business management and industry-specific solutions (consisting of 48,000 from our Direct Channel business line, 44,000 from our Indirect Channel business line and 64,000 from our Vertical Solutions business line), 430,000 were Microbusinesses using our e-invoicing and simple ERP solutions, such as Fatture in Cloud, Contabilità in Cloud and Cassa in Cloud, and 965,000 were digital customers of TeamSystem Digital platform, processing and sending e-invoices through the software solutions of our accountant customers. Overall, we have a low customer concentration and, for the twelve months ended September 30, 2020, our ten largest customers and our ten largest VARs generated 3.1% and 7.6% of our total revenue, respectively. We also do not have any major single industry exposure, with a high contribution from resilient sectors and low exposure (approximately 7%) to industries most affected by COVID-19 (*e.g.*, hospitality, wellness, restaurants, bars and catering and automotive), as set forth in the chart below for the year ended December 31, 2019.

Revenue breakdown by industry[1] (%)



Source: TeamSystem estimates.

(1) Excludes revenues from our Indirect Channel business line.

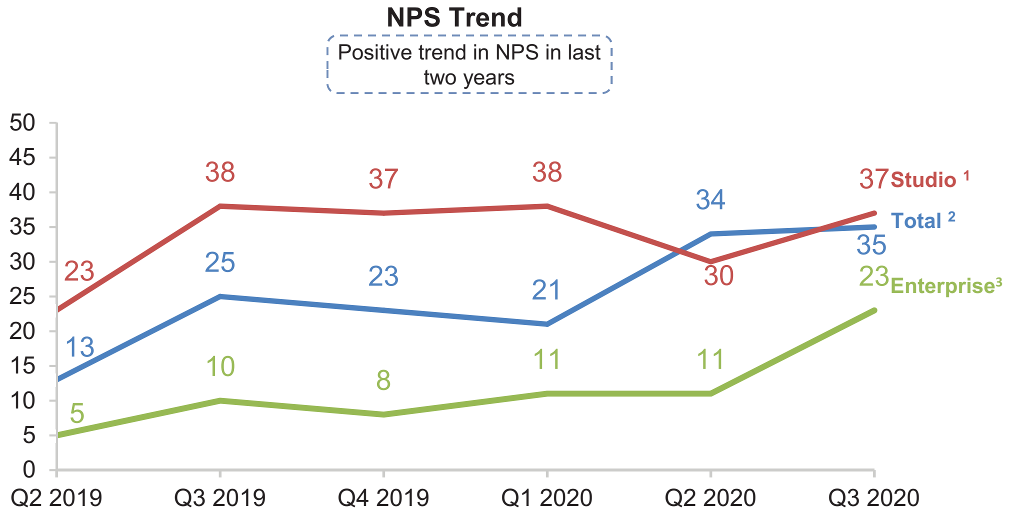
Our growing customer base contributes significantly to revenue growth and allows us to benefit from economies of scale related to, for example, product development and updates, cloud infrastructure costs and customer support efficiency, in addition to constituting an opportunity for up-selling more complex software solutions and cross-selling ancillary and industry-specific software. 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 high and stable Customer Retention Rates. For the years ended December 31, 2019 and 2020, we experienced Customer Retention Rates of approximately 94.1% and 94.5% for SMEs and 93.0% and 92.2% for professionals, respectively. Customer Retention Rate for Microbusinesses is typically lower than Customer Retention Rate for SMEs and professionals due to the lower switching costs associated with solutions for Microbusinesses, mainly as a result of their lower level of complexity. Our Customer Retention Rate for Microbusinesses increased from approximately 83.1% for the twelve months ended November 30, 2019 to 89.9% for the twelve months ended November 30, 2020. This increase in Customer Retention Rate for Microbusinesses is primarily the result of the e-invoicing trend driven by the Italian e-invoicing regulation introduced in early 2019, which led to a strong increase in customers who decided to try our e-invoicing products for a limited period, without renewing the contract, thereby resulting in a lower rate for 2019. However, after the initial e-invoicing trend in 2019, we believe our Microbusiness customer base is currently more stable, in continuous growth and has shown resiliency in every month of 2020 despite the COVID-19 pandemic, which has positively affected customers' demand for digitalization products and services.

We believe that the mission-critical nature of our software products and services, which are deeply embedded in many of our customers' workflows and IT systems, has historically provided a degree of insulation from economic uncertainties and resulted in our high Customer Retention Rates. 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 switching costs for our customers. In particular, SME and professional customers tend to carefully consider the migration to alternative 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. Moreover, for the professionals customer market segment, we believe the adoption of our digital ancillary solutions allows a strong connection and digital interrelation between our professional customers and their end-customers, making our professional customers more dependent on our products in their day-to-day activities, which, in turn, incentivizes our customers to continue using our products and not to switch to competitors' solutions.

Retention rates for our Indirect Channel business line are typically higher than retention rates for our Direct Channel business line, which is due to the multi-year length of our VAR distribution agreements (typically three years) 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 any reduction in the number of our VARs is usually associated with: (i) the consolidation of small VARs into larger VARs (with limited or no loss of end-customers); (ii) the acquisition of VARs by TeamSystem, which results in the incorporation of the VARs and their end-customers in our Direct Channel business line (*e.g.*, TeamSystem 5 S.r.l. and TeamSystem 6 S.r.l. in 2020); and (iii) 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.

Our high Customer Retention Rates are reflected in the trend of our NPS (net promoter score), a metric used to calculate customer satisfaction. The NPS represents the percentage of customers rating their likelihood to recommend our products to others and is measured as the sum of the percentage of promoters (loyal customers, repeat buyers and the ones that are most likely to promote our business willingly) less the percentage of detractors (customers that will most likely never buy our products again). Our NPS for each of our Studio and Enterprise products and a sample of products across all our product lines have shown a positive trend over the last 18 months, as set forth in the chart below. See also "*Certain definitions—NPS*."



Source: TeamSystem evaluation based on data reported by Nielsen through its NPS tracking for the Q3 2020 starting from July 1, 2020 ending on September 30, 2020 for the Italian Market (Copyright © 2020, Nielsen).

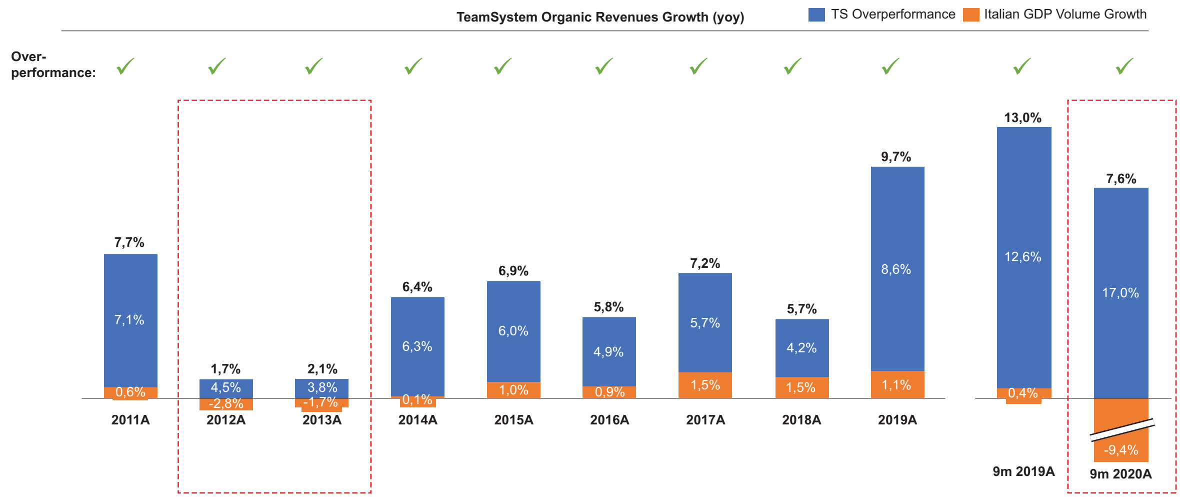
(1) "Studio" includes customers of TeamSystem Studio and TeamSystem ViaLibera.

(2) "Enterprise" includes customers of TeamSystem Azienda, TeamSystem Enterprise and TeamSystem Power I.

(3) "Total" includes customers of TeamSystem Studio, TeamSystem ViaLibera, TeamSystem Azienda, TeamSystem Enterprise, TeamSystem Power I, NetLex, TeamSystem Construction, Danea and Fatture in Cloud.

Resilient organic growth coupled with recurring and visible revenues

Between 2017 and 2019, our total revenue increased at a CAGR of 9.2% and our organic total revenue (calculated for any given year as our total revenue for such year *less* the revenue of the companies we acquired in such year) increased at an average annual rate of approximately 7.5%, outperforming the Italian GDP growth over the same period by an average of 6.2 percentage points each 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. In the first nine months of 2020, when the Italian GDP declined compared to 2019, we achieved 7.6% organic revenue growth (outperforming the Italian GDP by 17.0 percentage points), which was also attributable to the launch of our e-invoicing products. The following chart presents a comparison of our organic revenue growth and the Italian GDP growth for each year between 2011 and 2019 and for the nine months ended September 2019 and September 2020.

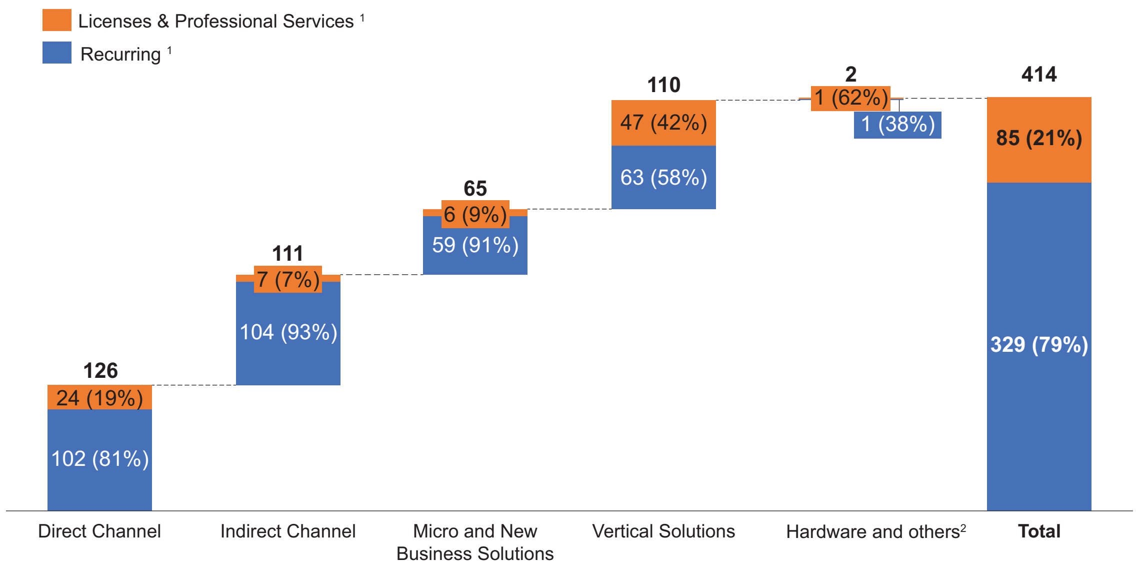


We believe that such resilience is mainly due to (i) the recurring nature of the contracts we enter into with our customers and the related fee structure, which is based on fees from annual assistance and maintenance and subscription contracts, annual fees from our multi-year contracts with VARs (which are determined at the time the contract is signed and which cannot be reduced below a certain threshold) and fees from Regulatory LTAs; (ii) our customers' loyalty demonstrated by our high Customer Retention Rates; (iii) the mission critical nature of the software which brings customers, in particular SME and professional customers, to carefully consider the migration to alternative suppliers, in light of the fact that migration is, among other things, a time-consuming process, and allows us to continue selling our products also during economic downturns, as customers need ERP, business management and other digital software to operate their businesses; and (iv) our strong brand recognition.

For the twelve months ended September 30, 2020, we generated 79.4% of our total revenue from recurring sources (compared to 67.1% in 2017), which we believe provide significant visibility of future earnings. The growth in the contribution of revenues with a recurring nature to our total revenue has been driven in part by the increased weight and importance of our cloud solutions in our product portfolio, with the contribution of cloud software solutions revenue to our total revenue increasing from 9.8% in 2017 to 36.4% for the twelve months ended September 30, 2020.

The wide and diversified range of solutions we offer enables us to address different industries and customer market segments and we believe such high level of product and customer diversification positively impacts the resiliency of our business, even during economic downturns or crisis of specific sectors. The following chart sets forth the details of our recurring revenue attributable to each of our business lines for the twelve months ended September 30, 2020.

High Revenue Generation by Existing Customers (LTM Sep-20,€m)



(1) "Recurring" refers to revenues generated by assistance and maintenance contracts, subscription contracts, annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees and Formulaic Fees, as well as from the sale of Regulatory LTAs; and "Licenses & Professional Services" refers to revenues from the sale of software licenses, and professional services, which generate fees generally related to the installation and customization of our software solutions, the training services we provide to customers at the product start-up and the training, pre-sales and marketing support services we provide to our VARs.

(2) "Hardware and others" reflects minor revenues deriving from our hardware operations and certain *de minimis* revenues in respect of certain professional services rendered by our subsidiary Mondora S.r.l.

Our recurring revenue model generates a low dependency on new sales and has enabled us to deliver strong performance during the COVID-19 pandemic. We generated revenue of €303.0 million for the nine months ended September 30, 2020, which was 14.3% higher than the €265.2 million we generated for the nine months ended September 30, 2019. We experienced strong new bookings by both existing and new customers in the beginning of 2020, with a significant recovery in new bookings from June onwards, after an initial decline in March, April and May 2020. We believe the recurring nature of our revenues has acted as a clear mitigant against revenue stagnation. Our Adjusted EBITDA during the same period grew by 36.7% (from €98.3 million to €134.4 million), resulting in Adjusted EBITDA margin of 44.4% for the nine months ended September 30, 2020 (compared to 37.1% for the nine months ended September 30, 2019). This increase was partially driven by the contingency plan we launched at the beginning of March 2020, which allowed us to contain costs during the lockdown period in Italy, thereby preserving our profitability through the 2020 economic downturn. In addition, our average days delinquent (which for any given period measures the average number of days between the date on which our trade receivables fall due and the date on which the relevant payments are made by our customers) marginally improved in the nine months ended September 30, 2020 compared to the same period in the prior year, despite the COVID-19 pandemic, as a result of software products becoming increasingly critical to customers and our improved collection process.

In addition, despite the COVID-19 pandemic and the consequent downturn of the Italian economy, our Customer Inactivity Rate, which measures the level of use of our key products, did not grow, thus showing the mission critical nature of our products for customers and the resilience of our business. In particular, the Customer Inactivity Rate on a sample of 35,000 of our Direct Channel, Indirect Channel and Vertical Solutions' customers using certain core ERP software and business management solutions, measured at the beginning of November 2020, shows that only 1.1% of those customers never logged into the relevant software product in the period between September 2020 and October 2020. In addition, our Customer Inactivity Rate of customers using Fatture in Cloud decreased in 2020, with an average Customer Inactivity Rate of 9.5% among customers whose contracts expire between April and October 2020 and an average of 5.6% among customers whose contracts expire between November 2020 and January 2021.

Leadership position in cloud solutions as a result of early investments in cloud technologies and well positioned to launch new attractive cloud solutions within the TeamSystem Digital ecosystem

In order to provide our customers with fully integrated and digitalized software solutions, we began investing in cloud products in 2014 and we were among the first in Italy 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 outperform our national competitors in terms of quality, breadth of cloud products offering and market penetration. Cloud products accounted for 36.4% of our revenue for the twelve months ended September 30, 2020, compared to 9.8% in the year ended December 31, 2017. Our R&D expenditure as a percentage of revenue was 11.3% for the year ended December 31, 2019, which, we believe, compares well with the median across the industry.

In the last few years, we capitalized our investments in cloud solutions in different ways: (i) transitioning our traditional customer base to cloud ERP solutions and offering such customers ancillary digitalization products and cloud native solutions; (ii) addressing the Microbusiness customer market segment with moderately priced and easy-to-use solutions, designed to satisfy the streamlined requirements of such businesses; and (iii) building a digital ecosystem for our SME, professional and Microbusiness customers that allows them to connect with their suppliers, customers, public administration, tax authorities, banks and other entities through our integrated solutions and that has enabled us to launch new products and services and widen our offer in previously unexplored areas.

To enable the transition of our traditional customer base to our cloud solutions, we have developed a comprehensive set of cloud products, including the SaaS version of our most successful on premise software solutions (*e.g.*, TeamSystem Enterprise and TeamSystem Studio), as well as cloud-native ancillary products, such as TeamSystem Digital Invoice, TeamSystem Digital Archive and TeamSystem Digital Sign, to facilitate the full digitalization of our customers' business. Our goal is to maintain our traditional on premise customer base and assist such customers with the transition to cloud technology when they request it, with an evolutionary approach.

At the same time, in order to target the large and, at that time, untapped market of Microbusiness customers in Italy, we started in 2015 to develop (both internally and as a result of targeted acquisitions) a range of innovative cloud-native products and applications, such as Fatture in Cloud, Contabilità in Cloud and Cassa in Cloud. These products are simple, easy-to-use and competitively priced and constitute an attractive entry-level solution to meet the streamlined software needs of Microbusinesses. We believe that there is still significant room for further growth in the Italian Microbusinesses market, which represents the bulk of the Italian economy, as Microbusinesses are now aware of the benefits of digitalization, but are still at an early stage of the digitalization process. We believe that the penetration rate in Italy for business management software cloud solutions in the Microbusiness customer market segment is relatively low, which provides room for further expansion. Due to our broad cloud product offering, we believe we are well positioned to capture this potential growth, both directly by, for example, cross-selling new complementary cloud products, such as Dipendenti in Cloud and CRM in Cloud, to our existing Microbusiness customer base, and indirectly through our wide network of accountant customers that can propose our solutions, integrated with their ERP software solutions, to their Microbusiness end-customers.

The launch of our new platform, TeamSystem Digital, alongside our first e-invoicing product at the beginning of 2017 allowed us to create a connected ecosystem in which our cloud software plays a key role in facilitating the data flow exchange among enterprises, professionals, banks, suppliers, customers, public administration organizations and tax authorities in the Italian economic system. We believe this ecosystem gives us a significant advantage in the development and launch of innovative products, including in untapped areas, such as the digital payment and the trade receivable financing areas, expected to be addressed by our TeamSystem Digital Finance offer. See "*—Our strategy—Leverage TeamSystem Digital ecosystem to launch innovative services, such as TeamSystem Digital Finance, and exploit the full potential of our large number of customers and users connected it*" and *"Business—Our product offering—Digital—TeamSystem Digital Finance*."

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 twelve months ended September 30, 2020, our Adjusted EBITDA and *Pro Forma* Adjusted EBITDA were €182.2 million and €206.4 million, respectively, and our Adjusted EBITDA margin and *Pro Forma* Adjusted EBITDA margin were 44.0% and 45.7%, respectively. Our Adjusted EBITDA grew at a CAGR of 13.7% from 2017 to 2019. 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, 2019, was approximately twice that of each of our two next-largest Italian competitors. Our Adjusted EBITDA growth, among other factors, resulted in a consistent decline in our net leverage ratio (calculated as the ratio between adjusted net financial debt (as defined under "*—Summary historical financial information and other data—Other financial and pro forma data—Adjusted net financial debt*") and Adjusted EBITDA) from 6.4x as of December 31, 2016 to 6.0x as of December 31, 2017, 5.9x as of December 31, 2018, 5.0x as of December 31, 2019 and 3.9x as of September 30, 2020.

As a result of our recurring revenue streams, we have consistently visible cash flows. Our cash flow conversion rates were 82.5%, 90.2%, 103.5% and 79.2% for the years ended December 31, 2017, 2018 and 2019 and the twelve months ended September 30, 2020, respectively, 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 business line and, to a lesser extent, our Vertical Solutions business line, most of our contracts with customers are automatically renewed at the beginning of each calendar year, with a majority invoiced in January and almost all invoiced by March, 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 these business lines. Typically, our Direct Channel and Vertical Solutions contracts are renewed unless customers provide a written termination notice (usually six months) prior to the expiration of such contracts. In our Indirect Channel business line, revenue is almost entirely of a recurring nature as it primarily consists of the annual fees that we invoice each VAR quarterly or, to a lesser extent, annually for the right to resell our products. Similarly, revenue in our Micro and New Business Solutions business line is almost entirely of a recurring nature as it primarily consists of annual subscription fees, a relevant portion of which are prepaid between December and January at the moment of renewal. 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 especially product offering. The main goals we have been pursuing with the latest acquisitions, which we intend to keep pursuing going forward, relate to the following main areas:

- **organic bolt-on acquisitions:** we have acquired selected start-ups and software houses with the aim to support the expansion of our cloud products offering and strengthen our market position in potentially high-growth industries; these acquisitions aim at reducing our time-to-market for the launch of new cloud-based and industry specific solutions, providing us with a competitive advantage over our competitors and allowing us to internalize relevant competences and expertise on innovative technologies and products (*e.g.*, "*Industry 4.0*" and solutions for human resource ("**HR**") management);

- **VARs insourcing:** we have acquired and we intend to continue acquiring small VARs who are not willing or able to keep up with the pace of our growth (also in light of the new Formulaic Fee model and the new growth incentive schemes) and do not have the opportunity to consolidate with other VARs; and

- **international expansion:** we recently completed an acquisition in Spain with the goal to expand our footprint outside of Italy in a market where new e-invoicing regulations are expected to be introduced in the near future and where we expect a strong trend for digitalization and growth potential in the Microbusiness customer market segment.

We have a dedicated team focused on the integration of acquired companies and we have developed a disciplined and structured approach to plan and execute all activities required to successfully integrate and extract revenue and cost synergies from acquired companies. In particular, the integration process involves all aspects of the acquired businesses, including finance, reporting, personnel, procurement, facility management, research and development ("**R&D**"), product integration, marketing and sales and the definition of the value proposition and go-to-market approach for the newly acquired and integrated products.

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 2017, through the acquisition of Cassanova, we entered the microbusiness B2C-oriented market segment with Cassa in Cloud, an innovative cloud solution that satisfies the new regulatory requirement for restaurants and shops to electronically share transactions ("*corrispettivi telematici*") with the Italian Tax Authority on a daily basis. In 2019, we started to develop a new "all-in-one" solution for HR management through the acquisition of Skylab, a provider of cloud solutions. This new HR solution, which we integrated in our HR payroll and HR administration solutions, allows our customers to manage employee careers, development plans, benefits, training and health and safety. Moreover, in 2019 we further expanded our cloud offering through the acquisition of TechMass, an innovative start-up focused on so called "*Industry 4.0*" solutions that launched a cloud-native product for the supervision and optimization of production processes. In addition, the acquisition of Iperelle in 2019 allowed us to complement our CAD software offering, addressing large manufacturing companies not covered by our Nuovamacut solutions. Our acquisitions have contributed positively to our revenue increases, with acquired incremental revenues of €3.5 million, €1.1 million, €6.5 million and €3.1 million for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, respectively. 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 gave us, for example, the ability to cross-sell the products that we acquired to our existing customer base and to enrich our product offering in key strategic areas (*e.g.*,Skylab for HR solutions) and, especially in the case of Cassa in Cloud, to sell new products for the first time specifically designed for Microbusinesses. 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 seven times.

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, economic instability and the COVID-19 pandemic. 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, and the long-term commitment of our main shareholder, H&F. Since its acquisition of a majority stake in TeamSystem in 2016, H&F has implemented successful value creation initiatives and demonstrated strong partnership with our management team. We believe that H&F have continued high conviction in the business with outstanding organic growth opportunities and strong competitive positioning. Through the Acquisition, which involves a new money equity investment, H&F will extend the duration of its investment in TeamSystem, thereby underlining their long term commitment in TeamSystem despite the effects of the COVID-19 pandemic.

Our strategy

Between 2017 and 2019, we focused on launching a cloud transformation of our business, strengthening our distribution channels and customers' satisfaction. We now plan to continue pursuing this cloud transformation, achieve a long-term sustainable growth and strengthen our leadership in the Italian ERP and business management software market by leveraging and enhancing our existing advantage in cloud products and digitalization services for Microbusiness customers, further improving our distribution model and improving our customers satisfaction and retention rates. At the same time, we expect to continue to implement cost saving initiatives that will make our business model more efficient. We intend to achieve these goals by pursuing the following strategies:

Continue the transition from on premise to cloud-based products at full speed, while working on product and technology innovation to always offer state-of-the-art solutions to our customers

Demand for cloud-based applications is increasing in our markets and the higher availability and speed of the broadband infrastructure around the world, including Italy, 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 providing incentives for both existing and new customers to own cloud solutions.

Our cloud strategy aims at facilitating the shift from on premise to cloud-based software environment, offering innovative, cloud-native versions of our traditional ERP software and providing assistance to our existing customers willing to migrate to cloud solutions. For example, we are offering users of the on premise versions of TeamSystem Enterprise and TeamSystem Studio the ability to switch to the cloud version of such products with our assistance, in order to minimize migration impacts. In addition, we are enriching our product offering with new cloud-native solutions, such as TeamSystem HR and the latest versions of TeamSystem "*Industry 4.0*" products and we are leveraging the hybrid architecture of our ERP and business management software solutions by cross-selling our wide range of cloud complementary products (including, for example, our TeamSystem Digital solutions and other cloud-based applications for customer relationship management, document management and archiving, business intelligence, e-commerce and mobile sales) to all of our on premise and cloud customers. Finally, we intend to directly offer the cloud versions of our ERP and business management software, together with all our TeamSystem Digital products, to new customers.

The migration of our existing Direct Channel customers to cloud products allows us to achieve an uplift on the recurring revenues paid by the customer, as subscription fees associated with cloud-based products are usually slightly higher than the maintenance fees of the license and maintenance model associated with our on premise products. In 2019, we also started to support our VARs in migrating their end-customers from the on premise versions to the SaaS version of TeamSystem Enterprise and TeamSystem Studio, providing such VARs with trainings and dedicated promotions (*e.g.*, discounts on fees). We believe that the migration to cloud in the Indirect Channel business line also positively affects our revenues, since for our cloud products, which generally require an easier delivery process and less maintenance efforts, we receive higher fees per end-customer from our VARs, compared to the fees we receive for the on premise version of the same product. As of the date of this Offering Memorandum, the transition to cloud is more advanced for professional customers of our Direct Channel business line, but we believe that there is significant room to accelerate the transition to cloud for SMEs and Microbusinesses of our Direct Channel business line and, in general, for our Indirect Channel business line.

While continuing working on the transition of our customers to the cloud, we also intend to continue investing in software innovation, technology evolution and new product development, as we believe that the quality and innovation of our solutions are competitive advantages against our competitors. For example, in 2020 we launched our "One Platform" project, aimed at further modernizing our products through: (i) building common back-end modules and functionalities that can be shared across all products (*e.g.*, unique modules for accounting, VAT management, fiscal deadlines across all products); (ii) extending basic common services used by various software modules (*e.g.*, API (*application programming interfaces*) management, notifications, database); and (iii) enriching the digital ecosystem with new integrated solutions (*e.g.*, TeamSystem Digital Finance). Our "One Platform" project also aims at increasing efficiency of product developments (*e.g.*, sharing common components across product lines), evolving our offer to the latest technology trends (*e.g.*, the use of artificial intelligence and data analytics) and building a modular architecture for future product integration. We plan to continue delivering state-of-the-art products to our customers as we believe that investing in the innovation of our products and in new technologies is key to maintaining our leadership position in the Italian ERP and business management software market.

Leverage TeamSystem Digital ecosystem to launch innovative services, such as TeamSystem Digital Finance and exploit the full potential of the large number of customers and users connected to it

As part of our digital strategy, in 2017, we introduced our TeamSystem Digital platform and launched numerous ancillary services for business digitalization (e.g. TeamSystem Digital Invoice for e-invoicing, TeamSystem Digital Sign for e-signatures and strong authentication and TeamSystem Digital Archive for digital documentation storing). This platform and its ancillary services allowed us to create an extensive digital ecosystem, connecting our customers to their accountants, public administrations, banks, and their own customers and suppliers. We intend to leverage this ecosystem to launch innovative digital services and products across our wide customer base. For example, we intend to launch a new and innovative product line: TeamSystem Digital Finance, encompassing three main services: TeamSystem Digital Invoice Trading, TeamSystem Pay and TeamSystem Digital BankLink 4.0.

In March 2020, we launched TeamSystem Digital Invoice Trading, a service that allows our customers to sell their trade receivables to selected investors on a non-recourse (*pro soluto)* basis through our Whit-e Platform, to which our customers can have access via our TeamSystem Digital platform. In connection with these activities, we do not incur any liability to the investor or the customer, including in the event of non-payment of invoices. Our Whit-e Platform allows the assignment of trade receivables not only to traditional financing institutions, but also to third-party securitization vehicles, which we believe may contribute to the further growth of this business going forward. In addition, we expect that in the near future (i) our asset management subsidiary TeamSystem Capital at Work SGR S.p.A. will start to manage funds investing in receivables through our Whit-e Platform and (ii) our subsidiary TeamSystem Payments S.r.l. will launch a new platform providing payment services integrated in our e-invoicing and ERP products. Such services will allow our customers and, in particular, Microbusinesses, while using our new products, to (i) collect payments from B2B and B2C customers online through credit cards or SDD (e.g. sending links within the invoice just released) or expedite cash collection (*e.g.*, setting up payment reminders) and make payments, including for example, for a supplier's invoice, directly from our ERP products (TeamSystem Pay); and (ii) access their bank statements or the bank statements of their digital customers connected through them to our systems and download bank account information and reconcile them with our ERP accounting products immediately (TeamSystem Digital Banklink 4.0). For further information, on these services, see "*Business—Our product offering—Digital—TeamSystem Digital Finance.*"

We believe we will benefit from the launch of TeamSystem Digital Finance as, following the example of international players, such as Xero, Intuit, MyOB and Visma, we will be the first player in Italy among our competitors to enter this market and to offer in an easy and convenient way, certain services to SMEs and microbusinesses, such as invoice factoring (not currently offered by banks), directly from our TeamSystem Digital platform. In addition, we will be able to rely on our accountant customers in the conveyance of such product offering to their end-customers.

Finally, following our recent acquisition of Software DELSOL, S.A., a Spanish e-invoicing business, we intend to exploit the digitalization trend in Spain, where the introduction of an e-invoicing regulation is planned in the near future. We believe that such acquisition will enable us to address the digitalization needs of Microbusinesses and SMEs in Spain, building on the existing customer base of our newly acquired subsidiary and increasing our penetration in this market with our e-invoicing and other cloud-native solutions. We believe that our successful experience with e-invoicing and Microbusiness customers in Italy, coupled with the know-how and expertise in the Spanish local market of our newly acquired subsidiary, will facilitate our growth in Spain.

Accelerate penetration of the Microbusiness customer market segment through new go-to-market models and capture upselling opportunities from our existing Microbusiness customer base

We began investing in cloud solutions in 2014 and, over the last few years, we took advantage of the strong digitalization trend involving Microbusinesses, entering and achieving a leadership position in the Microbusiness customer market segment through the offering of easy-to-use, entry-level, moderately priced products, suitable for the needs of this customer market segment (*e.g*., Fatture in Cloud). In addition, we benefited from the new requirements introduced by the Italian e-invoicing regulation, leveraging our In Cloud product line to enable our Microbusiness customers to comply with such requirements. Going forward, we intend to continue leveraging our products, such as Fatture in Cloud, Cassa in Cloud, Contabilità in Cloud and additional cloud, simple solutions suitable for Microbusinesses, such as CRM in Cloud and Dipendenti in Cloud, allowing them to digitalize relevant business processes, such as invoicing, reporting and collaboration with their employees and accountants. We also believe that we have a significant cross-selling and up-selling opportunity not only in respect of our Microbusiness customers, whose needs are evolving as a result of the digitalization, but also with the large amount of digital customers that are connected to our TeamSystem Digital platform through their accountants (more than 965,000 users as of September 30, 2020). In particular, on one hand, our Microbusiness customers may require a more advanced or complex software than the one they use, in order to address not only e-invoicing, but also day-to-day business functions, such as accounting, economics performance monitoring, orders control and stock management; on the other hand, we can reach digital customers, which now rely on their accountants for e-invoicing services, and offer them our In Cloud products, which would enable them to benefit from the digital and automatic exchange of data with their accountants.

In order to target both digital customers and Microbusinesses in a more efficient way, we launched a completely new go-to-market approach in 2018 in which our accountant customers play a key role. Since then we have been providing tailored packages of our In Cloud products, in particular Fatture in Cloud, to our accountant customers. These product packages allow us to reach new end-customers, as our accountant customers purchase the package from us, and then assign each product included in the package to a different end-customer.

In the future, we intend to continue offering this type of package and supporting our accountant customers in digitalizing not only their internal processes, but also the relationship with their end-customers through our solutions, enabling them to focus on higher value-added services, while we simplify and automatize the data exchange and all basic tax requirements and accounting activities through our range of cloud products. In particular, we intend to provide accountant customers with new and updated product functionalities, dedicated trainings on digital way-of-working and continuous support from our digitalization experts. Finally, we expect the digitalization trend will be even stronger following the COVID-19 pandemic as a consequence of the new ways of working which we all have experienced in the past year (*e.g.*, remote working, need to access company systems through cloud, etc.).

Optimize and further strengthen our distribution model by expanding the reach of our Direct Channel and Indirect Channel business lines

Since completing the reorganization of our Direct and Indirect Channel business lines into a unified sales organization in 2017, we have tried to exploit the full potential of our Direct Channel business line, setting up a new territorial organization and governance and launching a new remote sales channel (*i.e.,* the Digital Sales team) composed, as of September 30, 2020, of eleven sales specialists who focus on selling selected, simple and moderately priced digital and cloud products which do not require installation services to both our existing customer base and potential new customers. These initiatives have allowed us to increase our focus on our target customers and to achieve the highest geographic coverage possible with our "on field" sales representatives. However, we believe that there are still some geographic areas with high-growth potential where our penetration is low and some untapped markets we can still cover, especially in the SME customer market segment. As a consequence, we have defined a sales growth plan for our Direct Channel business line, based on hiring junior and experienced resources in regions and areas which we believe have a high growth potential. In particular, we have designed a program to attract junior resources, train them via a six-week class and six months of tutorship with senior sales representatives and finally hire them as part of our "on field" sales force (the "**Sales Academy**"). We launched the Sales Academy at the end of 2019. As part of such initiative, we hired approximately ten junior resources at the beginning of 2020, after they successfully completed their tutorship program, and an additional 11 resources that participated in the Sales Academy, after the completion of their training and tutorship program in 2020. In addition, we hired two additional and more experienced sales resources covering north-western and north-eastern Italy, focusing on the SME customer market segment. We intend to closely monitor the performance of these new hires and to structurally replicate this approach also in the upcoming years, if proven effective.

Furthermore, we plan to continue facilitating and pursuing the transformation of our VARs network, currently composed of approximately 280 resellers, which will be one of our priorities in the future. The VARs network transformation started in 2017 and we now intend to enrich such transformation with new mechanisms and initiatives to favor VARs' growth and the margins of our Indirect Channel business line. The transformation is based on four key pillars:

- *Migration from the Forfait Fee model to the new Formulaic Fee model*. Under the Forfait Fee model, which we have historically used, each VAR pays us an annual fee which is determined at the time the contract is signed pursuant to a pre-determined price scheme and which cannot be reduced below a certain threshold. We are in the process of replacing the existing Forfait Fee model with the new Formulaic Fee model, gradually, upon renewal of each VAR contract. Under the Formulaic Fee model, our fee is subject to pre-determined annual increases that are calculated based on the actual VAR's customer base and sales volumes, in order to incentivize our VARs to expand their customer base. As of September 30, 2020, approximately 68% of our VARs were subject to Formulaic Fee contracts. We expect to replace all the Forfait Fee contracts by the end of 2023.

- *Introduction of new incentive schemes to enhance VARs' growth*. Starting from 2021, upon renewal of each VAR contract, we will implement a new "*bonus/malus*" mechanism based on the achievement by the VAR of certain annual target growth and churn rates. In particular, if the relevant VAR reaches these targets in a given year, such VAR will receive a rebate from us at the beginning of the following year, based on the over-performance against the targets. If the VAR does not meet the targets, the fees due to us will increase at the beginning of the following year. We believe that this mechanism will incentivize VARs' growth and improve their performance.

- *Facilitating the consolidation of smaller VARs into larger VARs*. Over the past few years, we supported our VARs in completing more than 100 mergers, transferring customers, technical resources and competences from small VARs, facing economic distress, to larger and growing VARs. We benefit from this consolidation trend as it translates into VARs which are generally stronger, more structured and able to benefit from better economies of scale and to therefore grow and provide their end-customers with better services.

- *Customer+ strategy and other margin improvement initiatives*. We believe that the superior quality of our products, the completeness of the functionalities provided and the continuous improvement of our offering allow us to adjust our pricing policies from time to time. We call this our "Customer+" strategy and since 2017, at the beginning of each year, we have been implementing it to certain products that are sold through our Direct Channel business line, continuing to provide our customers with product upgrades and increased functionalities. In 2020, for the first time, we implemented our Customer+ approach in our Indirect Channel business line. In particular, we adjusted the price paid by our VARs for the products they sell to their end-customers in exchange for improved functionalities. In implementing this approach, we also trained our VARs and provided them with tools for clustering their customer base and explaining the "Customer+" approach (including the incremental functionalities offered) to their end-customers, ensuring alignment between the Direct and Indirect Channel business lines. We intend to continue improving our margins with VARs, working on "Customer+" and other initiatives.

Continue to optimize customer success processes and operating model, in light of customer centricity, to increase customers' satisfaction and strengthen relationships with our customers

We believe that our long-standing and robust relationship with our customers is the result of our premium 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. In the last few years, we worked intensively to increase customer centricity in our Direct Channel business line and we launched the "Customer Success Initiative", designing new processes and tools and setting up a dedicated team for customer retention in 2018. Our customer retention team monitors our customers' behaviors in the Direct Channel and, with the aim to reduce churn, try to re-negotiate service levels and other aspects of existing customer contracts before a customer submits a final contract termination notice or immediately after a termination notice is submitted in order to recover the customer. In addition, among other actions, we introduced a premium customer service offer aimed at providing our customers with quicker customer service response and service availability during business and off-business hours at a premium price. We intend to continue building on and extending our customer success initiatives, redesigning and optimizing the entire customer journey in order to maintain and further develop the relationship with our existing customers. In particular, we are defining new processes and touch points with all our customers with the aim to increase their satisfaction and avoid cancellations, such as placing welcome calls immediately after the purchase of our products and follow-up calls after the delivery completion, which are tailored to the customer type and behaviors in order to keep customers engaged in every step of their lifecycle. Moreover, since the beginning of 2020, we have extended our customer success and customer retention practices to our Micro and New Business Solutions and Vertical business lines. We also launched a pilot with our Indirect Channel business line, engaging a sample of VARs and giving them the support of our retention team to manage their end-customers cancellation requests and recover their customers. Since all these initiatives and pilots have been successful so far, we plan to further extend our customer success and retention initiatives to the entire perimeter of our Micro and New Business Solutions, Vertical Solutions and Indirect Channel business lines in the near future, in order to enhance customer engagement and satisfaction across our entire end-customer base.

Continue to focus on cost discipline, improving the profitability and efficiency of our business model

Our revenues per full-time employee ("**FTE**") increased from approximately €155.3 thousand for the year ended December 31, 2017 to approximately €185.4 thousand for the twelve months ended September 30, 2020 and our Adjusted EBITDA margin increased from 35.8% to 44.0% in the same period. We believe that the increase in our revenues per FTE and Adjusted EBITDA margin is attributable to, among other things, several initiatives that we implemented in the last few years aimed at achieving organizational synergies and cost savings, as well as improving the way we conduct our business and interact with our customers. As part of these initiatives, we made certain changes to our organizational structure in order to improve the efficiency and effectiveness of our sales organizations. In addition, we went through a process of reorganization of certain internal functions, including our customer service, R&D, marketing, human resources management and other staff functions and in the last few years we merged a number of wholly owned subsidiaries into TeamSystem, in order to simplify our organization and reduce administrative costs.

In March 2020, following the outbreak of the COVID-19 pandemic, we promptly reacted to the emergency, transitioned all of our employees to remote working and closed our offices, in order to protect employees' health while ensuring business continuity. In addition, we launched a contingency plan to reduce costs, which allowed us to contain costs after the period of lockdown in Italy, and to preserve our profitability and operating cash flow through the 2020 economic downturn. To ensure stability and sustainability of our operating model going forward and in an attempt to maintain the 2020 low cost levels also in the future, we designed and fully launched in the last quarter of 2020 a comprehensive set of cost saving initiatives related to several areas of our organization, including administration and finance, facility expenses management, information and communications technology (ICT) and procurement, R&D, customer service and delivery and sales. We expect to realize certain annual-run rate cost savings from these initiatives between 2021 and the first half of 2022, with the majority expected to be realized in 2021. The table below sets forth a description of the main initiatives we expect to implement in each relevant area and the related estimated cost savings we expect to achieve. We estimate that the full realization of these cost savings will require in aggregate an approximately €20 million to €25 million of capital expenditures and one-off costs, the vast majority of which we expect to incur during the course of 2021, with the remainder expected to be incurred in the first half of 2022. See "*Risk factors—Risks related to our business—Changes to our sales organization and other corporate functions can be disruptive and may negatively impact our results of operations*" and "*Forward-looking statements*."

Area	Description of main cost saving initiatives	Estimated cost savings (€ in millions)
Administration and finance	• implementation of automation tools in respect of certain administration processes and reduction of manual activities • streamlining and improvement of certain administration and finance areas (*e.g.*, procure-to-pay, sales administration and subsidiaries integration) • streamlining of operating processes and synergies exploitation through the centralization of administration and finance teams of our Indirect Channel business line and certain subsidiaries of TeamSystem	2.7
Facility expenses management	• optimization of facility expenses management through the renegotiation with service providers of contracts related to offices' utilities (*e.g.*, energy), cleaning services, surveillance services, building maintenance and other facility expenses	0.2
ICT and procurement	• review of the IT internal service desk tools, set-up and processes, in order to achieve higher efficiency and right-size IT service desk capacity and resources • full centralization for all procurement activities related to, *inter alia*, (i) laptops, mobile phones and all IT equipment provided to employees, (ii) offices' printers, video-conferencing tools and (iii) telecommunication and connectivity services, in order to renegotiate certain contractual terms with our suppliers and achieve better economies of scale	0.9
R&D	• progressive phase out of selected R&D resources related to products in divestment (*e.g.*, previous versions of certain products) • development of synergies between R&D teams through to development and use of common modules and architecture across various products (*e.g.*, TeamSystem Studio and TeamSystem ViaLibera)	5.0
Customer service and delivery	• optimization of information flow and internal processes between customer service, delivery and R&D teams, in order to reduce response time of support requests, bugs elimination time and increase our customers support efficiency • internalization of customer service volumes related to specific customers' groups to TeamSystem central customer support center of excellence, in order to leverage economies of scale and reduce outsourcing rates • increase billability and efficiency of selected delivery teams (*e.g.*, Nuovamacut) through reorganization, introduction of new delivery models (*e.g.*, remote model) and procedures review	1.5
Sales model	• reorganization of our network of agents, reducing agencies' commissions through the consolidation of small agencies into larger ones and the insourcing of part of them • optimization of price mechanism with our VARs on selected products	3.1
Total		**13.4**

Principal shareholders

The Issuer is indirectly controlled by Fund IX, a fund whose ultimate general partner is H&F Corporate Investors IX, Ltd.

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 $50 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. H&F has completed 18 investments in the software industry since its foundation in 1984, including Applied Systems (a U.S.-based provider of insurance software), Genesys (a U.S.-based provider of customer engagement software to large enterprises), IRIS (a U.K.-based provider of industry-specific software solutions to accountancy practices, law firms and not-for-profit organizations), Kronos (a U.S.-based provider of human capital management software and services) and Ultimate Software (a U.S.-based provider of cloud-based human capital management and employee experience solutions). Kronos and Ultimate Software have since been merged to form UKG.

On or shortly after the Completion Date, we expect that approximately 8.0% and 7.2% of the share capital of the Issuer will be indirectly owned by HgCapital and certain Target Group management investors, respectively, while Fund IX will indirectly control the remaining share capital. For further information, see "*Principal shareholders*."

The Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated and existing under the laws of Italy. The Issuer was formed as a limited liability company (*società a responsabilità limitata)* on September 16, 2020 and was converted into a joint stock company (*società per azioni*) by way of a resolution of the extraordinary shareholders' meeting on December 18, 2020. The Issuer is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 11397370963. The registered office of the Issuer is at Via Alessandro Manzoni 38, 20121 Milan, Italy.

The Transactions

The Acquisition

On January 15, 2021, the Issuer, as purchaser, entered into a share purchase agreement (the "**Acquisition Agreement**") with, *inter alios*, H&F Barolo Lux 2 S.à r.l, a *société à responsabilité limitée* incorporated under the laws of the Grand Duchy of Luxembourg (the "**Barolo Lux 2 Seller**"), and certain management investors of the TeamSystem Group (the "**TS Management Sellers**" and, together with the Barolo Lux 2 Seller, the "**Sellers**") relating to the acquisition of all of the equity interests in the Target.

On the Completion Date, the Issuer will become the direct owner of 100% of the entire issued and outstanding share capital of the Target and, therefore, Fund IX will acquire the indirect control of the Target Group. Certain minority shareholders, comprised of private investment firm HgCapital and Target Group management are expected to reinvest in the Target Group as part of the Acquisition. Certain Fund VII investors are also expected to cash reinvest in the Target Group via newly established vehicles controlled by Fund IX. For further information, see "*Principal shareholders*."

The purchase price for the Acquisition to be paid by the Issuer to the Sellers on the Completion Date will be equal to €1,975.8 million, which amount shall increase at a rate equal to 8% per annum (on the basis of a 365-day year) during the period from and including January 1, 2021 to and including the Completion Date, to compensate the Sellers for additional cash generation in the business during this time period. The purchase price so calculated will be equitably adjusted in the event the Target or any direct or indirect parent entity of the Target pays or effects any dividend or distribution in cash in favor of the Sellers following November 4, 2020 (collectively, the "**Leakages**"). As a result, the ultimate consideration under the Acquisition Agreement will in part be dependent on the timing of the Completion Date. It is expected that part of the consideration payable to the TS Management Sellers will be paid by way of cashless rollover of their existing equity interest.

To the extent for technical reasons the new minority investment from HgCapital will not be made by the Completion Date, we expect the Issuer to issue a short-term vendor loan note or other instrument to the relevant seller in order to complete the Acquisition on the Completion Date, which note or instrument we expect will be fully extinguished shortly after the Completion Date with the proceeds from the funding of HgCapital's equity investment in the Issuer.

As of the date of this Offering Memorandum, the consummation of the Acquisition, and by extension all transactions related thereto, is subject to (i) the Bank of Italy clearance with respect to the change of indirect ownership of the Financial Sector Companies and (ii) a satisfactory tax ruling by the Italian tax authorities confirming certain aspects of the Italian tax treatment of the Acquisition.

Following the consummation of the Acquisition, the Target will be a wholly-owned direct subsidiary of the Issuer.

The Financing

We expect to finance the Transactions (as defined below) through: (i) the gross proceeds from the Offering of the Notes in an aggregate principal amount of €1,150.0 million and (ii) €1,776.5 million of shareholder funding in the form of (a) the Holdco PIK Contribution to be made by Holdco to the Issuer on or about the Completion Date with the net proceeds from the Holdco Private Notes and (b) an equity contribution to be made by Fund IX and other minority investors to the Issuer through intermediate holding companies on or prior to the Completion Date ((a) and (b), collectively, the "**Equity Contribution**" and, together with the Offering, the "**Financing**").

The proceeds from the Financing will be used by the Issuer to:

- fund the TeamSystem Proceeds Loan by using an estimated €840.5 million representing all the proceeds from Tranche B (as defined under "*—Sources and uses*" below) under the Notes;
- fund the consideration payable under the Acquisition Agreement by using (x) proceeds from the Equity Contribution, and (y) an estimated €252.7 million representing all the proceeds from Tranche A (as defined under "*—Sources and uses*" below) under the Notes; and
- pay certain fees and expenses in connection with the Transactions, including estimated fees and expenses to be incurred in connection with the Offering, by using an estimated €56.8 million representing all the proceeds from Tranche C (as defined under "*—Sources and uses*" below) under the Notes.

For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds from the Offering to be used by the Issuer to, on the one side, consummate the Acquisition and, on the other side, make the TeamSystem Proceeds Loan for purposes of, *inter alia*, the Refinancing, and will not entail issuing separate identifiers (ISINs or Common Codes) for each such virtual tranche under the Notes. See "*Use of proceeds*," "*Capitalization*" and "*Description of Notes*."

The Refinancing

As mentioned under "*—The Financing*" above, a portion of the proceeds from the Offering will be used by the Issuer to make the TeamSystem Proceeds Loan. As further described under "*Description of certain financing arrangements—TeamSystem Proceeds Loan*," the TeamSystem Proceeds Loan is expected to be comprised of two facilities for an aggregate estimated principal amount of €840.5 million, deriving from the proceeds under Tranche B (as defined under "*Use of Proceeds*") under the Notes.

The proceeds from the TeamSystem Proceeds Loan, together with certain available cash at TeamSystem, will be used by TeamSystem to:

(a) satisfy and discharge and ultimately redeem all the outstanding Existing Notes on the Completion Date or shortly thereafter (the "**Refinancing**"); and

(b) acquire all of the shares of MadBit, AliasLab, Skylab and Danea currently held by the minority shareholders thereof on or prior to the Completion Date or as soon as practicable thereafter for an aggregate estimated consideration of approximately €125.3 million, thereby increasing TeamSystem's participation in each such subsidiary to 100% of the relevant capital stock and extinguishing the corresponding portion of the

Liabilities to Non-Controlling Shareholders of Subsidiaries which, as of September 30, 2020, on a discounted basis, was equal to €117.8 million.

For further information, see "*Use of proceeds.*"

On or about the Issue Date, the Issuer will enter into the Revolving Credit Facility Agreement which provides for the €180.0 million Revolving Credit Facility. In the event that freely available cash on the balance sheet on or about the Completion Date is 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 Completion Date or shortly thereafter. For more information regarding our 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*."

We refer to the Financing, the Acquisition, the Refinancing, the entering into the Revolving Credit Facility Agreement and the Intercreditor Agreement and any actions or steps related thereto, collectively, as the "**Transactions**."

Escrow Accounts

Pending consummation of the Acquisition and the satisfaction of certain other conditions, the Initial Purchasers will, concurrently with the closing of this Offering on the Issue Date, deposit the gross proceeds from the Fixed Rate Notes and the Floating Rate Notes into the Escrow Accounts, which will be pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement promptly following the release of the funds from the Escrow Accounts. If the conditions to the release of the Escrowed Property have not been satisfied on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the initial issue price of such series of Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. Amounts may be released from the Escrow Accounts prior to the Completion Date to pay negative interest charged on the Escrow Accounts (if any) and to pay interest on the Notes on any interest payment date in respect thereof occurring prior to the release of the proceeds from escrow. See "*Description of Notes—Escrow of proceeds; Special Mandatory Redemption*."

Sources and uses

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts are subject to adjustment and may differ from estimated amounts at the time of the consummation of the Acquisition, depending on several factors, including differences from our estimate of fees and expenses, the timing of the Completion Date and of the redemption of the Existing Notes. This table should be read in conjunction with "*Use of Proceeds*" and "*Capitalization*."

Sources	(€ million)	Uses	(€ million)
Notes offered hereby[(1)]	1,150.0	Purchase price for the Acquisition[(4)]	1,993.8
Equity Contribution[(2)]	1,776.5	Redemption of Existing Notes[(5)]	750.0
Cash at TeamSystem[(3)]	4.5	Accrued interest on Existing Notes[(6)]	5.2
		Buy out of minority shareholders of MadBit, AliasLab, Skylab and Danea[(7)]	125.3
		Transaction fees and expenses[(8)]	56.8
Total sources	2,931.0	**Total uses**	2,931.0

(1) Represents the gross proceeds from the Offering, assuming each of the Floating Rate Notes and the Fixed Rate Notes are issued at par.

(2) Represents the sum of (a) the Holdco PIK Contribution to be made by Holdco to the Issuer on or about the Completion Date with the net proceeds of the Holdco Private Notes and (b) the equity investment expected to be made by Fund IX and certain minority investors which will be contributed as equity through intermediate holding companies to the Issuer on or prior to the Completion Date for purposes of the Acquisition. For further information, see "*—Summary corporate and financing structure*," "*—The Transactions—The Acquisition*" and "*Principal shareholders*."

(3) Represents available cash at TeamSystem. For further information, see footnote (1) under "*Capitalization*."

(4) Represents the estimated purchase price payable to the Sellers for the equity interests in the Target to be acquired under the Acquisition Agreement assuming that the Completion Date will occur on February 15, 2021 and net of estimated €2.0 million of sell-side expenses, to be financed by using the proceeds from the Equity Contribution and all the proceeds from virtual tranche A ("**Tranche A**") under the Notes for an estimated €252.7 million, as further described under "*—The Transactions—The Financing*" above. The purchase price payable at the Completion Date may differ from the amount presented, depending on the actual timing of the Completion Date and the potential occurrence of Leakages, as further described under "*—The Transactions—The Acquisition.*"

(5) Represents the outstanding aggregate principal amount of the Existing Notes, to be satisfied and discharged and ultimately redeemed in full by TeamSystem by using (x) a portion of the proceeds from the TeamSystem Proceeds Loan, to be made by the Issuer to TeamSystem on or about the Completion Date by using a portion of the proceeds from virtual tranche B ("**Tranche B**") under the Notes (which in aggregate will amount to an estimated €840.5 million), as further described under "*—The Transactions—The Financing*" above, and (y) certain available cash at TeamSystem. We expect that the Existing Notes will be redeemed on the Completion Date or shortly thereafter, as notified by TeamSystem to the holders of the Existing Notes pursuant to the conditional notices of redemption in respect of each of the Existing 2023 Notes and the Existing 2025 Notes, dated , 2021.

(6) Represents accrued and unpaid interest on the Existing Notes to, but excluding, an estimated date of redemption of February 16, 2021, to be paid by TeamSystem by using (x) a portion of the proceeds from the TeamSystem Proceeds Loan, to be made by the Issuer to TeamSystem on or about the Completion Date by using a portion of the proceeds from Tranche B under the Notes, as further described under "*—The Transactions—The Financing*" above, and (y) certain available cash at TeamSystem.

(7) Represents the aggregate estimated consideration to be paid by TeamSystem for the acquisition of all of the shares of MadBit, AliasLab, Skylab and Danea currently held by the minority shareholders thereof, thereby increasing TeamSystem's participation in each such subsidiary to 100% of the relevant capital stock and extinguishing the corresponding portion of the Liabilities to Non-Controlling Shareholders of Subsidiaries which, as of September 30, 2020, on a discounted basis, was equal to €117.8 million. We expect that TeamSystem will make these acquisitions on or prior the Completion Date or as soon as practicable thereafter by using (x) a portion of the proceeds from the TeamSystem Proceeds Loan, to be made by the Issuer to TeamSystem on or about the Completion Date by using a portion of the proceeds from Tranche B under the Notes, as further described under "*—The Transactions—The Financing*" above, and (y) certain available cash at TeamSystem. Our current contractual arrangements with the non-controlling shareholders of MadBit, AliasLab, Skylab and Danea allow us to exercise our call option rights during the course of 2021. As of the date of this Offering Memorandum, as part of the Transactions, we are in the process of renegotiating these contractual arrangements in order to acquire these minority interests on or prior the Completion Date or as soon as practicable thereafter, but we have not yet entered into definitive agreements. Therefore, we cannot assure you that we will be able to acquire the relevant equity stakes within the anticipated time frame. 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*."

(8) Represents the estimated fees and expenses associated with the Transactions, including any underwriting or discount fees and commissions, financial advisory fees and other transaction costs and professional fees (but excluding fees and expenses payable in connection with Holdco's private placement of the Holdco Private Notes), to be financed with all the proceeds from virtual tranche C ("**Tranche C**") under the Notes. The actual amount of fees and expenses will vary from the estimated amounts depending on several factors, including differences in the amount of fees and expenses actually incurred compared to our estimates.

For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds from the Offering to be used by the Issuer to, on the one side, consummate the Acquisition and, on the other side, make the TeamSystem Proceeds Loan for purposes of, *inter alia*, the Refinancing, and will not entail issuing separate identifiers (ISINs or Common Codes) for each such virtual tranche under the Notes. See "*—The Transactions—The Financing*," "*Capitalization*" and "*Description of Notes*."

Post Completion Merger

The Issuer intends to use commercially reasonable efforts, subject to any relevant approval and/or authorization by any competent authority, to implement the Post Completion Merger in accordance with Articles 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable following the Completion Date. As of the date of this Offering Memorandum, we expect that TeamSystem will be the surviving entity of the Post Completion Merger. Failure to complete the Post Completion Merger shall not constitute a Default or an Event of Default under the Indenture. The Post Completion Merger is subject to certain conditions and may not be completed. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all*."

In the event the Post Completion Merger does not occur on or prior to the Cut-Off Date, the Issuer shall use commercially reasonable efforts to procure that (i) TeamSystem guarantees the Notes and (ii) the Notes are secured by security interests granted on a first priority basis over the Target Group Collateral, in each case, within 60 days of the Cut-Off Date and subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws. See "*Description of Notes—Guarantees*," "*Description of Notes—Security,*" "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*."

Recent developments

Current trading

The preliminary results and estimates presented below for the eleven months and the twelve months ended November 30, 2020 are derived from our internal management accounts, which may not be directly comparable with our Consolidated Financial Statements included elsewhere in this Offering Memorandum. This information has not been audited or reviewed and no procedures have been completed by our external auditors with respect thereto. 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, they remain subject to change.

Based on preliminary results derived from our unaudited management accounts and other information currently available, we estimate that for the eleven months ended November 30, 2020, we generated total revenue of approximately €376.8 million, an increase of approximately €45.2 million (or 13.6%) compared to total revenue of approximately €331.6 million for the eleven months ended November 30, 2019. We estimate that this increase was primarily driven by the organic growth of our four business lines, mainly as a result of the expansion of our customer base in cloud-based products, including the cloud-based version of our core ERP solutions, our cloud-native ERP for Microbusinesses and our Digital solutions. We estimate that total revenue for the eleven months ended November 30, 2020 increased also a result of (i) the first time consolidation in such period of the several companies in which we acquired a controlling equity interest (TeamSystem 5 S.r.l., MBM Italia S.r.l., AF Soluzioni S.r.l. and Beneficy S.r.l.) or a 100% equity interest (Area 32 S.r.l.) and (ii) the revenue contribution of the bolt-on acquisitions we made in the year ended December 31, 2019, which did not have a full impact, or did not have any impact, in the eleven months ended November 30, 2019.

In addition, based on preliminary results derived from our unaudited management accounts and other information currently available, we estimate that for the eleven months ended November 30, 2020, we generated Adjusted EBITDA of approximately €164.0 million, an increase of approximately €41.3 million (or 33.6%) compared to Adjusted EBITDA of approximately €122.7 million for the eleven months ended November 30, 2019. We estimate that this increase was attributable to both organic and non-organic growth associated with less than proportional operating cost increases, primarily due to increased operational efficiency and reduction of certain non-personnel costs.

Finally, based on preliminary results derived from our unaudited management accounts and other information currently available, we estimate that total revenue, Adjusted EBITDA and Pro Forma Adjusted EBITDA increased from €414.3 million, €182.2 million and €206.4 million, respectively, for the twelve months ended September 30, 2020 to approximately €421.6 million, €187.4 million and €209.9 million, respectively, for the twelve months ended November 30, 2020.

Bolt-on acquisitions

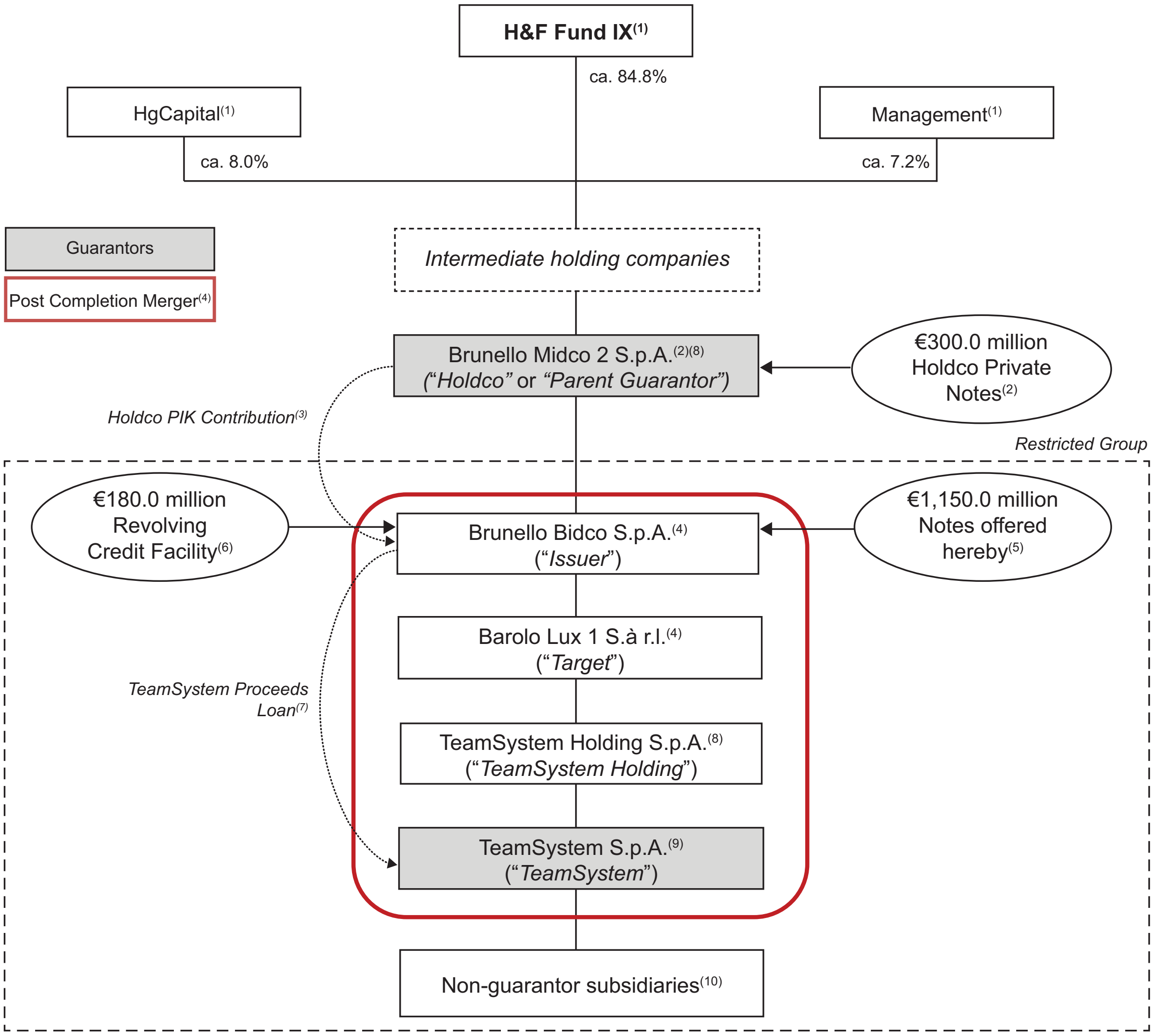
In the period following September 30, 2020:

(i) we acquired: (i) a majority stake in Team4You S.r.l., a reseller of our software solutions; (ii) a majority stake in Habble S.r.l., a company that develops SaaS cloud software for planning and control of telecommunications and other costs in real time (a minority stake of which we acquired in the second quarter of 2020); (iii) a 100% equity interest in Software DELSOL, S.A., a Spanish software house operating in the e-invoicing and cloud-based ERP markets in Spain; and (iv) TeamSystem 6 S.r.l., a business segment of a company that markets and sells our software solutions; and

(ii) we entered into acquisition agreements to acquire (i) a 100% equity interest of certain business segments of companies that market and sell our software solutions, including TeamSystem 7 S.r.l., TeamSystem 8 S.r.l., SGS S.r.l. and Alterna S.r.l.; and (ii) a majority stake in ModeFinance S.r.l., a software house that develops cloud products for ratings calculation (a minority stake of which we acquired in December 2020). We expect that the completion of these acquisitions will occur in the first half of 2021, with the majority being completed in January 2021.

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*." The chart does not include all of our subsidiaries or all the debt obligations thereof. For a summary of the debt obligations referenced in this diagram, see "*Description of certain financing arrangements*" and "*Description of Notes*." Entities shown in the chart are wholly owned, unless otherwise indicated and except for the subsidiaries of TeamSystem, some of which are not wholly-owned (directly or indirectly) by TeamSystem. For further information, see our 2019 Financial Statements and our Unaudited Interim Financial Statements and the respective notes thereto.



(1) Following the consummation of the Acquisition, Fund IX, a fund whose ultimate general partner is H&F Corporate Investors IX, Ltd., will be the indirect controlling shareholder of the Target Group. For a description of our principal shareholders and the shareholder agreement we expect to enter into in connection with the Transactions, see "*Principal shareholders*." See also "*—The Transactions—The Acquisition*" for a description of the Acquisition.

(2) Holdco is a holding company formed in connection with the Transactions and is incorporated as a joint stock company (*società per azioni*) under the laws of Italy. On or about the Completion Date, Holdco is expected to issue €300.0 million aggregate principal amount of privately placed Holdco Private Notes, the net proceeds of which will be contributed as equity to the Issuer. See "*Use of proceeds*." The Holdco Private Notes will mature in 2029 and will have covenants substantially similar to the covenants of the Notes, as amended to reflect, among other things, the different position of Holdco and the Holdco Private Notes in the capital structure. Interest on the Holdco Private Notes will be payable, at the sole option of Holdco, in accordance with applicable provisions of law and the terms and conditions of the Holdco Private Notes, either in cash or in kind or in a combination thereof, and is expected to be serviced by Holdco through dividends or other distributions by the Issuer or its subsidiaries to Holdco, subject to the limitations under applicable law. Subject to the terms of the Security Documents, the Shared Collateral (which, as of the Completion Date, we expect to only consist of 100% of the share capital of the Issuer, as further described under "*Summary—The Offering—Security*") will be secured on a contractual second-priority basis by operation of the Intercreditor Agreement for the benefit of the holders of the Holdco Private Notes. The Holdco Private Notes will not be guaranteed by, and will not receive any other credit support from, the Issuer and its subsidiaries. For further information, see "*Description of certain financing arrangements—Holdco Private Notes*," "*Description of Notes—Security*," "*Description of Notes—Guarantees*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The security interests in the Collateral will be granted to the Security Agent* rather than directly to the holders of the Notes. The ability of the Security Agent to

enforce the Collateral may be restricted by local law. In addition, in the event of an enforcement over the Shared Collateral, holders of the Notes will have to rely on the contractual provisions of the Intercreditor Agreement to ensure that the security interests over the Shared Collateral for the benefit of the holders of the Holdco Private Notes will receive the proceeds of the enforcement after the holders of the Notes."

(3) On or around the Completion Date, Holdco will make the Holdco PIK Contribution (in the form of an equity contribution) to the Issuer by using the net proceeds of the Holdco Private Notes. For further information, see "*Summary—The Transactions—The Financing.*"

(4) The Issuer is a holding company formed in connection with the Transactions and is incorporated as a joint stock company (*società per azioni*) under the laws of Italy. The Issuer will not control the Target prior to the consummation of the Acquisition. The Issuer is currently not expected to engage in any activities other than those related to the Transactions, the management of the Target Group following the Acquisition and any other future potential transactions permitted by the Indenture. The Issuer shall use commercially reasonable efforts, subject to any relevant approval and/or authorization by any competent authority, to merge with the Target, TeamSystem Holding and TeamSystem, in accordance with Articles 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable following the Completion Date. The Post Completion Merger is subject to certain conditions and may not be completed. See "*Risk factors—Risks related to Our Structure and the Financing —We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all*" and "*Risk factors—Risks related to our structure and the Financing—The Issuer is a holding company that has no revenue generating operations of its own and prior to the Post Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes*."

(5) The Notes will be general, senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's future debt that is expressly subordinated in right of payment to the Notes and will rank *pari passu* in right of payment with the Issuer's existing and future debt that is not so subordinated, including the Issuer's obligations under the Revolving Credit Facility. As of the Issue Date and prior to the Completion Date, the Notes will be secured by a first-ranking security interest in the Escrow Accounts. On or about the Completion Date, the Notes will be secured on a first-ranking basis, subject to the Agreed Security Principles, by the Completion Date Collateral. Within 30 Business Days following the Completion Date, the Notes will also be secured on a first-ranking basis, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws, by the Post Completion Date Collateral. Following the Post Completion Merger, within the terms set forth in this Offering Memorandum, the Notes will also be secured by the Post Merger Collateral. In the event that the Post Completion Merger does not occur on or prior to the date falling fifteen months after the Completion Date (the "**Cut-Off Date**"), the Issuer shall use commercially reasonable efforts to procure that the Notes will be secured, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws, by the Target Group Collateral within 60 days of the Cut-Off Date. The Collateral will also secure on a first-ranking basis the Revolving Credit Facility and certain hedging obligations (if any). Under the terms of the Intercreditor Agreement, the holders of Notes will receive proceeds from the enforcement of the Collateral after the lenders under the Revolving Credit Facility and counterparties to such hedging obligations (if any) have been repaid in full. Subject to the terms of the Security Documents, the Shared Collateral will secure the Holdco Private Notes on a contractual second-priority basis by operation of the Intercreditor Agreement. The security interests in the Collateral may be released under certain circumstances and, subject to the terms of the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. The Collateral will be subject to certain material limitations pursuant to applicable laws. See *"Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations,"* "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability,*" "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—There are circumstances other than the repayment or discharge of the Notes under which the Collateral will be released automatically without your consent or the consent of the Trustee or the Security Agent,*" *"Description of certain financing arrangements—Intercreditor Agreement"* and *"Description of Notes—Security*."

(6) On or about the Issue Date, the Issuer will enter into the Revolving Credit Facility Agreement which provides for the €180.0 million Revolving Credit Facility. The initial borrower under the Revolving Credit Facility will be the Issuer. Subject to certain limitations, other subsidiaries of the Issuer, including, following the Acquisition, the Target and its subsidiaries, may become borrowers under the Revolving Credit Facility. The Revolving Credit Facility will be guaranteed on a senior basis by the same entities that guarantee the Notes and will be secured on a first-priority basis over the same Collateral securing the Notes and certain hedging obligations (if any), subject to the applicable contractual and legal limitations. Under the terms of the Intercreditor Agreement, the holders of Notes will receive proceeds from the enforcement of the Collateral after the lenders under the Revolving Credit Facility and counterparties to such hedging obligations (if any) have been repaid in full. See *"Description of certain financing arrangements—Revolving Credit Facility Agreement*." In the event that freely available cash on the balance sheet on or about the Completion Date is 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 Completion Date or shortly thereafter.

(7) On or about the Completion Date, the proceeds under Tranche B (as defined under "*Use of Proceeds*") under the Notes will be used by the Issuer to make the TeamSystem Proceeds Loan for an estimated aggregate principal amount of €840.5 million, as further described under "*—The Transactions—The Financing*." The proceeds from the TeamSystem Proceeds Loan will be used by TeamSystem as described under "*Use of Proceeds*." The amount of the TeamSystem Proceeds Loan is estimated as of the date of this Offering Memorandum and may change depending on several factors, including the timing of the Completion Date.

(8) TeamSystem Holding is incorporated as a joint stock company (*società per azioni*) under the laws of Italy and is the holding company, and current reporting entity, of the TeamSystem Group. See "*Presentation of financial and other information—General—TeamSystem Holding.*"

(9) On the Issue Date, the Notes will only be guaranteed by the Parent Guarantor. In the event the Post Completion Merger does not occur on or prior to the Cut-Off Date, the Issuer shall use commercially reasonable efforts to procure that, subject to the Agreed Security Principles and certain significant limitations under Italian law, TeamSystem guarantees the Notes within 60 days of the Cut-Off Date. See "*Description of Notes—Guarantees*." TeamSystem is the main operating company of the TeamSystem Group. As of and for the twelve months ended September 30, 2020, TeamSystem accounted for 72.2% of TeamSystem Holding's consolidated total assets, 63.3% of TeamSystem Holding's total revenue and 65.9% of TeamSystem Holding's Adjusted EBITDA, after the elimination of intercompany balances. As of September 30, 2020, after giving *pro forma* effect to the Transactions, TeamSystem would have had €21.0 million in outstanding financial debt (excluding €23.8 million of Liabilities to Non-Controlling Shareholders of Subsidiaries and excluding indebtedness under the TeamSystem Proceeds Loan), none of which was secured and €20.7 million of which was represented by lease obligations under IFRS 16. Prior to the Post Completion Merger and, in the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, prior to the granting of the Guarantee by TeamSystem, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including the Target and its subsidiaries). In the event that the Post Completion Merger does not occur and after the granting of the Guarantee by TeamSystem (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer, other than TeamSystem. After the Post Completion Merger, none of MergerCo's subsidiaries is expected to guarantee the Notes, and the Notes will therefore be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo. The Guarantees will be subject to certain material contractual and legal limitations. By virtue of these limitations, a Guarantor's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Limitations on validity and enforceability of*

the Guarantees and the Collateral and certain insolvency law considerations," "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability*" and "*Risk factors—Risks related to the Notes the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*." The Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of Notes—Guarantees*."

(10) Not all of the subsidiaries of the Issuer will guarantee the Notes and, following the Post Completion Merger, no subsidiary of MergerCo is expected to guarantee the Notes. As of September 30, 2020, after giving *pro forma* effect to the Transactions, the Issuer's subsidiaries which are not expected to guarantee the Notes would have had €3.7 million in outstanding financial debt (excluding €7.4 million of Liabilities to Non-Controlling Shareholders of Subsidiaries), none of which was secured and €3.5 million of which was represented by lease obligations under IFRS 16, which would have ranked structurally senior to the Notes and the Guarantees. Claims of creditors of non-guarantor subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those subsidiaries, and claims of preferred stockholders (if any) of those subsidiaries and minority stockholders of such subsidiaries generally will have priority with respect to the assets and earnings of those 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), preferred stockholders (if any) and minority stockholders of such non-guarantor subsidiaries. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Prior to completion of the Post Completion Merger and, in the event that the Post Completion Merger does not occur within fifteen months from the Completion Date, prior to the granting of the Guarantee by TeamSystem, the Notes will be structurally subordinated to the existing or future indebtedness or obligations of the Issuer's subsidiaries, including the Target and TeamSystem. After the granting of the Guarantee by TeamSystem (and subject to the limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer, other than TeamSystem. After the Post Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo*." Certain of TeamSystem's subsidiaries are operated through strategic partnerships with other investors who hold a non-controlling interest in such subsidiaries. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—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 Guarantees 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 Guarantees and the Collateral, including certain definitions of terms used in this overview, please see "*Description of Notes*."

Issuer . . . . Brunello Bidco S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy. Following the Post Completion Merger, any reference herein to the Issuer shall be deemed to be made to MergerCo.

Notes offered . . . . €1,150.0 million aggregate principal amount of Senior Secured Notes due 2028 (the "**Notes**") to be issued by the Issuer under the Indenture, consisting of:

€ % Senior Secured Fixed Rate Notes due 2028 (the "**Fixed Rate Notes**"); and

€ Senior Secured Floating Rate Notes due 2028 (the "**Floating Rate Notes**").

Issue date . . . . On or about , 2021.

Issue price

Fixed Rate Notes . . . . . . % plus accrued and unpaid interest, if any, from the Issue Date.

Floating Rate Notes . . . . % plus accrued and unpaid interest, if any, from the Issue Date.

Maturity date . . . . , 2028.

Interest rate and payment dates

Fixed Rate Notes . . . . . . The interest rate on the Fixed Rate Notes will be equal to % per annum.

Interest on the Fixed Rate Notes will accrue from the Issue Date and will be payable semi-annually in arrears on and on of each year, commencing on , 2021.

Floating Rate Notes . . . . The interest rate on the Floating Rate Notes will be equal to three-month EURIBOR (with 0% floor) plus % per annum, reset quarterly.

Interest on the Floating Rate Notes will accrue from the Issue Date and will be payable quarterly in arrears on , , and of each year, commencing on , 2021.

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 and, subsequent to the Post Completion Merger, MergerCo;
- 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 future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;

- 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 the 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);
- be effectively subordinated to any existing or future Indebtedness of the Issuer and its subsidiaries 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; and
- be structurally subordinated to any existing or future indebtedness or other obligations of subsidiaries of the Issuer (or MergerCo, as applicable) that do not guarantee the Notes, including obligations owed to trade creditors and obligations under the Liabilities to Non-Controlling Shareholders of Subsidiaries.

Guarantees . . . . On the Issue Date, the Notes will only be guaranteed by the Parent Guarantor.

In the event the Post Completion Merger does not occur on or prior to the date falling fifteen months after the Completion Date (the "**Cut-Off Date**"), the Issuer shall use commercially reasonable efforts to procure that, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws, TeamSystem guarantees the Notes within 60 days of the Cut-Off Date.

Pursuant to the Indenture and subject to the Intercreditor Agreement and the Agreed Security Principles, each subsidiary of the Issuer that guarantees the Revolving Credit Facility or certain other indebtedness, in each case of the Issuer or a Guarantor (as defined below) that is a subsidiary of the Issuer, shall enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement. For purposes of this Offering Memorandum, the term "**Guarantors**" shall refer to the Parent Guarantor and any subsidiary of the Issuer that may guarantee the Notes from time to time pursuant to the Indenture on or after the Completion Date and the term "**Guarantees**" shall refer to the guarantees of the Notes by the Guarantors.

TeamSystem is the main operating company of the TeamSystem Group. As of and for the twelve months ended September 30, 2020, TeamSystem accounted for 72.2% of TeamSystem Holding's consolidated total assets, 63.3% of TeamSystem Holding's total revenue and 65.9% of TeamSystem Holding's Adjusted EBITDA, after the elimination of intercompany balances. As of September 30, 2020, after giving *pro forma* effect to the Transactions, TeamSystem would have had €21.0 million in outstanding financial debt (excluding €23.8 million of Liabilities to Non-Controlling Shareholders of Subsidiaries and excluding indebtedness under the TeamSystem Proceeds Loan), none of which was secured and €20.7 million of which was represented by lease obligations under IFRS 16.

Prior to the Post Completion Merger and, in the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, prior to the granting of the Guarantee by TeamSystem, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer (including the Target and its subsidiaries). In the event that the Post Completion Merger does not occur and after the granting of the Guarantee by TeamSystem (and subject to any limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer, other than TeamSystem. After the Post Completion Merger, none of MergerCo's subsidiaries is expected to guarantee the Notes, and the Notes will therefore be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo. The Guarantees will be subject to certain material contractual and legal limitations. By virtue of these limitations, a Guarantor's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*," "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability*" and "*Risk factors—Risks related to the Notes the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*." The Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of Notes—Guarantees*."

Not all of the subsidiaries of the Issuer will guarantee the Notes and, following the Post Completion Merger, no subsidiary of MergerCo is expected to guarantee the Notes. As of September 30, 2020, after giving *pro forma* effect to the Transactions, the Issuer's subsidiaries which are not expected to guarantee the Notes would have had €3.7 million in outstanding financial debt (excluding €7.4 million of Liabilities to Non-Controlling Shareholders of Subsidiaries), none of which was secured and €3.5 million of which was represented by lease obligations under IFRS 16, which would have ranked structurally senior to the Notes and the Guarantees.

Ranking of the Guarantees . . . . The Guarantee of each Guarantor 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, in the case of Holdco, its obligations under the Holdco Private Notes);
- rank senior in right of payment to any existing or future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Guarantor's Guarantee;
- 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; and
- 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 under "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and "*Risk factors—Risks related to the notes, the Guarantees and the Collateral—The Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*."

Security . . . . On the Issue Date and prior to the Completion Date, the Notes will be secured by a first-ranking security interest in the Escrow Accounts.

On or about the Completion Date, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) 100% of the share capital of the Issuer;

(2) the material current bank accounts of the Issuer opened in Italy (if any); and

(3) the Issuer's receivables in respect of the TeamSystem Proceeds Loan (collectively, the "**Completion Date Collateral**").

Within 30 Business Days after the Completion Date, the Notes will be secured, subject to the Agreed Security Principles, certain significant limitations pursuant to applicable laws, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) 100% of the share capital of the Target (the "**Target Share Pledge**"); and

(2) 100% of the share capital of TeamSystem (together with the Target Share Pledge, the "**Post Completion Date Collateral**" and, together with the Completion Date Collateral, the "**Pre Merger Collateral**").

No later than 30 Business Days following the completion of the relocation of the Target's legal seat and tax residence from Luxembourg to Italy, subject to and on the terms consistent with the Agreed Security Principles, the Issuer will reconfirm the Target Share Pledge or, to the extent required under Italian law, grant an Italian law share pledge in respect of 100% of the share capital of the Target.

In addition, subject to the Agreed Security Principles, certain significant limitations pursuant to applicable laws, certain perfection requirements and any Permitted Collateral Liens:

(1) within 60 days following completion of the Post Completion Merger, MergerCo will grant (or reconfirm, as applicable) an Italian law pledge in respect of certain material current bank accounts of MergerCo opened in Italy (if any); and

(2) within 10 Business Days following completion of the Post Completion Merger, Holdco will grant or reconfirm, as applicable, an Italian law share pledge in respect of 100% of Holdco's shares in MergerCo (the Collateral described under clauses (1) and (2), collectively, the "**Post Merger Collateral**").

In the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, in addition to the Pre Merger Collateral, the Issuer shall use commercially reasonable efforts to procure that the Notes will be secured, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws as described under "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*," "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and the Collateral will be subject to certain limitation on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Risk factors—Risks related to the Notes the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and enforceability of the Guarantees and the Collateral*," by security interests granted on a first-priority basis over certain material current bank accounts of TeamSystem opened in Italy (if any) (the "**Target Group Collateral**") within 60 days of the Cut-Off Date.

The Completion Date Collateral, the Post Completion Date Collateral, the Post Merger Collateral and the Target Group Collateral, as applicable, together with any and all assets in respect of which from time to time a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes, in each case as may be in existence from time to time, is referred to in this Offering Memorandum as the "**Collateral**."

Subject to the terms of the Security Documents, the following assets which are part of the Collateral will be secured on a contractual second-priority basis by operation of the Intercreditor Agreement for the benefit of the holders of the Holdco Private Notes: 100% of the share capital of the Issuer (the "**Shared Collateral**"). See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law. In addition, in the event of an enforcement over the Shared Collateral, holders of the Notes will have to rely on the contractual provisions of the Intercreditor Agreement to ensure that the security interests over the Shared Collateral for the benefit of the holders of the Holdco Private Notes will receive the proceeds of the enforcement after the holders of the Notes.*"

The Collateral will also secure on a first-ranking basis the Revolving Credit Facility and certain hedging obligations (if any). Under the terms of the Intercreditor Agreement, the holders of Notes will receive proceeds from the enforcement of the Collateral after the lenders under the Revolving Credit Facility and counterparties to such hedging obligations (if any) have been repaid in full.

The security interests in the Collateral may be released under certain circumstances and, subject to the terms of the Indenture and the Intercreditor Agreement, the Collateral may be pledged to secure future indebtedness. The Collateral will be subject to certain material limitations pursuant to applicable laws and may be released under certain circumstances. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*," "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability," "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—There are circumstances other than the repayment or discharge of the Notes under which the Collateral will be released automatically without your consent or the consent of the Trustee or the Security Agent*," "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of Notes—Security*."
Post Completion Merger . .	The Issuer intends to use commercially reasonable efforts, subject to any relevant approval and/or authorization by any competent authority, to implement the Post Completion Merger in accordance with Articles 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable following the Completion Date. Failure to complete the Post Completion Merger shall not constitute a Default or an Event of Default under the Indenture. The Post Completion Merger is subject to certain conditions and may not be completed. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all*."
Escrow of Proceeds; Special Mandatory Redemption . . .	Pending consummation of the Acquisition and the satisfaction of certain other conditions, the Initial Purchasers will, concurrently with the closing of this Offering on the Issue Date, deposit the gross proceeds from the Fixed Rate Notes and the Floating Rate Notes into the Escrow Accounts, which will be pledged in favor of the Trustee on behalf of the holders of the Notes. The release of the proceeds from escrow will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement promptly following the release of the funds from the Escrow Accounts. If the conditions to the release of the Escrowed Property have not been satisfied on or prior to June 30, 2021 (the "**Escrow Longstop Date**"), or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the initial issue price of such series of Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. Amounts may be released from the Escrow Accounts prior to the Completion Date to pay negative interest charged on the Escrow Accounts (if any) and to pay interest on the Notes on any interest payment date in respect thereof occurring prior to the release of the proceeds from escrow. See "*Description of Notes—Escrow of proceeds; Special Mandatory Redemption*." Pursuant to a shortfall agreement between the Issuer and Holdco, Holdco will be required to fund the accrued and unpaid interest and additional amounts, if any, payable to holders of the Notes in the event of a special mandatory redemption. We cannot assure you that Holdco will have the financial resources to meet that obligation. See "*Risk factors—Risks related to the Transactions—If the conditions to the escrow are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes. In addition, the Issuer might not have sufficient funds to pay all of the amounts due to the holders of the Notes in the event of a Special Mandatory Redemption*."
Optional redemption	
Floating Rate Notes	At any time on or after , 2022, the Issuer will be entitled, at its option, to redeem all or a portion of the Floating Rate Notes at a redemption price equal to

	100.000% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, as described under "*Description of Notes—Optional Redemption*."
	At any time prior to , 2022, the Issuer may redeem all or part of the Floating Rate Notes at a redemption price equal to 100.000% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of Notes—Optional Redemption*."
Fixed Rate Notes	At any time on or after , 2024, the Issuer may redeem all or part of the Fixed Rate Notes at the redemption prices as described under "*Description of Notes—Optional Redemption*."
	At any time prior to , 2024, the Issuer may redeem all or part of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, plus a "make-whole" premium, as described under "*Description of Notes—Optional Redemption*."
	At any time prior to , 2024, the Issuer may redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes (including any additional Fixed Rate Notes), using the net cash proceeds from certain equity offerings at a redemption price equal to % of the principal amount thereof, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any; *provided that* at least 50% of the original aggregate principal amount of the Fixed Rate Notes (including any additional Fixed Rate Notes) remains outstanding after each redemption and the redemption occurs within 180 days after the closing of any such equity offering, as described under "*Description of Notes—Optional Redemption*."
	In addition, at any time prior to , 2024, the Issuer may redeem during each calendar year up to 10% of the aggregate principal amount of the Fixed Rate Notes originally issued (including any additional Fixed Rate Notes) at its option, from time to time, at a redemption price equal to 103.000% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest to, but not including, the applicable redemption date, and additional amounts, if any, as described under "*Description of Notes—Optional 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, but not including, 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. See "*Description of Notes—Change of Control.*" See also "*Description of Notes—Certain definitions—Specified 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 Guarantors make with respect to their Guarantees, 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 Guarantees, subject to certain exceptions, the Issuer or the Guarantors, 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 incorporated 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 their 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 "*Certain 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;
- repay 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 their 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 relating to the Notes.

Each of these covenants are subject to a number of important limitations and exceptions as described under "*Description of Notes—Certain Covenants*."

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, the Guarantees and the Collateral—Certain covenants will be suspended upon the occurrence of a change in our ratings*."

Transfer restrictions . . . . . The Notes and the Guarantees 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) under the securities laws in any jurisdiction. See "*Transfer restrictions*" and "*Plan of distribution*."

Use of proceeds . . . . Upon release from escrow, the proceeds from the Offering will be used, together with the proceeds from the Equity Contribution, to fund the purchase price for the Acquisition and, together with certain available cash at TeamSystem, redeem all of the outstanding Existing Notes, acquire the minority stakes held by third-party shareholders in certain subsidiaries of TeamSystem and to pay costs and expenses incurred in connection with the Transactions, as further described under "*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.

Additional Notes . . . . Subject to compliance with the Indenture, the Issuer will be permitted to issue additional Fixed Rate Notes and/or Floating Rate Notes, without notice to or the consent of holders of Notes of the relevant series, which shall have terms substantially identical to the Notes of the relevant series except in respect of certain specified terms. Such additional Notes will be treated, along with all other Notes of the relevant series, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. For all purposes other than U.S. federal income tax purposes, additional Notes shall be deemed to form one series with any Notes of the relevant series previously issued if they have terms substantially identical in all material respects to such Notes. Additional Notes sold pursuant to Regulation S from time to time may at the option of the Issuer be issued with the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued without being fungible with such series of initial Notes for U.S. federal income tax and/or, as applicable, Italian tax purposes. If you are a U.S. holder (as defined in "*Certain tax considerations—Certain U.S. federal income tax considerations*") considering the purchase of Notes sold pursuant to Regulation S

	as part of this Offering or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of additional Notes that are not fungible with the applicable series of initial Notes for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified. In the event additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes of such series of Notes. See "*Risk factors—Risks relating to the Notes, the Guarantees and the Collateral—Additional Notes sold pursuant to Regulation S may not be fungible with existing Notes of the relevant series for U.S. federal income tax purposes*," "*Book-entry, delivery and form—Transfers*" and "*Description of Notes—Additional Notes*."
Listing	Application will be made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market thereof. There is no assurance that the Notes will be, or will remain, listed and admitted to trading on the Euro MTF Market.
Original Issue Discount ...	Each series of Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. In the event of series of Notes is issued with OID, U.S. investors in such series of Notes generally will be required to include the OID in gross income for U.S. federal income tax purposes as it accrues using the constant yield method, in advance of the receipt of cash corresponding to such income, regardless of their regular method of accounting for U.S. federal income tax purposes. For more information, see "*Certain tax considerations—Certain U.S. federal income tax considerations*."
Governing law	The Indenture, the Notes and the Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility Agreement will be governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted.
Trustee	The Law Debenture Trust Corporation p.l.c.
Calculation Agent, Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
Registrar	The Bank of New York Mellon SA/NV, Dublin Branch
Security Agent	Deutsche Bank AG, London 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, the reporting entity of the TeamSystem Group. The summary historical consolidated financial information in the tables below is derived from the relevant Consolidated Financial Statements. The Audited Financial Statements are presented in accordance with IFRS and the Unaudited Interim Financial Statements are presented in accordance with International Accounting Standard 34 "Interim Financial Reporting." The information presented below is not necessarily indicative of the results of future operations.

The historical unaudited consolidated financial information of TeamSystem Holding for the twelve months ended September 30, 2020 presented in this Offering Memorandum is calculated by adding each relevant statement of profit or loss line item for the nine months ended September 30, 2020 to the corresponding statement of profit or loss line item for the full year ended December 31, 2019 and subtracting from such sum the corresponding statement of profit or loss line item for the nine months ended September 30, 2019. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of TeamSystem Holding's financial reporting and has not been audited or reviewed by TeamSystem Holding's independent auditors.

The revenue breakdown by business line that we present in this Offering Memorandum has been derived from our management accounts and is unaudited. For further information, see "Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—Revenue" and "Presentation of financial information."

On January 1, 2018, we adopted IFRS 9, IFRS 15 and IFRS 16, and our 2018 Financial Statements and 2019 Financial Statements and the corresponding figures presented in the tables below reflect the impact of such accounting standards. Our 2017 Financial Statements and the corresponding figures presented in the tables below have not been restated for the application of IFRS 9, IFRS 15 and IFRS 16. Instead, those financial statements applied the relevant predecessor accounting standards. Therefore, due to the adoption of such new reporting standards and the associated accounting policies changes applied, our 2018 Financial Statements and 2019 Financial Statements and the corresponding figures presented in the tables below may not be directly comparable with the corresponding figures derived from our 2017 Financial Statements. For further information, see "Presentation of financial and other information—Changes in accounting standards and accounting policies."

We have also presented summary unaudited as adjusted consolidated financial and other data prepared to give pro forma effect to the Transactions as if the Transactions had occurred on September 30, 2020 for the as adjusted statement of financial position information and on October 1, 2019 for the as adjusted statement of profit or loss information. Such summary unaudited as adjusted 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 or other metric 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.

The summary consolidated financial information presented below includes certain non-IFRS financial and other measures that we use to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are prepared in accordance with IFRS. See "Presentation of financial and other information—non-IFRS financial measures."

The following tables should be read in conjunction with the Consolidated Financial Statements included elsewhere in this Offering Memorandum and with the information set forth under "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,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019(*)	2020(*)	2020(*)
	(€ in millions, except percentages)					
Revenue	314.1	334.4	373.0	264.7	301.4	409.7
Other operating income	1.9	2.0	3.4	0.5	1.6	4.5
Total revenue	**316.0**	**336.4**	**376.5**	**265.2**	**303.0**	**414.3**
Cost of raw and other materials	(29.6)	(28.3)	(29.1)	(19.7)	(24.7)	(34.1)
Cost of service	(76.8)	(88.4)	(90.5)	(64.4)	(61.9)	(88.0)
Personnel costs	(109.6)	(105.0)	(110.7)	(80.7)	(82.5)	(112.5)
Other operating costs	(7.3)	(4.0)	(5.3)	(4.8)	(2.8)	(3.3)
Depreciation and amortization of non-current assets	(72.5)	(83.0)	(84.6)	(61.9)	(65.8)	(88.5)
Allowance for bad debts	(3.9)	(5.1)	(4.8)	(3.6)	(4.0)	(5.2)
Other provisions for risks and charges	(7.0)	(7.0)	(4.4)	(4.4)	–	–
Impairment of non-current assets	(0.2)	–	–	–	–	–
Operating result	**9.1**	**15.5**	**47.0**	**25.6**	**61.4**	**82.7**
Gain (loss) on disposal of subsidiaries	–	–	–	–	–	–
Share of profit (loss) of associates	–	–	–	–	–	–
Finance income	7.6	16.3	1.4	0.5	3.9	4.8
Finance cost	(79.7)	(105.7)	(85.7)	(37.0)	(44.6)	(93.3)
Profit (Loss) before income taxes	**(62.9)**	**(73.9)**	**(37.4)**	**(10.9)**	**20.6**	**(5.9)**
Current income taxes	(6.0)	1.0	(12.5)	(12.4)	(16.7)	(16.8)
Deferred income taxes	12.1	16.9	14.6	11.9	10.9	13.6
Total income taxes	**6.1**	**17.9**	**2.1**	**(0.5)**	**(5.9)**	**(3.2)**
Profit (Loss) for the year	**(56.8)**	**(56.0)**	**(35.3)**	**(11.3)**	**14.7**	**(9.1)**
Loss (Profit) attributable to non-controlling interests	(0.3)	(0.1)	(0.1)	–	(0.1)	(0.2)
Profit (Loss) attributable to owners of TeamSystem Holding	**(57.1)**	**(56.0)**	**(35.3)**	**(11.3)**	**14.6**	**(9.3)**

(*) Unaudited.

Summary consolidated statement of financial position data

	As of December 31,			As of September 30,
	2017(*)	2018	2019	2020(**)
	(€ in millions)			
Total non-current assets	1,471.0	1,445.5	1,430.3	1,443.5
Total current assets	164.8	190.9	194.5	223.5
Total assets	**1,635.8**	**1.636.5**	**1,624.7**	**1,667.0**
Total equity attributable to owners of TeamSystem Holding	507.2	449.7	365.3	379.8
Total non-controlling interests	1.0	0.5	0.5	0.6
Total equity	**508.3**	**450.2**	**365.8**	**380.5**
Total non-current liabilities	1,017.5	1,047.5	1,079.9	1,042.7
Total current liabilities	110.0	138.8	179.0	243.8
Total liabilities	**1,127.5**	**1,186.3**	**1,258.9**	**1,286.5**
Total equity and liabilities	**1,635.8**	**1,636.5**	**1,624.7**	**1,667.0**

(*) The summary consolidated statement of financial position data as of December 31, 2017 has been derived from the corresponding comparative column in the 2018 Financial Statements, which reclassified certain line items in the 2017 Financial Statements to reflect a different accounting treatment in respect of certain financing fees incurred by the TeamSystem Group in 2017. The reclassification resulted in an increase in “Total assets” and “Total liabilities” of €3.993 million.

(**) Unaudited.

Summary consolidated statement of cash flow data

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019(*)	2020(*)	2020(*)
	(€ in millions)					
Cash flow from operating activities	61.8	99.8	147.5	114.4	119.0	152.1
Cash flow from (used in) investing activities	(30.5)	(33.3)	(41.5)	(27.6)	(49.1)	(63.0)
Cash flow from (used in) financing activities	(34.4)	(58.2)	(94.2)	(87.7)	(56.3)	(62.8)
Total cash flow generated in the period	**(3.1)**	**8.3**	**11.8**	**(0.9)**	**13.5**	**26.3**
Cash and cash balances at the beginning of the period	**19.4**	**16.3**	**24.6**	**24.6**	**36.4**	**23.7**
Cash and cash balances at the end of the period	**16.3**	**24.6**	**36.4**	**23.7**	**50.0**	**50.0**

(*) Unaudited.

Other financial and pro forma data

	As of and for the year ended December 31,			As of and for the nine months ended September 30,		As of and for the twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
	(€ in millions, except percentages and ratios)					
Total revenue	316.0	336.4	376.5	265.2	303.0	414.3
Adjusted EBITDA(1)	113.0	125.7	146.1	98.3	134.4	182.2
Adjusted EBITDA margin(1)	35.8%	37.4%	38.8%	37.1%	44.4%	44.0%
Adjusted net financial debt(2)	673.3	738.2	728.7		717.5	717.5
Pro Forma Adjusted EBITDA(3)						206.4
Pro Forma Adjusted EBITDA margin(4)						45.7%
Pro forma cash, cash equivalents and other financial assets(5)						5.0
Pro forma adjusted net financial debt(6)						1,169.4
Pro forma adjusted net interest expense(7)						
Ratio of *pro forma* adjusted net financial debt to *Pro Forma* Adjusted EBITDA						5.7x
Ratio of *Pro Forma* Adjusted EBITDA to *pro forma* net interest expense						x

(1) 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 relevant period 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 for the relevant period divided by total revenue for the same period.

Adjusted EBITDA and Adjusted EBITDA Margin for the years ended December 31, 2018 and 2019, the nine months ended September 30, 2019 and 2020 and the twelve months ended September 30, 2020 presented in the table above reflect the application of IFRS 16, whereas the comparative figures for the year ended December 31, 2017 reflect Adjusted EBITDA and Adjusted EBITDA margin, respectively, prior to the implementation of IFRS 16. Accordingly, such figures are not directly comparable and investors should exercise caution when comparing our Adjusted EBITDA or our Adjusted EBITDA Margin across these periods. For further information, see "*Presentation of financial and other information*" and, for an estimate of Adjusted EBITDA for the years ended December 31, 2018 and 2019, the nine months ended September 30, 2019 and 2020 and the twelve months ended September 30, 2020 prior to giving effect to IFRS 16, see footnote (p) to the table below.

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,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
	(€ in millions)					
Profit (Loss) for the period	**(56.8)**	**(56.0)**	**(35.3)**	**(11.3)**	**14.7**	**(9.1)**
Income taxes	(6.1)	(17.9)	(2.1)	0.5	5.9	3.2
Gain (loss) on disposal of subsidiaries, share of profit (loss) of associates, finance income and finance cost[(a)]	72.0	89.4	84.3	36.5	40.8	88.6
Impairment of non-current assets	0.2	–	–	–	–	–
Other provisions for risks and charges[(b)]	7.0	7.0	4.4	4.4	–	–
Depreciation and amortization of non-current assets	72.5	83.0	84.6	61.9	65.8	88.5
Allowance for bad debts[(c)]	3.9	5.1	4.8	3.6	4.0	5.2
Costs for acquisitions and mergers[(d)]	1.3	1.3	0.5	0.3	0.9	1.1
Costs for international activities[(e)]	0.3	–	–	–	–	–
Strategic marketing expenses[(f)]	1.7	–	–	–	–	–
Settlements with clients and agents[(g)]	2.4	1.1	1.1	0.5	0.1	0.7
Personnel rationalization[(h)]	2.8	0.7	1.3	0.5	1.0	1.8
Costs for changing and closing locations[(i)]	1.4	1.0	–	–	–	–
Advisory expenses related to reorganization and cost saving projects[(j)]	5.9	7.6	2.2	1.5	1.1	1.9
IT costs for system integration and transformation[(k)]	1.9	–	–	–	–	–
Costs for change management program[(l)]	1.7	2.1	–	–	–	–
Tax optimization costs[(m)]	0.3	0.4	–	–	–	–
Cost for receivable collection project[(n)]	0.4	0.4	–	–	–	–
Other minor items[(o)]	0.2	0.5	0.1	0.1	0.1	0.1
Adjusted EBITDA	**113.0**	**125.7**[(p)]	**146.1**[(p)]	**98.3**[(p)]	**134.4**[(p)]	**182.2**[(p)]

(a) For the years ended December 31, 2018 and 2019, the nine months ended September 30, 2019 and 2020 and the twelve months ended September 30, 2020, finance cost includes interest on IFRS 16 liabilities for an amount of €0.7 million, €1.0 million, €0.7 million, €0.8 million and €1.0 million, respectively.

(b) Represents the provisions for risks and charges accrued for the periods indicated. For the years ended December 31, 2017 and 2018, amounts primarily relate to restructuring and reorganization costs that have been incurred in the following periods, including costs relating to personnel rationalization initiatives and other external costs related to reorganization projects that we launched and partially implemented in each of the relevant periods. For the year ended December 31, 2019 and the nine months ended September 30, 2019, amounts primarily relate to provisions in respect of costs incurred in the following periods in respect of certain minor legal proceedings which were settled in the first half of 2020.

(c) 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.

(d) For each period, these costs primarily relate to mergers of subsidiaries into TeamSystem S.p.A. and acquisitions we made in such period. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Acquisitions*" and "*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.*"

(e) 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.

(f) Represents external advisory costs incurred in the year ended December 31, 2017 in respect of 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.

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

(h) These 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, as well as personnel rationalization initiatives we implemented from time to time across the periods presented in connection with our bolt-on acquisitions.

(i) 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 offices, as part of our reorganization and simplification initiatives, including losses incurred in relation to the sale of a building in Campobasso.

(j) Represents advisory costs related to certain reorganization, cost saving and other special projects, including personnel rationalization initiatives. For all periods presented, these costs primarily relate to advisory services provided by leading advisors as part of our continuous efforts to increase the efficiency and profitability of our organization.

(k) Represents external costs related to the improvement of our IT services and the IT integration of new companies merged and/or acquired for the year ended December 31, 2017, as well as advisory IT expenses in connection with our reorganization activities in such period.

(l) For the years ended December 31, 2017 and 2018, these costs relate to human resource advisory services in connection with the Group reorganization and, additionally, a special bonus recognized in connection with this program.

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

(n) Represents consultancy and implementation costs incurred for the rationalization and streamlining of our credit collection processes.

(o) Represents other minor expenses, including, for the year ended December 31, 2018, advisory costs of banks and rating agencies related to the issuance of the Existing Notes.

(p) We estimate that, excluding the effect of IFRS 16, Adjusted EBITDA would have been (i) €119.5 million for the year ended December 31, 2018, (ii) €139.1 million for the year ended December 31, 2019, (iii) €93.5 million for the nine months ended September 30, 2019, (iv) €129.1 million for the nine months ended September 30, 2020 and (v) €174.7 million for the twelve months ended September 30, 2020. These figures have been estimated by management, are presented herein for information purposes only and do not purport to present what our Adjusted EBITDA for those periods would have been had IFRS 16 not been in effect since January 1, 2018.

(2) Adjusted net financial debt represents the sum of loans with banks, overdrafts with banks, notes, dividends to be paid and other financial liabilities (including, as of December 31, 2018 and 2019 and as of September 30, 2020, lease liabilities under IFRS 16), 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 ("**Liabilities to Non-Controlling Shareholders of Subsidiaries**"). Liabilities to Non-Controlling Shareholders of Subsidiaries are defined as "Vendor Loan" in our 2017 Financial Statements. For a description of how the Liabilities to Non-Controlling Shareholders of Subsidiaries are calculated, see "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—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,			As of September 30,
	2017	2018	2019	2020
	(€ in millions)			
Total financial liabilities	720.8[(a)]	775.7[(b)]	775.4[(b)]	775.8[(b)]
Of which IFRS 16 lease liabilities	–	*24.3*	*24.0*	*24.2*
Total other financial liabilities	101.5	88.1	145.7	149.1
Of which Liabilities to Non-Controlling Shareholders of Subsidiaries[(c)]	*101.4*	*87.5*	*145.4*	*148.9*
Total financing fees	(30.5)	(13.4)	(10.5)	(8.4)
Total financial debt	**791.9**	**850.5**	**910.6**	**916.5**
Total cash and bank balances	(16.3)	(24.6)	(36.4)	(50.0)
Total other financial assets	(0.9)	(0.2)	(0.1)	(0.1)
Net financial debt	**774.7**	**825.7**	**874.1**	**866.4**
Liabilities to Non-Controlling Shareholders of Subsidiaries[(c)]	(101.4)	(87.5)	(145.4)	(148.9)
Adjusted net financial debt	**673.3**	**738.2**	**728.7**	**717.5**

(a) Reflects the aggregate principal amount of the notes existing at that time (€720.0 million), accrued interest thereon as of such date, and certain other minor unsecured indebtedness. This figure reflects the application of IAS 17 in respect of leases. Under such accounting standard, operating leases were not recognized as a financial liability.

(b) In addition to IFRS 16 lease liabilities, reflects the aggregate principal amount of the Existing Notes (€750.0 million), which will be fully redeemed as part of the Transactions, accrued interest thereon as of the relevant date, and certain other minor unsecured financial liabilities.

(c) Reflects the discounted value of such liabilities as of the relevant reporting date. We intend to extinguish a portion of the Liabilities to Non-Controlling Shareholders of Subsidiaries as part of the Transactions. For further information, see "*Use of proceeds*."

(3) *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. In particular, the *pro forma* adjustments relating to certain cost saving initiatives and our annualized revenue in respect of our customer subscription arrangements 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. 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 or 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 may be substantially higher than our current estimates and may outweigh any benefit. Accordingly, this information does not represent the results we would have achieved (x) had the cost saving initiatives been implemented as of October 1, 2019 and (y) had all of the relevant subscription agreements relating to our key cloud products (existing as of September 30, 2020) been in place as of October 1, 2019 and had all subscription fees thereunder been regularly paid by our customers for the entire relevant period. In addition, *Pro Forma* Adjusted EBITDA includes a *pro forma* adjustment for the Adjusted EBITDA contribution of certain bolt-on acquisitions for the periods and as further specified in footnote (a) to the table below. Such adjustment does not reflect the costs we will incur to, among other things, integrate such businesses into the Group or any potential revenue or cost synergies or other impacts related to or expected to derive from such acquisitions, and, therefore, is not meant to represent what the Adjusted EBITDA contribution of such businesses would have been for the twelve months ended September 30, 2020 if we had acquired such businesses on October 1, 2019. 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 twelve months ended September 30, 2020 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 financial information in this Offering Memorandum that are based upon management estimates in respect of certain cost saving initiatives, annualized recurring revenues, Adjusted EBITDA generated from bolt-on acquisitions, and the resulting effect on Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2020. 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 twelve months ended September 30, 2020:

	Twelve months ended September 30, 2020
	(€ in millions)
Adjusted EBITDA	**182.2**
Bolt-on acquisitions[(a)]	9.1
Cost saving initiatives[(b)]	13.4
Annualized revenues[(c)]	1.7
Pro Forma Adjusted EBITDA	**206.4**

(a) Represents (x) an amount of €2.8 million corresponding to the aggregate Adjusted EBITDA for the twelve months ended September 30, 2020 of the businesses that we acquired during such period, *minus* the Adjusted EBITDA contribution (if any) of each such business from the relevant date of first consolidation in the TeamSystem Group to September 30, 2020 (which is already reflected in our Adjusted EBITDA for such period), *plus* (y) an amount of €6.3 million corresponding to the expected aggregate Adjusted EBITDA for the year ended December 31, 2020, based on our management's internal estimates, of the businesses that we acquired (or in respect of which we entered into an acquisition agreement) between October 1, 2020 and the date of this Offering Memorandum. In particular, the adjustment reflects the estimated *pro forma* impact on our Adjusted EBITDA of the following bolt-on acquisitions: (i) Iperelle S.r.l., a reseller of CAD/CAM solutions for medium-high mechanical and manufacturing industry customers; (ii) Gi.Esse S.r.l., a reseller of machinery targeting CAD/CAM customers; (iii) TechMass S.r.l., an innovative start-up focused on so called "*Industry 4.0*" solutions that launched a cloud-native product for the monitoring and optimization of manufacturing processes; (iv) TeamSystem BK S.r.l., representing a business segment of a company offering BPO and payroll services to SMEs ("TeamSystem BK S.r.l." is the denomination which was given to such business segment upon its separation from the seller for purposes of, and immediately prior to, the acquisition by the Group); (v) TeamSystem 5 S.r.l., representing a business segment of a company that resells certain of our software solutions ("TeamSystem 5 S.r.l." is the denomination which was given to such business segment upon its separation from the seller for purposes of, and immediately prior to, the acquisition by the Group); (vi) AREA 32 S.r.l., a software house that develops and distributes cloud software solutions for the third-sector, such as sports, non-profit and cultural organizations; (vii) AF Soluzioni S.r.l., a company that develops on premise and cloud software solutions for e-procurement and for the management of public tenders; (viii) MBM Italia S.r.l., a software house that develops solutions for planning and management of production processes, warehouse management and delivery control solutions and a complete ERP specific for fashion, apparel and footwear industry; (ix) Beneficy S.r.l., a company that has developed an innovative platform allowing companies, employees and labor consultants to manage their welfare benefits on a dedicated marketplace; (x) Team4You S.r.l., a reseller of our software solutions; (xi) TeamSystem 6 S.r.l., a business segment of a company that markets and sells certain of our software solutions ("TeamSystem 6 S.r.l." is the denomination which was given to such business segment upon its separation from the seller for purposes of, and immediately prior to, the acquisition by the Group); (xii) Habble S.r.l., a company that develops SaaS cloud software for planning and control of telecommunications and other costs in real time; (xiii) Software DELSOL, S.A., a Spanish software house operating in the e-invoicing and cloud-based ERP markets in Spain; (xiv) TeamSystem 7 S.r.l., a business segment of a company that markets and sells certain of our software solutions ("TeamSystem 7 S.r.l." is the denomination which was given to such business segment upon its separation from the seller for purposes of, and immediately prior to, the signing of the acquisition agreement with the Group); (xv) TeamSystem 8 S.r.l., a business segment of a company that markets and sells certain of our software solutions ("TeamSystem 8 S.r.l." is the denomination which was given to such business segment upon its separation from the seller for purposes of, and immediately prior to, the signing of the acquisition agreement with the Group); (xvi) Alterna S.r.l., a business segment of a company that markets and sells certain of our software solutions; (xvii) ModeFinance S.r.l., a software house that develops cloud products for ratings calculation; and (xviii) SGS S.r.l., a business segment of a company that markets and sells certain of our software solutions. See also "*—Recent developments—Bolt-on acquisitions*."

(b) Represents estimated average annual run-rate cost savings which we expect to realize between 2021 and the first half of 2022, and the majority of which we expect to realize in 2021, from a number of initiatives which we fully launched during the last quarter of 2020 and which are all ongoing as planned as of the date of this Offering Memorandum. These initiatives are related to several areas of our organization, including administration and finance, facility expenses management, information and communications technology (ICT) and procurement, R&D, customer service and delivery and sales. In particular, these initiatives include, among other things: (i) further centralization of administrative activities for all our business lines and implementation of automation tools to increase efficiency (€2.7 million); (ii) optimization of facility expenses (€0.2 million); (iii) centralization of IT procurement and other IT related efficiencies (€0.9 million); (iv) synergies across R&D teams and other R&D related efficiencies (€5.0 million); (v) further centralization or reorganization of selected customer support and delivery teams to improve efficiency (€1.5 million); and (vi) renegotiation of certain contractual terms with our resellers (€3.1 million). For further information on these cost saving initiatives, see "*—Our strategy—Continue to focus on cost discipline, improving the profitability and efficiency of our business model*." We estimate that the full realization of these annual run-rate cost savings will require in aggregate an approximately €20 million to €25 million of capital expenditures and one-off costs which have not been reflected in this adjustment, the vast majority of which we expect to incur during the course of 2021, with the remainder expected to be incurred in the first half of 2022.

(c) Represents the difference between (i) the annual subscription fees in respect of all of the subscription agreements relating to our key cloud products (*e.g.*, Fatture in Cloud, the cloud version of our core ERP products) that were in place as of September 30, 2020, net of all subscription fees associated with churning customers who delivered termination notices on or prior to September 30, 2020, for an aggregate amount of €130.9 million, and (ii) the revenue we actually generated pursuant to the subscription agreements relating to such key cloud products in the twelve months ended September 30, 2020, for an aggregate amount of €129.2 million. We believe that this is a reasonable estimate given that (a) the revenue from the sale of such key cloud products derives from the payment of recurring and contracted annual subscription fees and (b) for the calculation of this adjustment, we have disregarded the subscription fees associated with churning customers in such period.

(4) *Pro Forma* Adjusted EBITDA margin represents *Pro Forma* Adjusted EBITDA (€206.4 million) divided by *pro forma* total revenue (€451.4 million), which represents our total revenue for the period (€414.3 million) *plus* (i) (x) an amount of €9.7 million corresponding to the total revenue for the twelve months ended September 30, 2020 of the businesses that we acquired during such period, *minus* the total revenue contribution (if any) of each such business to our total revenues from the relevant date of first consolidation in the TeamSystem Group to September 30, 2020 (which is already reflected in our total revenue for such period), *plus* (y) an amount of €25.7 million corresponding to the expected total revenue, based on our management's internal estimates, for the year ended December 31, 2020 of the businesses that we acquired (or in respect of which we entered into an acquisition agreement) between October 1, 2020 and the date of this Offering Memorandum; *plus* (ii) an amount of €1.7 million of annualized revenues corresponding to the difference between (a) the annual subscription fees in respect of all of the subscription agreements relating to our key cloud products (e.g., Fatture in Cloud, cloud version of our core ERP products) that were in place as of September 30, 2020, net of all subscription fees associated with churning customers who delivered termination notices on or prior to September 30, 2020, for an aggregate amount of €130.9 million, and (b) the revenue we actually generated pursuant to the subscription

agreements relating to such key cloud products in the twelve months ended September 30, 2020, for an aggregate amount of €129.2 million. We are adding these incremental estimated *pro forma* adjustments to our total revenue for the calculation of *Pro Forma* Adjusted EBITDA margin in light of the fact that our *Pro Forma* Adjusted EBITDA for such period has also been adjusted for these items. For further information on these two *pro forma* adjustments, see footnote (3) above. *Pro Forma* Adjusted EBITDA margin and *pro forma* total revenue are not recognized measures of financial performance or profitability 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*."

(5) *Pro forma* cash, cash equivalents and other financial assets represents cash and bank balances plus other current and non-current financial assets as of September 30, 2020 as adjusted for the Transactions, as if the Transactions had occurred on September 30, 2020, as further described in footnote (1) under "*Capitalization*." See also "*Use of proceeds*."

(6) *Pro forma* adjusted net financial debt represents adjusted net financial debt (before the deduction of financing fees) as further adjusted for the Transactions, comprised of the Notes offered hereby together with lease liabilities under IFRS 16 and certain other minor unsecured financial debt. See "*Capitalization*." *Pro forma* adjusted net financial debt does not include amounts outstanding as of the Issue Date under the Revolving Credit Facility. In the event that freely available cash on the balance sheet on or about the Completion Date is 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 Completion Date or shortly thereafter. *Pro forma* adjusted 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. *Pro forma* adjusted 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*."

(7) *Pro forma* adjusted net interest expense represents estimated finance cost less finance income, excluding the Liabilities to Non-Controlling Shareholders of Subsidiaries component, for the twelve months ended September 30, 2020 after giving *pro forma* effect to the Transactions, as if the Transactions had occurred on October 1, 2019 and assuming that the Revolving Credit Facility would have been undrawn for the entire period. This estimate reflects the issuance of (i) € million Floating Rate Notes issued at % and carrying an interest rate of three-month EURIBOR plus % (assuming the three-month EURIBOR rate as of the date hereof was in effect for the entire period, subject to a 0% floor), and (ii) € million % Fixed Rate Notes issued at %. *Pro forma* adjusted net interest expense also includes interest accruing on €24.2 million of IFRS 16 lease liabilities that we expect will remain outstanding following the Transactions and is calculated gross of the debt issuance costs in connection with the Transactions. *Pro forma* adjusted net interest expense does not include commitment fees on undrawn amounts under the Revolving Credit Facility. *Pro forma* adjusted net interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date. See "*Use of proceeds*" and "*Capitalization*."

Revenue breakdown by business line

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
	(€ in millions)					
Direct Channel	**114.4**	**116.8**	**117.2**	**83.9**	**92.6**	**125.9**
Recurring[(a)]	69.5	80.0	93.7	68.2	76.7	102.2
Licenses and professional services[(b)]	44.9	36.8	23.5	15.7	15.9	23.7
Indirect Channel	**91.8**	**99.3**	**107.1**	**78.0**	**82.0**	**111.1**
Recurring[(a)]	83.7	92.4	100.0	74.0	77.7	103.6
Licenses and professional services[(b)]	8.1	6.9	7.1	4.0	4.4	7.5
Micro and New Business Solutions	**15.0**	**20.4**	**48.9**	**34.1**	**50.2**	**65.0**
Recurring[(a)]	12.4	16.8	43.3	31.3	46.8	58.9
Licenses and professional services[(b)]	2.6	3.6	5.6	2.8	3.4	6.1
Vertical Solutions	**89.3**	**95.4**	**99.9**	**67.5**	**77.6**	**110.0**
Recurring[(a)]	45.0	47.3	52.6	37.5	48.1	63.3
Licenses and professional services[(b)]	44.4	48.1	47.2	30.0	29.5	46.7
Hardware and others[(c)]	**5.5**	**4.4**	**3.4**	**1.7**	**0.5**	**2.3**
Total	**316.0**	**336.4**	**376.5**	**265.2**	**303.0**	**414.3**

(a) Our recurring revenues are primarily derived from periodic payments we receive in connection with annual software assistance and maintenance contracts, subscription contracts, annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees and Formulaic Fees, as well as from the sale of Regulatory LTAs. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Recurring*" and "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Recurring contracted revenues and high Customer Retention Rate*." 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*."

(b) Includes revenues from the sale of software licenses, and professional services, which generate fees generally related to the installation and customization of our software solutions, the training services we provide to customers at the product start-up and the training, pre-sales and marketing support services we provide to our VARs. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Licenses and professional services*."

(c) Includes revenues from our hardware operations and certain *de minimis* revenues in respect of professional services rendered by our subsidiary Mondora S.r.l.

Other financial data

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
Recurring revenue[1]	67.1%	71.0%	77.4%	80.2%	82.5%	79.4%
Organic revenue growth[2]	7.2%	5.7%	9.7%	13.0%	7.6%	–
Cloud revenue[3]	9.8%	16.8%	29.1%	28.0%	38.1%	36.4%
Adjusted operating cash flow[4] *(€ in millions)*	79.0	96.2	131.5	104.0	99.8	127.2
Cash flow conversion rate[5]	82.5%	90.2%	103.5%	123.5%	84.6%	79.2%
Ratio of capital expenditure to total revenue	8.0%	8.7%	7.9%	7.7%	8.5%	8.4%
Ratio of allowance for bad debts to total revenue	1.2%	1.5%	1.3%	1.4%	1.3%	1.3%
Ratio of personnel costs to total revenue	34.7%	31.2%	29.4%	30.4%	27.2%	27.1%
Total revenue per full-time employee[6] *(€ in thousands)*	155.3	169.6	184.0	131.7	133.8	185.4
Adjusted EBITDA per full-time employee[6] *(€ in thousands)*	55.5	63.3	71.4	48.8	59.3	81.6

(1) Represents the percentage of total revenue for each of the periods indicated that we generated in all our business lines (as well as in the "Hardware and others" category) from revenue sources that we consider to be recurring. For further information see "*—Revenue breakdown by business line*" above, "*Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Recurring*" and "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Recurring contracted revenues and high Customer Retention Rate*." 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 organic total revenue, compared to total revenue in the relevant previous period. Organic revenue growth 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) Represents the percentage of our total revenue for each of the periods indicated that we generated from the sales of cloud solutions. Cloud 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*" and "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Growth of our cloud business.*"

(4) Adjusted operating cash flow represents Adjusted EBITDA for the relevant period *less* allowance for bad debts and capital expenditure and adjusted for change in net working capital and change in provisions. For the year ended December 31, 2017, Adjusted operating cash flow includes the adverse effect of €4.5 million in respect of expenses we made in such year in connection with our new headquarters in Pesaro. Adjusted operating cash flow 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*." The following table sets forth a calculation of Adjusted operating cash flow for the periods indicated:

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019	2020	2020
				(€ in millions)		
Adjusted EBITDA[a]	**113.0**	**125.7**	**146.1**	**98.3**	**134.4**	**182.2**
Allowance for bad debts	(3.9)	(5.1)	(4.8)	(3.6)	(4.0)	(5.2)
Change in net working capital[b]	(10.4)	6.8	21.2	29.0	(3.0)	(10.8)
Change in provisions[c]	5.6	(2.1)	(1.4)	0.8	(1.8)	(4.0)
Capital expenditure	(25.3)	(29.1)	(29.6)	(20.5)	(25.8)	(35.0)
of which						
Investments in tangible assets	*(6.6)*	*(3.2)*	*(3.0)*	*(2.2)*	*(2.5)*	*(3.3)*
Investments in intangible assets	*(5.4)*	*(12.1)*	*(12.3)*	*(7.8)*	*(10.9)*	*(15.4)*
Capitalized development costs	*(13.4)*	*(13.9)*	*(14.3)*	*(10.5)*	*(12.5)*	*(16.3)*
Adjusted operating cash flow	**79.0**	**96.2**	**131.5**	**104.0**	**99.8**	**127.2**

(a) For a reconciliation of Adjusted EBITDA for the periods indicated to the closest IFRS measure, see "*—Summary historical financial information and other data—Other financial and pro forma data—Adjusted EBITDA*" above.

(b) Change in net 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 net 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.

(c) Change in provisions 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 includes staff leaving indemnity and provisions for risks and charges.

(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 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*."

(6) Total revenue per full-time employee and Adjusted EBITDA per full-time employee represents the ratio of total revenue or Adjusted EBITDA, as applicable, for the relevant period to the average number of our full-time employees for such period, assuming an 8-hour workday.

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, 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 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 solutions and, in particular, our new ancillary digital products, 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 solutions based on new technologies, 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 if we are not successful, we may lose important sales opportunities, customers and market share.

In our Direct Channel, Vertical Solutions and Micro and New Business Solutions business lines, 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 certain product and service price adjustments which we sometimes engage at the beginning of the year as part of our continuous improvement of our product offering. Generally, customers who wish to cancel their contracts following a price adjustment have a fifteen-day period following the price adjustment 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 adjustment may therefore occur several months after the price adjustment, and as a result it could be difficult for us to estimate the impact of future price adjustments on our Customer Retention Rate. We cannot guarantee that any future price adjusments will not decrease our Customer Retention Rate. Our Customer Retention Rate for Microbusinesses is generally lower than our Customer Retention Rate for SMEs and professionals, and this is mainly due to the lower complexity of Microbusinesses' software solutions which results in lower switching costs. If the contribution to our business of the Micro and New Business Solutions business line and therefore the Microbusiness customer market segment continue to increase, in line with the growth we experienced between December 31, 2017 and the twelve months ended September 30, 2020, our overall Customer Retention Rate may decrease, which, in turn, may adversely affect our business and results of operations. See "*Certain Definitions—Customer Retention Rate*."

In addition, customer support services help us build and maintain good relationships with our customers, which is critical to our reputation and, ultimately, our business. While we have outsourced a small part of our customer support operations to Comdata Group to enable us to more efficiently manage increased assistance requests from our customers during peak times, we have an internal team of approximately 300 specialists who provide customer support and other assistance and maintenance services directly to all our customers. If our internal team or, to a lesser extent, our external specialists do not provide adequate levels of assistance to our customers, our customer satisfaction may decline and our Customer Retention Rate may decrease, which, in turn, may adversely affect our business and results of operations.

Furthermore, we believe that our delivery operating model (which usually includes the installation, configuration and customization of our products) is a crucial element in allowing our distribution and service channels to meet customer expectations and drive revenue growth. While most products for Microbusinesses do not require delivery services and we outsource to external system integrators all delivery services in respect of the majority of our products targeting SME customers, we have an internal team of project managers and technical consultants specialized in the delivery of products directed at our professional customers and customers of our Vertical Solutions business line. If our internal team or external specialists (*i.e.*, system integrators), as applicable, do not perform efficiently or in a timely manner, we may experience disruptions in the delivery process, which can negatively impact our business processes and reputation among our customers. See also "*—The outsourcing of part of our delivery services, 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.*"

If we fail to maintain, expand or develop our relationships with VARs and ACG agencies, we could lose a significant portion of our end-customers, which could have a negative impact on our business and financial conditions.

Our network of VARs enables us to increase our customer base and benefit from our VARs' strong distribution and geographical proximity to the end-customers. In our Indirect Channel, as of September 30, 2020, we relied on approximately 280 VARs and approximately 30 ACG agencies. 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 business line 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 (Forfait Fee) or they are re-assessed yearly based on the individual VAR performance (Formulaic Fee). We are in the process of replacing the Forfait Fees model with Formulaic Fees model gradually, upon renewal of each VAR contract. For further details, see "*Business—Business lines—Indirect Channel.*" 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 retention rates for our VARs. In addition, as part of our VAR network transformation strategy, we intend to introduce new mechanisms and initiatives to facilitate VARs' growth and the profitability of our Indirect Channel business line. We cannot assure you that the relationship with our VARs will not be adversely impacted by such initiatives, and any such adverse impact could result in decreased retention rates for our VARs. See "*Summary—Our strategy—Optimize and further strengthen our distribution model by expanding the reach of our Direct Channel and Indirect Channel business lines.*"

Further, in our Indirect Channel, technical assistance, delivery services and customer services *vis-à-vis* the end-customers are performed by VARs. The level at which VARs perform such services may be outside of our control. A deterioration of the quality of technical assistance, delivery services or customer services provided by our VARs to such end-customers and/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. Similarly, ACG agencies perform delivery services and technical assistance to their customers. If ACG agencies are not able to maintain a high quality of delivery services and technical assistance, we may lose a significant portion of our customers serviced by ACG agencies.

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, if our competitors are able to offer better customer service and/or are more effective than us in promoting their products, they may be able, including through dedicated promotions or other marketing activities, to cause the migration of some of our existing customers to their solutions, and we might be unable to continue to attract new customers.

In addition, although well-established industry players such as Microsoft, Oracle and Sap 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 and Oracle, could introduce new operating systems, database systems, new software and computer hardware that incorporate features and 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. Furthermore, international companies which focus on SMEs and professionals (*e.g.,* Xero and Intuit), may decide in the future to enter the Italian market and introduce solutions that may compete with our solutions. See "*Industry—Competition.*"

The risks deriving from competition are higher in our Micro and New Business Solutions business line, as software for Microbusinesses, such as our Fatture in Cloud software, is simpler, more standardized and requires less customization and no delivery services compared to software solutions for larger enterprises. Furthermore, we currently have a number of additional specialized competitors (*e.g.*, Aruba), which provide electronic invoicing services, performing some of the more basic functions currently performed by our products, but at a lower price. If we are unable to continue providing high quality products and services, the competition of other providers could adversely affect our competitive position and result in a loss of market share for us.

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.

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 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 the first player to launch such new software in the market, and our failure to do so in respect of any particular product or service 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.

The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity.

In December 2019, a novel strain of coronavirus surfaced and, since then, has spread around the globe, including in Italy. The resulting disease, COVID-19, has been declared a pandemic by the World Health Organization. In response to the COVID-19 pandemic, on March 9, 2020, the Italian government imposed a nationwide quarantine together with several other measures. As a result of these restrictive measures, we closed substantially all of our facilities and transitioned all of our employees to remote working. Additionally, even though the nationwide quarantine was lifted on May 4, 2020, significant restrictions and social distancing measures remain in place, which continue to adversely affect the overall Italian economy and, in turn, our operations and our customers' operations. In particular, as the number of infections in Italy significantly increased in the fall of 2020, new drastic measures were taken, including a nationwide evening curfew and certain more stringent *ad hoc* measures for regions with higher infection rates, which has resulted in, among other things, protests and further economic and social turmoil.

As a result of the financial and social difficulties generated by the COVID-19 pandemic, we could lose customers as a result of bankruptcy or other financial difficulties, or customers could otherwise become insolvent and be unable to continue to pay for our products and services, which could harm our liquidity, or could decide to postpone, cancel or reduce their investment in software solutions, which could, among other things, adversely affect our growth. These risks are exacerbated in respect of customers in our Vertical Solutions business line who operate in the hospitality and wellness industries, which were particularly affected by the pandemic. See "*—Delayed payments or non-payments by our customers could adversely affect us.*" Furthermore, the activities of our sales representatives are and may continue to be limited by the restrictions imposed by the Italian government or other authorities to address the risk of transmission of COVID-19, which may result in the loss of existing or potential customers and the slowdown of our future growth rates compared to the past.

In addition, political repercussions of responses to the COVID-19 outbreak by European Union institutions as well as by other countries in the European Union could have complex and hard-to-predict consequences for the future, including a destabilization of the European Union or its institutions or a slow-down or reversal of European integration. It is unclear whether measures taken by European Union institutions, the Italian government and governments of other member states of the European Union to contain the COVID-19 outbreak are adequate and will be effective in achieving their goals. It is unclear when, if at all, the COVID-19 outbreak will be contained. We cannot guarantee that COVID-19 or any future outbreak of another virus or other contagious disease will not have a material adverse effect on our business and results of operations. The extent to which the COVID-19 pandemic negatively affects our business, results of operations and financial condition depends on several factors, including the duration and severity of the COVID-19 pandemic, any additional periods of lockdown in Italy, and the pace at which demand, pricing and, in general, economic and operating conditions will stabilize and recover in Italy. Any future developments are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. To the extent the COVID-19 pandemic adversely affects our business, results of operation, financial condition and prospects, as well as our ability to perform our obligations under the Notes, it may also have the effect of heightening many of the other risks described in this "*Risk factors*" section.

Our results of operations, business and financial condition could 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 almost all of our revenue. A downturn in the Italian economy, including as a result of the COVID-19 pandemic, could affect information technology ("**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. In September 2019, a coalition government composed of the center-left Democratic Party and the anti-establishment Five Star Movement was sworn in. Such coalition government was formed on the back of the 2018 general election, in which no party won an outright majority, resulting in a hung parliament and leading to protracted negotiations to form a new government. These negotiations were concluded with the formation of a coalition government, composed of the anti-establishment League and Five Star Movement parties, which then collapsed in August 2019. It is unclear how long the current government will remain in office and whether it will be able to adequately address impediments to the country's growth, including as a result of the COVID-19 pandemic, such as the ratio of sovereign debt to GDP, the write-down of non-performing loans and the reduction of unemployment in Italy. Continuation or further worsening of these economic and political conditions could have a material adverse effect on our business, results of operations and financial condition.

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 grow in size, both organically or through bolt-on acquisitions, we may become increasingly exposed to macroeconomic conditions, particularly those in Italy.

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, 2017, 2018 and 2019 and the twelve months ended September 30, 2020 our allowance for bad debts was €3.9 million (or 1.2% of our total revenue), €5.1 million (or 1.5% of our total revenue), €4.8 million (or 1.3% of our total revenue) and €5.2 million (or 1.3% 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, including as a result of the impact of COVID-19, could lead to financial difficulties or even bankruptcy filings by our customers, including VARs. Accordingly, this could result in an increase in bad debts and cancellations, as well as in a reduction or delay in revenue collection, which could impact our liquidity and cash flow negatively. See *"—The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity.*"

Finally, 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.

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 show 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, in respect of, for example, product quality and security, price level of our products and services, effectiveness and timeliness of our customer service, 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 our advertising and promotional activities are not successful, our ability to market and sell our products or develop new products may be harmed.

We incur expenses associated with the development and marketing of our new products in advance of our ability to recognize the revenues associated with these offerings. When we develop a new product or acquire a new business and integrate its products in our offer, we usually invest in communication and marketing activities to launch and promote such new products. In particular, we make substantial investments on digital campaigns and other marketing activities in connection with our products for Microbusinesses, as we believe the ability to attract new Microbusiness customers is strongly correlated to marketing investments. We must therefore manage our advertising and marketing costs effectively in order to maintain satisfactory operating margins and return on our marketing investment and convert customer awareness into actual product purchases. Our marketing efforts might not generate the expected degree of brand recognition, nor promote growth in the number of customers or expansion of sales volume that we expect, thus resulting in a lower return on our marketing investment, lower sales of our products and services and more limited growth and possibility to invest in new products’ development in the future.

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 record, 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, malware 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 expand our cloud 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 customer service level requirements. In particular, because many of our products and 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 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.

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. For example, the measures adopted as a result of the COVID-19 pandemic, including remote working, may delay the development of new products and therefore the market launch of such products. 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 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, if our customers experience a defect or a delay in product upgrade, especially if linked to new regulations, they may decide not to renew contractual arrangements relating to our products and services or may delay or withhold payment of software assistance and maintenance fees. Furthermore, defects or bugs might also impact the installation and start-up of new products to our existing customers or new customers, in which case our customers may delay or withhold the payment of licenses and delivery services. 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 and harm our competitive advantage, 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 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.

The process of digitalization within the Microbusiness customer market segment in Italy may be slower than expected and we may be unable to increase our presence in such segment or to exploit upselling opportunities from our existing Microbusiness customer base.

Over the last few years, we took advantage of the strong digitalization trend involving Microbusinesses in Italy and the new requirements introduced by the Italian e-invoicing regulation to launch new cloud-based solutions suited for Microbusinesses, in order to satisfy their needs and successfully enter this customer market segment. We intend to reach new Microsbusiness customers, also through the implementation of new go-to-market models (for example, through our accountant customers) and by upselling more advanced software to our existing Microbusiness customers and digital customers connected to our accountant customers. See *"Summary—Our strategy—Accelerate penetration of the Microbusiness customer market segment through new go-to-market models and capture upselling opportunities from our existing Microbusiness customer base."* However, if the digitalization trend slows down for any reason and the penetration of software solutions in the Microbusiness customer market segment does not continue as expected, we be unable to further consolidate our presence among Microbusinesses and to achieve the growth and economic result that we expect. Furthermore, any change to the current Italian e-invoicing regulations could adversely affect and further slow down the Microbusiness digitalization trend, which could have a negative impact on our growth and adversely affect our financial results. See also *"—New regulations as well as the absence or reduction of regulatory changes may adversely affect the sale of certain of our products."*

The market for cloud-based applications may develop more slowly than we expect or we may have difficulties in transitioning our traditional customer base to cloud technology.

We offer a significant portion of our software applications and functionalities within a cloud-based 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, Contabilità in Cloud, our ERP software for Microbusinesses, Cassa in Cloud, our ERP software for restaurant and retail businesses, and our Digital product line (including, among others, TeamSystem Digital Invoice, TeamSystem Digital Sign and TeamSystem Digital Archive), is available only on cloud. In addition, we have developed the cloud-based versions of our most successful on premise software for both SMEs and professionals, such as TeamSystem Enterprise and TeamSystem Studio, and we plan to continue transitioning our traditional customer base to cloud-based products and launching new cloud-native services within our Digital ecosystem to complement our offer. See also "*Summary—Our strategy—Continue the transition from on premise to cloud-based products at full speed, while working on product and technology innovation to always offer state-of-the-art solutions to our customers*" and "*Summary—Our strategy—Leverage TeamSystem Digital ecosystem to launch innovative services, such as TeamSystem Digital Finance and exploit the full potential of the large number of customers and users connected to it.*" Although we currently benefit from the increasing sales of our cloud-based solutions, we cannot guarantee that we will continue to experience similar growth going forward. Our success in growing revenue and market share from our cloud-based offerings will depend on, among other things, our ability to maintain our traditional on premise customer base and to efficiently assist such customers with the transition to cloud technology. Our ability to effect such transition will be limited by the willingness of such customers and the markets that we serve to accept the new SaaS technology and consequently the new delivery model for applications that they see as critical to the success of their business. Many companies have invested substantial efforts and financial resources to integrate traditional enterprise software and IT staffing into their businesses and may therefore be reluctant or unwilling to migrate these applications to cloud; in addition, technical difficulties may occur during the migration process and we might be unable to replicate all the customization and software integration provided to our customers with on premise solutions, which could potentially result in the relevant customers refusing to migrate to cloud-based solutions or even deciding to terminate their contract with us. 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 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 cloud services may develop more slowly than we expect, customers may not be willing to adopt cloud solutions to the extent that we foresee or we be unable to transition our on premise customer base to cloud solutions at the pace that we expect and without impacting our Customers Retention Rate, each of which could harm our business and prevent us from launching new cloud-based products (including TeamSystem Digital Finance services) successfully. In addition, international competitors may decide to enter into the Italian market and introduce their own initiatives which may compete with, or not be compatible with, our cloud solutions. Finally, the technology, the market for cloud services and our business model continue to evolve and we may be unable to compete effectively, generate significant revenues or maintain profitability for our cloud-based offerings.

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

In the ordinary course of business, we process personally identifiable information on customers, business partners, employees, third parties and others (including name, address, age, bank details and personal sensitive information) as part of our business and therefore we must comply with strict data protection and privacy laws and regulations.

Any processing of personally identifiable information of individuals located in the European Economic Area in the course of the provision of services is governed by the European data protection laws and regulations, which restrict our ability to collect, process and use personally identifiable information relating to customers, potential customers, business partners, and employees, including for marketing purposes.

Such laws and regulations concern the collection, use, retention, security, processing and transfer of personally identifiable information. In particular, starting from May 25, 2018, our operations are subject to the provisions of Regulation (EU) 2016/679 of April 27, 2016 ("**General Data Protection Regulation**" or "**GDPR**") and to the Italian Privacy Code (Legislative Decree no. 196/2003, as amended by Legislative Decree no. 101/2018, which adapted Italian rules to GDPR). The GDPR increased both the number and the restrictive nature of the obligations binding us in particular with respect to the collection, processing and use of personally identifiable information.

The GDPR, *inter alia*, provides for:

- significant applicable maximum fines, up to the higher of (i) €20 million or (ii) 4% of annual global turnover per breach, as opposed to fines of less than €1 million under the former regime;
- more onerous consent requirements, as consent will always have to be express/opt-in, while implied/opt-out consent has at times been deemed sufficient under the former regime; and
- stronger rights for individuals, including an individual "right to be forgotten", which would require us to permanently delete a user's personally identifiable information in certain circumstances.

We adapted our internal procedures and operations to the requirements imposed by the GDPR. We have appointed a dedicated data protection team, which also includes a Data Protection Officer (a "**DPO**") and we have taken actions to ensure the constant and complete implementation of the best practices for compliance with the applicable data protection regulatory framework. Nevertheless, there can be no assurance that we carried out the GDPR implementation effort in an appropriate effective and timely manner, and any related failure in complying with the applicable data protection and privacy regulatory framework could have a material adverse effect on our business, financial condition and results of operations. In addition, every time we acquire a new company, we have to review its internal processes and procedures to ensure consistency with our internal processes and procedures and compliance of the newly acquired company with GDPR, with consequent costs for us.

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 personally identifiable information, 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.

Any failure, or perceived failure, by us to comply with any applicable data protection laws and regulations could result in proceedings, investigations or actions (including class actions) brought against us by governmental entities/agencies or private individuals/entities, significant fines, penalties, judgments and reputational damages to our business, requiring us to change business practices and increasing the costs and complexity of compliance, any of which could materially adversely affect our business, results of operations and financial condition.

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.

Furthermore, regulatory obligations currently in force such as those provided under Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy with revenues higher than €65 thousand per year (with the exception of healthcare professionals), starting from January 1, 2019, to provide electronic invoices to other businesses with whom they conduct transactions, or under the act No. 236086/2019 of the Italian Tax Authority, which introduced the requirement for retail Microbusinesses to electronically share receipts with the Italian Tax Authority on a daily basis, may be amended or eliminated in the future. Any such circumstances could adversely affect our growth. Other regulatory obligations that may have an impact on our business include, for example, the Italian regulation on corporate crisis which will introduce the obligation for private companies in Italy to create the organizational, administrative and accounting set-up to ensure that companies are able to identify early potential risks of economical or financial crisis. This legislation is expected to come into force on September 1, 2021. We expect that this new requirement will have a positive impact on our business and, in particular, on our sales to SMEs and professionals; 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.

The outsourcing of part of our delivery services, 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.

Since June 2018, we have outsourced certain delivery services and started a strategic partnership with selected system integrators specialized in the installation, configuration, customization and start-up of our Enterprise products (the "**System Integrators**"). The System Integrators manage their activities relying on dedicated teams, which have a specific know-how in management and realization of ERP projects. If we do not effectively manage relationships with our System Integrators, if these do not perform efficiently or in a timely manner, or if we experience problems with transitioning the work to them, we may experience disruptions in the delivery process, which can negatively impact our business processes and reputation among our customers.

Moreover, in 2017, some members of our customer service team were relocated to ComSyst S.r.l., a third-party service provider in which we held a stake of 49% in the form of a joint venture with the Comdata Group. In November 2019 we sold our stake to the Comdata Group, which now provides part of our customer support services 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. In December 2017, we also signed a contract for the outsourcing of our hardware resale operations to a third party hardware vendor via a business lease agreement which will expire in April 2021. 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.

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, conventions and virtual sessions and trainings; (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 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 and our Customer Retention Rate in our Vertical Solutions business line may be affected.

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 twelve months ended September 30, 2020, total revenue of the Nuovamacut group companies (our subsidiaries which distribute CAD/CAM software products) was €39.7 million (or 9.6% 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, (ii) include a non-compete clause that prohibits Nuovamacut from developing, licensing, marketing and/or distributing competing products, also outside the exclusive territory, and (iii) include a change of control provision that provides SolidWorks with the ability to terminate the SolidWorks Distribution Agreements if a change of control in the ownership occurs, which we are currently discussing with SolidWorks in the context of the annual renewal of these agreements. 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.

Our strategy of pursuing acquisitions of businesses and other business combinations 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, including change of control provisions in the agreements entered by the acquired company. 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. Furthermore, such transactions could be significant or transformational in size and importance for the Group and the consolidation of the results of such businesses may affect the comparability of our financial statements with prior periods. 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.*"

In evaluating potential acquisitions or business combinations, 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 or combine with any particular business and fully integrate the acquired business into our existing organizational set-up or our product offering, commercial channels and operating model, particularly for material or transformational acquisitions of, or combination with, larger businesses or business units, which may prove more difficult to integrate into our business, increasing the risk that such acquisitions or combinations may not be successful. Transformational or material acquisitions or business combinations could require significant financial and operating resources and we do not have experience undertaking such large acquisitions, which may also result in unfavorable external perceptions of the transaction or us, creating the potential for rating downgrades or adversely affecting the market price of the Notes. Further, our efforts to select, acquire and integrate other businesses may divert managerial resources away from our business operations. Moreover, as a result of our recent acquisition of Software DELSOL, S.A., a company operating in the Spanish e-invoicing and cloud-based ERP markets (see "*Summary—Recent developments—Bolt-on acquisitions*"), we intend to expand our operations in the Microbusiness customer market segment in Spain, where new e-invoicing regulations are expected to be introduced in the near future and where we believe there is a trend for digitalization and potential for growth in such customer market segment. We cannot ensure that we will be able to profitably operate in such new market and to achieve the level of revenue, profitability and growth that we expect. In addition, if legal or regulatory requirements in Spain were to change such that Microbusinesses will be no longer required to comply with the expected e-invoicing regulations, our investment in such market may not be successful. See "*—New regulations as well as the absence or reduction of regulatory changes may adversely affect the sale of certain of our products*."

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, including as a result of the economic impact of COVID-19 and the measures adopted in response of such pandemic. 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 acquiror. Successful integration also requires coordination of different teams (*e.g.*, R&D, commercial and marketing teams). This too can be difficult and unpredictable because of possible cultural conflicts and different opinions on technical decisions, product roadmaps, commercial and go-to-market approach and, more generally, organizational and operations set-up. Any of these factors could lead to increased operating costs, the loss of key employees, suppliers, agents, VARs and 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 twelve months ended September 30, 2020, payments of dividends to non-controlling shareholders of our subsidiaries amounted to €2.6 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 "**Liabilities to Non-Controlling Shareholders of Subsidiaries**") is accounted for as financial debt in our Consolidated Financial Statements and, as of September 30, 2020, amounted to €148.9 million on a discounted basis, or €157.9 million on a non-discounted basis. As part of the Transactions, on or shortly after the Completion Date, we expect that TeamSystem will use a portion of the proceeds from the TeamSystem Proceeds Loan and certain available cash at TeamSystem to buy out the stakes held by the non-controlling shareholders in Danea, AliasLab, Skylab and MadBit. Our current contractual arrangements with such non-controlling shareholders allow us to exercise our call option rights during the course of 2021. As of the date of this Offering Memorandum, as part of the Transactions, we are in the process of renegotiating these contractual arrangements in order to acquire these minority interests on or prior to the Completion Date or as soon as practicable thereafter, but we have not yet entered into definitive agreements. Therefore, we cannot assure you that we will be able to acquire the relevant equity stakes within the anticipated time frame. See "*Use of proceeds*." As of September 30, 2020, on a *pro forma* basis for the Transactions and thus excluding liabilities in respect of Danea, AliasLab, Skylab and MadBit, we would have had €31.1 million of Liabilities to Non-Controlling Shareholders of Subsidiaries on a discounted basis (or €35.0 million on a non-discounted basis), the majority of which we estimate will become payable by 2024. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Liabilities to Non-Controlling Shareholders of Subsidiaries*."

The 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. 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 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 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 Liabilities to Non-Controlling Shareholders of Subsidiaries for accounting purposes. If the value of the Liabilities to Non-Controlling Shareholders of Subsidiaries change, the change is accounted for in our statement of profit or loss as finance income (if the value of the Liabilities to Non-Controlling Shareholders of Subsidiaries decreases) or finance expense (if the value of the Liabilities to Non-Controlling Shareholders of Subsidiaries increases). If we underestimate the value of the 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.

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 quality of our products and 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 (*e.g.*, our Sales Academy) 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. In addition, if our key management and operating personnel becomes infected with COVID-19, they could be unable to work for a period of time. Furthermore, the measures adopted in response to the COVID-19 pandemic could make the integration of newly hired personnel more challenging. See "*—The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity.*"

Finally, 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.

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 and efficiency of our sales organizations, which may disrupt our operations and increase the risk of sales personnel turnover. For example, over the past few years, we have made certain changes to our organizational structure in order to improve the effectiveness of our sales organizations. In particular, in 2017 we 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 four regions (large offices that engage in both sales and managerial functions). As of the date of this Offering Memorandum, approximately 80% of our employees are located in ten locations, but, as a result of our recent bolt-on acquisitions, we have approximately 25 additional smaller offices located throughout Italy which, in the future, we may decide to shut down, merge or relocate.

Although the relationship with our personnel throughout these processes has remained generally positive so far, 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, 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 December 2017, effective January 1, 2018, we outsourced to a market leader in this sector our hardware resale operations via a business lease agreement which will expire in April 2021. In addition, to further enhance the flexibility of our customer service, in 2017, some members of our customer service team were relocated to ComSyst S.r.l., a third-party service provider in which we held a stake of 49% in the form of a joint venture with the Comdata Group. In November 2019 we sold our stake to the Comdata Group. See "*—The outsourcing of part of our delivery services, 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.*" As of the date of this Offering Memorandum, approximately 80% of our employees are located in ten locations, but, as a result of our recent bolt-on acquisitions, we have approximately 25 additional smaller offices located throughout Italy which, in the future, we may decide to shut down, merge or relocate. 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. Finally, during the last quarter of 2020, we fully launched a comprehensive set of cost saving initiatives which are all ongoing as planned as of the date of this Offering

Memorandum. These initiatives are related to several areas of our organization, including administration and finance, facility expenses management, information and communications technology (ICT) and procurement, R&D, customer service and delivery and sales. We cannot assure you that we will be able to successfully implement any or all of these cost saving initiatives and the costs we incur in trying to realize the associated cost savings may be substantially higher than our current estimates. For further information on these cost saving initiatives, see "*Summary—Our strategy—Continue to focus on cost discipline, improving the profitability and efficiency of our business model*," "*Summary—Summary historical financial information and other data—Other financial and pro forma data*" and "*—We have presented certain pro forma financial information in this Offering Memorandum that are based upon management estimates in respect of certain cost saving initiatives, annualized recurring revenues, Adjusted EBITDA generated from bolt-on acquisitions, and the resulting effect on Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2020. 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.*"

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.

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.

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 throughout the year due to our seasonal billing patterns. In particular, in our Direct Channel business line and, to a lesser extent, in our Vertical Solutions business line, most of our contracts with customers are automatically renewed and the related fees invoiced at the beginning of each calendar year (during our annual budgeting process) and the related trade receivables are primarily collected during the second quarter. 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 end of the first quarter, to then gradually decrease through the end of the year. Typically, our Direct Channel and Vertical Solutions contracts are renewed unless customers provide a written termination notice usually at least six months prior to the expiration of such contracts. In our Indirect Channel business line, revenue is almost entirely of a recurring nature as it primarily consists of the annual fees that we invoice each VAR quarterly or in some cases annually for the right to resell our products and the related receivables are usually collected in approximately three months. In our Micro and New Business Solutions business line is almost entirely of a recurring nature as it primarily consists of annual subscription fees, which are accounted for on a monthly basis and which customers pay annually in advance. 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 and professional customers may make it difficult to predict our growth.

We normally face long selling cycles to secure new contracts with SME customers and, to a minor extent, professional customers for our products. Our SME and professional 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 (including as a result of the COVID-19 pandemic);
- changes in customer personnel;
- reduced demand for enterprise software solutions;
- introduction of new products by our competitors;
- seasonality of a customer’s IT purchases;
- lower prices offered by our competitors for similar products;
- 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 revenues from licenses and professional services from direct SME and professional 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 and professional customers may result in the incurrence of significant time spent by our 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.

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

Our personnel costs, which are our largest operating expense, represented 47.3% of our total operating costs for the twelve months ended September 30, 2020. 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, as well as deteriorating general health conditions. For example, as a result of COVID-19 and in order to comply with the safety and health measures imposed by the Italian government, we incurred certain costs (including for COVID-19 tests). 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.

Two of our subsidiaries operate in the financial industry, which is highly regulated, and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change could adversely affect our business.

As part of our digital strategy, in the first quarter of 2019, we incorporated TeamSystem Payments S.r.l., a wholly-owned indirect subsidiary of TeamSystem, and TeamSystem Capital at Work SGR S.p.A., an indirect subsidiary of TeamSystem in which we indirectly hold a majority equity stake, with the remainder being held by certain minority financial co-investors (these two subsidiaries, collectively, the "**TS Regulated Entities**"). In the near future, we expect that (i) TeamSystem Capital at Work SGR S.p.A., which was authorized by the Bank of Italy to operate as an asset management company in May 2020, will start to manage funds investing in trade receivables, also through our Whit-e Platform, and (ii) TeamSystem Payments S.r.l., which was authorized by the Bank of Italy to operate as a payment services institution in May 2020, will launch a new payment service platform integrated in our e-invoicing and ERP products. See "*Business—Our product offering—Digital—TeamSystem digital finance*." For the twelve months ended September 30, 2020 the TS Regulated Entities did not generate any material revenue.

The payment and asset management services which will be provided by the TS Regulated Entities are regulated activities in Italy and are therefore subject to the authorization of the Bank of Italy. Companies providing (a) payment services are required to be enrolled in the register of payment institutions held by the Bank of Italy pursuant to Article 114-*septies* of the Italian Legislative Decree No. 385 of September 1, 1993, and (b) asset management services are required to be enrolled in the register of asset managers held by the Bank of Italy pursuant to Article 35 of the Italian Legislative Decree No. 58 of February 24, 1998. As a result, the TS Regulated Entities are subject to, *inter alia*, a variety of complex Italian and EU laws and regulations applicable to payment or asset management services. In particular, regulators oversee a number of business areas where the TS Regulated Entities operate, including corporate governance, transparency in the provision of services and propriety in dealings with customers, reporting and registration obligations, money laundering and corruption prevention and data protection, and in order to obtain and maintain licenses to operate as a payment institution and asset management company, respectively, the TS Regulated Entities are required to comply with, among other things: (i) rules governing the segregation of assets relating to the regulated services, (ii) capital adequacy requirements (as further described below), (iii) rules relating to the conduct of business and (iv) anti-money laundering rules and regulations.

Payment institutions and asset management companies are required to maintain a minimum level of regulatory capital.

The amount of regulatory capital of payment institutions varies depending on several circumstances in accordance with the provisions set forth under the Bank of Italy "*Supervisory provisions for payment institutions and electronic money institutions*" (Order of July 23, 2019, as amended, the "**PI Supervisory Provisions**") and, in any event, must never be less than the level of the minimum initial capital required for the establishment of the payment institution (*i.e.*, €125 thousand as of the date of this Offering Memorandum for the type of services expected to be provided by TeamSystem Payments S.r.l.). In particular, the PI Supervisory Provisions provide that payment institutions (such as TeamSystem Payments S.r.l.) may determine the capital requirement using one of two methods: (i) under the first method, the capital requirement must be at least 10% of such institution's fixed operating costs for the previous year (this method is generally applicable for the first year only. However, the payment institution may file a reasoned request to the Bank of Italy for the extended application of the same method with respect to the following years of activity; the Bank of Italy may deny such request); and (ii) under the second method (which is the standard method from the second year of activity), the capital requirement must be at least equal to the sum of a certain percentage of the "payment volume" managed by the payment institution (defined as one-twelfth (1/12) of the total amount of payment transactions managed in the preceding year), multiplied by a graduation factor which depends on the type of services provided. Overall, payment institutions must consistently hold a total minimum capital at least equal to the sum of the capital requirement for the payment services provided. The Bank of Italy may require higher or lower requirements and further requirements may apply for payments institutions providing payment services embedding a financing component.

Asset management companies are also subject to certain regulatory capital requirements, including those set forth under Bank of Italy Regulation of January 19, 2015, as amended. In particular, the amount of the regulatory capital of asset management companies (*i.e.*, TeamSystem Capital at Work SGR S.p.A.) must at all times be at least equal to 0.02% of the portion of the assets under management exceeding €250 million, up to a maximum of €10 million. Additional specific capital requirements may apply for the coverage of specific risks.

In addition to complying with regulatory capital requirements, TeamSystem Payments S.r.l. is also subject to the prudential regime introduced by Directive (EU) No. 2015/2366 of the European Parliament and of the Council ("**PSD II**"). PSD II is a EU directive that aims to improve digital payment services throughout the EU by improving the ease and security of internet payment services, protecting consumers from fraud, abuse and payment problems, promoting innovative mobile and internet payment services, strengthening consumer rights and strengthening the role of the European Banking Authority. PSD II was implemented in Italy by Legislative Decree No. 218 of December 15, 2017, which came into force on January 13, 2018. PSD II facilitates third parties' direct access to bank accounts and, accordingly, provides opportunities for increased competition among system participants.

Compliance with the regulations governing payment institutions or asset managers may be burdensome and costly, particularly in the event of any regulatory changes or developments that may be introduced from time to time at the European or Italian level. If we fail to comply with or if we infringe any applicable rules and regulations, any person holding administrative, management and control functions of the TS Regulated Entities may be subject to administrative, civil or criminal penalties, and/or our authorization to operate as a payments service institution or asset management company, as applicable, may be temporarily or permanently revoked, and we may ultimately suffer reputational damages and lose customers' confidence as a result.

Additionally, liberalization or other changes in the regulatory framework to which we are currently subject may increase the number of competitors we face. International competitors may be subject to less stringent legal and regulatory regimes and may as a result have a competitive advantage over us, both in terms of the services and products they are able to offer as well as the commercial success they may be able to achieve as a result of being subject to less burdensome regulations.

Furthermore, the direct or indirect acquisition of equity interests in the capital stock of a payment institution or an asset management company requires prior authorization by the Bank of Italy to the extent following such acquisition the relevant acquiror, acting individually or in concert: (i) holds a stake equal to or greater than 10% of the share capital or the voting rights of the company; (ii) further increases its stake up to or above 20%, 30% or 50% of the share capital or the voting rights of the company, or (ii) is able to exercise a significant influence over the management of the company or otherwise acquires the control of the company regardless of its stake. Pursuant to these rules, as part of the Transactions, in order to maintain our licenses to operate as a payment institution and an asset management company, respectively, we were required to obtain the clearance from the Bank of Italy with respect to the change of indirect ownership of the TS Regulated Entities. See "*Summary—The Transactions—The Acquisition*." Such rules will continue to be applicable after the Acquisition and, for example, any enforcement of the security interest in the Issuer's, the Target's, TeamSystem's or MergerCo's share capital, as applicable, or any other event triggering the transfer of the voting rights attached to any such pledged share capital to a third party, including the pledgee(s), as the case may be, would require clearance by the Bank of Italy in light of the fact that the TS Regulated Entities are subject to the supervision of such authority. For further information, see "*—Risks related to the Notes, the Guarantees and the Collateral—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 and may require prior approval by certain regulatory bodies, including, in certain circumstances, the Bank of Italy*."

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.

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 September 30, 2020, approximately 7.3% of TeamSystem's 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.

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 influx of refugees in certain European countries and the rise of populism in Europe. In addition, political repercussions of responses to the COVID-19 outbreak by European Union institutions as well as by other countries in the European Union could have complex and hard-to-predict consequences for the future, including a destabilization of the European Union or its institutions or a slow-down or reversal of European integration. See "*—The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity*."

On June 23, 2016, the United Kingdom held an in or out referendum on the United Kingdom's membership within the EU, the result of which favored the exit of the United Kingdom from the European Union ("**Brexit**").

Following such referendum and the enactment of legislation by the government of the United Kingdom, the United Kingdom formally withdrew from the European Union and ratified a trade and cooperation agreement governing its future relationship with the European Union. The agreement, which is being applied provisionally from January 1, 2021 until it is ratified by the European Parliament and the Council of the European Union, addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. Because the agreement merely sets forth a framework in many respects and will require complex additional bilateral negotiations between the United Kingdom and the European Union as both parties continue to work on the rules for implementation, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal. These developments, or the perception that any related developments could occur, have had and may continue to have a material adverse effect on global economic conditions and financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Since we rely on access to the financial markets in order to refinance our debt liabilities and gain access to new financing, ongoing political uncertainty and any worsening of the economic environment may reduce our ability to refinance our existing and future liabilities or gain access to new financing, in each case on favorable terms or at all.

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 September 30, 2020, our goodwill was €757.4 million, representing 45.4% 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.

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.

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.

In the aftermath of public health measures implemented in Italy as well as our temporary personnel initiatives due to the impact of the COVID-19 pandemic, we could be subject to an increase in litigation, in particular in relation to our employees, including with respect to health and safety measures.

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 customers) 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, not all 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. Should competititon authorities depart from the current definition of a single market for enterprise software, and define markets narrowly, 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.

Future acquisition or business combination opportunities and mergers may require approvals from antitrust authorities under antitrust regulations in force at the time. Even if such approvals are obtained, they might require, based on the relevant antitrust authority’s evaluation of prevailing market conditions and our position in the market, that we divest certain businesses in order to carry out the transaction. We may otherwise be unable to obtain the required approvals, which would likely result in the relevant transaction being aborted or revised in a way that may be detrimental to us. Furthermore, as a consequence of our positions in certain of our markets, we may be deemed by the relevant antitrust regulatory authorities to hold a dominant position in such markets, which could result in limitations being imposed on our ability to operate in such markets by adjusting our market behavior or otherwise. Any of these factors could materially adversely affect our business, prospects, financial condition, cash flows and results of operations, and our ability to execute our strategy. See “*—Our strategy of pursuing acquisitions of businesses and other business combinations may present unforeseen integration obstacles or cost.*”

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.

Market share information and other company and third-party industry data and information presented in this Offering Memorandum were prepared prior to the outbreak of the COVID-19 pandemic and may be inaccurate.

Market share information and other industry data and information presented in this Offering Memorandum and other industry related forecasts, were prepared prior to or concurrently with the outbreak of the COVID-19 pandemic, which has since had an adverse effect on the Italian market for ERP and business management software. None of this data or information has been updated to account for the ongoing impact and adverse effect of the COVID-19 pandemic on the Italian market for ERP and business management software. Consequently, our market shares and growth rate of our market shares following the impact of the COVID-19 pandemic could materially deviate from those presented in this Offering Memorandum.

Risks related to our Financial Information

The preparation of our financial statements involves judgments, estimates and assumptions, and changes in financial accounting standards may cause unexpected revenue fluctuations and affect our reported results of operations.

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 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.

In addition, management's judgments, estimates and assumptions and the reported amounts of assets, liabilities, income and expenses may be affected by changes in accounting policy. For example, major accounting changes occurred during the periods under review as a result of our implementation of IFRS 9, IFRS 15 and IFRS 16, which have been adopted starting from January 1, 2018. We have not restated the financial information for the year ended December 31, 2017 to give effect to the impact of IFRS 9, IFRS 15 and IFRS 16. As a result of these changes in accounting policies, our 2017 Financial Statements may not be directly comparable to the 2018 Financial Statements and the 2019 Financial Statements. See "*Management's discussion and analysis of financial condition and results of operations—Factors affecting the comparability of our results of operations—Significant accounting policies*" and "*Presentation of financial and other information—Changes in accounting standards and accounting policies.*"

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.

We have presented certain pro forma financial information in this Offering Memorandum that are based upon management estimates in respect of certain cost saving initiatives, annualized recurring revenues, Adjusted EBITDA generated from bolt-on acquisitions, and the resulting effect on Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2020. 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 in the calculation of our *Pro Forma* Adjusted EBITDA with respect to: (i) cost savings which we expect to realize between 2021 and the first half of 2022, and the majority of which we expect to realize in 2021, from a number of initiatives which we fully launched during the last quarter of 2020, (ii) additional revenues we expect to generate from the subscription agreements relating to our key cloud products and (iii) additional Adjusted EBITDA we expect to generate from certain recent bolt-on acquisitions. See "*Summary—Summary historical financial information and other data—Other financial and pro forma data—Pro Forma Adjusted EBITDA*."

These expected savings and additional revenue and Adjusted EBITDA have been included in the calculation of our *Pro Forma* Adjusted EBITDA for the twelve months ended September 30, 2020. We have prepared this information as a means to estimate what our Adjusted EBITDA for the twelve months ended September 30, 2020 may have been when adjusting for such effects as described herein. *Pro Forma* Adjusted EBITDA for the twelve months ended September 30, 2020 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. For example, with respect to the bolt-on acquisitions which we completed after September 30, 2020, the adjustments are based upon certain preliminary financial information, including budgeted data for the year ended December 31, 2020, that was made available to us in connection with such acquisition, together with our management's assumptions and estimates. In addition, the Adjusted EBITDA of such and the other acquired businesses which forms part of our *Pro Forma* Adjusted EBITDA was calculated on the basis of the applicable accounting standards of the various businesses acquired, which in some cases is not IFRS (i.e. the accounting standard on the basis of which the Consolidated Financial Statements were prepared). As a result, the adjustment relating to our bolt-on acquisition may be different if we had tried to reconcile all of such Adjusted EBITDA data to IFRS. In addition, the costs we will incur in trying to implement the cost saving initiatives and other benefits described herein which form part of our *Pro Forma* Adjusted EBITDA may be substantially higher than our current estimates and may outweigh any benefit.

The estimates and assumptions underlying the calculation of our *Pro Forma* Adjusted EBITDA 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:

- 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 integrate the acquired businesses;
- our ability to successfully re-negotiate our contracts with third party service providers (*e.g.*, utilities);
- whether our assumptions regarding the annualized revenues of our 2020 cloud products 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. *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. In addition, we will not provide holders with an 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.

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.

Risks related to the Transactions

The Acquisition is subject to significant uncertainties and risks. Following the Completion Date, the Italian Golden Power Legislation will continue to be applicable to TeamSystem and, following the Post Completion Merger, MergerCo.

On January 15, 2021, the Issuer entered into the Acquisition Agreement with the Sellers pursuant to which it agreed to acquire all of the equity interests in the Target. For further information on the Acquisition Agreement, see "*Summary—The Transactions—The Acquisition.*" Concurrently with the consummation of the Acquisition, the Target will be a wholly-owned direct subsidiary of the Issuer. The Issuer is a holding company and will not control the Target prior to the consummation of the Acquisition.

As of the date of this Offering Memorandum, the consummation of the Acquisition, and by extension all transactions related thereto, will be subject to (i) the Bank of Italy clearance with respect to the change of indirect ownership of the Financial Sector Companies and (ii) a satisfactory tax ruling by the Italian Tax Authorities confirming certain aspects of the Italian tax treatment of the Acquisition. Even if we receive all regulatory clearances to consummate the Acquisition, any such clearance may be subject to undertakings by us as may be imposed by the relevant authorities or to our implementing remedies, such as sale of certain assets. The relevant authorities may impose specific conditions in order to consent to the implementation of the Acquisition, which may in each case be material, including potentially in relation to the financial structure of the Transaction and the Post Completion Merger. Accordingly, we may not be permitted to undertake the Acquisition in a timely fashion, without remedies or undertakings, or at all. Any such remedy or undertaking may make the Acquisition less attractive. Furthermore, even though we have received in connection with the Acquisition a communication from the Italian Presidency of the Council of Ministries (*Presidenza del Consiglio dei Ministri*) confirming that the Italian Government has resolved not to exercise the special powers granted to it under the Golden Power Legislation, the Italian Golden Power Legislation (including clearances regime thereof) will continue to be applicable to TeamSystem and, following the Post-Completion Merger, MergerCo, in case the relevant entity is involved in any transaction, act or resolution falling within the scope of the Italian Golden Power Legislation, including any transfers of TeamSystem's, the Target's and MergerCo's shares, including upon enforcement of TeamSystem's share pledge, the Target Share Pledge, the Issuer's share pledge (and, following the merger, MergerCo's share pledge) and/or any other transactions triggering a change of control. See "*—Risks related to the Notes, the Guarantees and the Collateral—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 and may require prior approval by certain regulatory bodies, including, in respect of the enforcement of the security interest in TeamSystem's or MergerCo's share capital, the Bank of Italy*." Moreover, pursuant to the Italian Golden Power Legislation, the Post Completion Merger may be subject to a new filing with the Italian Council of Ministries and the obtainment of the clearance will be subject to a simplified procedure being an extraordinary transaction implemented by companies belonging to the same group. See "*—Risks related to the Notes, the Guarantee and the Security Interests—We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all.*"

The purchase price for the Acquisition to be paid by the Issuer to the Sellers on the Completion Date will be equal to €1,975.8 million, which amount shall increase at a rate equal to 8% per annum (on the basis of a 365-day year) during the period from and including January 1, 2021 to and including the Completion Date, to compensate the Sellers for additional cash generation in the business during this time period, *minus* the amount of Leakages, if any. As a result, the ultimate consideration under the Acquisition Agreement will in part be dependent on the timing of the Completion Date. See "*Summary—The Transactions—The Acquisition.*"

In addition, we believe that after the Completion Date the consolidated financial position of the Issuer (or MergerCo) will have substantial amounts of additional goodwill, which will increase the risks described above under "*—Risks related to our business—Goodwill represents a significant portion of our total assets.*"

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes. Holders of the Notes will not be able to rescind their decision to invest in the Notes if any such amendments were made or in the event of changes in the financial condition of the Group.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. However, the Acquisition Agreement may be amended and the closing conditions may be waived at any time by the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Acquisition Agreement may make the Acquisition less attractive. Any amendment to, or waiver of the closing conditions under, the Acquisition Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return the holders expect to receive on the Notes.

Holders of the Notes will decide to invest in the Notes at the time of purchase thereof and will not be able to rescind their decision to invest in the Notes, including in the event of changes in the financial condition of the Group, the terms of the Acquisition or the terms of the approvals or clearances (including regulatory clearances) related to the Acquisition prior to the release of the gross proceeds of the Notes from the Escrow Accounts upon completion of the Acquisition.

If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means holders of the Notes may not obtain the return they expect on the Notes. In addition, the Issuer might not have sufficient funds to pay all of the amounts due to the holders of the Notes in the event of a Special Mandatory Redemption.

As of the Issue Date and prior to the Completion Date, the gross proceeds of the Offering will be deposited into the Escrow Accounts. Completion of the Acquisition promptly following the release of the escrowed funds is one of the conditions to releasing the proceeds of the Offering from escrow. If the Acquisition is not consummated on or prior to the Escrow Longstop Date for any reason and, as a result, the proceeds from the sale of the Notes to be held in escrow are not released, the Issuer will be required to redeem the Notes pursuant to a special mandatory redemption at a price equal to the initial issue price of each series of Notes, without the payment of any call premium, and holders of the Notes may not obtain the investment return they expect on the Notes. The Issuer may also undertake a special mandatory redemption at any time if, in its good faith judgment, the Acquisition will not be consummated by the Escrow Longstop Date. See "*Description of Notes—Escrow of Proceeds; Special Mandatory Redemption.*"

The escrow funds will initially be limited to the gross proceeds of the Offering and may not be sufficient to pay the applicable special mandatory redemption price, which is equal to the issue price of each series of Notes plus accrued and unpaid interest from the Issue Date to, but excluding, the date of the applicable special mandatory redemption, and additional amounts, if any. Under a shortfall agreement between the Issuer and Holdco, Holdco will agree with the Issuer to contribute to the Escrow Accounts an amount necessary to pay, subject to reasonable maximum cap, the special mandatory redemption price on the special mandatory redemption date, to the extent the amounts in the Escrow Accounts are insufficient. Holdco, however, is a holding company that as of the Issue Date will not have material assets other than the shares it holds in the Issuer and may not have adequate financial resources on the special mandatory redemption date to honor this obligation. In the event such shortfall agreement is not honored, the Issuer may not have sufficient funds to make these payments.

TeamSystem Holding's historical financial information may not be representative of our future results.

Our Consolidated Financial Statements have not been adjusted to reflect the impact of any changes to the statement of profit or loss, statements of financial position or statement of cash flows that might occur as a result of purchase accounting adjustments to be applied as a result of the Transactions. However, the Issuer (prior to the completion of the Post Completion Merger) and MergerCo (following the completion of the Post

Completion Merger), as applicable, will account for the Acquisition using the acquisition method of accounting under IFRS and will apply purchase accounting adjustments in connection with the Acquisition to the financial statements for accounting periods subsequent to the Completion Date. The application of purchase accounting could result in different carrying values for existing assets and liabilities and we may add additional assets to our statement of financial position, which may include, *inter alia*, intangible assets, such as goodwill, brand name, customer relationships and software. We may also recognize different amortization and depreciation expenses. Due to these and other potential adjustments, if we provide consolidated financial statements for periods after the Completion Date at the level of the Issuer or MergerCo (instead of TeamSystem Holding), our future financial statements could be materially different once the adjustments are made and may not be comparable to our Consolidated Financial Statements included in this Offering Memorandum.

The Issuer does not currently control the Target Group and will not control the Target Group until completion of the Acquisition. Prior to the Completion Date, the Target Group will not be subject to the covenants described in "Description of Notes." Holders of the Notes will not be able to rescind their decision to invest in the Notes, including in the event of changes in the financial condition of the Group or the terms of the Acquisition.

The Target is currently controlled by the Sellers. The Issuer will not obtain control of the Target until completion of the Acquisition. Prior to the Completion Date, the Target Group will not be subject to the covenants described in "*Description of Notes*." As such, we cannot assure you that, prior to such date, the Target Group will not take actions that would otherwise have been prohibited by the Indenture had such covenants been applicable, including paying dividends, incurring debt or liens or making investments.

Holders of the Notes will decide to invest in the Notes at the time of purchase thereof and will not be able to rescind their decision to invest in the Notes, including in the event of changes in the financial condition of the Target Group or the terms of the Acquisition prior to the release of the gross proceeds of the Notes from the Escrow Accounts upon completion of the Acquisition.

The Acquisition may entitle the Group's customers or other business partners of the Group to terminate their agreements as a result of change of control provisions.

The Acquisition may constitute a change of control under certain agreements entered into by TeamSystem and its subsidiaries, in which case the counterparties to such agreements will be entitled to terminate their agreements with us. Some of these counterparties may exercise their termination rights, which could have an adverse effect on our business, financial position and results of operations. See "*—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.*"

Risks related to our structure and the Financing

Our substantial leverage and debt service obligations could materially adversely affect our business, financial position and results of operations and preclude us from satisfying our obligations under the Notes and the Guarantees.

After completion of the Transactions, we will be highly leveraged and have substantial debt service obligations. As of September 30, 2020, after giving *pro forma* effect to the Transactions, we would have had total third-party financial indebtedness outstanding in the amount of €1,174.4 million, including €1,150.0 million in aggregate principal amount of the Notes and €180.0 million available for drawing under the Revolving Credit Facility. In the event that freely available cash on the balance sheet on or about the Completion Date is 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 Completion Date or shortly thereafter. We anticipate that we will continue to be highly leveraged for the foreseeable future. See "*Capitalization*," "*Description of certain financing arrangements*" and "*Description of Notes.*"

The degree to which we will be leveraged following completion of the Transactions could have important consequences to holders of the Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes, the Revolving Credit Facility and other debt and liabilities we may incur;

- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payments in respect of our indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development or other general corporate purposes;
- restricting us from pursuing acquisitions or exploiting business opportunities;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate;
- negatively impacting credit terms with our suppliers and other creditors; and
- limiting our ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our obligations, including under the Notes. Although the terms of the Indenture, the Revolving Credit Facility and the Holdco Private Notes Indenture will limit our ability to incur additional indebtedness, such limitations will be subject to exceptions and qualifications and the incurrence of additional indebtedness would exacerbate the risks above.

Our ability to service our indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond our control. If we cannot service our indebtedness and meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancing or asset dispositions could be effected on a timely basis or satisfactory terms, if at all, or would be permitted by the terms of our debt instruments. In addition, any such refinancing attempt could be made more difficult by the fact that Holdco, the direct parent company of the Issuer, as part of the Transactions, will issue €300.0 million aggregate principal amount of its Holdco Private Notes, which principal amount could increase over time should Holdco decide to capitalize any interest accruing thereunder over the life of the Holdco Private Notes, in accordance with applicable provisions of law and the terms and conditions of the Holdco Private Notes, and which mature twelve months after the Notes. Moreover, if interest on the Holdco Private Notes is paid by Holdco in cash (as opposed to in-kind), in light of the fact that Holdco is a holding company with no cash generating activities, we expect the relevant interest payments to be funded via dividends or other contributions by the Issuer or its subsidiaries to Holdco in accordance with applicable law, which would reduce the amount of cash available to us to, among other things, operate our business and service our indebtedness. See "*Description of certain financing arrangements—Holdco Private Notes*."

The Issuer is a holding company that has no revenue generating operations of its own and prior to the Post Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes.

After the Issue Date and prior to the Completion Date, the Issuer will not have any subsidiaries and will have no assets other than the Escrow Accounts into which the proceeds of the offering of the Notes will be deposited and which will be charged in favor of the Trustee on behalf of the holders of the Notes. The Issuer's only material assets and liabilities upon the Completion Date are expected to be its equity interests in the Target and its outstanding indebtedness and inter-company balances incurred in connection with the Transactions, including its receivables under the TeamSystem Proceeds Loan and its indebtedness under the Notes and, if any, the Revolving Credit Facility Agreement. As a result, prior to the Post Completion Merger, the Issuer will be dependent upon dividends, principal repayments under the TeamSystem Proceeds Loan and other payments from its subsidiaries to generate the funds necessary to meet its outstanding indebtedness service (including under the Notes) and other obligations, and such dividends and other payments may be restricted by law or the instruments governing our indebtedness, including any financing agreements of our subsidiaries. The amounts of dividends and other payments available to the Issuer will depend on the profitability and cash flows of its subsidiaries and the ability of each of those subsidiaries to declare dividends under applicable law or otherwise transfer funds directly or indirectly to the Issuer. Our subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the Notes. In addition, the Issuer's subsidiaries may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments in respect of its indebtedness, including the Notes. Following the Post Completion Merger, to a certain extent, the above-mentioned risks will apply to MergerCo.

Various agreements governing our debt may restrict and, in some cases may prohibit, the ability of these subsidiaries to transfer cash to the Issuer and, following the Post Completion Merger, MergerCo. Applicable tax laws may also subject such payments to further taxation. Applicable laws may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or prevent such payments. In particular, the ability of the Issuer's subsidiaries or, following the Post Completion Merger, MergerCo's subsidiaries to pay dividends to the Issuer or MergerCo, as applicable, will generally be limited to the amount of distributable reserves available to each of them and the ability to pay its debt when due. In addition, the aggregate amount of the TeamSystem Proceeds Loan is currently expected to be approximately €840.5 million, which is significantly lower than the aggregate principal amounts of the Notes, and we expect that the TeamSystem Proceeds Loan will accrue interest at a rate that will be generally consistent with the rate applicable to the Fixed Rate Notes, in respect of Facility A1 thereunder and the rate applicable to the Floating Rate Notes, in respect of Facility A2 thereunder. Accordingly, prior to the Post Completion Merger, the ability of the Issuer to make payments under the Notes will largely depend on the ability of the Issuer's subsidiaries to pay dividends or make other distributions to it, which will be subject to the risks described above and could be inefficient from a tax perspective.

The subsidiaries of the Issuer or, following the Post Completion Merger, MergerCo that do not guarantee the Notes have no direct obligation to make payments with respect to the Notes or the Guarantees. While the Indenture and the Revolving Credit Facility will limit the ability of the Issuer's subsidiaries or, following the Post Completion Merger, MergerCo's subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations will be subject to significant qualifications and exceptions, including exceptions for restrictions imposed by applicable law.

We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all.

We intend to use commercially reasonable efforts, subject to any relevant approval and/or authorization by any competent authority, to implement the Post Completion Merger in accordance with Articles 2501-bis and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable following the Completion Date. Article 2501-*bis* of the Italian Civil Code is the central provision in the Italian legislation regulating merger debt push-downs (thus its application constitutes a safe-harbor vis-à-vis the risk that any such merger can be considered unlawful, also from a financial assistance perspective, with ensuing consequences). In order to complete the Post Completion Merger, there are various steps that we must take, including the preparation of a merger plan, a report by the directors of the companies involved in the Post Completion Merger (*relazione dell'organo amministrativo*) and a report by an independent expert appointed by the court, assessing the sustainability of debt at the level of MergerCo. Furthermore, Article 2501-*bis* of the Italian Civil Code is also based on the premise that the merger follows an acquisition of control of the target by another entity. Although there is no specific case law by Italian courts available on the interpretation of this requirement, according to the majority of legal scholars, a change in the direct shareholder holding the majority of the shares in a merging company is sufficient for the requirement to be satisfied (and thus for Article 2501-*bis* to apply).

Our estimation of the timing required to complete the Post Completion Merger is based upon market practice for leveraged buyouts in Italy, which typically involve acquisition vehicles in the form of joint stock companies (*società per azioni*) where an independent expert is required to be appointed by the competent court, which creates an inherent uncertainty as to the length of time in which the Post Completion Merger can be expected to take place. In addition, there can be no assurance that the independent expert will release its report or that the other steps required for the Post Completion Merger will be taken in a timely manner, or at all. Subject to certain exceptions, the Post Completion Merger can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the Post Completion

Merger. Within this 60-day deadline, the creditors of the companies involved in the Post Completion Merger are entitled to challenge the Post Completion Merger. Moreover, pursuant to the Italian Golden Power Legislation, the Post Completion Merger may be subject to a new filing with the Italian Council of Ministries and the obtainment of the relevant clearance will be subject to a simplified procedure being an extraordinary transaction implemented by companies belonging to the same group.

Following the Post Completion Merger, in the event that the Target or TeamSystem is the successor company of the Post Completion Merger, MergerCo will, upon consummation of the Post Completion Merger, assume the obligations of the Issuer under the Notes and the Indenture. Although as of the date of this Offering Memorandum we expect that TeamSystem will be the surviving entity of the Post Completion Merger, if the Post Completion Merger is ultimately structured such that TeamSystem is not the surviving entity, or if there is a new resulting entity, then TeamSystem will be required to transfer licenses and permits relating to the conduct of its business operations to the new entity resulting from the Post Completion Merger. There is no assurance that in such event TeamSystem will be able to transfer its licenses or permits in a timely manner, or at all, or that our business may not be materially adversely affected as a result.

Concurrently with the Post Completion Merger and as a result thereof, the security interest over the Issuer's receivables in respect of the TeamSystem Proceeds Loan will be automatically terminated and, depending on which entity will survive the Post Completion Merger, certain other Pre Merger Collateral will be extinguished by operation of law and, in particular, (a) in the event that the Issuer is the successor company of the Post Completion Merger, the Target Share Pledge and the pledge over the share capital of TeamSystem, will be extinguished by operation of law; (b) in the event that the Target is the successor company of the Post Completion Merger, the Issuer Share Pledge and the pledge over the share capital of TeamSystem, will be extinguished by operation of law; and (c) in the event that TeamSystem is the successor company of the Post Completion Merger, the pledge over the share capital of the Issuer and the Target Share Pledge will be extinguished by operation of law.

In addition, subject to and on terms consistent with the Agreed Security Principles, within 60 days or 10 business days following completion of the Post Completion Merger, as applicable, MergerCo will grant (or reconfirm, as applicable) and the Parent Guarantor will reconfirm the security interests in the Post Merger Collateral.

In the event we are unable to consummate the Post Completion Merger, the Post Merger Collateral will not be granted for the benefit of the holders of the Notes, and Brunello Bidco S.p.A. will remain as the Issuer. In addition, in the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, in addition to the Pre Merger Collateral, the Issuer shall use commercially reasonable efforts to procure that the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and certain significant limitations described under "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and "*—The Guarantees and 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 their validity and enforceability*" by security interests granted on a first-priority basis over the Target Group Collateral within 60 days of the Cut-Off Date.

In addition, in the event the Post Completion Merger does not occur on or prior to the Cut-Off Date, the Issuer will use commercially reasonable efforts to procure that, subject to the Agreed Security Principles and to certain significant limitations under Italian law, TeamSystem guarantees the Notes within 60 days of the Cut-Off Date. There can be no assurance, however, that we will be successful in procuring such Guarantee within the time period specified, and in any event such Guarantee would be limited as set forth in "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*."

We may incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

Despite our substantial leverage, we may incur substantial additional debt in the future. We may borrow up to €180.0 million under the Revolving Credit Facility, which will be secured by the same collateral as the Collateral for the Notes, and the Indenture will also permit the incurrence of additional debt. The Indenture and the Revolving Credit Facility Agreement will also permit us to incur a substantial amount of indebtedness at subsidiaries that do not guarantee the Notes and to incur indebtedness that shares in the Collateral or that benefits from security interests over assets that do not secure the Notes, and any such indebtedness could mature prior to the Notes. Although the Indenture and the Revolving Credit Facility Agreement will contain restrictions on the incurrence of additional indebtedness, these restrictions will be subject to a number of significant qualifications and exceptions, and the amount of indebtedness that could be incurred in compliance with these restrictions is substantial. If additional debt is incurred, the related risks that we now face would increase. In addition, the Indenture and the Revolving Credit Facility Agreement will not prevent us from incurring obligations that do not constitute indebtedness under those agreements, including additional Liabilities to Non-Controlling Shareholders of Subsidiaries in respect of any future acquisitions. Our inability to service our debt and other liabilities could have a material adverse effect on our business, financial position, results of operations and our ability to fulfil our obligations under the Notes.

We are subject to restrictive covenants that limit our operating and financial flexibility.

The Indenture and the Revolving Credit Facility Agreement will contain covenants which impose significant operating and financial restrictions on us. These agreements will limit our ability to, among other things:

- 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;
- repay 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 their 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 relating to the Notes.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of Notes—Certain covenants*." The covenants to which we are subject could limit our ability to operate our business, to finance our future operations and capital needs and to pursue business opportunities and activities that may be in our interest. In addition, the Revolving Credit Facility Agreement requires us to comply with certain affirmative covenants while the Revolving Credit Facility remains outstanding. Furthermore, under certain circumstances, the Revolving Credit Facility Agreement requires us to comply with a financial ratio while amounts exceeding a certain threshold remain outstanding under the Revolving Credit Facility. See "*Description of certain financing arrangements—Revolving Credit Facility Agreement.*" Our ability to meet the financial ratio under the Revolving Credit Facility may be affected by events beyond our control, and we cannot assure you that we will meet such financial ratio. While failure to satisfy the financial ratio shall not directly or indirectly constitute, or result in a default or event of default, it would result in a draw stop for any new utilizations under the Revolving Credit Facility thereby potentially adversely impacting our liquidity. Subject to the foregoing, a breach of any of the covenants or restrictions under the Revolving Credit Facility Agreement could, subject to the applicable cure period, result in an event of default under the Revolving Credit Facility Agreement. Upon the occurrence of an event of default that is continuing under the Revolving Credit Facility Agreement, the relevant creditors will be entitled to cancel the availability of the Revolving Credit Facility and/or elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, a default, event of default and/or acceleration action under the Revolving Credit Facility could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including (in the case of acceleration of obligations under the Revolving Credit Facility) the Indenture. If our creditors, including the creditors under the Revolving Credit Facility, 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 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.

We will require a significant amount of cash to service our debt and sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the Revolving Credit Facility and our obligations under the Notes, or to refinance our debt and to fund our ongoing operations or expansion plans, will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to the success of our business strategy as well as general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk factors*," many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that currently anticipated growth, cost savings or efficiencies will be realized or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs including the repayment at maturity of the then outstanding amount under the Revolving Credit Facility. At the maturity of the Revolving Credit Facility (which will mature 6.5 years following the Completion Date and thus prior to the maturity of the Notes), the Notes or any other debt that we may incur, we may be required to refinance or restructure our indebtedness if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

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. 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 have sufficient assets to repay any portion or all of our debt.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Indenture, the Revolving Credit Facility and the Holdco Private Notes Indenture, will limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial position and results of operations. There can be no assurances that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale would 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 Floating Rate Notes, drawings under the Revolving Credit Facility and any future variable interest rate debt we incur in the future will bear interest at floating rates that could rise significantly, thereby increasing our costs and reducing our cash flow, or could otherwise be adverse to the interests of the holders of the Notes.

After giving effect to the Transactions, a portion of our debt will bear interest at a variable rate, and we will be exposed to the risk of fluctuations in interest rates. The Floating Rate Notes and the Revolving Credit Facility will bear variable rates of interest based on the EURIBOR or the London Interbank Offered Rate (LIBOR), plus an applicable margin. These interest rates could rise significantly in the future, increasing our interest expense associated with these obligations, reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Neither the Indenture nor the Revolving Credit Facility Agreement will contain a covenant requiring us to hedge all or any portion of our floating rate debt.

Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements, that hedges might not be available for the full amount or term of the borrowings, that break clauses might be required or that hedges will limit any benefit that we might otherwise receive from favorable movements in interest rates. To the extent interest rates were to increase significantly, our interest expense would correspondingly increase, thus reducing cash flow.

Following the LIBOR manipulation scandal, it was widely considered that reforms were required to regulate the production of indices to attempt to prevent such activities occurring in the future and to provide regulators with appropriate supervisory tools. In order to help achieve this aim the IOSCO Principles for Financial Benchmarks were introduced in July 2013, operating on a global voluntary compliance basis to all benchmark administrators, and the EU Benchmark Regulation (regulation (EU) 2016/1011) was published in the Official Journal of the EU on June 29, 2016, and with some provisions applying immediately after the majority applying from January 1, 2018, subject to transitional provisions, particularly in relation to third party country benchmarks. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It, among other things (i) requires benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed subject to transitional provisions which still apply) and (ii) prevents in scope use of benchmarks by EU supervised entities where the benchmark administrators that are not authorized or registered (or, if non-EU based, where regulatory regimes have not deemed equivalent or benchmarks have not been recognized or endorsed). Further, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel panel banks to submit rates for the calculation of the LIBOR benchmark after the end of 2021 (the "**FCA Announcements**"). The discontinuance of LIBOR has been the subject of much output by global regulators in recent months and there remains uncertainty around the precise cessation dates. The current expectation is that most LIBOR settings will cease to be produced in their current form from 31 December 2021, with the exception of certain USD LIBOR settings which will continue to be produced until 30 June 2023. The FCA is being granted powers by the UK government which are currently before parliament. These powers will permit the FCA to direct the LIBOR administrator to, amongst other things, change the LIBOR methodology to create what is being referred to as synthetic LIBOR. The FCA is not compelled to exercise these powers and the FCA is currently consulting on the circumstances in which it would consider doing so, Further, it is unlikely that the FCA would exercise these powers in relation to all LIBOR currencies.

The potential elimination of the EURIBOR or LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Floating Rate Notes and the Revolving Credit Facility). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest. In addition, the development of alternatives to EURIBOR or LIBOR may result in our floating rate debt (including but not limited to the Floating Rate Notes) performing differently than would otherwise have been the case if the alternatives to EURIBOR or LIBOR had not developed.

The Indenture will provide that, in the event that EURIBOR is no longer being calculated or administered or is otherwise no longer generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities under the Indenture, the alternative basis for determining the rate of interest on the Floating Rate Notes will be any successor rate generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer in good faith. However, in the event that there is no generally accepted successor rate to EURIBOR in the good faith judgment of the Issuer, the Issuer, in consultation with the Calculation Agent, will determine a reasonably appropriate alternative basis for determining the rate of interest on the Floating Rate Notes (and any such alternative basis adopted will in all cases never be less than 0%). This means that interest on the Floating Rate Notes would be determined by the Issuer (without the involvement of an independent financial institution) on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you purchased the Floating Rate Notes issued on the Issue Date. See "*Description of Notes—Terms of the Notes*." The Indenture may require the exercise of discretion by the Issuer and the making of potentially subjective judgments (including as to the occurrence or not of any events which may trigger amendments to the Indenture) without the consent of the holders of the Notes. The interests of the Issuer in making such determinations or amendments may be adverse to the interests of the holders of the Notes.

Risks related to the Notes, the Guarantees and the Collateral

The Issuer, the Parent Guarantor and any other provider of Collateral will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents relating to the Notes will allow each of the Issuer (and following the Post Completion Merger, MergerCo), the Parent Guarantor and any other pledgor or grantor of Collateral, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral to the extent that it relates to their assets. So long as no acceleration event has occurred and subject to certain conditions, the Issuer (and following the Post Completion Merger, MergerCo), the Parent Guarantor and any other pledgor or grantor of Collateral, as applicable, may, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral in accordance with the Indenture and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Collateral.

The interests of our principal shareholders may conflict with your interests as a holder of the Notes.

The interests of our principal shareholders may not correspond with the interests of the holders of the Notes. The Issuer is indirectly controlled by Fund IX, a fund whose ultimate general partner is H&F Corporate Investors IX, Ltd. See "*Principal shareholders*." The interests of H&F Corporate Investors IX, Ltd. or its 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. For example, H&F Corporate Investors IX, Ltd. and its affiliates could vote to cause us to incur additional indebtedness. In addition, H&F Corporate Investors IX, Ltd. and its affiliates may hold interests in suppliers or customers of the Group. H&F Corporate Investors IX, Ltd. or its affiliates may also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions 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, and may, in the future, own businesses that directly compete direct or indirectly with us or that operate in our markets or adjacent markets. See "*Certain relationships and related party transactions*."

Certain of the Collateral will not secure the Notes until no later than 30 Business Days from the Completion Date or after the consummation of the Post Completion Merger.

The Post Completion Date Collateral will be granted within 30 Business Days after the Completion Date and certain other Collateral will only be granted and/or confirmed (as applicable) following consummation of the Post Completion Merger or within 60 days of the Cut-Off Date, as further described under "*Description of*

Notes—Security." There can be no assurance, however, that we will be successful in procuring such liens within the time periods specified, the failure of which would result in an "event of default" under the Indenture. The security interests will be limited to the same extent as those under the Revolving Credit Facility and otherwise as set forth under "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and "*Description of Notes—Security*," which limitations could be significant. See also "*—The Guarantees and 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 their validity and enforceability*."

Prior to completion of the Post Completion Merger and, in the event that the Post Completion Merger does not occur within fifteen months from the Completion Date, prior to the granting of the Guarantee by TeamSystem, the Notes will be structurally subordinated to the existing or future indebtedness or obligations of each of the Issuer's subsidiaries, including the Target and TeamSystem. After the granting of the Guarantee by TeamSystem (and subject to the limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer, other than TeamSystem. After the Post Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo.

Generally, claims of creditors, including depositors, trade creditors and preferred stockholders (if any) of non-guarantor subsidiaries of the Issuer or MergerCo, as applicable, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to their respective parent entity or the creditors of the Issuer or MergerCo, as applicable, and the Guarantors of the Notes (including, if TeamSystem guarantees the Notes after the Cut-Off Date, the Guarantee by TeamSystem). See "*—Risks related to our structure and the financing—We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all*." Accordingly, in the event that any non-guarantor subsidiary of the Issuer or MergerCo, as applicable, becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer or MergerCo, as applicable, and any Guarantors (if any), including the holders of the Notes, will have no right to proceed against the assets of such non-guarantor subsidiary; and
- creditors of such non-guarantor subsidiary, including depositors, trade creditors, preferred stockholders (if any) and creditors of obligations under the Liabilities to Non-Controlling Shareholders of Subsidiaries, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Issuer or MergerCo, as applicable, or any Guarantors (if any), as a direct or indirect shareholder (as applicable), will be entitled to receive any distributions from such subsidiary.

As such, the Notes and the Guarantees will be structurally subordinated to the creditors, including depositors, trade creditors and any preferred stockholders (if any) of the non-guarantor subsidiaries of Issuer or MergerCo, as applicable. As of September 30, 2020, after giving *pro forma* effect to the Transactions, the Issuer's subsidiaries which are not expected to guarantee the Notes would have had €3.7 million in outstanding financial debt (excluding €7.4 million of Liabilities to Non-Controlling Shareholders of Subsidiaries), none of which was secured and €3.5 million of which was represented by lease obligations under IFRS 16, which would have ranked structurally senior to the Notes and the Guarantees. In addition, the Indenture will, subject to certain limitations, permit the guarantors and non-guarantor subsidiaries to incur substantial additional indebtedness without such incurrence constituting a default under the Indenture, and such indebtedness may also be secured. The Indenture will not contain any limitation on the amount of other liabilities, such as deposits and trade payables in the ordinary course of business that may be incurred by non-guarantor subsidiaries.

Moreover, any Guarantees would be subject to the significant limitations described under "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and, accordingly, the Notes would be structurally subordinated to the liabilities of any Guarantors to the extent that such liabilities exceed the principal amount of Notes that can be guaranteed or secured by such Guarantors.

Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantee and the Collateral may adversely affect the validity and enforceability of the Guarantee and the Collateral.

The Parent Guarantor, the Issuer (and following the Post Completion Merger, MergerCo) and TeamSystem are or will be incorporated and organized under the laws of Italy. Enforcement of the obligations under a Guarantee against, and/or any Collateral provided by, as applicable, any such person will be subject to certain defenses available to the Issuer (and following the Post Completion Merger, MergerCo) or the relevant Guarantor or the security provider, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance or transfer, financial assistance, transactions under value, corporate benefit, capital maintenance, preservation of share capital, liquidity maintenance, voidable preferences, thin capitalization or similar laws as well as regulations or defenses affecting the rights of creditors generally, by limiting the amounts recoverable under the Guarantees and Collateral, as applicable, and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a Guarantor or security provider under applicable law, to the extent that the granting of such Guarantee or Collateral is not in the relevant Guarantor's or security provider's corporate interests, or the burden of such Guarantee or Collateral exceeds the benefit to the relevant Guarantor or security provider, or such Guarantee or Collateral would be in breach of capital maintenance, financial assistance, liquidity maintenance or thin capitalization rules or any other general statutory laws and/or would cause the directors of such Guarantor or security provider to contravene their fiduciary duties and incur civil or criminal liability. An increase in the amount of debt that benefits from such Guarantee without a corresponding increase in the amount of the Guarantee will dilute the value of such Guarantee to its beneficiaries, including the holders of the Notes.

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

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

The Guarantees and 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 their validity and enforceability.

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. The obligations of each Guarantor, the enforcement of the relevant Guarantee and the obligations of the grantor of security and the ability of the Security Agent to enforce on the Collateral will be limited under the Indenture to the maximum amount that can be guaranteed by such Guarantor or provided by the grantor of security under the applicable laws of Italy, which has been determined so as to ensure that amounts payable will not result in violations of laws related to, among others, corporate benefit, capitalization, capital preservation, financial assistance or transactions under value, or otherwise cause the relevant Guarantor to be deemed insolvent under applicable law or such Guarantee to be deemed void, unenforceable or ultra vires, or cause the directors of such Guarantor to be held in breach of applicable corporate or commercial law for providing such Guarantee.

In particular, enforcement of any Guarantee or Collateral against the relevant Guarantor or pledgor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained in the terms of the relevant Guarantee or pledges of security designed to ensure compliance with statutory requirements applicable to the relevant Guarantors or pledgors. 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, capital maintenance or similar laws and regulation or defenses affecting the rights of creditors generally. As a result, the liability of a Guarantor under its Guarantee or of a pledgor of security could be materially reduced or eliminated, depending on the amounts of its other obligations and the law applicable to it.

As a result of the applicable limitations under Italian law with respect to, amongst others, corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement, and/or the Intercreditor Agreement, as regards to the Parent Guarantor:

(i) the maximum amount guaranteed by the Parent Guarantor, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes; and

(ii) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of the Parent Guarantor under its Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively.

As a result of the applicable limitations under Italian law with respect to, amongst others, financial assistance and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement, and/or the Intercreditor Agreement, as regards to any Guarantor incorporated under the laws of Italy (an "**Italian Guarantor**") (other than the Parent Guarantor):

(i) the Guarantees and security interests granted by the relevant Italian Guarantor shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans advanced from time to time to the relevant Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Completion Date, and outstanding at the time of the enforcement of the relevant Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility, and/or the Intercreditor Agreement, and/or received upon the enforcement of any security interests granted by such Italian Guarantor; *provided further* that no Italian Guarantor shall be liable as a Guarantor in respect of any amounts in excess of the amount that such Italian Guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by such Italian Guarantor under the relevant Guarantee;

(ii) the maximum amount guaranteed and/or secured by any Italian Guarantor, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;

(iii) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by an Italian Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the relevant Italian Guarantor at that time; and

(iv) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of any of the Italian Guarantor under its Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively.

In the event that the Post Completion Merger does not occur on or prior to the Cut-off Date, as regards to TeamSystem, given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and/or the Intercreditor Agreement:

(i) the Guarantee and security interests to be granted by TeamSystem will only guarantee and secure the Issuer's obligations under Tranche B (as defined in "*Use of proceeds*") of the Notes and shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans (including the TeamSystem Proceeds Loan) advanced from time to time to TeamSystem (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Completion Date, and outstanding at the time of the enforcement of the relevant Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or the Intercreditor Agreement and/or received upon the enforcement of any security interests granted by TeamSystem; provided that TeamSystem shall not be liable as a Guarantor in respect of any amounts in excess of the amount that TeamSystem is entitled to set-off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of any payment made by TeamSystem under its Guarantee;

(ii) the maximum amount guaranteed and/or secured by TeamSystem, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (a) 120% of the outstanding principal amount of the Notes, and (b) the aggregate amount of the original principal amount of the Tranche B (as defined in "*Use of proceeds*") under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (A) the aggregate amount of the original principal amount of the Tranche B (as defined in "*Use of proceeds*") under the Notes to (B) the original principal amount of the Notes;

(iii) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by TeamSystem will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by TeamSystem at that time;

(v) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (a) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (b) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of TeamSystem under its Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively; and

(vi) any guarantee, indemnity, obligation and liability granted or assumed pursuant to the relevant Guarantee and/or security interest by TeamSystem does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche B under the Notes.

In addition, as a result of the applicable limitations under Italian law with respect to, amongst others, financial assistance and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, as regards to TeamSystem Holding, prior to (and including) the date on which the Post Completion Merger becomes effective:

(i) any security interests granted by TeamSystem Holding will only secure the Issuer's obligations under Tranche B (as defined in "*Use of proceeds*") under the Notes, as reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the aggregate amount of the original principal amount of the Tranche B (as described under "*Use of proceeds*") under the Notes to (II) the original principal amount of the Notes;

(ii) the aggregate amount of interest in respect of the Notes secured by TeamSystem Holding will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes secured by TeamSystem Holding at that time; and

(iii) any indemnity, obligations and liability granted or assumed pursuant to the relevant security interest by TeamSystem Holding does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche B (as described under "*Use of proceeds*") under the Notes.

The abovementioned "virtual tranching" structure in respect of the Notes, which is aimed at identifying the relevant portion of the Notes' proceeds which does not constitute "acquisition debt" in respect of, respectively, TeamSystem and TeamSystem Holding and, therefore, does not fall within the prohibition under Italian financial assistance rules (namely, Article 2358 or 2474, as applicable, of the Italian Civil Code), is untested in Italian courts and it cannot be excluded that it might be deemed not sufficient to clearly distinguish and separate the non-acquisition portion of the Notes' proceeds from any portion of the Notes' proceeds to be utilized to support the acquisition or subscription by the Issuer of the share capital of, respectively, TeamSystem and TeamSystem Holding. Should the Guarantee and/or the security interests granted by, respectively, TeamSystem and TeamSystem Holding be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Guarantee and/or security interests could be declared null and void and the Notes documents will provide that, if and to the extent such Guarantee would result in a breach of any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, applicable to TeamSystem, TeamSystem will be deemed to have no liability thereunder and the Guarantee shall not be in force and effect.

In addition, the obligations of any Italian Guarantor and/or Italian security provider (other than the Parent Guarantor, TeamSystem and TeamSystem Holding) that becomes a Guarantor and/or a security provider will be subject to the Agreed Security Principles and will be subject to the additional limitations set forth in the relevant supplemental indenture to the Indenture and/or in the applicable security documents, in order for the applicable Italian Guarantor and/or Italian security provider to comply with the above corporate law requirements on, among others, corporate benefit and financial assistance.

In any case, the maximum amount that an Italian Guarantor and/or Italian security provider (in each case, other than the Parent Guarantor) may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the security interests granted by such Italian Guarantor will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor and/or Italian security provider to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by an Italian Guarantor (other than the Parent Guarantor), the obligations of each Italian Guarantor as guarantor and/or security provider under the Notes, the Indenture, the Revolving Credit Facility Agreement, the Intercreditor Agreement and any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement-the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/or security obligations of the relevant Italian Guarantor shall not exceed on an aggregate basis the limit of the relevant Italian Guarantor's credit support as described above.

In addition to the above, under article 1938 of the Italian Civil Code, if a corporate guarantee is issued by a Guarantor incorporated under the laws of Italy 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). It has been held that such determination must be proportionate to the relevant Guarantor's assets. If such determination is deemed disproportionate to the assets of each of the Guarantors, there is a risk that the guarantee could be declared void.

The proceeds of the enforcement of said guarantees and/or security interests will be distributed amongst the guaranteed and/or secured creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Guarantees and security. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*."

Other limitations pursuant to bankruptcy or insolvency laws apply to the Guarantees.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of that Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the relevant Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Guarantee was given;
- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

It is possible that a Guarantor or a grantor of security, or a creditor of a Guarantor or a grantor of security, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor or a grantor of security, may contest the validity and enforceability of the Guarantor's Guarantee or grantor's creation of security on any of the aforementioned grounds and that the applicable court may determine that the Guarantee or the relevant security interest should be limited or voided. In the event that any Guarantee or security interest is invalid or unenforceable, in whole or in part, or to the extent such limitations on the Guarantee or security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor or grantor, including trade payables of such Guarantor or grantor to the extent of such limitations. Future pledges or guarantees may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or 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. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*."

Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes.

The Intercreditor Agreement includes provisions governing the sharing of proceeds from enforcement of the Collateral. Such enforcement proceeds are required to be turned over to the Security Agent after certain events, including the acceleration of the Notes. The Security Agent is required to apply turned over amounts and other recoveries by the Security Agent from enforcement actions towards discharging certain super senior obligations (including, among others, those under the Revolving Credit Facility, certain hedging obligations (if any) and future indebtedness that may be secured on a super senior basis in accordance with the terms of the Indenture and the Intercreditor Agreement (the "**Super Senior Liabilities**")) in priority to applying any such amounts towards discharging the Notes. Any proceeds remaining from an enforcement sale of Collateral will, after all obligations under such Super Senior Liabilities have been discharged, be applied pro rata in repayment of the Notes and any other indebtedness that ranks *pari passu* with the Notes. See "*Description of certain financing arrangements—Intercreditor Agreement*." Furthermore, claims of our secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

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

The obligations under the Notes are secured on a first-ranking basis with security interests over the Collateral that also secure our obligations under the Super Senior Liabilities. The Intercreditor Agreement will provide that the Security Agent will only enforce the Collateral as provided for in the Intercreditor Agreement, and the Indenture will regulate the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action.

The Security Agent is not required to take enforcement action unless instructed to do so in accordance with the provisions described in the following paragraphs.

If either (i) the holders of the aggregate principal amount of the then outstanding Notes, the senior lenders, creditors in respect of indebtedness ranking *pari passu* with the senior creditors and creditors in respect of certain non-priority hedging obligations (the "**Senior Secured Credit Participations**") which aggregate more than 50% of the total Senior Secured Credit Participations at that time (the "**Majority Senior Secured Creditors**") or (ii) the creditors holding more than $66^2/_3$% of the total participations in Super Senior Liabilities at that time (the "**Super Majority Super Senior Creditors**") wish to issue enforcement instructions they shall deliver those instructions to the Security Agent and the other agents, trustees and hedge counterparties.

The Security Agent is required to act in accordance with instructions received from the Majority Senior Secured Creditors and/or the Super Majority Super Senior Creditors, in each case subject to the consultation period of 15 days as set out in the Intercreditor Agreement; however, (i) if and to the extent the obligations under the Super Senior Liabilities have not been fully discharged in cash within six months of the end of the consultation period (or within 6 months of any notice delivered by the Majority Senior Secured Creditors to the Security Agent notifying the Security Agent and the creditor representatives of the Senior Secured Creditors and the Super Senior Creditors that the Collateral has become enforceable, if no consultation period is required) or (ii) the Security Agent has not commenced any enforcement action within three months of the end of the consultation period (or within 3 months of any notice delivered by the Majority Senior Secured Creditors to the Security Agent notifying the Security Agent and the creditor representatives of the Senior Secured Creditors and the Super Senior Creditors that the Collateral has become enforceable, if no consultation period is required) or (iii) an insolvency event has occurred with respect to a relevant company and the Security Agent has not commenced any enforcement action at that time with respect to such relevant company, then the Security Agent will act in accordance with the enforcement instructions provided by the Super Majority Super Senior Creditors. See "*Description of certain financing arrangements—Intercreditor Agreement*." No consultation shall be required (and the Majority Senior Secured Creditors or the Super Majority Super Senior Creditors shall be entitled to give any instructions to the Security Agent to take any enforcement action prior to the end of the consultation period, where: (a) any of the Collateral has become enforceable as a result of an insolvency event affecting a relevant company; or (b) if the Majority Senior Secured Creditors or the Majority Super Senior 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 realized to a level such that (following application thereof in accordance with the Intercreditor Agreement) 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 Creditors or the 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.

In the event that conflicting instructions (and, for these purposes, failure to give instructions is deemed to be a conflicting instruction) are received by the end of the consultation period (and have not been resolved), the

Security Agent shall take any enforcement action in accordance with the instructions provided by the Majority Senior Secured Creditors, with such instructions to comply in each case with the security enforcement principles contained in the Intercreditor Agreement and the terms of all instructions received from the Super Majority Super Senior Creditors during the consultation period shall be deemed revoked.

The Security Agent may also refrain from acting in accordance with any instructions until it has been indemnified and/or secured to its satisfaction (including by way of payment in advance or otherwise).

To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, the voting interest of holders of Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The creditors of any Super Senior Liabilities may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of any of the Issuer's subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the relevant Guarantee and the liens over any other assets of such entities securing the Notes and the relevant Guarantee may be released. See "*Description of certain financing arrangements—Intercreditor Agreement*" *and* "*Description of Notes—Security—Release of Liens*."

Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Issuer and the Guarantors in the event of a default. See "*Description of certain financing arrangements—Intercreditor Agreement*."

The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and other secured indebtedness may be secured by assets that do not secure the Notes.

The Notes will be secured only to the extent of the value of the Collateral. See "*Description of Notes—Security*." Not all of our assets secure the Notes, and the Indenture will allow the Issuer and its restricted subsidiaries to secure certain future indebtedness permitted to be incurred with certain property and assets that do not secure the Notes. If an event of default occurs and the obligations under the Notes are accelerated, the Notes and the Guarantees thereof will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the Notes. The claims of secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness. As of September 30, 2020, after giving *pro forma* effect to the Transactions, the Issuer and its subsidiaries would not have had any indebtedness secured by assets that will not secure the Notes.

While the Indenture will create certain obligations to provide additional Guarantees and grant additional security over assets, or a particular class of assets, whether as a result of granting liens in favor of other indebtedness or the acquisition or creation of future assets or subsidiaries or otherwise, such obligations will be subject to certain exceptions and qualifications pursuant to the Agreed Security Principles. See "*Description of Notes—Security—General*." The Agreed Security Principles set out a number of limitations on the rights of the holders of the Notes to be granted security or Guarantee in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any Collateral provided 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.

In particular, even though the Notes and the Revolving Credit Facility are expected to share the same Collateral and Guarantors' package, this may not always continue to be the case and circumstances may arise in the future in which lenders under the Revolving Credit Facility may be granted the benefit of additional security or guarantees which are not otherwise permitted to be granted in favor of holders of the Notes due to the application of the Agreed Security Principles and, ultimately, Italian financial assistance and corporate benefit rules. Accordingly, in such circumstances holders of the Notes would have no direct claim for payment against any such additional guarantor nor any rights as a secured party with respect to any such additional collateral.

The principal amount of the receivables forming part of the Collateral may be reduced as a result of prepayments of such loans prior to the maturity date of the Notes.

On the Completion Date, the Issuer will enter into the TeamSystem Proceeds Loan, the proceeds of which are expected to be used by TeamSystem to, *inter alia*, effect the Refinancing and to acquire all of the shares of MadBit, AliasLab, Skylab and Danea currently held by the minority shareholders thereof on the Completion Date or as soon as practicable thereafter. See "*Use of proceeds*." Prior to completion of the Post Completion Merger, repayments of the TeamSystem Proceeds Loan prior to the maturity date of the Notes would result in a reduction in the liability owed by TeamSystem to the Issuer and any reduction in the principal amount of the TeamSystem Proceeds Loan would reduce the value of such receivable and of the Completion Date Collateral and, if TeamSystem guarantees and/or secures the Notes after the Cut-Off Date, the value of the Guarantee by TeamSystem and any security interests granted by TeamSystem. Any reduction in the principal amount of the TeamSystem Proceeds Loan could also adversely affect the ability of the Issuer to make payments under the Notes if the Issuer is otherwise unable to cause its subsidiaries to pay dividends or make loans or other distributions to it. Subject to certain significant exceptions, the TeamSystem Proceeds Loan documentation, however, will prohibit the repayment, reduction, extinction or equitization of the TeamSystem Proceeds Loan. Such exceptions include, but are not limited to, the repayment of the TeamSystem Proceeds Loan to enable the Issuer to make payments of principal and interest on the Notes. The Indenture will not include any restrictions on the Issuer or TeamSystem to amend the TeamSystem Proceeds Loan documentation, including to permit the repayment of the TeamSystem Proceeds Loan in order to allow the Issuer to discharge other debt secured by the Collateral. See also "*—Risks related to our capital structure and the Financing—The Issuer is a holding company that has no revenue generating operations of its own and prior to the Post Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes*." The security interests in the TeamSystem Proceeds Loan will cease to exist automatically upon completion of the Post Completion Merger. See "*Description of certain financing arrangements—TeamSystem Proceeds Loan*" and "*Description of Notes—Security—Release of Liens*."

The Collateral is limited to certain specific assets, the value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances.

If we default on the Notes, holders of the Notes will be secured only to the extent of the value of the assets underlying the security interests granted in favor of holders of the Notes. In the event of an enforcement of the security interests in respect of the Collateral, the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's obligations with respect to the Notes. As described elsewhere, the extent of the Collateral is limited and, in accordance with the Agreed Security Principles, Guarantees and/or security shall only be granted by certain entities. See "*Description of Notes—Security*."

Trade receivables, inventories, intellectual property rights, real property and certain other assets of the Issuer and the restricted subsidiaries will not constitute part of the Collateral. No appraisal of the value of the Collateral has been made in connection with the offering of the Notes. The value of the assets underlying the pledges and the amount to be received upon a sale of the Collateral will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The shares and other Collateral that is pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of the Collateral may not be liquid and its value to other parties may be less than its value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. In the event of foreclosure, the transfer of our business operations may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, entry into the Security Documents, enforcement of the Collateral and any direct or indirect transfer of our operations may require, in certain jurisdictions, governmental or other regulatory consents, approvals or filings similar to (or different from) those that have been or will be required to be obtained in relation to the Acquisition or the Post Completion Merger, or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Collateral may be significantly decreased. Most of our assets will not secure the Notes and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. With respect to any shares of our subsidiaries pledged to secure the Notes, such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity.

As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of the Collateral may decline over time. If the proceeds of the Collateral are not sufficient to repay all amounts due on the Notes, the holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's and any Guarantors' remaining assets.

The Indenture will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties are secured by liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to such assets which, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. In particular by operation of the terms of the Intercreditor Agreement, security interests in the Collateral may be released if a lien is granted on the Collateral in favor of other indebtedness so long as such lien is a Permitted Lien (as defined under "*Description of Notes—Certain definitions—Permitted Liens*"). Moreover, if we issue additional Notes under the Indenture, holders of such Notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

The Collateral and the Guarantees 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 and the Guarantee, as well as the ability of the Security Agent to realize or foreclose on such Collateral and the Guarantee. 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 granting of the Guarantees and security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Guarantees and security interests to secure the Notes may create hardening, clawback or voidance periods for such Guarantees and security interests in certain jurisdictions, including Italy. The granting of shared security interests, including in connection with any release and retake of such security interest, to secure existing, new or future indebtedness (such as hedging obligations or any additional Notes issued under the Indenture) or the transfer or the assignment of the security interest may restart or reopen hardening or clawback periods in certain jurisdictions, including Italy. The applicable hardening, clawback or voidance period for these new security interests can run from the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void, ineffective, clawed back and/or it may not be possible to enforce it. 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 Guarantees and the Collateral and certain insolvency law considerations*.”

The Indenture will provide that the Collateral securing the Notes may be released and retaken in several circumstances, including in connection with a public offering of shares of common stock or other common equity interest and certain internal “permitted reorganizations.” See “*Description of Notes—Security—Release of Liens.*” In Italy, for example, such a release and retaking of Collateral may give rise to new hardening periods in respect of the relevant security interests in the Collateral that are granted, perfected or released and retaken, and the security interests in the relevant Collateral would be subject to the same risks described in the preceding paragraph.

Similar considerations also apply following the Completion Date, in connection with the accession of further subsidiaries as additional guarantors of the Notes and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes, as applicable.

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.

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 and may require prior approval by certain regulatory bodies, including, in certain circumstances, the Bank of Italy.

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 will 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. In addition, the Collateral includes, *inter alia*, a security interest over the shares of each of the Issuer (and, following the Post Completion Merger, MergerCo) and, under certain circumstances in the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, TeamSystem. To the extent the enforcement of this security interest resulted in an acquisition of a holding in the Issuer, MergerCo or TeamSystem, any such enforcement would require clearance by the Italian government, pursuant to the Italian Golden Power Legislation. In addition, any enforcement of the security interest in the Issuer’s, the Target’s, TeamSystem’s or MergerCo’s share capital, as applicable, or any other event triggering the transfer of the voting rights attached to any such pledged share capital to a third party, including the pledgee(s), as the case may be, would require clearance by the Bank of Italy in light of the fact that the TS Regulated Entities are subject to the supervision of such authority. See “*Business—Our product offering—Digital—TeamSystem Digital Finance*” and “*—Risks related to our business—Two of our subsidiaries operate in the financial industry, which is highly regulated, and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change could adversely affect our business.*” Accordingly, the Security Agent may not have the ability to enforce its security interests in the Collateral, and the value of the Collateral may significantly decrease.

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law. In

addition, in the event of an enforcement over the Shared Collateral, holders of the Notes will have to rely on the contractual provisions of the Intercreditor Agreement to ensure that the security interests over the Shared Collateral for the benefit of the holders of the Holdco Private Notes will receive the proceeds of the enforcement after the holders of the Notes.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the holders of the Notes but to the Security Agent, and thus the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents except through the Security Agent as provided in the Intercreditor Agreement. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. See "*Description of certain financing arrangements—Intercreditor Agreement*."

In addition, the ability of the Security Agent to enforce the security interests is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken, including Italian law. For example, the laws of certain jurisdictions may not allow for the appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in, nor are directly parties to, a security document will be validly secured and/or can be enforced; this area of law is untested in the courts of certain jurisdictions (including the Republic of Italy). In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests and the enforceability of such security interests, the Intercreditor Agreement will provide for the creation of "parallel debt" obligations in favor of the relevant Security Agent ("**Parallel Debt**") mirroring the obligations of the Issuer and any Guarantors owed to holders of the Notes under or in connection with the Indenture, as applicable ("**Principal Obligations**"), but in jurisdictions such as Italy, these Parallel Debt provisions would not be applicable provided Italian case law has not ruled for its application. All or part of the pledges and other security interests in such jurisdictions will be granted to the Security Agent as security interests for the Parallel Debt and will not directly secure the Principal Obligations. Under parallel debt structures, the Parallel Debt will typically be at all times in the same amount and payable at the same time as the Principal Obligations and any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. In respect of the security interests granted to secure the Parallel Debt, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct in financing transactions, including credit facilities and bond issuances, has not been tested under law in certain of these jurisdictions, including under Italian law, and to the extent that the security interests in the Collateral created to secure the Parallel Debt construct are not validly granted, are unenforceable or are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of such security interests in the Collateral. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*."

For example, in Italy 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 holder 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 guarantee 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.

Furthermore, under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests created under the Security Documents entered into to secure the Issuer's obligations under the Notes could be subject to potential challenges by an insolvency administrator or by other creditors of the Issuer under the rules of avoidance or claw back of Italian insolvency laws 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**"). A longer period may apply to any Collateral governed by Italian law which may be granted after the Offering. 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 of the claims of other creditors, even if such claims are secured claims. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*."

The enforcement of any Collateral located in Italy or governed by Italian law is subject to mandatory provisions of Italian law, including in relation to limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements.

The laws of certain jurisdictions, including Italy, may not formally recognize the relative ranking of security interests or a second ranking security as a "in rem" right (save for certain limited exceptions). Subject to the terms of the Security Documents, the Shared Collateral will be secured on a contractual second-priority basis by operation of the Intercreditor Agreement for the benefit of the holders of the Holdco Private Notes and the relative ranking of the liens securing the Notes and the Holdco Private Notes will be established pursuant to the Intercreditor Agreement. As a consequence, among other things, the relevant Security Documents will secure the Shared Collateral on the same basis for the benefit of, among others, the holders of the Notes and the holders of the Holdco Private Notes, whilst the Intercreditor Agreement will on a contractual basis provide for the second-priority treatment of the security over the Shared Collateral granted for the benefit of the holders of the Holdco Private Notes. Therefore, holders of the Notes will have to rely on the Intercreditor Agreement to ensure that any security interests that are intended to rank junior to the Notes (including security interests over the Shared Collateral for the benefit of the holders of the Holdco Private Notes) do, in fact, receive the proceeds of the enforcement of any Collateral after the holders of the Notes.

In case of insolvency of any Guarantor, the enforcement of any Collateral provided by such Guarantor may be subject to certain restrictions. See "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*."

Rights in the Collateral 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 or the grantor of the security, as applicable. The liens on 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 necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest, the holder of the security interest having difficulty enforcing such holder's right in Collateral or adversely affect the priority of such security interest in favor of the Notes against 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 the Notes to receive proceeds from any enforcement of the Collateral. The Trustee and the Security Agent will not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

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

Pursuant to the Indenture, under a variety of circumstances, the Collateral securing the Notes will be released automatically, including a sale or other disposition of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture, in connection with an enforcement sale permitted under the Intercreditor Agreement or, after the Post Completion Merger, in connection with certain initial public equity offerings. See "*Description of Notes—Security—Release of Liens*." The Indenture will also permit us to designate one or more restricted subsidiaries that are Guarantors of the Notes as unrestricted subsidiaries. If we designate a Guarantor as an unrestricted subsidiary for purposes of the Indenture, all of the liens on the Collateral owned by such subsidiary and any Guarantee of the Notes by such subsidiary will be released under the Indenture, subject to certain conditions. Designation of an unrestricted subsidiary as such will reduce the aggregate value of the Collateral securing the Notes to the extent of liens securing the shares of such unrestricted subsidiary or of its subsidiaries.

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 or the relevant series of Notes, as the case may be.

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 or the relevant series of Notes, as the case may be. These provisions permit defined majorities (50% or 75%), depending on the nature of the resolution, to bind all holders of the Notes or the relevant series of Notes, as the case may be, 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 to 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%. Furthermore, the interaction between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is also largely untested in the Italian courts.

The insolvency laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar; other limitations on the Guarantee and the security interests in the Collateral, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

Upon the initial issuance of the Notes on the Issue Date, the Notes will only be obligations of the Issuer and the Parent Guarantor. Under certain circumstances, in the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, the Issuer shall use commercially reasonable efforts to procure that, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws, TeamSystem guarantees the Notes. Each of the Issuer, the Parent Guarantor and TeamSystem is incorporated under the laws of Italy. There is a rebuttable presumption that the "center of main interest" as defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings (the "**Insolvency Regulation**") is the jurisdiction where the registered office is situated.

The insolvency laws of foreign jurisdictions, including Italy, may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Issuer, a Guarantor or any other of the Issuer's subsidiaries 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. In particular, the Indenture and the Intercreditor Agreement could be limited in scope and effect by Italian courts to the extent their 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 Guarantees 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 Guarantees and the Collateral and certain insolvency law considerations*."

Although laws differ across jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of a Guarantee against a Guarantor, the enforceability of any other guarantee of the Notes and the enforceability of the security interests in the Collateral. In certain circumstances the court may also void the security interest or the Guarantee if the company is close to or near insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of a Guarantor or the appointed insolvency administrator may challenge the Guarantee and the security interests, and intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee or the security interests provided by such security provider;
- direct that the Issuer and the holders of the Notes return any amounts paid under a Guarantee or any security interest on the Collateral to the relevant Guarantor or security provider or to a fund for the benefit of the Guarantor's or security provider's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee or security interests are found to be a preferences, transactions at an undervalue, fraudulent transfers or conveyances or if otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor or security provider under its Guarantee or the security interests will be limited to the amount that will result in such guarantee or security interests not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside.

The amount recoverable from the Guarantor and security providers under the Security Documents will also be limited. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. There is also the possibility that the entire Guarantee or security interest may be set aside, in which case the entire liability may be extinguished. See also "*—The Guarantees and 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 their validity and enforceability*" and "*—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantees and the Collateral may adversely affect the validity and Enforceability of the Guarantee and the Collateral*."

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would, for example, need to find that, at the time the Guarantees were issued or the security interests created, the Guarantors or security provider:

- issued such Guarantee or created such security interest with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- issued such Guarantee or created such security interest in a situation where a prudent business person as a shareholder of such Guarantor or security provider would have contributed equity to such Guarantor or security provider or where the relevant beneficiary of the Guarantee or security interest knew or should have known that the Guarantor or security provider was insolvent or a filing for insolvency had been made;
- received less than reasonably equivalent value for incurring the debt represented by the Guarantee or security interest on the basis that the Guarantee or security interest were incurred for our benefit, and only indirectly the Guarantor's or security provider's benefit, or on some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Guarantee or the creation of the security interest, or

subsequently became insolvent for other reasons, (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's or security provider's assets were unreasonably small or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due;

- 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 collateral provider; or
- the amount paid or payable was in excess of the maximum amount permitted under applicable law.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor or security provider generally may, in different jurisdictions, be considered insolvent at the time it issued a Guarantee or created any security interest if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that we and the Target Group are solvent, and will be so after giving effect to the Transactions, there can be no assurance as to which standard a court would apply in determining whether a Guarantor or security provider was "insolvent" as of the date the Guarantee were issued or the security interests were created or that, regardless of the method of valuation, a court would not determine that a Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or security provider was insolvent on the date its Guarantee was issued or the security interests were created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

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 Guarantees 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 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 an overview of certain insolvency laws and enforceability issues as they relate to the Guarantee and security interests, see "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*."

Our right to receive payments under the TeamSystem Proceeds Loans may be subordinated by law to the obligations of other creditors.

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*, such loan 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 also applies to companies incorporated as *società per azioni*, hence potentially to TeamSystem under the TeamSystem Proceeds Loan.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, it cannot be excluded that a court may find the requirements provided for by the relevant provisions of the Italian Civil Code to be applicable in respect of the TeamSystem Proceeds Loan borrowed by TeamSystem. Accordingly, an Italian court may conclude that TeamSystem's obligations under the TeamSystem Proceeds Loan are subordinated to all its obligations to other creditors. Should any of TeamSystem's obligations under the TeamSystem Proceeds Loan be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, prior to the Post Completion Merger, the Issuer may not be able to recover any amounts under the TeamSystem Proceeds Loan, 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 (including the TeamSystem Proceeds Loan) 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 and/or security interest granted by such Italian subsidiaries (including, under certain circumstances in the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws, the Guarantee to be provided by TeamSystem) may be impaired or restricted.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because 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, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. See "*Notice to U.S. investors*."

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 would 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 will be 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.

If any series of Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.

In the event that any series of the Notes are redeemed early in accordance with "*Description of Notes—Optional redemption*" and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the relevant series of Notes.

The Issuer may not be able to repurchase the Notes upon a change of control or pursuant to an asset sale offer. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a change of control (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer and may need to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under agreements governing any future indebtedness and may result in the acceleration of such indebtedness (even if such change of control under such other indebtedness may be deemed not to be a change of control for the purposes of the Indenture). Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions 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. Moreover, a change of control will be deemed not to have occurred if it constitutes a "Specified Change of Control Event." See "*Description of Notes—Change of Control*" and "*Description of Notes—Certain definitions—Specified Change of Control Event.*"

Moreover, in certain circumstances specified in the Indenture, we will be required to commence an asset disposition offer (as defined under the Indenture) to all holders of the Notes pursuant to which we will be obligated to offer to purchase the Notes at a price equal to 100% of their principal amount plus accrued and unpaid interest. See "*Description of Notes—Certain covenants—Limitation on sales of assets and Subsidiary stock*."

In connection with certain tender offers for the Notes of any series, if holders of not less than 90% in aggregate principal amount of the outstanding Notes of such series validly tender and do not withdraw such 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 Notes of such series validly tendered and not withdrawn by such holders, the Issuer or such third party will also have the right to redeem the Notes of such series 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 Notes of such series. See "*Description of Notes—Optional redemption*."

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant laws and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

The definition of "change of control" and the covenant described under "*Description of Notes—Certain covenants—Merger and consolidation*" 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," it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer are required to make an offer to repurchase 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 (provided for by Article 96 of Presidential Decree No. 917 of December 22, 1986 ("**Article 96**"), as amended by Legislative Decree No. 142 of November 29, 2018) allows for the full tax deductibility of interest expense incurred by the Issuer 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 EBITDA (i.e., *risultato* operativo lordo della gestione caratteristica or "**ROL**"), as well as 30% of ROL carried forward from previous fiscal years. The ROL is calculated on the basis of the value of the items of the Issuer's profit and loss account, which are comprised of the operating gross revenues and expenses (excluding depreciation of tangible and intangible assets, as well as leasing fees), as determined through the application of the tax rules concerning the determination of the corporate income taxable base. The amount of ROL not used for the deduction of the amount of interest expense in a fiscal year can be carried forward for the following five fiscal years. The amount of any interest income exceeding the interest expenses in a fiscal year can be carried forward without time limits. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years and deducted, provided that and to the extent that, in such fiscal years, the amount of interest expense that exceeds interest income (also carried forward from previous fiscal years) is lower than 30% of ROL. In the case of an Italian tax group (*consolidato fiscale nazionale*), interest expense not deducted by an entity within the tax group due to lack interest income or of ROL can be deducted at the tax unity level, within the limit of the excess interest income and excess of ROL of the other companies within the tax group. This 30% threshold applies to the Italian subsidiaries of the Issuer only. Article 96 does not apply to certain entities active in the insurance and financial sector.

In addition, the Italian tax authorities have in certain instances challenged merger leverage buyout transactions with respect to the deductibility of interest expenses arising in connection with acquisition financing. However, on March 30, 2016, the Italian Revenue Agency issued Circular Letter n. 6/E ("**Circular Letter**") clarifying, as a common principle, that interest on the acquisition bank loan in leveraged buy-out transactions are generally deductible for IRES purposes, subject only to ordinary limitations stated in Article 96 and excluding certain cases of reinvestment (also partial) by the seller(s). In case an acquisition is considered as entered into by one or more entities that are related parties to the seller(s), the deduction of interest expenses may be challenged by the tax authorities based on anti-abuse provisions, depending on the existence of non marginal business reasons for the debt-financed acquisition.

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 does not relate to the business of the borrowing entity (as the relevant transaction is deemed as "anti-economic" and as such not compliant with the "inherence" principle set out under Italian tax law). Italian tax laws and pronouncements of the tax authorities are subject to change and positions that the Group takes for tax purposes may be challenged.

Furthermore, if the Italian tax authorities were to successfully challenge the use of proceeds from the Offering to make a refinancing under the "inherence" principle and/or to make an acquisition under the anti-abuse provision, we may be unable to deduct our interest expenses and/or 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.

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, (iii) the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or, (iv) 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.

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 Italian Legislative Decree No. 239 of April 1, 1996 ("**Decree No. 239**") in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from 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 withholding tax. According to a strict interpretation of such circular, the Notes may not be eligible to benefit from such provision if the listing of the Notes is not effective as of the Issue Date. 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 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.

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

Under a certain interpretation, payments made to non-resident entities without an Italian permanent establishment to which the Notes are effectively connected by an Italian resident 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 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 will be met.

The regime provided by Decree No. 239 and in particular the exemption from withholding tax in principle granted to Holders of the Notes who are the beneficial owners of the proceeds from the Notes (or, if the Holders are institutional investors not subject to tax, even if they are not the beneficial owners of the Notes) and who are resident in countries included in the White List applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors (including beneficial owners of the Rule 144A Notes) can claim the application of the withholding tax exemption where the relevant foreign intermediary 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*."

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.

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 credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above 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 assurances 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 adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Certain covenants and events of default will be suspended if the Notes receive investment grade ratings.

The Indenture will provide that, if at any time following the Issue Date, the Notes issued under the Indenture receive an investment grade rating from any two of Moody's, S&P and Fitch, and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as the Notes are no longer rated investment grade by such ratings agencies, certain covenants will cease to be applicable to the Notes. See "*Description of Notes—Certain covenants—Suspension of covenants on achievement of investment grade status*." At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of 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 if achieved will be maintained.

Upon an IPO pushdown, certain Collateral and Guarantees may be released, any retaken Collateral may be subject to hardening periods, and U.S. holders may have U.S. federal income tax consequences.

On, in contemplation of, or following an Initial Public Offering (as defined under "*Description of Notes*"), the terms of the Intercreditor Agreement will provide (and the Indenture and the Notes shall be subject to such provisions) that the Issuer or its successor shall be entitled to require (by written notice to the Trustee and the Security Agent) that the terms of the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and the Security Documents shall operate (with effect from the date specified in such notice and *provided that* such date falls on or after the date on which the Post Completion Merger is completed) as described in "*Description of certain financing arrangements—Intercreditor Agreement—Release and/or transfer of claims and liabilities in respect of the Senior Notes and the Senior Secured Notes and the Transaction Security—Provisions following an IPO*." The Indenture will provide that, upon consummation of an IPO pushdown, among other things, certain Collateral or Guarantees may be released. Moreover, we may elect to, but are under no obligation to, revoke or otherwise reverse an IPO pushdown, or to replace any Guarantees or Collateral released pursuant thereto, in the event that such IPO pushdown is not consummated. To the extent that new security documents in respect of any collateral to be retaken (including, for example, a pledge over the shares of the Issuer) are entered into, such collateral may be subject to new hardening periods.

In addition, in the event that the Issuer of the Notes changes as a result of the provisions described under "*Description of certain financing arrangements—Intercreditor Agreement—Release and/or transfer of claims and liabilities in respect of the Senior Notes and the Senior Secured Notes and the Transaction Security—Provisions following an IPO*," such change in the Issuer could result in a taxable exchange of the Notes for "new" Notes for U.S. federal income tax purposes. If so, U.S. Holders would recognize any gain or loss in connection with such taxable exchange (although any such loss could be disallowed) and would have a new holding period and new tax basis in the Notes for U.S. federal income tax purposes. In addition, if the fair market value of the Notes at the time of the IPO pushdown is less than the principal amount of the Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with OID. Please see "*Certain tax considerations—Certain U.S. federal income tax considerations*."

Transactions in the Notes could be subject to the EU financial transaction tax, if adopted.

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**EU FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**Participating Member States**"). On December 8, 2015, Estonia indicated that it would no longer be a Participating Member State. The Commission's Proposal is still pending before the Council of the EU and its status is regularly discussed at the European and Financial Affairs Council. Moreover, in the course of 2020, the European Commission brought to the attention of the Council of the EU and the EU Parliament the possibility to propose, by June 2024, the introduction of a reshaped EU FTT as a new EU own resource. The Commission's Proposal has very broad scope and, if introduced in its current form, could apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the EU FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes provided that at least one party to the transaction is established or deemed established in a Participating Member State and that there is a financial institution established or deemed established in a Participating Member State which is party to the transaction, acting either for its own account or for the account of another person, or acting in the name of a party to the transaction. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The Commission's Proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or other Participating Member States may decide to withdraw. If the Commission's Proposal or any similar tax were adopted, transactions in the Notes could be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Prospective investors should consult their own tax advisers in relation to the consequences of the EU FTT associated with purchasing and disposing of the Notes.

Holders of the Notes are unlikely to be entitled to a gross-up for any Italian withholding taxes, unless such Italian withholding tax is caused solely by our failure to comply with certain procedures.

We are organized under the laws of Italy and are resident in Italy for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain or payment on the Notes, may be subject to Italian tax laws and regulations. All payments made by us or on our behalf 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, we must pay such additional amounts as will result in the holders of the Notes receiving the amounts as they would have received in respect of such Notes had no such withholding or deduction been required. We will not be 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 Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except where the procedures prescribed by Decree No. 239 in order to benefit from an exemption have not been complied with solely due to our (or our agents') actions or omissions. In such circumstances where we would not be liable to pay additional amounts, 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 a holder of Notes is resident for tax purposes in a country or territory included in the White List, and such holder complies with certain certification requirements, there can be no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the White List.

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

If the stated principal amount of the Notes exceeds their issue price by an amount equal to or greater than a statutorily defined *de minimis* amount, then the Notes will be considered to be issued with OID for U.S. federal income tax purposes. If the Notes are issued with OID, then, in addition to the stated interest on the Notes, a U.S. Holder (as defined in "*Certain tax considerations—Certain U.S. federal income tax considerations*") will generally be required to include the OID on the Notes in gross income (as ordinary income) as it accrues on a constant yield to maturity basis for U.S. federal income tax purposes, in advance of the receipt of the cash payments to which such OID is attributable and regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. See "*Certain tax considerations—Certain U.S. federal income tax considerations*."

You may face foreign currency exchange risks or other adverse tax consequences as a result of investing in the Notes.

The Notes will be denominated and payable in euro. If you are a U.S. investor, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the U.S. dollar because of economic, political and other factors over which we have no control. Depreciation of the euro against the U.S. dollar could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to U.S. investors on a U.S. dollar basis. Investing in the Notes by U.S. investors also may have significant tax consequences. See "*Certain tax considerations—Certain U.S. federal income tax considerations*."

Additional Notes sold pursuant to Regulation S may not be fungible with existing Notes for U.S. federal income tax purposes.

Additional Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of Notes previously issued under the Indenture without being fungible with such series of Notes for U.S. federal income tax purposes. If you are a

U.S. holder (as defined in "*Certain tax considerations—Certain U.S. federal income tax considerations*") considering the purchase of Notes sold pursuant to Regulation S as part of this Offering or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of additional Notes that are not fungible with the applicable series of initial Notes issued under the Indenture for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified. In the event Additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See "*Book-entry; delivery and form—Transfers*" and "*Description of Notes—Additional Notes*."

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.

Unless and until Notes in definitive registered form, or definitive registered Notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for Euroclear and Clearstream will be the sole registered holders of the Notes. Payments of principal, interest and other amounts owing on or in respect of the relevant 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, these 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 the common depositary for Euroclear and Clearstream, as applicable, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the relevant Notes, 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 the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any 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 permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or timely basis.

Upon the occurrence of an event of default under the Indenture, unless and until the relevant definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The Issuer cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

USE OF PROCEEDS

The gross proceeds from the Offering will be €1,150 million. Pending the consummation of the Acquisition, the gross proceeds of the Fixed Rate Notes and the Floating Rate Notes will be deposited into the Escrow Accounts held in the name of the Issuer but controlled by the Escrow Agent and pledged in favor of the Trustee on behalf of the relevant holders of the Notes. Upon release from the Escrow Accounts, the proceeds from the Offering will be used, together with the proceeds from the Equity Contribution, to fund the purchase price for the Acquisition and, together with certain available cash at TeamSystem, redeem all of the outstanding Existing Notes, acquire the minority stakes held by third-party shareholders in certain subsidiaries of TeamSystem and to pay costs and expenses incurred in connection with the Transactions.

The expected estimated sources and uses of the funds necessary to consummate the Transactions are shown in the table below. Actual amounts are subject to adjustment and may differ from estimated amounts at the time of the consummation of the Acquisition, depending on several factors, including differences from our estimate of fees and expenses, the timing of the Completion Date and of the redemption of the Existing Notes. This table should be read in conjunction with "*Capitalization*."

Sources	(€ million)	Uses	(€ million)
Notes offered hereby(1)	1,150.0	Purchase price for the Acquisition(4)	1,993.8
Equity Contribution(2)	1,776.5	Redemption of Existing Notes(5)	750.0
Cash at TeamSystem(3)	4.5	Accrued interest on Existing Notes(6)	5.2
		Buy out of minority shareholders of MadBit, AliasLab, Skylab and Danea(7)	125.3
		Transaction fees and expenses(8)	56.8
Total sources	2,931.0	**Total uses**	2,931.0

(1) Represents the gross proceeds from the Offering, assuming each of the Floating Rate Notes and the Fixed Rate Notes are issued at par.

(2) Represents the sum of (a) the Holdco PIK Contribution to be made by Holdco to the Issuer on or about the Completion Date with the net proceeds of the Holdco Private Notes and (b) the equity investment expected to be made by Fund IX and certain minority investors which will be contributed as equity through intermediate holding companies to the Issuer on or prior to the Completion Date for purposes of the Acquisition. For further information, see "*—Summary corporate and financing structure*," "*—The Transactions—The Acquisition*" and "*Principal shareholders*."

(3) Represents available cash at TeamSystem. For further information, see footnote (1) under "*Capitalization*."

(4) Represents the estimated purchase price payable to the Sellers for the equity interests in the Target to be acquired under the Acquisition Agreement assuming that the Completion Date will occur on February 15, 2021 and net of estimated €2.0 million of sell-side expenses, to be financed by using the proceeds from the Equity Contribution and all the proceeds from virtual tranche A ("**Tranche A**") under the Notes for an estimated €252.7 million, as further described under "*—The Transactions—The Financing*" above. The purchase price payable at the Completion Date may differ from the amount presented, depending on the actual timing of the Completion Date and the potential occurrence of Leakages, as further described under "*—The Transactions—The Acquisition.*"

(5) Represents the outstanding aggregate principal amount of the Existing Notes, to be satisfied and discharged and ultimately redeemed in full by TeamSystem by using (x) a portion of the proceeds from the TeamSystem Proceeds Loan, to be made by the Issuer to TeamSystem on or about the Completion Date by using a portion of the proceeds from virtual tranche B ("**Tranche B**") under the Notes (which in aggregate will amount to an estimated €840.5 million), as further described under "*—The Transactions—The Financing*" above, and (y) certain available cash at TeamSystem. We expect that the Existing Notes will be redeemed on the Completion Date or shortly thereafter, as notified by TeamSystem to the holders of the Existing Notes pursuant to the conditional notices of redemption in respect of each of the Existing 2023 Notes and the Existing 2025 Notes, dated , 2021.

(6) Represents accrued and unpaid interest on the Existing Notes to, but excluding, an estimated date of redemption of February 16, 2021, to be paid by TeamSystem by using (x) a portion of the proceeds from the TeamSystem Proceeds Loan, to be made by the Issuer to TeamSystem on or about the Completion Date by using a portion of the proceeds from Tranche B under the Notes, as further described under "*—The Transactions—The Financing*" above, and (y) certain available cash at TeamSystem.

(7) Represents the aggregate estimated consideration to be paid by TeamSystem for the acquisition of all of the shares of MadBit, AliasLab, Skylab and Danea currently held by the minority shareholders thereof, thereby increasing TeamSystem's participation in each such subsidiary to 100% of the relevant capital stock and extinguishing the corresponding portion of the Liabilities to Non-Controlling Shareholders of Subsidiaries which, as of September 30, 2020, on a discounted basis, was equal to €117.8 million. We expect that TeamSystem will make these acquisitions on or prior the Completion Date or as soon as practicable thereafter by using (x) a portion of the proceeds from the TeamSystem Proceeds Loan, to be made by the Issuer to TeamSystem on or about the Completion Date by using a portion of the proceeds from Tranche B under the Notes, as further described under "*—The Transactions—The Financing*" above, and (y) certain available cash at TeamSystem. Our current contractual arrangements with the non-controlling shareholders of MadBit, AliasLab, Skylab and Danea allow us to exercise our call option rights during the course of 2021. As of the date of this Offering Memorandum, as part of the Transactions, we are in the process of renegotiating these contractual arrangements in order to acquire these minority interests on or prior the Completion Date or as soon as practicable thereafter, but we have not yet entered into definitive agreements. Therefore, we cannot assure you that we will be able to acquire the relevant equity stakes within the anticipated time frame. 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*."

(8) Represents the estimated fees and expenses associated with the Transactions, including any underwriting or discount fees and commissions, financial advisory fees and other transaction costs and professional fees (but excluding fees and expenses payable in connection with Holdco's private placement of the Holdco Private Notes), to be financed with all the proceeds from virtual tranche C ("**Tranche C**") under the Notes. The actual amount of fees and expenses will vary from the estimated amounts depending on several factors, including differences in the amount of fees and expenses actually incurred compared to our estimates.

For the avoidance of doubt, the "virtual tranching" of the Notes is aimed at identifying the separate portions of the proceeds from the Offering to be used by the Issuer to, on the one side, consummate the Acquisition and, on the other side, make the TeamSystem Proceeds Loan for purposes of, *inter alia*, the Refinancing, and will not entail issuing separate identifiers (ISINs or Common Codes) for each such virtual tranche under the Notes. See "*—The Transactions—The Financing*," "*Capitalization*" and "*Description of Notes*."

On or about the Issue Date, the Issuer will enter into the Revolving Credit Facility Agreement which provides for the €180.0 million Revolving Credit Facility. In the event that freely available cash on the balance sheet on or about the Completion Date is 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 Completion Date or shortly thereafter. For more information regarding our 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, cash equivalents and other financial assets and the capitalization as of September 30, 2020 of (i) TeamSystem Holding on an historical consolidated basis as derived from the Unaudited Interim Financial Statements and (ii) the Issuer on a consolidated basis as adjusted to give *pro forma* effect to the Transactions, as if they had occurred on September 30, 2020. Unless otherwise noted, the As adjusted column does not give effect to movements in cash and cash equivalents or amounts borrowed or repaid after September 30, 2020. We have prepared the information presented in the "As Adjusted" column for illustrative purposes only. Such information is hypothetical and based on *pro forma* adjustments and assumptions related to the Transactions and, therefore, does not represent our actual financial position or results. Consequently, such information may not be indicative of our total capitalization as of the date of this Offering Memorandum, any other prior date, the Completion Date or any date thereafter. Investors are cautioned not to place undue reliance on this hypothetical information. 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 September 30, 2020	
	Actual	**As adjusted**
	(€ in millions)	
Cash, cash equivalents and other financial assets(1)	**50.1**	**5.0**
Adjusted financial debt(2)		
Notes offered hereby(3)	–	1,150.0
Existing Notes(4)	750.0	–
Revolving Credit Facility(5)	–	–
Existing Revolving Credit Facility(6)	–	–
IFRS 16 lease liabilities	24.2	24.2
Other indebtedness and other(7)	0.2	0.2
Total adjusted financial debt(2)	**774.4**	**1,174.4**
Total equity(8)	**380.5**	**1,776.5**
Total adjusted capitalization(9)	**1,154.9**	**2,950.9**

(1) The as adjusted cash, cash equivalents and other financial assets figure reflects cash, cash equivalents and other financial assets of the Issuer as of September 30, 2020 after giving *pro forma* effect to the Transactions, as described under "*Summary—The Transactions*" and "*Use of Proceeds*", as if the Transactions had occurred on September 30, 2020. As adjusted cash, cash equivalents and other financial assets also reflects, *inter alia*, (x) the actual or expected payment of the purchase price in respect of the several bolt-on acquisitions that we closed following September 30, 2020 or that we signed and expect to close after the date of this Offering Memorandum, as well as certain minor payments we made after September 30, 2020 in respect of bolt-on acquisitions we closed prior to September 30, 2020, for an estimated aggregate amount of €70.6 million, (y) the cash equity contribution of approximately €30 million made by the Target, through TeamSystem Holding, into TeamSystem in December 2020 using available cash at Target at such time and (z) €4.5 million of available cash on balance sheet at TeamSystem that we expect to use in connection with the Transactions, as described under "*Use of proceeds*." For further information on our recent bolt-on acquisitions, see "*Summary—Recent developments—Bolt-on acquisitions*." Our cash, cash equivalents and other financial assets as of the estimated Completion Date could materially deviate from our estimates due to a number of factors, including the actual timing of the Completion Date and the amount of cash generated and/or otherwise utilized by the TeamSystem Group between September 30, 2020 and the Completion Date.

(2) Does not include €148.9 million of Liabilities to Non-Controlling Shareholders of Subsidiaries as of September 30, 2020 (on a discounted basis). See "*Management's discussion and analysis of financial condition and results of operations—Contractual obligations—Liabilities to Non-Controlling Shareholders of Subsidiaries*." We intend to extinguish a portion of the Liabilities to Non-Controlling Shareholders of Subsidiaries as part of the Transactions. See "*Use of proceeds*." In addition, adjusted financial debt is calculated gross of amortized financing fees, equal to €8.4 million as of September 30, 2020 and expected to be equal to €56.8 million following the Transactions.

(3) Reflects the aggregate principal amount of the Notes offered hereby, before the deduction of deferred debt issuance costs.

(4) Reflects the sum of the aggregate principal amount of the 2023 Floating Rate Notes (€550.0 million) and the 2025 Floating Rate Notes (€200.0 million), which will be satisfied and discharged and ultimately redeemed on or about the Completion Date. Does not include €1.3 million of accrued and unpaid interest thereon as of September 30, 2020.

(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 €180.0 million Revolving Credit Facility. See "*Description of certain financing arrangements—Revolving Credit Facility Agreement*." In the event that freely available cash on the balance sheet on or about the Completion Date is 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 Completion Date or shortly thereafter. For more information regarding our 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) Mainly reflects other minor unsecured financial debt which we expect will remain outstanding following the Completion Date. In addition, other indebtedness and other does not include €0.2 million of financial liabilities relating to certain commissions as of September 30, 2020.

(8) As adjusted total equity reflects the expected amount of the Equity Contribution in connection with the Transactions. Excludes the effect of estimated fees and expenses related to the Transactions. See "*Use of proceeds.*"

(9) 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,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019(*)	2020(*)	2020(*)
	(€ in millions)					
Revenue	314.1	334.4	373.0	264.7	301.4	409.7
Other operating income	1.9	2.0	3.4	0.5	1.6	4.5
Total revenue	**316.0**	**336.4**	**376.5**	**265.2**	**303.0**	**414.3**
Cost of raw and other materials	(29.6)	(28.3)	(29.1)	(19.7)	(24.7)	(34.1)
Cost of service	(76.8)	(88.4)	(90.5)	(64.4)	(61.9)	(88.0)
Personnel costs	(109.6)	(105.0)	(110.7)	(80.7)	(82.5)	(112.5)
Other operating costs	(7.3)	(4.0)	(5.3)	(4.8)	(2.8)	(3.3)
Depreciation and amortization of non-current assets	(72.5)	(83.0)	(84.6)	(61.9)	(65.8)	(88.5)
Allowance for bad debts	(3.9)	(5.1)	(4.8)	(3.6)	(4.0)	(5.2)
Other provisions for risks and charges	(7.0)	(7.0)	(4.4)	(4.4)	–	–
Impairment of non-current assets	(0.2)	–	–	–	–	–
Operating result	**9.1**	**15.5**	**47.0**	**25.6**	**61.4**	**82.7**
Gain (loss) on disposal of subsidiaries	–	–	–	–	–	–
Share of profit (loss) of associates	–	–	–	–	–	–
Finance income	7.6	16.3	1.4	0.5	3.9	4.8
Finance cost	(79.7)	(105.7)	(85.7)	(37.0)	(44.6)	(93.3)
Profit (Loss) before income taxes	**(62.9)**	**(73.9)**	**(37.4)**	**(10.9)**	**20.6**	**(5.9)**
Current income taxes	(6.0)	1.0	(12.5)	(12.4)	(16.7)	(16.8)
Deferred income taxes	12.1	16.9	14.6	11.9	10.9	13.6
Total income taxes	**6.1**	**17.9**	**2.1**	**(0.5)**	**(5.9)**	**(3.2)**
Profit (Loss) for the year	**(56.8)**	**(56.0)**	**(35.3)**	**(11.3)**	**14.7**	**(9.1)**
Loss (Profit) attributable to non-controlling interests	(0.3)	(0.1)	(0.1)	–	(0.1)	(0.2)
Profit (Loss) attributable to owners of TeamSystem Holding	**(57.1)**	**(56.0)**	**(35.3)**	**(11.3)**	**14.6**	**(9.3)**

(*) Unaudited.

Summary consolidated statement of financial position data

	As of December 31,			As of September 30,
	2017(*)	2018	2019	2020(**)
	(€ in millions)			
Total non-current assets	1,471.0	1,445.5	1,430.3	1,443.5
Total current assets	164.8	190.9	194.5	223.5
Total assets	**1,635.8**	**1.636.5**	**1,624.7**	**1,667.0**
Total equity attributable to owners of TeamSystem Holding	507.2	449.7	365.3	379.8
Total non-controlling interests	1.0	0.5	0.5	0.6
Total equity	**508.3**	**450.2**	**365.8**	**380.5**
Total non-current liabilities	1,017.5	1,047.5	1,079.9	1,042.7
Total current liabilities	110.0	138.8	179.0	243.8
Total liabilities	**1,127.5**	**1,186.3**	**1,258.9**	**1,286.5**
Total equity and liabilities	**1,635.8**	**1,636.5**	**1,624.7**	**1,667.0**

(*) The summary consolidated statement of financial position data as of December 31, 2017 has been derived from the corresponding comparative column in the 2018 Financial Statements, which reclassified certain line items in the 2017 Financial Statements to reflect a different accounting treatment in respect of certain financing fees incurred by the TeamSystem Group in 2017. The reclassification resulted in an increase in "Total assets" and "Total liabilities" of €3.993 million.

(**) Unaudited.

Summary consolidated statement of cash flow data

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2017	2018	2019	2019(*)	2020(*)	2020(*)
	(€ in millions)					
Cash flow from operating activities	61.8	99.8	147.5	114.4	119.0	152.1
Cash flow from (used in) investing activities	(30.5)	(33.3)	(41.5)	(27.6)	(49.1)	(63.0)
Cash flow from (used in) financing activities	(34.4)	(58.2)	(94.2)	(87.7)	(56.3)	(62.8)
Total cash flow generated in the period	**(3.1)**	**8.3**	**11.8**	**(0.9)**	**13.5**	**26.3**
Cash and cash balances at the beginning of the period	**19.4**	**16.3**	**24.6**	**24.6**	**36.4**	**23.7**
Cash and cash balances at the end of the period	**16.3**	**24.6**	**36.4**	**23.7**	**50.0**	**50.0**

(*) Unaudited.

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

The following is a discussion of the consolidated financial condition and results of operations of TeamSystem Holding S.p.A. for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020. 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 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 ERP, business management and e-invoicing 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 internal and external business processes through our premium cloud-based product offering and solutions which connect businesses, professionals and public administration organizations. 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, accounting management, enterprise asset management, human capital management, production and supply chain management, administration and invoicing management and customer management software solutions for SMEs and Microbusinesses. We provide assistance and software maintenance services for all 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, had 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. Our easy-to-use cloud-based software products have also enabled us to target Microbusiness customers who have historically not utilized higher-functionality and more complex on premise business management software. We believe we are the leading provider of ERP, business management and e-invoicing cloud products in Italy.

For the twelve months ended September 30, 2020, we generated total revenue, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA of €414.3 million, €182.2 million and €206.4 million, respectively. As of December 31, 2019, we had in the Italian ERP and business management software market a 41.3% market share among SMEs and Microbusinesses and a 41.2% market share among professionals, in each case based on number of seats. In addition, as of December 31, 2019, we had a 30.2% market share in the Italian e-invoicing market, based on the number of e-invoices sent to the Italian Revenue Agency's exchange system through our TeamSystem Digital platform out of the total number of e-invoices sent to the Italian Revenue Agency in 2019 by SMEs, micro B2B-oriented businesses.

We offer our products and services through four main business lines (within the same reportable segment "Software"):

- **Direct Channel.** Our Direct Channel business line includes a range of software solutions and related services, including installation, start-up, maintenance and post-sale customer services, which are designed to address the needs of SMEs and professionals and are directly sold to our end-customers either by our "on field" sales team, composed of in-house sales representatives and our network of external agents, or, in case of our Digital product line, remotely by a dedicated sales team. For the twelve months ended September 30, 2020, our Direct Channel business line accounted for 30.4% of our total revenue;

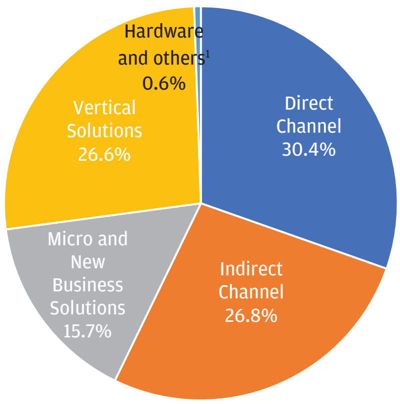
- **Indirect Channel.** Our Indirect Channel business line includes our range of software solutions, designed to address the needs of SMEs and professionals and sold mainly by our value added resellers ("**VARs**") to the end-customers. For the twelve months ended September 30, 2020, our Indirect Channel business line accounted for 26.8% of our total revenue;

- **Micro and New Business Solutions.** Our Micro and New Business Solutions business line includes a range of software solutions designed to address the needs of Microbusinesses. For the twelve months ended September 30, 2020, our Micro and New Business Solutions accounted for 15.7% of our total revenue; and

- **Vertical Solutions.** Our Vertical Solutions business line includes products and services, designed to address the needs of customers in specific industries, such as, among others, mechanical and manufacturing, construction, CAF/public sectors, legal, wellness, hospitality and professional education. For the twelve months ended September 30, 2020, our Vertical Solutions business line accounted for 26.6% of our total revenue.

The following chart sets forth our total revenue breakdown by business line for the twelve months ended September 30, 2020.

Total revenue of €414.3 million



(1) "Hardware and others" reflects minor revenues deriving from our hardware operations and certain *de minimis* revenues in respect of certain professional services rendered by our subsidiary Mondora S.r.l.

For the twelve months ended September 30, 2020, we generated 79.4% of our total revenue from recurring sources, which are primarily related to annual software assistance and maintenance contracts, annual 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 critical role of 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.

Our four key end-customer groups are SMEs, Microbusinesses, professionals and digital customers connected through our accountant customers to our e-invoicing platform. In addition, we have a network of VARs, which resell our products to these end-customer groups. Our end-customer base, including VAR's end-customers, increased from approximately 88,000 as of December 31, 2009 to approximately 1,551,000 as of September 30, 2020. Of this total figure, approximately 59,000 are SMEs, approximately 97,000 are professionals, approximately 430,000 are Microbusinesses and approximately 965,000 are digital customers connected through accountants. Our large and diverse end-customer base is highly fragmented and spread across a variety of industries, including accountancy, labor advisory, manufacturing, industrial, construction, wellness, hospitality, fashion, retail, distribution, food and beverage, legal and other professional services sectors. For the twelve months ended September 30, 2020, our ten largest end-customers and our ten largest VARs represented 3.1% and 7.6% of our total revenue, respectively. For the years ended December 31, 2019 and 2020, we experienced high and stable Customer Retention Rates of approximately 94.1% and 94.5% for SMEs and 93.0% and 92.2% for professionals, respectively. For the twelve months ended November 30, 2019 and 2020, our Customer Retention Rates for Microbusinesses were approximately 83.1% and 89.9%, respectively. 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. In addition, our digital platform, TeamSystem Digital, designed to operate all our digital products, is integrated with all our ERP solutions and allows our customers to digitally send, receive, register and store electronic invoices from and to private customers, companies, Microbusinesses, public entities, banks and external accountants and to send tax filings to the relevant tax authorities electronically.

We divide our product offering into the following four product lines:

- **Enterprise.** Our Enterprise product line consists of a wide range of scalable ERP and other business management and production management software products for SMEs. Our most successful software in this product line is TeamSystem Enterprise, which we sell both in on premise and SaaS (*Software as a Service*) versions.

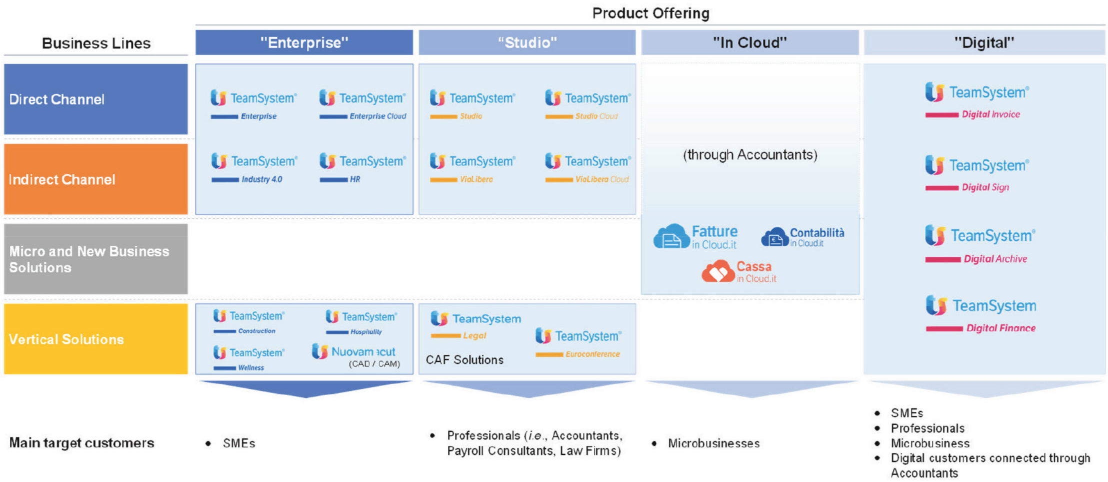
- **Studio**. Our Studio product line consists of mission-critical software solutions for professionals, including accountants, labor advisors and law firms. Our most successful software in this product line is TeamSystem Studio, which we sell both in on premise and SaaS versions.

- **In Cloud.** Our In Cloud product line consists of cloud-based products, such as entry-level accounting products and other ancillary cloud products for Microbusinesses. Our most successful software in this product line is Fatture in Cloud.

- **Digital.** Our Digital product line consists of cloud solutions for digitalization of processes, such as electronic invoicing, electronic signature and authentication services provided through a cloud-based platform for SMEs, professionals, Microbusinesses and all digital customers connected through our accountant customers. Our most successful software in this product line is TeamSystem Digital Invoice.

In order to provide our customers with fully integrated software solutions and to facilitate the digitalization of their processes, we began investing in cloud products and our digital platform (TeamSystem Digital) in 2014 and we were among the first in Italy 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 outperform 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 TeamSystem Enterprise and TeamSystem Studio, as well as products such as Fatture in Cloud, Contabilità in Cloud and Cassa in Cloud. We believe that these 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 products, such as TeamSystem Digital Invoice, TeamSystem Digital Sign and TeamSystem Digital Archive, 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 demand for digitalization solutions will continue to grow as a result of incentives introduced by the Italian government, such as (i) "*Industry 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and Microbusinesses, (ii) the Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy with revenues higher than €65 thousand per year (with the exception of healthcare professionals), starting from January 1, 2019, to provide electronic invoices to other businesses with whom they conduct transactions, (iii) the "*Ecobonus*" Italian regulation introduced by the Italian Legislative Decree No. 34/2020, which provides tax credits and incentives for home renovations improving energy efficiency, upon submission of specific technical documentation and (iv) the new Italian regulation on crisis management and bankruptcy that is expected to enter into force in September 2021 and which will require companies to carry out periodic assessments of their financials based on pre-defined key performance indicators.

Set forth below is a graphic representing the interaction among our business lines, product lines and target customers.



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, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 of TeamSystem Holding. 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 Lines and Revenue Breakdown

Our 2017 Financial Statements and 2018 Financial Statements included elsewhere in this Offering Memorandum contain information and revenue breakdowns that reflect our old accounting segments under IFRS 8: (i) Software Solutions, which included our results deriving from the sale of products 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.; (ii) Cloud Software Solutions, which included our results deriving from the sale of cloud-based software products; and (iii) Hardware, which included our results deriving from the resale of hardware components and accessories. Since January 1, 2019, we have reported under one reportable segment under IFRS 8 (*i.e.*, the Software segment).

In addition, from 2019 we have adopted a new business line structure which we believe better represents and facilitates the understanding of our business model and operations. The revenue breakdowns that we present in this "*Management's discussion and analysis of financial condition and results of operations*" and elsewhere in this Offering Memorandum for all periods under review reflect our current business line structure, as follows:

Direct Channel: which includes revenues deriving from the direct sales of products and services to our SME and professional end-customers.

Indirect Channel: which mainly includes revenues deriving from the fees paid to us by our VARs, who resell our products to SME and professional end-customers.

Micro and New Business Solutions: which includes revenues and services deriving from the sales of our products designed to address the needs of Microbusinesses.

Vertical Solutions: which includes revenues deriving from the sales of products and services addressing the needs of SMEs and professional customers in specific industries, such as, among others, mechanical and manufacturing, construction, CAF/public sector, legal, wellness, hospitality and professional education.

In addition, as part of such revenue breakdowns, we also present the "Hardware and others" category, which reflects minor revenues deriving from the resale of hardware components and accessories and certain *de minimis* revenues in respect of professional services rendered by our subsidiary Mondora S.r.l.

For the avoidance of doubt, our new business lines do not correspond to reportable segments under IFRS 8, as the only reportable segment for such purposes is our "Software" segment. The information and data related to our new business line structure have not been audited or reviewed by our independent auditors, are based on our management accounts and rely on management judgment. For more information on our new business line structure, see "*Presentation of financial and other information—Business lines and revenue breakdown*" and "*Business—Business lines.*"

Financial Sector Companies

In order to support our expansion in the digital financial services, in the first quarter of 2019, we (i) incorporated TeamSystem Financial Value Chain S.r.l. (in which we hold a 51% interest and on which we have a call option right on the remaining 49% interest), TeamSystem AM Holdco S.r.l. (in which we hold a 51% interest and on which we have a call option right on the remaining 49% interest), TeamSystem Capital at Work SGR S.p.A. (wholly owned by TeamSystem AM Holdco S.r.l.) and TeamSystem Payments Holdco S.p.A. and TeamSystem Payments S.r.l. (which is wholly owned by TeamSystem Payments Holdco S.p.A.) and (ii) acquired (via TeamSystem Financial Value Chain S.r.l.) Factor@Work S.r.l. and Whit-e S.r.l. (collectively, the "**Financial Sector Companies**"). For more information on the Financial Sector Companies, see "*Business—Our product offering—Digital—TeamSystem Digital Finance*" and "*Risk factors—Risks related to our business—Two of our subsidiaries operate in the financial industry, which is highly regulated, and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change could adversely affect our business.*"

As of September 30, 2020, the Financial Sector Companies did not meet the quantitative thresholds set out under IFRS 8 to be presented under a separate segment for reporting purposes. Therefore, in our 2019 Financial Statements and Unaudited Interim Financial Statements, the Financial Sector Companies have been presented in the "Other" category. For the twelve months ended September 30, 2020, revenue deriving from the "Other" category represented 0.1% of our total revenue.

For the year ended December 31, 2019 and the nine months September 30, 2020, as part of our new business line structure, revenues generated by the Financial Sector Companies were allocated to our Micro and New Business Solutions business line.

Key factors affecting our results of operations

Recurring contracted revenues and high Customer Retention Rate

For the years ended December 31, 2017, 2018 and 2019 and the twelve months ended September 30, 2020, we generated 67.1%, 71.0%, 77.4% and 79.4% 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 more than one year, 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, annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees and Formulaic 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 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 end-customer's base contract flat fee or the VARs' annual Forfait or Formulaic Fees, as applicable.

As a consequence of the significant expansion of our cloud-based solutions in the periods under review, our fee structure has increasingly shifted from a license and maintenance model to a subscription model. In the license and maintenance model, customers generally make a one-off payment for the purchase of a temporary or perpetual license at the outset of the contracts and are then required to make periodic payments (e.g. on an annual basis) for assistance and maintenance services and/or software upgrades. Conversely, 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 price adjustments that we implemented on certain products of our Direct Channel business line to reflect certain added functionalities in January 2017, January 2018, January 2019 and January 2020 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 such price adjustments affected recurring fee sources (*i.e.* maintenance and subscriptions). We estimate that (i) the price adjustment we implemented in January 2017 resulted in additional revenue of approximately €2.9 million for the year ended December 31, 2017, (ii) the price adjustment we implemented in January 2018 resulted in additional revenue of approximately €2.2 million for the year ended December 31, 2018, (iii) the price adjustment we implemented in January 2019 resulted in additional revenue of approximately €0.9 million for the year ended December 31, 2019 and (iv) the price adjustment we implemented in January 2020 resulted in additional revenue of approximately €2.5 million for the year ended December 31, 2020.

We believe that customer loyalty also significantly contributes to the recurring nature of our revenues, adding stability to our revenue flow. For the years ended December 31, 2019 and 2020, we have experienced high and stable Customer Retention Rates of approximately 94.1% and 94.5% for SMEs and 93.0% and 92.2% for professionals, respectively. For the twelve months ended November 30, 2019 and 2020, our Customer Retention Rates for Microbusinesses were approximately 83.1% and 89.9%, respectively. See "*Certain definitions—Customer Retention Rate*."

In our Direct Channel, Micro and New Business Solutions and Vertical Solutions businesses lines, we estimate that only a portion 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 administrative or other functions or going out of business. We believe that the loyalty of our customers is due to both their satisfaction (as attested by a NPS score measured by consultancy firm Nielsen of +35 as of September 30, 2020) 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 business processes 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 and 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-customers, migrating such VAR's existing customers to our Direct Channel business line or to another VAR in the area. See "*Business—Indirect Channel*."

Growth of our cloud business

For the periods under review, revenue from cloud products and services increased from €31.1 million for the year ended December 31, 2017 to €56.4 million for the year ended December 31, 2018, €109.7 million for the year ended December 31, 2019 and €150.9 million for the twelve months ended September 30, 2020, representing a CAGR of 77.6%. The contribution of our cloud business to our total revenue increased from 9.8% for the year ended December 31, 2017 to 16.8% for the year ended December 31, 2018, 29.1% for the year ended December 31, 2019 and 36.4% for the twelve months ended September 30, 2020. 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).

In the last four years, the growth of our cloud business has been driven by our efforts to (i) assist our customers to transition from on premise solutions to cloud solutions and (ii) develop a range of innovative cloud products specifically designed for Microbusinesses. To enable the transition to cloud products, we developed a comprehensive set of cloud-based versions of our most successful on premise software products, such as TeamSystem Enterprise and TeamSystem Studio. In addition, we developed additional cloud-native products, such as Fatture in Cloud, Contabilità in Cloud, Cassa in Cloud, TeamSystem Digital Invoice, TeamSystem Digital Sign and TeamSystem Digital Archive, which have allowed us to penetrate the large and previously untapped market of Microbusiness customers in Italy, who have not historically utilized on premise software solutions, mainly due to their relative complexity. We believe the growth of our cloud business is sustainable, as we continue to offer our current customers new cloud products (including cloud-native products), which are sold via our subscription model, thus supporting the recurring portion of our total revenue.

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 Channel business lines 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 our 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. In addition, in 2017 some members of our customer service team were relocated to ComSyst S.r.l., a third-party service provider in which we held a stake of 49% in the form of a joint venture with the Comdata Group. In November 2019 we sold our 49% stake to the Comdata Group, which now 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, effective January 1, 2018, we outsourced our hardware resale operations to a market leader in this sector via a business lease agreement which expires in April 2021. Since 2018, we have been also outsourcing our delivery services business for our SME customers, which handles the physical installation and/or the customization of our software for the end-customers in addition to second level assistance, to a number of leading system integrator players through two-year business lease agreements or collaboration agreements, as the case may be. See "*Business—Delivery operating model.*"

In addition, in the last quarter of 2020, we fully launched a number of cost saving initiatives which, as of the date of this Offering Memorandum, are all ongoing as planned. These initiatives are related to several areas of our organization, including administration and finance, facility expenses management, information and communications technology (ICT) and procurement, R&D, customer service and delivery and sales. In particular, these initiatives include, among other things: (i) further centralization of administrative activities for all our business lines and implementation of automation tools to increase efficiency; (ii) optimization of facility expenses; (iii) centralization of IT procurement and other IT related efficiencies; (iv) synergies across R&D teams and other R&D related efficiencies; (v) further centralization or reorganization of selected customer support and delivery teams to improve efficiency; and (vi) renegotiation of certain contractual terms with our resellers. For further information on these cost saving initiatives, see "*Summary—Our strategy—Continue to focus on cost discipline, improving the profitability and efficiency of our business model*" and "*Summary—Summary historical financial information and other data—Other financial and pro forma data.*"

Acquisitions

Our operating results and their comparability for the periods under review were impacted by the effects of a number of bolt-on acquisitions. 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 January 1, 2017 and September 30, 2020, we acquired majority stakes in or the entire capital stock of 19 companies (excluding the transactions where we only increased our stake in previously acquired companies). In particular, we made five acquisitions in 2017, one acquisition in 2018, eight acquisitions in 2019 and five acquisitions during the nine months ended September 30, 2020.

We believe that the acquisitions we made in the period 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 and to enrich our product offering in key strategic areas, such as in the HR management and Industry 4.0 through the acquisitions of Skylab and TechMass in 2019 and MBM Italia in 2020, respectively, and to enter new attractive markets, such as the retail Microbusiness market through the acquisition of Cassanova in 2017.

Historically, we have funded our bolt-on acquisitions primarily with cash from operations, as well as third party and shareholder debt. In addition, as part of our acquisition strategy and depending on the actual circumstances of each acquisition, we often seek to initially purchase a controlling stake in the acquired business, with the stake remaining with the relevant sellers being subject to certain earn out arrangements and put and call options, which enable us to acquire full ownership of the relevant business at an agreed point in time.

For a description of the most significant acquisitions we carried out in the periods under review, 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—Liabilities to Non-Controlling Shareholders of Subsidiaries.*" As part of the Transactions, on or shortly after the Completion Date, we plan to use a portion of the proceeds of this Offering to buy out the stakes held by non-controlling shareholders in Danea, AliasLab, Skylab and MadBit. See "*Use of proceeds*."

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) in 2017, the "*Agenzia Telematica*" (regarding the requirement to file certain other tax documents with the Italian tax authority electronically), (ii) in 2018, the "*GDPR*" (regarding the requirements imposed by Regulation (EU) 2016/679 on data protection and privacy laws) and (iii) in 2019, the "*Kit Corrispettivi*" (regarding the requirement for retail businesses with annual revenues above a certain threshold to electronically share receipts with the Italian Tax Authority on a daily basis) and the "*Assegni Nucleo Familiare*" (regarding the regulations about benefits paid to employees by the Italian national institute for social security (*i.e.* INPS)). These four Regulatory LTAs generated, across each business line, each in its respective year of release, approximately €5.9 million, €3.5 million, €0.1 million and €0.3 million of revenue, respectively.

In addition, as part of the Italian government digitalization program, all invoices to the Italian central and local public administration organizations since March 2015, and all invoices made towards consumers and other businesses by businesses with revenues higher than €65 thousand per year (with the exception of healthcare professionals), since January 1, 2019, must be submitted electronically. As a consequence of these innovative requirements, the total number of electronic invoices sent to the Italian Revenue Agency's exchange system (*Sistema di Interscambio-"SDI"*) increased from approximately two million in 2014 to approximately 2.1 billion in 2019. We believe that part of the growth of our cloud business for the periods under review, and, in particular, the increase in sales of our electronic invoicing software products, such as Fatture in Cloud and TeamSystem Digital Invoice, were driven by this new regulatory requirement.

For a description of further regulations that we expect will have an impact on our business see "*Summary—Overview.*"

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 2019 our organic total revenue (calculated for any given year as our total revenue for such year *less* the revenue of the companies we acquired in such year) grew at an average year-on-year growth rate of 5.9%, outperforming the Italian GDP growth for the same period by 5.7 percentage points 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 an average year-on-year growth rate of -1.0%, our organic total revenue grew at an average year-on-year growth rate of 4.5%, outperforming Italian GDP by 5.5 percentage points per year on average and demonstrating the resilience of our business. From 2017 to 2019, Italy's GDP showed signs of recovery with a positive growth of 1.4% on average per year. Over such period, our organic total revenue outperformed the Italian GDP, growing on average at 7.5% year-on-year. In addition, our Adjusted EBITDA grew at a CAGR of 13.7 % from 2017 to 2019. In addition, our Adjusted EBITDA margin increased from 35.8% in 2017 to 37.4% in 2018 and 38.8% in 2019.

Over the periods under review, demand for our 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 business 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 €1.5 billion in 2020.

Following the outbreak of the COVID-19 pandemic, the Italian economy contracted sharply during the first quarter of 2020, recording a year-on-year contraction in GDP of 5.1% and entering a new recession, followed by a 11.8% year-on-year decrease in the second quarter of 2020, which was the worst year-on-year decrease of GDP since records began in 1995 (source: ISTAT) as the country was one of the hardest hit by the COVID-19 pandemic. Although it is at this stage too early to predict the medium- to long-term effects of the COVID-19 pandemic on the Italian ERP, business management and e-invoicing software market and the Italian economy generally, since the outbreak of the COVID-19 pandemic we have experienced an increase in customer demand for digitalization products and services across almost all of our business lines, as SME, Microbusiness and professional customers have been forced to rely on their software solutions and have turned to remote working and cloud-based solutions to run their operations. However, demand for certain products in our Vertical Solutions business line, including CAD/CAM products and solutions for hospitality and wellness industries has been affected by the measures implemented to contain the spread of COVID-19. See "*—Results of operations—Nine months ended September 30, 2019 compared with nine months ended September 30, 2020*" and "*Risk factors—Risk factor related to our business—The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity*."

Seasonal billing pattern

Our working capital needs vary, sometimes substantially, due to our seasonal billing patterns. In particular, in our Direct Channel business line and, to a lesser extent, in our Vertical Solutions business line, most of our contracts with customers are automatically renewed and the related fees invoiced at the beginning of each calendar year (during our annual budgeting process), and the related trade receivables are primarily collected during the second quarter. 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 end of the first quarter, to then gradually decrease through the end of the year. Typically, our Direct Channel and Vertical Solutions contracts are renewed unless customers provide a written termination notice usually at least six months prior to the expiration of such contracts. In our Indirect Channel business line, revenue is almost entirely of a recurring nature as it primarily consists of the annual fees that we invoice each VAR quarterly or in some cases annually for the right to resell our products and the related receivables are usually collected in approximately three months. In our Micro and New Business Solutions business line is almost entirely of a recurring nature as it primarily consists of annual subscription fees, which are accounted for on a monthly basis and which customers pay annually in advance. We believe that our billing pattern enables us to effectively predict and monitor our revenue and cash flow levels. See "*—Net Working capital.*"

Despite the effects of the COVID-19 pandemic, our average days delinquent, which for any given period measures the average number of days between the date on which our trade receivables fall due and the date on which the relevant payments are made by our customers, improved significantly from 2018 to 2019 and marginally in the nine months ended September 30, 2020 compared to the same period of the prior year.

Factors affecting the comparability of our results of operations

Bolt-on acquisitions made by the Group

The most significant bolt-on acquisitions we carried out in the period between January 1, 2017 and September 30, 2020 are described below.

Evols. In March 2017, we acquired a 51% stake in Evols S.r.l. for €1.2 million. The remaining 49% stake is subject to a put and call option agreement with the non-controlling shareholder (see"*—Contractual obligations—Liabilities to Non-Controlling Shareholders of Subsidiaries*"*).* Evols S.r.l. is a company specialized in software for hotels and tourist facilities. This acquisition allowed us to enter the tourism operator industry.

Netlex. In April 2017, we acquired a 51% stake in Netlex S.r.l. for €1.0 million. The remaining 49% stake was subject to a put and call option agreement with the non-controlling shareholder and was acquired on May 26, 2020. Netlex S.r.l. develops and markets advanced cloud solutions for legal and professional practices. This acquisition enabled us to expand our product offering and to strengthen our competitive position in the legal services industry.

Cassanova. In July 2017, we acquired a 51% stake in Cassanova S.r.l. for €0.5 million. The remaining 49% stake is subject to a put and call option agreement with the non-controlling shareholder (see "*—Contractual obligations—Liabilities to Non-Controlling Shareholders of Subsidiaries*"*).* Cassanova S.r.l. is a company specialized in the development and marketing of retail and restaurant management software. This acquisition enabled us to enter the management software market for retail Microbusinesses.

Skylab. In April 2019, we acquired a 60% stake in Skylab for €7.2 million. The remaining 40% stake is subject to a put and call option agreement with the non-controlling shareholder (see "*—Contractual obligations—Liabilities to Non-Controlling Shareholders of Subsidiaries*"*).* Skylab is a company specialized in cloud solutions for personnel management. This acquisition enabled us to expand our cloud product portfolio, as well as strengthen our competitive position in the personnel management market.

MBM Italia. In April 2020, we acquired a 61% stake in MBM Italia S.r.l., for €17.4 million The remaining 39% stake is subject to a put and call option agreement with the non-controlling shareholder (see"*—Contractual obligations—Liabilities to Non-Controlling Shareholders of Subsidiaries*"*).* MBM Italia S.r.l. is a software house specialized in software solutions for planning and management of production processes. This acquisition strengthened our position in the "Industry 4.0" sector and expanded our product range dedicated to solutions for logistics, warehouse management and delivery control and for fashion, apparel and footwear industry.

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.

Significant accounting policies

IFRS 9—Financial Instruments: Recognition and Measurement and IFRS 15—Revenue from contracts with customers

We adopted IFRS 9—*Financial Instruments: Recognition and Measurement*, which replaced IAS 39, and IFRS 15—*Revenue from contracts with customers*, which replaced IAS18—*Revenue* from January 1, 2018. The introduction of IFRS 9 and IFRS 15 has not had a material impact on our earnings or financial position. We adopted IFRS 9 and IFRS 15 using the modified retrospective approach. Under this method, the impact of the standard is not restated retrospectively. Therefore, due to the adoption of these new accounting standards our 2019 Financial Statements and 2018 Financial Statements are not directly comparable with our 2017 Financial Statements.

See "*New accounting standards adopted by the Group effective 1 January 2018,*" "*Summary of results of TeamSystem Group—Business units*" and "*Accounting standards, amendments and IFRS interpretations applicable as from 1 January 2018*" of our 2018 Financial Statements included elsewhere in this Offering Memorandum.

IFRS 16—Leases

We early adopted IFRS 16—*Leases*, which replaced IAS 17—*Leases*, on January 1, 2018. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model with some exemptions for short-term and low-value leases. The lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. We adopted IFRS 16 using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying the standard as an adjustment to opening equity in the financial year in which the standard is applied without restating the comparative figure. Therefore, due to the adoption of this new accounting standard our 2019 Financial Statements and 2018 Financial Statements are not directly comparable with our 2017 Financial Statements.

As a result of initially applying IFRS 16, we recognized €26.4 million of right-of-use and financial liabilities at January 1, 2018. The Adjusted EBITDA figures that we present in this Offering Memorandum for the years ended December 31, 2018 and 2019, the nine months ended September 30, 2019 and 2020 and the twelve months ended September 30, 2020, include an impact of IFRS 16 of €6.2 million and €7.0 million, €4.8 million, €5.3 million and €7.5 million, respectively.

See "*New accounting standards adopted by the Group effective 1 January 2018,*" "*Summary of results of TeamSystem Group—Business units*" and "*Accounting standards, amendments and IFRS interpretations applicable as from 1 January 2018*" of our 2018 Financial Statements included elsewhere in this Offering Memorandum.

Revenue recognition

We recognize revenue net of returns and rebates directly. Revenue recognition methods depend on account of the different nature of sales. In particular we classify revenues deriving from our four main business lines (*i.e.* Direct Channel, Indirect Channel, Micro and New Business Solutions and Vertical Solutions) as: (i) recurring revenues which are generated from those contracts for which customers pay a fee that is renewed (generally tacitly) on expiry (*i.e.* assistance and maintenance contracts, subscription agreements and Regulatory LTAs) and (ii) licenses and professional services.

Recurring

Our main recurring revenue-generating streams are:

- Assistance and Maintenance/Subscription, comprising revenue from assistance and maintenance fees and subscription fees. Assistance and maintenance fees are normally associated with license agreements (our "license and maintenance model"), while when a customer enters into a subscription agreement, a fee is paid in order to both utilize a particular software product and benefit from customer support, technical assistance and maintenance and software updates (our "subscription model"). 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.

  In addition, this category includes revenue from 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 recognized on a straight line basis over the agreement term.

- Regulatory LTAs, comprising revenue from the sale of Regulatory LTAs, which are charged to our customer on top of the relevant customer's base contract fee and are recognized on a straight line from the download date. Renewals of Regulatory LTAs automatically take place at the beginning of each year.

Licenses and professional services

Our revenues from licenses and professional services derive from:

- Licenses, comprising revenues from the sale of software licenses, which are recognized when control of the software is transferred to the customer (usually 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 maintenance and support, the revenue arising from these components is separately identifiable in the agreement.
- Professional services, which generate fees generally related to the installation and customization of our software solutions products and to the training services we provide to the customers at the product start-up. Service fees are generally one-off fees and therefore do not generate recurring revenue. Revenue related to software implementation services that are ongoing at the reporting date is recognized based on the percentage of completion of the services at such reporting date.

Finally, revenues deriving from sales of hardware components purchased from third parties are recognized when control of the product is transferred to the customer (usually 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 third party software, hardware, fuel, 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, fees associated with consulting and copyrights for our education materials, fees paid to consultants for professional services, consulting and third parties services 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, 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 losses expected to be incurred on receivables, 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.

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, derivative instruments and variance in the fair value of the Liabilities to Non-Controlling Shareholders of Subsidiaries (which, in our 2017 Financial Statements, were referred to as "Vendor Loan"). In particular, any depreciation of the fair value of the 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, interest on lease contracts, financing fees and variance in the fair value of the Liabilities to Non-Controlling Shareholders of Subsidiaries. In particular, any appreciation of the fair value of the Liabilities to Non-Controlling Shareholders of Subsidiaries generates a finance cost in the relevant period.

Income taxes

Income taxes are almost exclusively 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 relevant period 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

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019.

The table below sets out our consolidated results of operations for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019.

	Nine months ended September 30		
	2019	2020	Percentage change
	(€ in millions, except percentages)		
Revenue	264.7	301.4	13.9%
Other operating income	0.5	1.6	n.m.(1)
Total revenue	**265.2**	**303.0**	**14.3%**
Cost of raw and other materials	(19.7)	(24.7)	25.4%
Cost of service	(64.4)	(61.9)	(3.9)%
Personnel costs	(80.7)	(82.5)	2.2%
Other operating costs	(4.8)	(2.8)	(41.7)%
Depreciation and amortization of non-current assets	(61.9)	(65.8)	6.3%
Allowance for bad debts	(3.6)	(4.0)	11.1%
Other provisions for risks and charges	(4.4)	–	100%
Operating result	**25.6**	**61.4**	**139.8%**
Finance income	0.5	3.9	n.m.(1)
Finance cost	(37.0)	(44.7)	20.8%
Profit (Loss) before income taxes	**(10.9)**	**20.6**	**289.0%**
Current income taxes	(12.4)	(16.7)	34.7%
Deferred income taxes	11.9	10.9	(8.4)%
Total income taxes	**(0.5)**	**(5.9)**	n.m.(1)
Profit (Loss) for the period	**(11.3)**	**14.7**	**230.1%**
Loss (Profit) attributable to non-controlling interests	–	(0.1)	n.m.(1)
Profit (Loss) attributable to owners of TeamSystem Holding	**(11.3)**	**14.6**	**228.1%**
Adjusted EBITDA	**98.3**	**134.4**	**36.7%**

(1) Not meaningful.

Total revenue

Total revenue increased by €37.8 million, or 14.3%, from €265.2 million for the nine months ended September 30, 2019 to €303.0 million for the nine months ended September 30, 2020, driven primarily by the organic growth of our four business lines, mainly as a result of the expansion of our customer base in cloud-based products, including the cloud-based version of our core ERP solutions, our new cloud-native ERP for Microbusiness and our other cloud ancillary products and services. Total revenue also increased as a result of (i) the first time consolidation of the several companies in which we acquired a controlling interest (TeamSystem 5 S.r.l., MBM Italia S.r.l., AF Soluzioni S.r.l. and Beneficy S.r.l.) or a 100% equity interest (Area 32 S.r.l.) in the first nine months of 2020, which contributed €3.1 million to the overall revenue increase for the period, and (ii) the revenue contribution of the bolt-on acquisitions we made in the year ended December 31, 2019, which did not have a full impact, or did not have any impact, in the nine months ended September 30, 2019.

Our total revenue broken down by business line for the nine months ended September 30, 2019 and 2020 was as follows:

	Nine months ended September 30		
	2019	2020	Percentage change
	(€ in millions, except percentages)		
Direct Channel	**83.9**	**92.6**	**10.4%**
Recurring[(a)]	68.2	76.7	12.5%
Licenses and professional services[(b)]	15.7	15.9	1.3%
Indirect Channel	**78.0**	**82.0**	**5.1%**
Recurring[(a)]	74.0	77.7	5.0%
Licenses and professional services[(b)]	4.0	4.4	10.0%
Micro and New Business Solutions	**34.1**	**50.2**	**47.2%**
Recurring[(a)]	31.3	46.8	49.5%
Licenses and professional services[(b)]	2.8	3.4	21.4%
Vertical Solutions	**67.5**	**77.6**	**15.0%**
Recurring[(a)]	37.5	48.1	28.3%
Licenses and professional services[(b)]	30.0	29.5	(1.7)%
Hardware and others[(c)]	**1.7**	**0.5**	**(70.6)%**
Total	**265.2**	**303.0**	**14.3%**

(a) Our recurring revenues are primarily derived from periodic payments we receive in connection with annual software assistance and maintenance contracts, subscription contracts, annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees and Formulaic Fees, as well as from the sale of Regulatory LTAs. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Recurring*" and *"Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Recurring contracted revenues and high Customer Retention Rate*." 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*."

(b) Includes revenues from the sale of software licenses, and professional services, which generate fees generally related to the installation and customization of our software solutions products and to the training services we provide to the customers at the product start-up. For further information, see *"Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Licenses and professional services.*"

(c) Includes minor revenues from our hardware operations and certain *de minimis* revenues in respect of professional services rendered by our subsidiary Mondora S.r.l.

Direct Channel revenue increased by €8.7 million, or 10.4%, from €83.9 million for the nine months ended September 30, 2019 to €92.9 million for the nine months ended September 30, 2020, mainly as a result of an increase in recurring revenue driven by sales of the cloud-based version of our core ERP solutions (*e.g.*, TeamSystem Enterprise Cloud and TeamSystem Studio Cloud).

Indirect Channel revenue increased by €4.0 million, or 5.1%, from €78.0 million for the nine months ended September 30, 2019 to €82.0 million for the nine months ended September 30, 2020, mainly as a result of an increase in recurring revenue generated from the Formulaic Fee under our VAR distribution agreements, which was driven by sales of our cloud products by VARs to our end-customers.

Micro and New Business Solutions revenue increased by €16.1 million, or 47.2%, from €34.1 million for the nine months ended September 30, 2019 to €50.2 million for the nine months ended September 30, 2020, mainly as a result of an increase in recurring revenue driven by our In Cloud product offer and, in particular, Fatture in Cloud.

Vertical Solutions revenue increased by €10.1 million, or 15.0%, from €67.5 million for the nine months ended September 30, 2019 to €77.6 million for the nine months ended September 30, 2020, mainly as a result of the increase in recurring revenue deriving from the sales of cloud and digital products and, in particular, professional education products, which was partially offset by a decrease in revenues deriving from the sale of licenses and professional services mainly due to the impact of COVID-19 on CAD/CAM products and the wellness and hospitality sectors. See "*—Factors affecting the comparability of our results of operations—Bolt-on acquisitions made by the Group*" and "*Risk factors—Risks related to our business—The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity.*"

Cost of raw and other materials

Cost of raw and other materials increased by €5.0 million, or 25.4%, from €19.7 million for the nine months ended September 30, 2019 to €24.7 million for the nine months ended September 30, 2020, mainly as a result of the increase in the sales (and corresponding costs) of hardware products and the use of third party's software, due to the organic growth of the business and the change in consolidation perimeter. As a percentage of total revenue, cost of raw and other materials increased by 0.7 percentage points from 7.4% in the nine months ended September 30, 2019 to 8.2% in the nine months ended September 30, 2020.

Cost of service

Cost of service decreased by €2.5 million, or 3.9%, from €64.4 million for the nine months ended September 30, 2019 to €61.9 million for the nine months ended September 30, 2020. The decrease reflected a reduction in delivery expenses, travel and employees' expenses, customer support service cost and marketing costs, mainly as a consequence of the lock-down and other restrictive measures imposed by the Italian government in response to the COVID-19 pandemic in the first nine months of 2020. As a percentage of total revenue, cost of service decreased by 3.9 percentage points from 24.3% in the nine months ended September 30, 2019 to 20.4 % in the nine months ended September 30, 2020.

Personnel costs

Personnel costs increased by €1.8 million, or 2.2%, from €80.7 million for the nine months ended September 30, 2019 to €82.5 million for the nine months ended September 30, 2020, primarily due to the increase in personnel, as consequence of our organic growth, the acquisitions carried out in the 2020, partially offset by (i) the subsidies provided by the Italian government (i.e. *Cassa Integrazione*) to businesses in response to the COVID-19 pandemic, which we received and mainly utilized in June, July and August 2020 and (ii) the utilization of outstanding vacation balances. As a percentage of total revenue, personnel costs decreased by 3.2 percentage points from 30.4% in September 2019 to 27.2% in September 2020 as a result of the organic growth associated with less than proportional personnel costs' increases.

Other operating costs

Other operating costs decreased by €2.0 million, or 41.7%, from €4.8 million for the nine months ended September 30, 2019 to €2.8 million for the nine months ended September 30, 2020, primarily due to a decrease in other expenses and settlement costs.

Depreciation and amortization of non-current assets

Depreciation and amortization of non-current assets increased by €3.9 million, or 6.3%, from €61.9 million for the nine months ended September 30, 2019 to €65.8 million for the nine months ended September 30, 2020, due to higher amortization charges as a result of the purchase price allocation process in connection with several acquisitions, including, among others, the acquisition of MBM Italia S.r.l.

Allowance for bad debts

Allowance for bad debts increased by €0.4 million, from €3.6 million for the nine months ended September 30, 2019 compared to €4.0 million for the nine months ended September 30, 2020.

Operating result

Operating result increased by €35.8 million from €25.6 million for the nine months ended September 30, 2019 to €61.4 million for the nine months ended September 30, 2020, as a consequence of the factors discussed above and, in particular, the increase of total revenue, which more than offset the overall cost increase.

Finance income

Finance income increased by €3.4 million from €0.5 million for the nine months ended September 30, 2019 to €3.9 million for the nine months ended September 30, 2020, primarily due to the depreciation of the fair value of the Liabilities to Non-Controlling Shareholders of Subsidiaries as a result of the write-down of certain put and call options in 2020.

Finance cost

Finance cost increased by €7.7 million, or 20.8%, from €37.0 million for the nine months ended September 30, 2019 to €44.7 million for the nine months ended September 30, 2020, primarily due to a change in the discount rate applied for the measurement of the Liabilities to Non-Controlling Shareholders.

Total income taxes

Total income taxes increased by €5.4 million from a negative balance of €0.5 million for the nine months ended September 30, 2019 to a negative balance of €5.9 million for the nine months ended September 30, 2020, primarily as a consequence of the increase in current income taxes mainly due to the organic growth of the business, as well as a decrease of €1.0 million in deferred income taxes.

Profit/(Loss) for the period

For the nine months ended September 30, 2019 we recorded a Loss of €11.3 million, while for the nine months ended September 30, 2020 we recorded a profit of €14.7 million. Such positive trend was due to the reasons discussed above.

Adjusted EBITDA

Adjusted EBITDA increased by €36.1 million, or 36.7%, from €98.3 million for the nine months ended September 30, 2019 to €134.4 million for the nine months ended September 30, 2020, This increase was primarily due to increased operational efficiency and the economies of scale that characterize our business. 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 from 37.1% for the nine months ended September 30, 2019 to 44.1% for the nine months ended September 30, 2020.

Year ended December 31, 2019 compared to year ended December 31, 2018.

The table below sets out our consolidated results of operations for the year ended December 31, 2019, compared to the year ended December 31, 2018.

	Year ended December 31		
	2018	2019	Percentage change
	(€ in millions, except percentages)		
Revenue	334.4	373.0	11.5%
Other operating income	2.0	3.4	70.0%
Total revenue	**336.4**	**376.5**	**11.9%**
Cost of raw and other materials	(28.3)	(29.1)	2.8%
Cost of service	(88.4)	(90.5)	2.4%
Personnel costs	(105.0)	(110.7)	5.4%
Other operating costs	(4.0)	(5.3)	32.5%
Depreciation and amortization of non-current assets	(83.0)	(84.6)	1.9%
Allowance for bad debts	(5.1)	(4.8)	(5.9)%
Other provisions for risks and charges	(7.0)	(4.4)	(37.1)%
Operating result	**15.5**	**47.0**	**203.2%**
Finance income	16.3	1.4	(91.4)%
Finance cost	(105.7)	(85.7)	(18.9)%
Profit (Loss) before income taxes	**(73.9)**	**(37.4)**	**(49.4)%**
Current income taxes	1.0	(12.5)	n.m.(1)
Deferred income taxes	16.9	14.6	(13.6)%
Total income taxes	**17.9**	**2.1**	**(88.3)%**
Profit (Loss) for the year	**(56.0)**	**(35.3)**	**(37.0)%**
Loss (Profit) attributable to non-controlling interests	(0.1)	(0.1)	–
Profit (Loss) attributable to owners of TeamSystem Holding	**(56.0)**	**(35.3)**	**(37.0)%**
Adjusted EBITDA	**125.7**	**146.1**	**16.2%**

(1) Not meaningful.

Total revenue

Total revenue increased by €40.1 million, or 11.9%, from €336.4 million for the year ended December 31, 2018 to €376.5 million for the year ended December 31, 2019. This growth was mainly the result of (i) the expansion of our customer base in cloud-based ERP products, (ii) a significant increase in e-invoicing products sales, also driven by new e-invoicing regulation, (iii) the first time consolidation of the several companies in which we acquired a controlling interest (TechMass S.r.l, Whit-e S.r.l., Factor@Work S.r.l., TeamSystem BK S.r.l. and Skylab) or a 100% interest (TeamSystem 4 S.r.l., Gi.esse Macchine Utensili S.r.l. and Iperelle S.r.l.) in 2019 and which contributed €6.5 million to the overall revenue increase and (iv) the revenue contribution of the bolt-on acquisitions we made in the year ended December 31, 2018, which did not therefore have a full-period impact in such year.

Our total revenue broken down by business line for the years ended December 31, 2018 and 2019 was as follows:

	Year ended December 31		
	2018	2019	Percentage change
	(€ in millions, except percentages)		
Direct Channel	**116.8**	**117.2**	**0.3%**
Recurring[(a)]	80.0	93.7	17.1%
Licenses and professional services[(b)]	36.8	23.5	(36.1)%
Indirect Channel	**99.3**	**107.1**	**7.9%**
Recurring[(a)]	92.4	100.0	8.2%
Licenses and professional services[(b)]	6.9	7.1	2.9%
Micro and New Business Solutions	**20.4**	**48.9**	**139.7%**
Recurring[(a)]	16.8	43.3	157.7%
Licenses and professional services[(b)]	3.6	5.6	55.6%
Vertical Solutions	**95.4**	**99.9**	**4.7%**
Recurring[(a)]	47.3	52.6	11.2%
Licenses and professional services[(b)]	48.1	47.2	(1.9)%
Hardware and others[(c)]	**4.4**	**3.4**	**(22.7)%**
Total	**336.4**	**376.5**	**11.9%**

(a) Our recurring revenues are primarily derived from periodic payments we receive in connection with annual software assistance and maintenance contracts, subscription contracts, annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees and Formulaic Fees, as well as from the sale of Regulatory LTAs. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Recurring*" and "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Recurring contracted revenues and high Customer Retention Rate*." 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*."

(b) Includes revenues from the sale of software licenses and professional services, which generate fees generally related to the installation and customization of our software solutions products and to the training services we provide to the customers at the product start-up. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Licenses and professional services.*"

(c) Includes minor revenues from our hardware operations and certain *de minimis* revenues in respect of professional services rendered by our subsidiary Mondora S.r.l.

Direct Channel revenue increased by €0.4 million, or 0.3%, from €116.8 million for the year ended December 31, 2018 to €117.2 million for the year ended December 31, 2019, mainly as a result of an increase in recurring revenue driven by the sale of cloud solutions (in particular electronic invoicing solutions), almost entirely offset by a decrease in revenues deriving from the sale of licenses and professional services mainly due to the delivery services outsourcing which we implemented in June 2018.

Indirect Channel revenue increased by €7.8 million, or 7.9%, from €99.3 million for the year ended December 31, 2018 to €107.1 million for the year ended December 31, 2019, mainly as a result of an increase in recurring revenue and, in particular, revenue deriving from electronic invoicing solutions.

Micro and New Business Solutions revenue increased by €28.5 million, or 139.7%, from €20.4 million for the year ended December 31, 2018 to €48.9 million for the year ended December 31, 2019, mainly as a result of a strong increase in recurring revenue driven by our In Cloud product line and, in particular, Fatture in Cloud.

Vertical Solutions revenue increased by €4.5 million, or 4.7%, from €95.4 million for the year ended December 31, 2018 to €99.9 million for the year ended December 31, 2019, mainly as a result of an increase in recurring revenue driven by sales of constructions, wellness and hospitality solutions.

Cost of raw and other materials

Cost of raw and other materials increased by €0.8 million, or 2.8%, from €28.3 million for the year ended December 31, 2018 to €29.1 million for the year ended December 31, 2019, mainly as a result of the increase in the sales (and corresponding costs) of hardware products and the use of third party's software, primarily due to the organic growth of the business. As a percentage of total revenue, cost of raw and other materials decreased by 0.7 percentage points from 8.4% in 2018 to 7.7% in 2019 due to a minor impact on revenue of cost of goods sold in the year December 31, 2019.

Cost of service

Cost of service increased by €2.1 million, or 2.4%, from €88.4 million for the year ended December 31, 2018 to €90.5 million for the year ended December 31, 2019. The increase mainly reflected the overall increase in costs related to software and hardware maintenance costs, marketing expenses, customer support costs, management and administrative consulting costs, partially offset by a decrease in advisory expenses related to reorganization and cost saving projects which were carried out in 2018. As a percentage of total revenue, cost of service decreased by 2.2 percentage points from 26.3% in 2018 to 24.0% in 2019 as a result of the economies of scale that characterize our business.

Personnel costs

Personnel costs increased by €5.7 million, or 5.4%, from €105.0 million for the year ended December 31, 2018 to €110.7 million for the year ended December 31, 2019, primarily due to the effect of newly-acquired companies and the organic growth achieved in 2019, which led to increased employee hires. As a percentage of total revenue, personnel costs decreased by 1.8 percentage points from 31.2% in 2018 to 29.4% in 2019. The number of full time employees grew from 1,880 as of December 31, 2018 to 2,139 as of December 31, 2019.

Other operating costs

Other operating costs increased by €1.3 million, or 32.5%, from €4.0 million for the year ended December 31, 2018 to €5.3 million for the year ended December 31, 2019, due to, among other things, an increase in condominium expenses related to new rental arrangements entered into in 2019.

Depreciation and amortization of non-current assets

Depreciation and amortization of non-current assets increased by €1.6 million, or 1.9%, from €83.0 million for the year ended December 31, 2018 to €84.6 million for the year ended December 31, 2019, as a result of the increased amortization charges related to IFRS 16 right of use assets and the increased amortization of intangible IFRS assets due to the acquisition of Whit-e S.r.l. and the subsequent allocation of the price paid for the acquisition which led to an increase in intangible assets.

Allowance for bad debts

Allowance for bad debts decreased by €0.3 million, or 5.9% from €5.1 million for the year ended December 31, 2019 compared to €4.8 million for the year ended December 31, 2018, 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 decreased by €2.6 million, or 37.1%, from €7.0 million for the year ended December 31, 2018 to €4.4 million for the year ended December 31, 2019, primarily due to a decrease in the provision for restructuring charges (which was set aside in the year ended December 31, 2018 and not in the year ended December 31, 2019), partially offset by an increase in the provision for litigation and disputes.

Operating result

Operating result increased by €31.5 million, from €15.5 million for the year ended December 31, 2018 to €47.0 million for the year ended December 31, 2019, primarily as a result of the increase in total revenue and the improvement in overall operating margin.

Finance income

Finance income decreased by €14.9 million, or 91.4%, from €16.3 million for the year ended December 31, 2018 to €1.4 million for the year ended December 31, 2019, primarily due to the depreciation of the fair value of the Liabilities to Non-Controlling Shareholders of Subsidiaries as a result of the write-down of certain put and call options recorded in 2018 and not in 2019.

Finance cost

Finance cost decreased by €20.0 million, or 18.9%, from €105.7 million for the year ended December 31, 2018 to €85.7 million for the year ended December 31, 2019, primarily due to a decrease in the interest expenses and financing fees write-downs due to the refinancing transaction occurred in 2018. This decrease was partially offset by an increase in the revaluation of the Liabilities to Non-Controlling Shareholders.

Total income taxes

Total income taxes decreased by €15.8 million, or 88.3%, from a positive balance of €17.9 million for the year ended December 31, 2018 to a positive balance of €2.1 million for the year ended December 31, 2019, as a consequence of the decrease of €13.4 million in current income taxes mainly due to certain tax benefits, partially offset by the increase of €2.3 million in deferred income taxes.

Profit/(Loss) for the year

Loss decreased by €20.7 million, or 37.0%, from €56.0 million for the year ended December 31, 2018 to €35.3 million for the year ended December 31, 2019 for the reasons discussed above.

Adjusted EBITDA

Adjusted EBITDA increased by €20.4 million, or 16.2%, from €125.7 million for the year ended December 31, 2018 to €146.1 million for the year ended December 31, 2019. This increase was primarily attributable to both non-organic and organic growth associated with less than proportional operating cost increases, primarily due to increased operational efficiency and economies of scale achieved throughout the streamlining of operations and the merger of certain of our subsidiaries into TeamSystem. 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 from 37.4% for the year ended December 31, 2018 to 38.8% for the year ended December 31, 2019.

Year ended December 31, 2018 compared to year ended December 31, 2017

The table below sets out our consolidated results of operations for the year ended December 31, 2017 compared to the year ended December 31, 2018.

	Year ended December 31		
	2017	2018	Percentage change
	(€ in millions, except percentages)		
Revenue	314.1	334.4	6.5%
Other operating income	1.9	2.0	5.3%
Total revenue	**316.0**	**336.4**	**6.5%**
Cost of raw and other materials	(29.6)	(28.3)	(4.4)%
Cost of service	(76.8)	(88.4)	15.1%
Personnel costs	(109.6)	(105.0)	(4.2)%
Other operating costs	(7.3)	(4.0)	(45.2)%
Depreciation and amortization of non-current assets	(72.5)	(83.0)	14.5%
Allowance for bad debts	(3.9)	(5.1)	30.8%
Other provisions for risks and charges	(7.0)	(7.0)	–
Impairment of non-current assets	(0.2)	–	100.0%
Operating result	**9.1**	**15.5**	**70.3%**
Finance income	7.6	16.3	114.5%
Finance cost	(79.7)	(105.7)	32.6%
Profit (Loss) before income taxes	**(62.9)**	**(73.9)**	**17.5%**
Current income taxes	(6.0)	1.0	116.7%
Deferred income taxes	12.1	16.9	39.7%
Total income taxes	**6.1**	**17.9**	**193.4%**
Profit (Loss) for the year	**(56.8)**	**(56.0)**	**(1.4)%**
Loss (Profit) attributable to non-controlling interests	(0.3)	(0.1)	66.7%
Profit (Loss) attributable to owners of TeamSystem Holding	**(57.1)**	**(56.0)**	**(1.9)%**
Adjusted EBITDA	**113.0**	**125.7**	**11.2%**

Total revenue

Total revenue increased by €20.4 million, or 6.5%, from €316.0 million for the year ended December 31, 2017 to €336.4 million for the year ended December 31, 2018. This growth was primarily the result of (i) an expansion of our cloud business, which resulted in an increase in recurring revenues, (ii) the introduction of Regulatory LTAs related to the GDPR regulation, (iii) the first time consolidation of MM Data S.r.l., in which we acquired a 100% interest in 2018 and which contributed €1.1 million to the overall revenue increase and (iv) the revenue contribution of the bolt-on acquisitions we made in the year ended December 31, 2017, which did not therefore have a full-period impact in such year.

Our total revenue broken down by business line for the years ended December 31, 2017 and 2018 was as follows:

	Year ended December 31		
	2017	2018	Percentage change
	(€ in millions, except percentages)		
Direct Channel	**114.4**	**116.8**	**2.1%**
Recurring[(a)]	69.5	80.0	15.1%
Licenses and professional services[(b)]	44.9	36.8	(18.0)%
Indirect Channel	**91.8**	**99.3**	**8.2%**
Recurring[(a)]	83.7	92.4	10.4%
Licenses and professional services[(b)]	8.1	6.9	(14.8)%
Micro and New Business Solutions	**15.0**	**20.4**	**36.0%**
Recurring[(a)]	12.4	16.8	35.5%
Licenses and professional services[(b)]	2.6	3.6	38.5%
Vertical Solutions	**89.3**	**95.4**	**6.8%**
Recurring[(a)]	45.0	47.3	5.1%
Licenses and professional services[(b)]	44.4	48.1	8.3%
Hardware and others[(c)]	**5.5**	**4.4**	**(20.0)%**
Total	**316.0**	**336.4**	**6.5%**

(a) Our recurring revenues are primarily derived from periodic payments we receive in connection with annual software assistance and maintenance contracts, subscription contracts, annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees and Formulaic Fees, as well as from the sale of Regulatory LTAs. For further information, see "Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Recurring" and "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations—Recurring contracted revenues and high Customer Retention Rate*." 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.*"

(b) Includes revenues from the sale of software licenses and professional services, which generate fees generally related to the installation and customization of our software solutions products and to the training services we provide to the customers at the product start-up. For further information, see "*Management's discussion and analysis of financial condition and results of operations—Revenue recognition—Licenses and professional services.*"

(c) Includes minor revenues from our hardware operations and certain *de minimis* revenues in respect of professional services rendered by our subsidiary Mondora S.r.l.

Direct Channel revenue increased by €2.4 million, or 2.1%, from €114.4 million for the year ended December 31, 2017 to €116.8 million for the year ended December 31, 2018, due to an increase in recurring revenue, mainly attributable to our growth in the cloud business and to the introduction of the Regulatory LTA related to GDPR regulation, partially offset by a reduction in licenses and professional services due to a shift from the license and maintenance model to the subscription model.

Indirect Channel revenue increased by €7.5 million, or 8.2%, from €91.8 million for the year ended December 31, 2017 to €99.3 million for the year ended December 31, 2018, due to an increase in recurring revenue, mainly attributable to our growth in the cloud business and to the introduction of the Regulatory LTA related to GDPR regulation, partially offset by a reduction in licenses and professional services due to a shift from the license and maintenance model to the subscription model.

Micro and New Business Solutions revenue increased by €5.4 million, or 36.0%, from €15.0 million for the year ended December 31, 2017 to €20.4 million for the year ended December 31, 2018, primarily as a result of an increase in recurring revenue driven by sales of our In Cloud product line, which we sell through our subscription model.

Vertical Solutions revenue increased by €6.1 million, or 6.8%, from €89.4 million for the year ended December 31, 2017 to €95.4 million for the year ended December 31, 2018, primarily as a result of an increase in sales of licenses and professional services driven by sales of CAD/CAM, construction and professional education products.

Cost of raw and other materials

Cost of raw and other materials decreased by €1.3 million, or 4.4%, from €29.6 million for the year ended December 31, 2017 to €28.3 million for the year ended December 31, 2018, primarily due to the decrease in hardware purchases as a result of lower sales of hardware products due to the outsourcing of our hardware business. As a percentage of total revenue, cost of raw and other materials decreased by 1.0 percentage point from 9.4% in 2017 to 8.4% in 2018.

Cost of service

Cost of service increased by €11.6 million, or 15.1%, from €76.8 million for the year ended December 31, 2017 to €88.4 million for the year ended December 31, 2018. This increase primarily reflected the overall increase of costs related to certain agent commissions, consulting and third party services, advertising and marketing expenses and software subscription charges (mainly relating to cloud-based products), as a result of the growth of our business. As a percentage of total revenue, cost of service increased by 2 percentage points from 24.3% in 2017 to 26.3% in 2018.

Personnel costs

Personnel costs decreased by €4.6 million, or 4.2%, from €109.6 million for the year ended December 31, 2017 to €105.0 million for the year ended December 31, 2018, primarily due to cost savings initiatives, as well as the outsourcing of part of our customer service, hardware and delivery businesses. As a percentage of total revenue, personnel costs decreased by 3.5 percentage points from 34.7% in 2017 to 31.2% in 2018, with the number of full time employees reducing from 2,014 as of December 31, 2017 to 1,880 as of December 31, 2018.

Other operating costs

Other operating costs decreased by €3.3 million, or 45.2%, from €7.3 million for the year ended December 31, 2017 to €4.0 million for the year ended December 31, 2018. The decrease was primarily due to the decrease in lease costs, as a result of the early application of IFRS 16.

Depreciation and amortization of non-current assets

Depreciation and amortization of non-current assets increased by €10.5 million, or 14.5%, from €72.5 million for the year ended December 31, 2017 to €83.0 million for the year ended December 31, 2018. The increase was primarily due to the adoption of IFRS 16 in our 2018 Financial Statements, which resulted in increased depreciation of assets.

Allowance for bad debts

Allowance for bad debts increased by €1.2 million, or 30.8% from €3.9 million for the year ended December 31, 2017 to €5.1 million for the year ended December 31, 2018. The increase was primarily due to the adoption of IFRS 9, which resulted in the application of a new credit loss model, requiring the analysis and write-down, if necessary, of receivables not yet past due.

Other provisions for risks and charges

Other provisions for risks and charges remained stable at €7.0 million between the two years ended December 31, 2017 and 2018.

Operating result

Operating result increased by €6.4 million, or 70.3%, from €9.1 million for the year ended December 31, 2017 to €15.5 million for the year ended December 31, 2018, as a consequence of the factors discussed above and, in particular, the increase of total revenue which more than offset the overall cost increase.

Finance income

Finance income increased by €8.7 million or 114.5%, from €7.6 million for the year ended December 31, 2017 to €16.3 million for the year ended December 31, 2018. The increase was largely attributable to the depreciation of the fair value of the Liabilities to Non-Controlling Shareholders of Subsidiaries as a result of the re-measurement of the initial exercise price of certain put and call options.

Finance cost

Finance cost increased by €26.0 million or 32.6%, from €79.7 million for the year ended December 31, 2017 to €105.7 million for the year ended December 31, 2018. This increase is primarily due to the increased financial costs relating to the redemption of previously existing notes on April 4, 2018, the revaluation of Liabilities to Non-Controlling Shareholders of Subsidiaries and the interest on leases due to the application of IFRS 16.

Total income taxes

Total income taxes increased by €11.8 million or 193.4%, from a positive balance of €6.1 million for the year ended December 31, 2017 to a positive balance of €17.9 million for the year ended December 31, 2018, primarily as a consequence of the decrease in current income taxes due to certain tax benefits related to the development costs and equity growth, as well as an increase of €4.9 million in deferred income taxes.

Profit/(Loss) for the year

Loss decreased by €0.8 million, or 1.4%, from €56.8 million for the year ended December 31, 2017 to €56.0 million for the year ended December 31, 2018, as a consequence of the factors described above.

Adjusted EBITDA

Adjusted EBITDA increased by €12.7 million, or 11.2%, from €113.0 million for the year ended December 31, 2017 to €125.7 million for the year ended December 31, 2018. The increase was primarily attributable to the organic growth, associated with less than proportional operating cost increases, primarily due to adoption of new accounting standards and, in particular, IFRS 16, and the 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.*" Adjusted EBITDA margin increased from 35.8% for the year ended December 31, 2017 to 37.4% for the year ended December 31, 2018.

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 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 structure and the Financing—The Issuer is a holding company that has no revenue generating operations of its own and prior to the Post Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes.*"

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

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	(€ in millions)				
Cash flow from operating activities	61.8	99.8	147.5	114.4	119.0
Cash flow from (used in) investing activities	(30.5)	(33.3)	(41.5)	(27.6)	(49.1)
Cash flow from (used in) financing activities	(34.4)	(58.2)	(94.2)	(87.7)	(56.3)
Total cash flow generated in the period	**(3.1)**	**8.3**	**11.8**	**(0.9)**	**13.6**
Cash and cash balances at the beginning of the period	**19.4**	**16.3**	**24.6**	**24.6**	**36.4**
Cash and cash balances at the end of the period	**16.3**	**24.6**	**36.4**	**23.7**	**50.0**

Cash flow generated from operating activities

Our cash flow from operating activities increased by €38.0 million from €61.8 million for the year ended December 31, 2017 to €99.8 million for the year ended December 31, 2018. The increase was primarily due to our organic growth and the early adoption of IFRS 16 with the consequent reclassification of operating lease costs as finance costs in 2018 (which were accounted for as operating costs in 2017), thereby increasing our cash flow generated from operating activities in such year. In light of the fact that December 31, 2016 and 2017 were not business days, the cash flow from operating activities for the year ended December 31, 2017 was impacted by the postponement of the collections of certain trade receivables due on December 31, 2016 and 2017 to January 2017 and 2018, respectively. Without considering such postponement, the increase in cash flow from operating activities from the year ended December 31, 2017 to the year ended December 31, 2018 would have been €34.2 million, instead of €38.0 million.

Our cash flow from operating activities increased by €47.7 million from €99.8 million for the year ended December 31, 2018 to €147.5 million for the year ended December 31, 2019. The increase was primarily due to our organic growth in 2019. Without considering the postponement of the collections of certain receivables discussed above, the increase in cash flow from operating activities from the year ended December 31, 2018 to the year ended December 31, 2019 would have been €51.6 million.

Our cash flow from operating activities increased by €4.6 million from €114.4 million for the nine months ended September 30, 2019 to €119.0 million for the nine months ended September 30, 2020. The increase was primarily due to our organic growth in 2020.

Cash flow from (used in) investing activities

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.

For the year ended December 31, 2018, our cash flow used in investing activities amounted to €33.3 million (a €2.8 million increase from the year ended December 31, 2017), reflecting, among other things, €13.9 million of capitalized development costs, €15.3 million of capital expenditures on tangible and intangible assets, and €4.1 million for further equity investments in acquired subsidiaries (Nuovamacut Centro Sud S.r.l. and Nuovamacut Nord Ovest S.r.l.) and the acquisition of MMData S.r.l.

For the year ended December 31, 2019, our cash flow used in investing activities amounted to €41.5 million (a €8.2 million increase from the year ended December 31, 2018), reflecting, among other things, €14.3 million of capitalized development costs, €15.3 million of capital expenditures on tangible and intangible assets, as well as €19.8 million for the acquisition of Whit-e S.r.l., Factor@Work S.r.l., TeamSystem 4 S.r.l., Gi.esse Macchine Utensili S.r.l., TechMass S.r.l, Iperelle S.r.l., TeamSystem BK S.r.l. and Skylab.

For the nine months ended September 30, 2019, our cash flow used in investing activities amounted to €27.6 million, reflecting, among other things, €10.6 million of capitalized development costs, €10.0 million of capital expenditures on tangible and intangible assets, as well as €14.8 million for the acquisition of Whit-e S.r.l., Factor@Work S.r.l., Gi.esse Macchine Utensili S.r.l., TeamSystem 4 S.r.l., TechMass S.r.l, and Skylab.

For the nine months ended September 30, 2020, our cash flow used in investing activities amounted to €49.1 million (a €21.5 million increase from the nine months ended September 30, 2019), reflecting, among other things, €12.5 million of capitalized development costs, €13.4 million of capital expenditures on tangible and intangible assets, as well as €25.8 million for the acquisition of a group of assets of Prosystem S.r.l., the acquisition of a majority stake in TeamSystem 5 S.r.l., Area 32 S.r.l., MBM Italia S.r.l., AF Soluzioni S.r.l., Beneficy S.r.l. and the acquisition of a minority stake in Habble S.r.l.

Cash flow (used in)/generated from financing activities

Our cash flow used in financing activities for the year ended December 31, 2017 was €34.4 million, mainly reflecting drawings under a previously existing revolving credit facility (€34.5 million), the repayment of all amounts outstanding under such revolving credit facility (€81.5 million), the issuance of additional 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 previously existing notes, the previously existing revolving credit facility and other loans, the acquisition of further equity interests in our subsidiaries Danea and InforYou S.r.l. (merged into TeamSystem in December 2019) and the payment of an earn out relating to AliasLab.

Our cash flow used in financing activities for the year ended December 31, 2018 was €58.2 million, mainly reflecting (i) the issuance of €750.0 million aggregate principal amount of the Existing Notes and the payment of interest thereunder (€21.4 million) and associated financing fees (€13.6 million), (ii) €6.4 million relating to the payment of leases liabilities, consisting of principal and interests, according to IFRS 16, (iii) the redemption of certain previously existing notes (€720.0 million) with the proceeds from the Existing Notes and the payment of interest under such previously existing notes until the redemption thereof (€11.9 million), as well as the early redemption premia due thereunder (€17.4 million) and (iv) €13.8 million of Liabilities to Non-Controlling Shareholders of Subsidiaries paid in connection with the acquisition of further equity interests in Metodo S.p.A. (merged into TeamSystem in December 2019), Mondora S.r.l. and Euresys S.r.l. (merged into TeamSystem in October 2018) and the payment of earn-outs primarily relating to investments in Inforyou S.r.l. (merged into TeamSystem in December 2019), Cidiemme Informatica S.r.l., AliasLab, Cassanova S.r.l., Evolution Fit S.r.l. and Informatica Veneta S.r.l.

Our cash flow used in financing activities for the year ended December 31, 2019 was €94.2 million, mainly reflecting (i) €40.1 million of finance costs, mainly attributable to the payment of interest under the Existing Notes and the payment of IFRS 16 leases liabilities, consisting of principal and interests, (ii) €6.0 million of Liabilities to Non-Controlling Shareholders of Subsidiaries paid for the payment of earn-outs primarily relating to investments in Easyfatt Dev S.r.l., AliasLab, Evols S.r.l., Informativa Veneta S.r.l. and (iii) €48.0 million of distribution of equity reserves made by TeamSystem Holding.

Our cash flow used in financing activities for the nine months ended September 30, 2019 was €87.7 million, mainly reflecting (i) €33.6 million of payment of interest under the Existing Notes and the payment of leases liabilities, consisting of principal and interests, according to IFRS 16, (ii) €6.0 million of payments of earn-outs primarily relating to investments in Easyfatt Dev S.r.l., AliasLab and Evols S.r.l. and (iii) €48.0 million of an equity reserve distribution made by TeamSystem Holding S.p.A.

Our cash flow used in financing activities for the nine months ended September 30, 2020 was €56.3 million, mainly reflecting (i) €30.1 million of payment of interest under the Existing Notes, the Existing Revolving Credit Facility and the payment of leases liabilities, consisting of principal and interests, according to IFRS 16 and (ii) €26.3 million of Liabilities to Non-Controlling Shareholders of Subsidiaries paid in connection with the acquisition of further equity interests in AliasLab, Netlex S.r.l. and Evolution Fit S.r.l. and the payment of earn-outs primarily relating to investments in Skylab and in other subsidiaries merged by absorption in TeamSystem during 2019.

Net working capital

We focus on the management of our net working capital. The following table sets forth the components of our net working capital as of December 31, 2017, 2018 and 2019 and as of September 30, 2020.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	(€ in millions)			
Trade receivables	122.8	128.9	122.5	144.7
Inventories	1.6	1.1	0.8	1.0
Other receivables	17.5	24.8	30.4	26.7
Trade payables	(38.7)	(38.9)	(47.7)	(30.1)
Other current liabilities	(62.8)	(86.2)	(100.5)	(137.7)
Net working capital	**40.4**	**29.7**	**5.5**	**4.5**

Due to the nature of most of our contractual arrangements in our Direct Channel business line and certain contractual arrangements in our Vertical Solutions business line, our net working capital is subject to some extent to seasonality. 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 business line and, partially, in our Vertical Solutions business line. Direct Channel and, to a lesser extent, Vertical Solutions' customer invoicing is concentrated at the beginning of the year, when most of the annual fees related to assistance and maintenance contracts and subscription contracts are invoiced; most of the related trade receivables are then collected in the second quarter.

For our contractual arrangements, in our Micro and New Business Solutions business line which mainly consist of subscription contracts, the billing pattern is not as seasonal, given customers generally pay upfront the subscription fees at the subscription date and are therefore normally spread throughout the year. Contracts with VARs in our Indirect Channel also generate more frequent cash inflows as they are usually invoiced on a quarterly basis and the related receivables are collected in approximately three months.

Accordingly, our net working capital needs are high in the first quarter, reaching their peak at the end of the first quarter (before we start collecting receivables from our Direct Channel) and gradually decreasing through the end of the year. Deferred income, included in "Other current 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, in the event that freely available cash on the balance sheet on or about the Completion Date is insufficient to support our net working capital requirements due to, among other things, a negative movement in net working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter.

Net working capital decreased by €10.7 million from €40.4 million as of December 31, 2017 to €29.7 million as of December 31, 2018, mainly due to a €23.4 million increase in other current liabilities, primarily as a result of a €17.1 million increase in our deferred revenues (which mainly relate to the portion of revenue for software subscriptions attributable to future financial years, based upon the duration of the underlying contracts), which was only partially offset by a €6.1 million increase in trade receivables and a €7.3 million increase in other current receivables. This change in net working capital was also impacted by the fact that December 31, 2017 was not a business day and therefore the collection of receivables due on December 31, 2017 was delayed to January 2018. Without this effect, we estimate that the net working capital as of December 31, 2017 would have been €36.5 million and, consequently, the decrease compared to December 31, 2018 would have been equal to €6.8 million.

Net working capital decreased by €24.2 million from €29.7 million as of December 31, 2018 to €5.5 million as of December 31, 2019, mainly due to a €14.3 million increase in other current liabilities (primarily as a result of a €13.2 million increase in our deferred revenues, which mainly related to the portion of revenue for software subscriptions attributable to future financial years, based upon the duration of the underlying contracts) and a

€6.4 million decrease in trade receivables (mainly attributable to the effective credit recovery policy implemented by the Group), which was only partially offset by a €5.6 million increase in other current receivables.

Net working capital decreased by €0.9 million from €5.5 million as of December 31, 2019 to €4.5 million as of September 30, 2020, mainly due to a €37.2 million increase in other current liabilities (almost entirely attributable to an increase in our deferred revenues, which mainly related to the portion of revenue for software subscriptions attributable to future financial years, based upon the duration of the underlying contracts), which was only partially offset by a €22.2 million increase in trade receivables and a €17.6 million decrease in trade payables.

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 Liabilities to Non-Controlling Shareholders of Subsidiaries (see "*—Critical accounting policies—Business combinations*"). Our capital expenditure incurred in the periods under review is set out below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	(€ in millions)				
Investments in tangible assets	6.6	3.2	3.0	2.2	2.5
Investments in intangible assets	5.4	12.1	12.3	7.8	10.9
Capitalized development costs	13.4	13.9	14.3	10.6	12.5
of which					
Personnel costs	11.1	11.7	11.9	8.1	10.8
Service costs	2.3	2.2	2.4	2.4	1.7
Capital expenditure	**25.3**	**29.1**	**29.6**	**20.5**	**25.9**

For the year ended December 31, 2018, our capital expenditure was €29.1 million, an increase of €3.8 million from €25.3 million in the year ended December 31, 2017. This increase is mainly due to an increase in capital expenditure incurred to meet the new compliance requirements set forth under Regulation (EU) 2016/679 (GDPR) and (ii) the investments made by certain subsidiaries to purchase the software, rights and assets pertaining to certain applications that facilitate compliance with regulations applicable to condominium and property management.

For the year ended December 31, 2019, our capital expenditure was €29.6 million, an increase of €0.5 million from €29.1 million in the year ended December 31, 2018. This increase reflected an overall increase in capitalized personnel and service development costs mainly due to the effect of newly-acquired companies.

For the nine months ended September 30, 2020, our capital expenditure was €25.9 million, an increase of €5.4 million from €20.5 million in the nine months ended September 30, 2019. This increase reflected an overall increase in capitalized personnel and service development costs mainly due to the effect of newly-acquired companies.

As of the date of this Offering Memorandum, we expect our capital expenditure for 2020 to be marginally higher than our capital expenditure for 2019 mainly due to higher capitalized development costs for the research and development of new software products. See "*Business—Research and development.*"

Contractual obligations

The following table summarizes our material contractual obligations as of September 30, 2020 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)		
Notes offered hereby[1]	–	–	1,150.0	1,150.0
Leases[2]	6.5	16.5	3.3	26.3
Total[3]	**6.5**	**16.5**	**1,153.3**	**1,176.3**

(1) Does not reflect interest payments.

(2) Represents operating and financial leases of certain of our office facilities, apartments for residential use by employees, company cars and other contracts that fall into the scope of IFRS 16.

(3) Excludes the Revolving Credit Facility. The Revolving Credit Facility will mature 6.5 years following the Completion Date.

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

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 "**Liabilities to Non-Controlling Shareholders of Subsidiaries**" (or, in our 2017 Financial Statements, "*Vendor Loan*").

The 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. 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 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 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 Liabilities to Non-Controlling Shareholders of Subsidiaries for accounting purposes. Subsequent changes in the fair value of the 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 our consolidated statement of profit or loss, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. The discounted value of our Liabilities to Non-Controlling Shareholders of Subsidiaries as of September 30, 2020, which is presented in our Unaudited Interim Financial Statements and in other sections of this Offering Memorandum, was €148.9 million (on a discounted basis) or €157.9 million (on a non-discounted basis). However, as part of the Transactions, on or shortly after the Completion Date, we plan to use a portion of the proceeds of this Offering to, among other things, buy out the stakes held by non-controlling shareholders in Danea, AliasLab, Skylab and MadBit, for an aggregate estimated consideration of approximately €125.3 million, thereby increasing TeamSystem's participation in each such subsidiary to 100% of the relevant capital stock and extinguishing the corresponding portion of the Liabilities to Non-Controlling Shareholders of Subsidiaries which, as of September 30, 2020, on a discounted basis, was equal to €117.8 million. Accordingly, as of September 30, 2020, after giving *pro forma* effect to the Transactions, our Liabilities to Non-Controlling Shareholders of Subsidiaries would have been equal to €31.1 million on a discounted basis (or €35.0 million on a non-discounted basis). See "*Use of proceeds*" and notes 10, 18 and 29 to our 2019 Financial Statements.

See also "*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 and earn out arrangements*".

The following table summarizes the expected cash flows relating to our Liabilities to Non-Controlling Shareholders of Subsidiaries for the periods indicated, on a *pro forma* basis for the Transactions and thus excluding liabilities in respect of Danea, AliasLab, Skylab and MadBit.

	Within 12 months	From 1 to 5 years	Over 5 years	Total cash flows
		(€ in millions)		
Liabilities to Non-Controlling Shareholders of Subsidiaries(1)	3.6	22.3	9.1	35.0

(1) Figures in the table are not discounted and do not include certain minor Liabilities to Non-Controlling Shareholders of Subsidiaries that we expect to incur in respect of the bolt-on acquisitions we closed or signed after September 30, 2020 for less than 100% of the equity interest in the relevant targets, as described under "*Summary—Recent developments—Bolt-on acquisitions*."

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 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 September 30, 2020, 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, plus a general allowance to take account of further expected losses on balances not yet overdue (taking into account the requirements of the new IFRS 9). Our credit collection performance has historically been successful and losses incurred in the past have been relatively modest. For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our allowance for bad debts was €3.9 million (or 1.2% of our total revenue), €5.1 million (or 1.5% of our total revenue), €4.8 million (or 1.3% of our total revenue), €3.6 million (or 1.4% of our total revenue) and €4.0 million (or 1.3% of our total revenue), respectively.

Interest rate risk

For the periods under review in this Offering Memorandum, we were subject to interest rate risk mainly related to the Existing Notes. The Existing Notes will be redeemed as part of the Transactions (as described under "*Use of proceeds*"). With the aim of reducing the risk of market interest rate fluctuations associated with the Existing Notes, we entered into interest rate swap contracts, which terminated on April 15, 2020. We are considering entering into hedging arrangements in connection with the Floating Rate 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;
- the obtainment of adequate borrowing facilities being put in place; and
- the control of prospective liquidity conditions, in relation to the corporate planning process.

On or prior to the Issue Date, we will enter into the Revolving Credit Facility Agreement which provides for a €180.0 million Revolving Credit Facility. In the event that freely available cash on the balance sheet on or about the Completion Date is insufficient to support our net working capital requirements due to, among other things, a negative movement in net working capital, we may draw down amounts under the Revolving Credit Facility on the Completion Date or shortly thereafter.

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 statement of profit or loss and 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.

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 statement of profit or loss 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 Liabilities to Non-Controlling Shareholders of Subsidiaries or, as defined in our 2017 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 statement of profit or loss, 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 statement of profit or loss and consolidated statement of cash flows, 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.

- Liabilities to Non-Controlling Shareholders of Subsidiaries (or, in our 2017 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 liability to non-controlling shareholders is then discounted at the reporting date by applying the relevant discount rate, which is the same as that adopted for the cost of debt component in impairment tests.

See the "*Use of estimates*" section of the 2019 Financial Statements and the Unaudited Interim Financial Statements for further information.

Critical accounting standards adopted during the periods under review

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.

We adopted IFRS 15 as from January 1, 2018. For more information on the impact of these accounting policies see "*—Factors affecting the comparability of our results of operations—Significant accounting policies*" and "*New accounting standards adopted by the Group effective 1 January 2018,*" "*Summary of results of TeamSystem Group—Business units*" and "*Accounting standards, amendments and IFRS interpretations applicable as from 1 January 2018*" of our 2018 Financial Statements.

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.

We adopted IFRS 9 as from January 1, 2018. For more information on the impact of these accounting policies see "*—Factors affecting the comparability of our results of operations—Significant accounting policies*" and "*New accounting standards adopted by the Group effective 1 January 2018,*" "*Summary of results of TeamSystem Group—Business units*" and "*Accounting standards, amendments and IFRS interpretations applicable as from 1 January 2018*" of our 2018 Financial Statements.

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.

We adopted IFRS 16 as from January 1, 2018, having opted for early adoption with respect to the mandatory date (1 January 2019). For more information on the impact of these accounting policies see "*—Factors affecting the comparability of our results of operations—Significant accounting policies*" and "*New accounting standards adopted by the Group effective 1 January 2018,*" "*Summary of results of TeamSystem Group—Business units*" and "*Accounting standards, amendments and IFRS interpretations applicable as from 1 January 2018*" of our 2018 Financial Statements.

Recently adopted Italian tax rules (Legislative Decree No. 104 of August 14, 2020)

Companies belonging to the TeamSystem Group may evaluate the application of different tax measures recently introduced to increase the companies' capitalization and allow the deduction of higher depreciation and amortization of the relevant assets. Under Article 110 of Legislative Decree No. 104 of August 14, 2020, Italian companies preparing their financial statements according to the Italian accounting principles (such as several subsidiaries of the TeamSystem Group), are entitled to step up the value of certain tangible and intangible assets booked in the relevant financial statements as of December 31, 2019 (for calendar-year companies). The higher value of the eligible assets may be recognized for Italian tax purposes through the payment of a 3% substitute tax on the higher value of the assets and shareholdings accounted for in the relevant financial statements. Under the same procedure, Italian companies that prepare their financial statements in accordance with IAS/IFRS, such as TeamSystem and TeamSystem Holding, may align the IFRS value of certain tangible and intangible assets to the value recognized for Italian tax purposes. Furthermore, regardless of the accounting principles adopted by the relevant Italian company, Article 1, paragraph 83 of Law No. 178 of December 30, 2020 has introduced the possibility of aligning the tax value of goodwill and other intangible assets, even if devoid of legal protection, to the higher accounting value disclosed in the relevant financial statements. The application of these options, which is currently under consideration by the TeamSystem Group, could lead to a materially different future effective tax rate from that used in the preparation of the historical financial statements included in this Offering Memorandum, with a potentially significant benefit in terms of taxes.

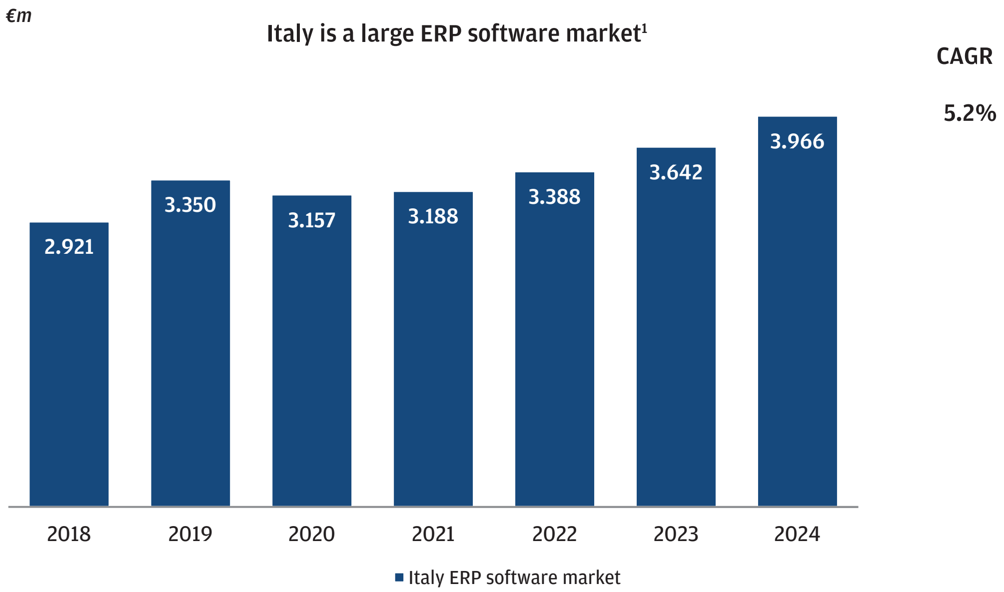
INDUSTRY

Overview

We are the leading provider of mission critical ERP, business management and e-invoicing software for small and medium-sized enterprises (“**SMEs**”), businesses that employ between one and ten individuals (“**Microbusinesses**”) and professionals (i.e. accountants, lawyers 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 (SaaS / IaaS). We additionally offer a suite of vertical software solutions to serve the needs of a variety of industries (*e.g.*, computer-aided manufacturing (“**CAM**”) and computer-aided design (“**CAD**”) for the mechanical industry and business management software for the construction, hospitality, wellness and legal sectors).

ERP and business management software solutions represent a company’s core “system of record” for transactions, employee data and other enterprise records. The basic concepts and functionalities of ERP and business management software products typically cover all the main business processes, such as enterprise asset management, accounting and financial management, sales/customers and supply chain management, human capital management, and manufacturing and operations. For professionals, ERP and business management software solutions are mission critical tools through which they offer accounting and payroll services to customers, in addition to managing internal processes.

In 2020, the Italian ERP and business management software market is expected to generate a total revenue of approximately €3.2 billion across both the enterprise (including large enterprises, SMEs and Microbusinesses) and professional customer market segments. Between 2018 and 2024, the overall market (including large enterprises) is expected to grow at a CAGR of 5.2%, driven by strong underlying fundamentals, such as increased software adoption, the Italian government’s push for digitalization and the introduction of new, innovative and affordable cloud based solutions, enabling capture of an increasingly larger market (*e.g.*, possibility to achieve higher penetration in the Microbusiness customer market segment).



Charts created by TeamSystem based of Gartner research. Source: Gartner Public Cloud Services Forecast Q2 2020 and Gartner Enterprise Application Software Forecast Q3 2020 (*overall market including large enterprises*).

(1) The ERP software market includes ERP software (defined as including ERP, supply chain management (“**SCM**”), customer relationship management (“**CRM**”), artificial intelligence (“**AI**”) and business intelligence (“**BI**”), content, email and authoring, project management, other application software) and BPaaS (defined as including payments, CRM, e-commerce, financial management software (“**FMS**”), human resources (“**HR**”) and SCM), which is entirely cloud-based.

In addition to ERP and business management software, TeamSystem also provides e-invoicing and digital solutions. The Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*) introduced the obligation for businesses with annual revenues higher than €65 thousand in Italy (with the exception of healthcare professionals) to provide electronic invoices for all their B2B (business to business) and B2C (business to consumer) transactions, in addition to B2G (business to government) transactions, and to file all the e-invoices with the Italian Tax Authority, starting from January 1, 2019. Italy became the first country in Europe which mandated e-invoicing, with the objective to combat tax fraud and tax evasion, and thus increasing the efficiency of the fiscal system.

A potential extension of the e-invoicing requirement to businesses with annual revenues lower than €65 thousand is currently under discussion by the Italian government.

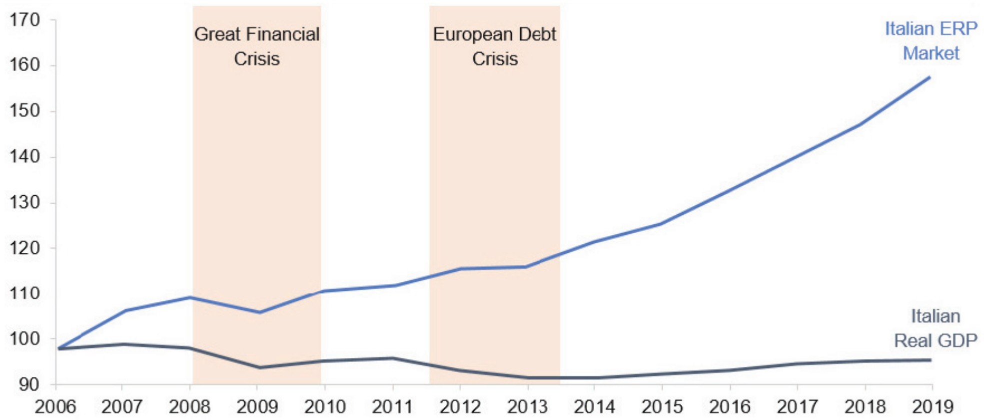
In fiscal year 2019, the e-invoicing market in Italy represented approximately 2.1 billion of invoices (Source: AGID, *Agenzia per l'Italia Digitale*). The growth of the e-invoicing market in Italy is expected to be attractive over the coming years.

We believe that the Italian ERP and business management software market is characterized by larger incumbent software providers benefiting from important economies of scale. Some of the most important characteristics of the ERP and business management software sector in Italy are as follows:

- the competitive landscape includes vendors who focus on standalone financial management systems, hybrid vendors and small-medium/large ERP providers with differentiated specialties and solutions. Customer requirements vary by organization size and type (*i.e.*, the needs of large enterprises are very different from the needs of SMEs, Microbusinesses or professionals such as accountants and lawyers), and each require different solutions. In particular, the market for SMEs is highly fragmented with several small software houses specialized in industry specific products;
- constantly evolving local rules mandated by the Italian government, with regulations requiring strong local expertise in accounting, tax and HR management, and strong digitalization trend driven by both recent regulations (*e.g.*, e-invoicing and Ecobonus regulations) and expected regulations (*e.g.*, regulation on crisis management or extension of the e-invoicing regulation to businesses with annual revenues lower than €65 thousand);
- market participants need to be able to: (i) address the different functionalities needed across different geographies and industries, given local and sector-specific requirements (*e.g.*, regulatory requirements) and (ii) build strong distribution networks to maximize market penetration and proximity to customers;
- scale is an important factor, allowing for research and development investments to ensure that (i) the underlying legal, tax and accounting content of software is up to date, (ii) new products and functionalities are developed in a timely manner as new regulations are introduced (*e.g.*, e-invoicing) and (iii) product architecture, technology and user experience are constantly updated, in line with most recent innovations. Large technological overhauls are required less regularly and typically take place every five to ten years;
- customer retention is critical, in particular for SMEs and professionals, who carefully consider migrations to alternative suppliers, 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 processes of an organization and (iii) the training required to familiarize employees with new software; and
- the degree of price sensitivity can be limited, as customers may be more concerned with the quality of services and the availability of customer support. Furthermore, 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. Customers also depend on software providers to provide suitable training to ensure employees can efficiently and effectively use the new software solutions deployed. The multi-level dependence of customers on their software providers may have the ability to partially insulate suppliers from price sensitivity.

The factors listed above have historically resulted in a steady demand for this type of software that has been resistant to macro-economic changes. The Italian ERP market has demonstrated strong resilience to economic cycles, consistently outperforming Italy's GDP growth, as illustrated in the chart below.

Total Italian ERP Market[1] v.s. Italian Real GRP (2006-2019, % YoY)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Italian real GDP YoY growth	1%	(1)%	(5)%	2%	1%	(3)%	(2)%	0%	1%	1%	2%	1%	0%
Italian ERP market YoY growth	10%	3%	(3)%	5%	1%	3%	0%	6%	4%	6%	6%	6%	7%

(1) including large enterprises

Source: third party industry consultant.

Target customer market segments

Our main target customer market segments are (i) SMEs and Microbusinesses and (ii) professionals (professional advisors providing tax, legal, labor and accounting advice to enterprises and private individuals).

SMEs and Microbusinesses

Within our wide ERP and business management software and digital products offer, we cater to SMEs and Microbusinesses. Historically, we have mainly focused on SMEs, although we have been increasingly covering Microbusinesses, which we serve primarily through our "In Cloud" product line, and from time to time large enterprises, which we serve through specific solutions (*e.g.*, HR management and construction industry solutions).

In 2018, the Italian SMEs and Microbusinesses customer market segment comprised approximately 3.8 million companies, each employing less than 500 employees. Of those companies, only approximately 190 thousand were small (10 to 49 employees) or medium sized (50 to 499 employees) (SMEs). The remaining companies were categorized as Microbusinesses, with less than 10 employees (source: European Commission). Compared to other Western European markets, SMEs and Microbusinesses represent a relatively large customer market segment of the domestic customer market in Italy. In 2018, Italy was one of the largest SME and Microbusiness markets in Europe, composed of approximately 3.8 million of such companies compared to approximately 3.1 million companies in France and approximately 2.1 million companies in the United Kingdom (source: European Commission). SMEs and Microbusinesses play a major role in global economic growth and this is particularly true for Italy.

Two main factors have traditionally driven the Italian ERP and business management software solutions market for SMEs and Microbusinesses:

- Search for efficiency: companies are increasingly seeking to improve their ability to use and analyze data to monitor and drive their key operating and financial processes. Businesses seek to utilize enhanced data processing and analysis to improve operations, competitive position and profitability. In addition, an increasing number of companies, including Microbusinesses, are seeking to increase the digitalization of both their internal processes and the interactions with external stakeholders in their ecosystem (*e.g.*, accountants, banks, suppliers, customers), in order to improve their efficiency.
- Regulatory trend towards digitalization: the market is driven by companies' tax and legal compliance obligations, which are constantly evolving. In recent years, the Italian government has been focused on

introducing further requirements for the processing and accounting of transactions through digital solutions for the purpose of better traceability.

Professionals

Our ERP and business management solutions and our digital solutions are also targeted at the professional customer market segment, which has historically been our main customer market segment. Such segment consists of professional advisors providing tax, labor and accounting advice to businesses and private individuals, and can be divided into three main customer groups:

- accountants: professional advisors providing tax filing services and tax and accounting advice to businesses and private individuals;
- labour consultants: HR administration and management advisors providing advice and services relating to payroll and HR matters to businesses and professional organizations; and
- law firms: law firms providing legal advice to businesses and private individuals.

Regular and timely software updates are critical for professional advisors, as ERP and business management software products must constantly be updated to accommodate changes in tax, accounting and labor regulation. The professional customer market segment is even more highly penetrated than the SME and Microbusiness customer market segment and software for fiscal and labor consultants has reached almost the entire active population in Italy, driven by compulsory electronic filing obligations with the Italian tax and pension authorities. In addition, the professional customer market segment has historically been resilient to macroeconomic cycles, with companies requiring tax, labor, accounting and financial, and legal advice in periods of downturns as well as growth.

Industry specific solutions

In addition to our core ERP and business management software solutions, we offer to both our SME and professional customers a set of digital solutions, fully integrated with our ERP software through TeamSystem Digital platform (such as TeamSystem Digital Invoice, TeamSystem Digital Sign and TeamSystem Digital Archive), and a set of industry-specific solutions to address the specific needs of customers belonging to certain industries. These customers include:

- manufacturing companies that require CAM and CAD solutions. CAM/CAD products are usually deployed to customers with internal engineering and design functions that develop their products internally, and enable customers to design their products and production processes;
- construction companies (including in the public sector) and engineering and design firms that require specific software for construction project management;
- hospitality businesses, tour operators and travel agencies that require specific software solutions;
- gyms, pools, wellness and leisure centers that require specific software solutions;
- lawyers that require specific software solutions for the management of agendas, paperwork, bookkeeping and accounting and for legal documentation submission during legal procedures;
- CAF (Authorized Fiscal Advisory for Individuals) and public sector entities that require specific software solutions; and
- professionals (fiscal and labor advisors, lawyers, engineers) that require specific training services to satisfy certain regulatory obligations, and legal databases.

Delivery models

Software solutions can be deployed to the end-customer in two different ways:

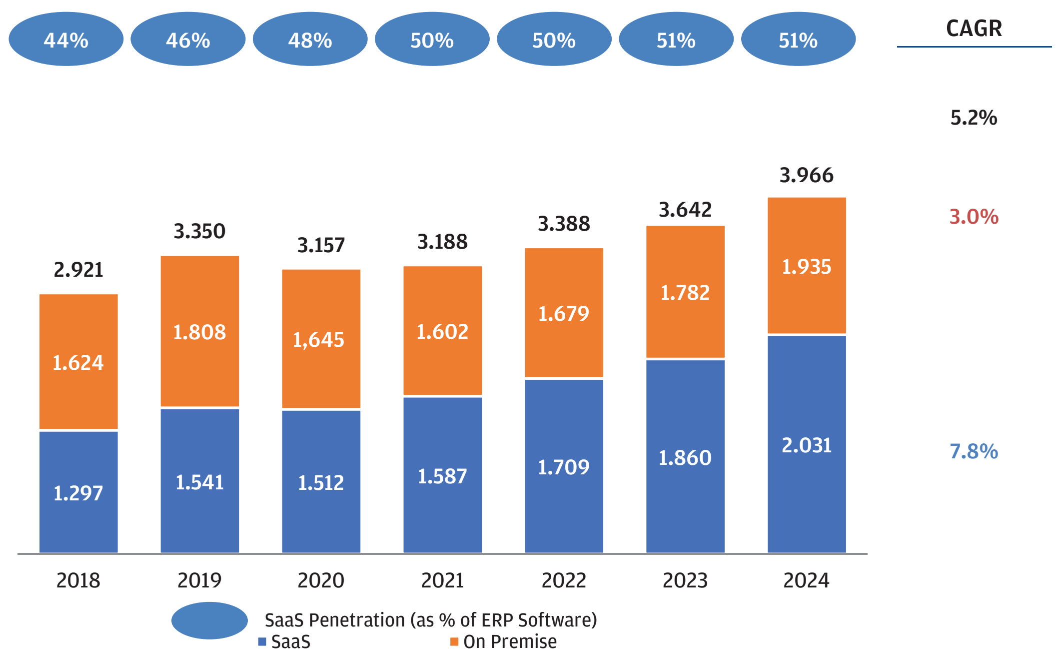
- on premise solutions: customers access software and data from an in-house (on premise) server running the licensed software; and

- cloud solutions: software and data are hosted by the software provider on its own servers. Cloud solutions are usually delivered via a SaaS model (software as a service, when software solutions are accessed via the cloud and the customer pays a subscription fee to use the software) or an IaaS model (infrastructure as a service, when computer and storage services are accessed via the cloud and the customer pays a subscription fee to use these services).

Focus on cloud software solutions

In 2020, the Italian cloud market is expected to generate approximately €1.5 billion in revenue (accounting for almost 50% of total ERP and business management software market), with expectations to reach €2.0 billion by 2024. The cloud market has experienced significant growth over the past few years and, according to Gartner, is expected to grow at a CAGR of approximately 8% over the period from 2018 to 2024, driving the overall Italian ERP market growth.

SaaS is the key driver of growth in the Italian ERP market[1]



Charts created by TeamSystem based of Gartner research. Source: Gartner Public Cloud Services Forecast Q2 2020 and Gartner Enterprise Application Software Forecast Q3 2020 (*overall market including large enterprises*).

(1) The ERP software market includes ERP software (defined as including ERP, SCM, CRM, AI and BI, Content, email and authoring, project management, other application software) and BPaaS (defined as including payments, CRM, ecommerce, FMS, HR, SCM) which is entirely cloud-based; SaaS penetration as a percentage of ERP software does not include BPaas.

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. However, cloud adoption in the Italian ERP market has been steadily increasing over recent years, with penetration expected to reach approximately 40% of the market in 2020 and to continue to increase thereafter.

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, often while 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.

Cloud solutions provide additional benefits to customers compared to on premise solutions, such as: (i) lower total costs of ownership, eliminating perpetual license costs and hardware/infrastructure costs (which are typical of on premise installation) and maintaining only the annual subscription costs for using the software and receiving maintenance and assistance services; (ii) quicker and cheaper implementation; and (iii) more rapid software development cycles and quicker update roll-outs, with no interventions at customers' sites needed.

Cloud-based solutions represent a significant change in how software companies are bringing their solutions to market and have the potential to significantly impact the operation of companies' IT infrastructures. In particular, cloud-based solutions allow smaller companies to benefit from sophisticated applications that have traditionally been utilized only by larger organizations, as historically, the implementation cost and the level of IT support required to run on premise applications efficiently have prevented smaller companies from using sophisticated software. Cloud therefore reduces such barriers to usage, enables software houses to develop more easy-to-use solutions and allows an increasing number of businesses to streamline and simplify their IT infrastructures and application deployment, also allowing microbusiness to purchase and utilize simple ERP solutions targeted to their needs.

Key trends and growth drivers

We believe that the Italian ERP and business management software solutions market and e-invoicing market will exhibit the following key trends and growth drivers:

- **Stability due to mission critical nature of services:** ERP, business management and e-invoicing 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; at the same time, accounting and payroll management software solutions are core activities for professionals and are particularly relevant in Italy, as Italian regulations require fiscal and labor filings to be submitted digitally to the relevant authorities. We believe such complexity will continue to increase and will continue to drive demand for ERP products and business software and services;

- **Continued changes in fiscal, accounting and labor regulations:** the recent regulatory changes and fiscal interventions in Italy have resulted in continuous demand for software updates that reflect the latest requirements and drive a pipeline of new products. Italy has introduced new regulations towards digitalization every year since 2015, including 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, "*agenzia telematica*" (regarding the requirement to file certain other tax documents with the Italian tax authority electronically) in 2017, the GDPR in 2018, and mandatory e-invoicing for all VAT-registered businesses introduced in 2019. Further significant tailwinds from regulation are also expected in the short-term (*e.g.*, regulation on crisis management and extension of the e-invoicing regulation to businesses with annual revenues lower than €65 thousand);

- **Continued growth in the underpenetrated Microbusiness customer market segment:** the Italian Microbusiness customer market is characterized by its large size (approximately 3.6 million companies) and its lower software penetration rates compared to the SME market. We therefore believe that there is room for further penetration in the Italian Microbusiness customer market segment. The emergence of innovative and affordable cloud-based solutions, with various packages for different functionalities, from the most basic features to more advanced modules, is particularly important to address such customer market segment;

- **Digitalization:** we are contributing with our cloud and digital solutions to a secular shift in the way enterprises run their businesses, processes and operations. The electronic or digital interchange of data between enterprises and external parties (banks, public sector organizations, accountants and other professional advisors, 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 January 2019 all VAT registered businesses are required to issue e-invoices for their products and services to Sistema di Interscambio, the e-invoicing platform of the Italian Revenue Agency; 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 for customers is an important growth driver in our reference market. Recent technological developments include innovative paradigms such as Internet of Things (IoT), cloud, cybersecurity, big data, mobile and other emerging paradigms such as advanced machine learning, which are becoming increasingly integrated in ERP and business management software solutions and therefore accessible to customers. Additionally, we see a readiness of the market to adopt broader software solutions. Security and privacy related concerns were initially acting as inhibitors to adoption, but we believe these concerns are becoming less prevalent due to the evolution in cybersecurity effectiveness and consumers becoming increasingly accustomed to cloud services utilized by mobile devices. The market is also characterized by an increased availability of high quality infrastructure services, such as broadband, which provides a basis for further growth of the ERP and business management software market in the future.

Competition

The competitive dynamics within the ERP and business management software solutions market for the SME and Microbusiness customer market segment depend on a number of key differentiating characteristics, including:

- depth, breadth and quality of offering;
- scale in distribution and software delivery network;
- size of customer base and proximity to customers;
- ability to innovate and invest in new products and technologies;
- brand awareness;
- ability to offer better value for money;
- ability to quickly adapt to, and take advantage of, new regulations to capture new business opportunities; and
- substantial local tax and accounting knowledge.

On the other hand, the Italian e-invoicing market segment has very little competitive dynamics among providers, as it is currently underserved and in its early stages.

International competitors

ERP and business management software solutions offered by large international software providers such as Microsoft, Oracle and SAP are primarily aimed at large businesses and are often expensive to purchase, standardized and inflexible and/or complicated to install and maintain. Local ERP software firms offer a more adapted value proposition to their SME and Microbusiness clientele compared to larger international software providers, by offering a combination of lower prices, proximity with local office footprints and more flexible industry specific solutions. An important requirement for entry for large international providers is the ability to adapt to constantly evolving local tax and accounting regulations in Italy. For example, some of the large international software providers do not provide some local accounting features in their offering (*e.g.*, depreciation modules), which may have a key role for the customer, thus requiring SMEs to liaise with local ERP providers such as TeamSystem.

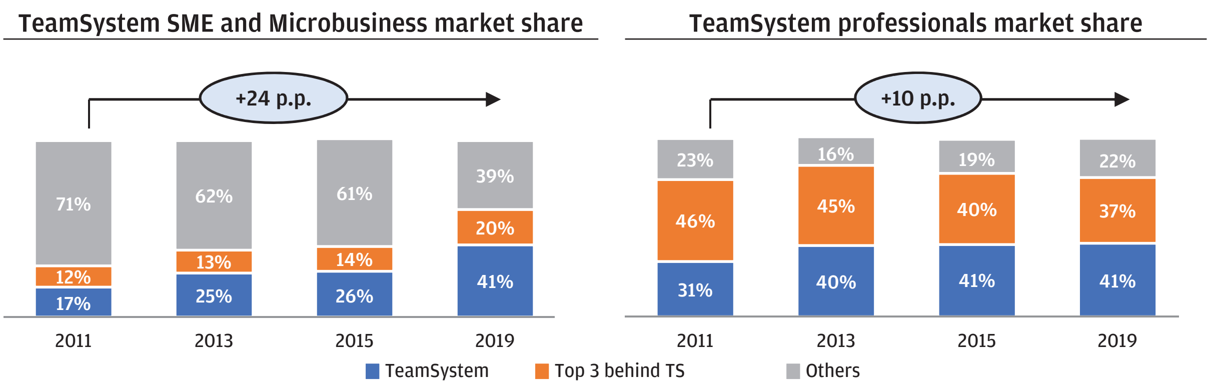
Similar issues are also present in respect of offerings by international players (such as Xero or Intuit) of cloud solutions for professionals and Microbusinesses. With the entry into force of the e-invoicing regulation in 2019, Aruba entered the Italian market with a low-priced and simple solution for Microbusinesses, which only allows the transmission of the XML invoice to the Italian Revenue Agency's exchange system.

Local competitors

Our main local ERP competitors include the Zucchetti group, Sistemi, Gruppo WKI and Dylog. We believe that we are well-positioned compared to our local competitors on several key parameters, such as: (i) pricing, in certain customer market segments (*e.g.*, SMEs), where the market perceives our product quality to be similar at more attractive prices (based on the average yearly price per seat for SME software); (ii) offering, where our offering is perceived to be more focused, making it easier for our sales network to sell our products; (iii) our cloud offering, where we are perceived to be ahead on the cloud development roadmap, having an extended SaaS multi-tenant portfolio; and (iv) ease of installation, where our products are perceived as being less complex to migrate to.

Market share

We have established ourselves as one of the most competitive software providers in the ERP space in Italy. Based on the most recently available data, in 2019 we were the market leader in the SME and Microbusiness customer market segments with a combined market share of 41% and in the professionals customer market segment with a market share of 41%, in each case based on number of seats. From December 31, 2011 to December 31, 2019, we grew our market share of SME and Microbusiness customers by approximately 24 percentage points and of professional customers by approximately 10 percentage points.



Source: IDC (2019 data) and TeamSystem analysis.

The remaining market is divided among numerous smaller ERP and management software providers. We do not compete with international software providers such as Microsoft and SAP as they target large and multinational enterprises, which are not our target market.

In addition to our strong market position in the Italian ERP space, in 2019, we had a 30.2% market share in the Italian e-invoicing market, based on the number of e-invoices filed with the Italian Revenue Agency's exchange system through our TeamSystem Digital platform out of the total number of e-invoices filed with the Italian Revenue Agency by SMEs and Microbusinesses in such year. We took advantage of the strong digitalization trend involving Microbusinesses driven by the new regulatory requirements introduced by the Italian e-invoicing regulation and entered and achieved a leadership position in the e-invoicing market through the launch of digital solutions designed to enable our customers to comply with such requirements (*e.g.*, Fatture in Cloud and TeamSystem Digital Invoice).

Market structure

Based on the most recently available data, based on number of seats, in 2019, the Italian ERP market for SMEs and Microbusinesses was fragmented, with the top three software providers behind TeamSystem accounting for approximately 20% of the market, based on number of seats. In this fragmented market, we have managed to gain a leadership position *vis-à-vis* our competitors across both the SMEs and Microbusinesses and professionals customer market segments.

We believe that we and other large Italian software providers 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, cover a greater geographical reach and deliver consistent quality of customer support. Additionally, large national providers benefit from economies of scale in providing services and products to a large number of customers across and are able to invest higher resources in product research and development to keep up with technological innovation and regulatory evolution and to maintain their product offer aligned with state-of-the-art technology. Finally, customers are less likely to be concerned about the risk that their services will be discontinued when dealing with large providers. As a result, we have established ourselves as a clear leader in the Italian SME and Microbusiness customer market segments.

While the Italian professional customer market segment is more stable and mature compared to the SMEs and Microbusinesses customer market segment, large providers are still best positioned to take advantage of the fragmentation remaining in the market due to similar factors to those relevant to the SMEs and Microbusinesses customer market segment. In addition, larger national and international 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, superior brand recognition derived from being a key provider in this market may be leveraged to both attract new customers and retain existing customers. As a result of these factors, we have managed to thrive and become a leader across the professionals customer market segment.

The Italian ERP and business management landscape remains fragmented as compared to other Western European countries, which we believe gives us further opportunities to increase our customer base, in particular taking advantage of the strong digitalization trend involving Microbusinesses.

BUSINESS

Overview

We are the leading provider of mission critical ERP, business management and e-invoicing 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 internal and external business processes through our premium cloud-based product offering and solutions which connect businesses, professionals and public administration organizations. 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, accounting management, enterprise asset management, human capital management, production and supply chain management, administration and invoicing management and customer management software solutions for SMEs and Microbusinesses. We provide assistance and software maintenance services for all 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, had 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. Our easy-to-use cloud-based software products have also enabled us to target Microbusiness customers who have historically not utilized higher-functionality and more complex on premise business management software. We believe we are the leading provider of ERP, business management and e-invoicing cloud products in Italy.

For the twelve months ended September 30, 2020, we generated total revenue, Adjusted EBITDA and *Pro Forma* Adjusted EBITDA of €414.3 million, €182.2 million and €206.4 million, respectively. As of December 31, 2019, we had in the Italian ERP and business management software market a 41.3% market share among SMEs and Microbusinesses and a 41.2% market share among professionals, in each case based on number of seats. In addition, as of December 31, 2019, we had a 30.2% market share in the Italian e-invoicing market, based on the number of e-invoices sent to the Italian Revenue Agency's exchange system through our TeamSystem Digital platform out of the total number of e-invoices sent to the Italian Revenue Agency in 2019 by SMEs, micro B2B-oriented businesses.

We offer our products and services through four main business lines (within the same reportable segment "Software"):

- **Direct Channel.** Our Direct Channel business line includes a range of software solutions and related services, including installation, start-up, maintenance and post-sale customer services, which are designed to address the needs of SMEs and professionals and are directly sold to our end-customers either by our "on field" sales team, composed of in-house sales representatives and our network of external agents, or, in case of our Digital product line, remotely by a dedicated sales team. For the twelve months ended September 30, 2020, our Direct Channel business line accounted for 30.4% of our total revenue;

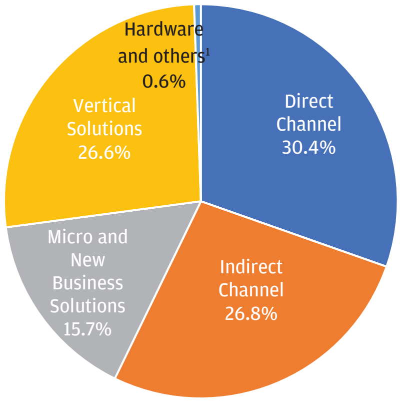
- **Indirect Channel.** Our Indirect Channel business line includes our range of software solutions, designed to address the needs of SMEs and professionals and sold mainly by our value added resellers ("**VARs**") to the end-customers. For the twelve months ended September 30, 2020, our Indirect Channel business line accounted for 26.8% of our total revenue;

- **Micro and New Business Solutions.** Our Micro and New Business Solutions business line includes a range of software solutions designed to address the needs of Microbusinesses. For the twelve months ended September 30, 2020, our Micro and New Business Solutions accounted for 15.7% of our total revenue; and

- **Vertical Solutions.** Our Vertical Solutions business line includes products and services, designed to address the needs of customers in specific industries, such as, among others, mechanical and manufacturing, construction, CAF/public sectors, legal, wellness, hospitality and professional education. For the twelve months ended September 30, 2020, our Vertical Solutions business line accounted for 26.6% of our total revenue.

The following chart sets forth our total revenue breakdown by business line for the twelve months ended September 30, 2020.

Total revenue of €414.3 million



(1) "Hardware and others" reflects minor revenues deriving from our hardware operations and certain *de minimis* revenues in respect of certain professional services rendered by our subsidiary Mondora S.r.l.

For the twelve months ended September 30, 2020, we generated 79.4% of our total revenue from recurring sources, which are primarily related to annual software assistance and maintenance contracts, annual 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 critical role of 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.

Our four key end-customer groups are SMEs, Microbusinesses, professionals and digital customers connected through our accountant customers to our e-invoicing platform. In addition, we have a network of VARs, which resell our products to these end-customer groups. Our end-customer base, including VAR's end-customers, increased from approximately 88,000 as of December 31, 2009 to approximately 1,551,000 as of September 30, 2020. Of this total figure, approximately 59,000 are SMEs, approximately 97,000 are professionals, approximately 430,000 are Microbusinesses and approximately 965,000 are digital customers connected through accountants. Our large and diverse end-customer base is highly fragmented and spread across a variety of industries, including accountancy, labor advisory, manufacturing, industrial, construction, wellness, hospitality, fashion, retail, distribution, food and beverage, legal and other professional services sectors. For the twelve months ended September 30, 2020, our ten largest end-customers and our ten largest VARs represented 3.1% and 7.6% of our total revenue, respectively. For the years ended December 31, 2019 and 2020, we experienced high and stable Customer Retention Rates of approximately 94.1% and 94.5% for SMEs and 93.0% and 92.2% for professionals, respectively. For the twelve months ended November 30, 2019 and 2020, our Customer Retention Rates for Microbusinesses were approximately 83.1% and 89.9%, respectively. 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. In addition, our digital platform, TeamSystem Digital, designed to operate all our digital products, is integrated with all our ERP solutions and allows our customers to digitally send, receive, register and store electronic invoices from and to private customers, companies, Microbusinesses, public entities, banks and external accountants and to send tax filings to the relevant tax authorities electronically.

We divide our product offering into the following four product lines:

- **Enterprise.** Our Enterprise product line consists of a wide range of scalable ERP and other business management and production management software products for SMEs. Our most successful software in this product line is TeamSystem Enterprise, which we sell both in on premise and SaaS (*Software as a Service*) versions.

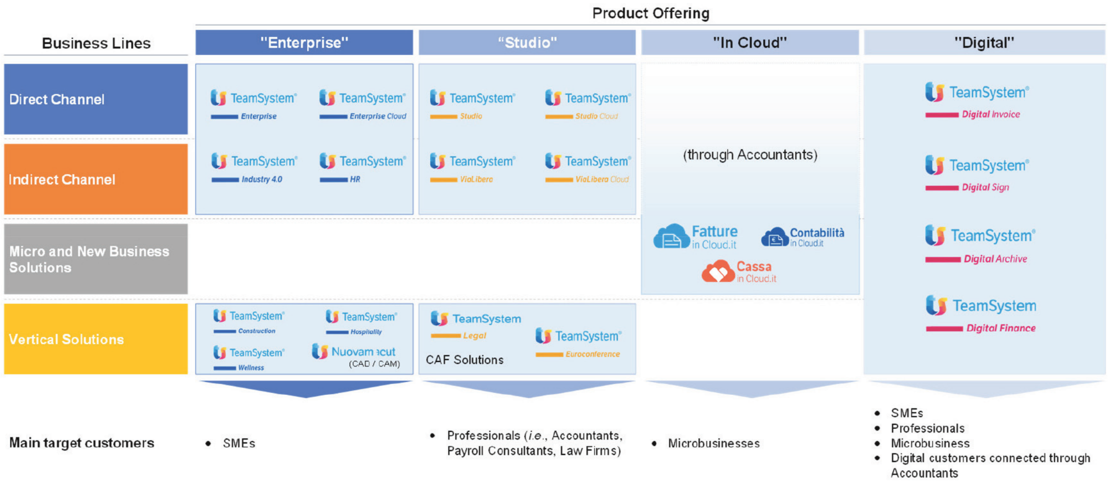
- **Studio.** Our Studio product line consists of mission-critical software solutions for professionals, including accountants, labor advisors and law firms. Our most successful software in this product line is TeamSystem Studio, which we sell both in on premise and SaaS versions.

- **In Cloud.** Our In Cloud product line consists of cloud-based products, such as entry-level accounting products and other ancillary cloud products for Microbusinesses. Our most successful software in this product line is Fatture in Cloud.

- **Digital.** Our Digital product line consists of cloud solutions for digitalization of processes, such as electronic invoicing, electronic signature and authentication services provided through a cloud-based platform for SMEs, professionals, Microbusinesses and all digital customers connected through our accountant customers. Our most successful software in this product line is TeamSystem Digital Invoice.

In order to provide our customers with fully integrated software solutions and to facilitate the digitalization of their processes, we began investing in cloud products and our digital platform (TeamSystem Digital) in 2014 and we were among the first in Italy 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 outperform 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 TeamSystem Enterprise and TeamSystem Studio, as well as products such as Fatture in Cloud, Contabilità in Cloud and Cassa in Cloud. We believe that these 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 products, such as TeamSystem Digital Invoice, TeamSystem Digital Sign and TeamSystem Digital Archive, 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 demand for digitalization solutions will continue to grow as a result of incentives introduced by the Italian government, such as (i) "*Industry 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and Microbusinesses, (ii) the Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*), which introduced the obligation for businesses in Italy with revenues higher than €65 thousand per year (with the exception of healthcare professionals), starting from January 1, 2019, to provide electronic invoices to other businesses with whom they conduct transactions, (iii) the "*Ecobonus*" Italian regulation introduced by the Italian Legislative Decree No. 34/2020, which provides tax credits and incentives for home renovations improving energy efficiency, upon submission of specific technical documentation and (iv) the new Italian regulation on crisis management and bankruptcy that is expected to enter into force in September 2021 and which will require companies to carry out periodic assessments of their financials based on pre-defined key performance indicators.

Set forth below is a graphic representing the interaction among our business lines, product lines and target customers.



Our strengths

Resilient and fragmented Italian ERP, business management and e-invoicing software market with strong fundamentals and highly attractive growth prospects

We are the leading provider of mission critical ERP, business management and e-invoicing software for SME, professional and Microbusiness customers in Italy. In 2020, the Italian ERP and business management software market is expected to generate a total revenue of approximately €3.2 billion across both the enterprise (including large enterprises, SMEs and Microbusinesses) and professional customer market segments, and between 2018 and 2024 is expected to grow at a CAGR of 5.2%. In 2018, Italy represented one of the largest SME and Microbusiness software markets in Europe, composed of approximately 3.8 million of such companies compared to approximately 3.1 million in France and approximately 2.1 million in the United Kingdom (source: European Commission).

The Italian ERP and business management software market has historically shown significant resilience. 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 the Italian ERP and business management software market grew by 3.0%, demonstrating the resilience of the market. In 2019, when the Italian GDP remained substantially flat compared to 2018, the Italian ERP and business management software market grew by approximately 7.0%. Between 2009 and 2018, despite the Italian GDP fluctuations, the number of SMEs and Microbusinesses in Italy remained relatively stable (0% CAGR). In 2014 and in the wake of two consecutive economic downturns, with the global financial crisis and the European debt crisis, the number of bankruptcies in Italy among such companies peaked at approximately 15.3 thousand. Even then, the number of bankruptcies only represented approximately 0.4% of the total number of SMEs and Microbusinesses in Italy in such year, and the increase compared to the average number of bankruptcies per year between 2009 and 2018 was only 23%.

Other important characteristics of the Italian ERP and business management software market are: (i) a significant competitive pressure exerted by local players like TeamSystem, especially with respect to international competitors, mainly due to local regulatory constraints and the importance of local relationships and proximity with customers; (ii) a rather limited degree of price sensitivity, as customers may be more concerned with the quality of products and services, which are mission critical for them, and the availability of product support; (iii) the critical role of switching costs for customers, in particular for SMEs and professionals, as ERP and business management solutions are usually deeply integrated with their business processes and other IT systems; (iv) fragmented local market, with larger local players having strong distribution networks in certain areas and addressing the different functionalities needed across different industries; and (v) significant areas of potential growth not fully addressed yet, particularly with respect to cloud products and digitalization, as SMEs and Microbusinesses are now aware of digitalization needs and benefits, but they have just started their way towards full digitalization.

In particular, within the ERP and business management software market, the cloud software solutions market in Italy, in line with global trends, has experienced significant growth over the past few years, with expectations to reach €2.0 billion by 2024. 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 SaaS software (which is anticipated to increase its penetration of the ERP software market from 48% in 2020 to 51% in 2024 (source: Gartner Public Cloud Services Q2 2020 and Gartner Enterprise Application Software Q3 2020)), with very high levels of accessibility; (ii) a readiness of the market to adopt broader cloud software solutions, including ancillary digital functionalities never used before (*e.g.*, e-invoicing, digital signature) due to the decline of cybersecurity concerns and the widespread use of cloud technology on smartphones; (iii) the increased availability of high-quality infrastructure services such as broadband; and (iv) the trend towards digitalization and new solutions which facilitate the information flow with suppliers, public administration, banks and other parties involved in the day-by-day business of customers. The shift from on premise solutions to cloud solutions is leading to lower total costs of ownership for customers, eliminating perpetual license costs and hardware/infrastructure costs typical of on premise installation, which are usually higher than the annual subscription costs paid by customers for the use of the software and the associated customer support, technical assistance and maintenance services, as well as software updates. See "*Industry*."

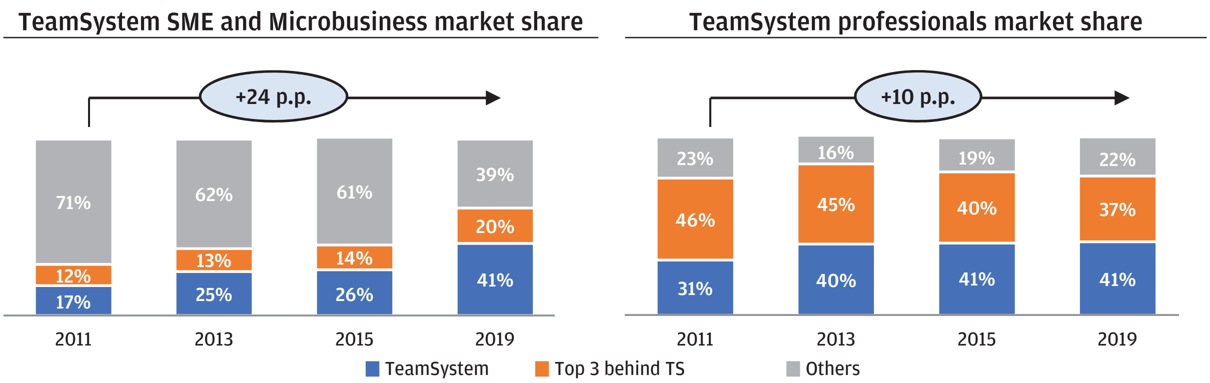
The ongoing digitalization trend in Italy has also been driven by certain Italian regulatory requirements which provide that, since March 2015, all invoices to the Italian central and local public administration organizations and, since January 1, 2019, all invoices issued by businesses with revenues higher than €65 thousand per year (with the exception of healthcare professionals) must be submitted electronically. As a consequence of these innovative requirements, the number of electronic invoices processed in Italy increased from approximately two million in 2014 to approximately 2.1 billion in 2019.

We expect that demand for digitalization solutions will continue to grow as a result of incentives introduced by the Italian government, such as (i) "*Industry 4.0*", which provides for, among other things, financial incentives in the form of vouchers to foster the digitalization of SMEs and Microbusinesses, (ii) the "*Ecobonus*" Italian regulation introduced by the Italian Legislative Decree No. 34/2020, which provides tax credits and incentives for home renovations improving energy efficiency, upon submission of specific technical documentation and (iii) the new Italian regulation on crisis management and bankruptcy that is expected to enter into force in September 2021 and which will require companies to carry out periodical assessments of their financials based on pre-defined key performance indicators.

Leadership position in ERP, business management and e-invoicing software, with a track record of strong market share gains in targeted customer market segments

We are the market leader in the Italian ERP and business management software market in the SME, Microbusiness and professional customer market segments with a 41.3% market share among SMEs and Microbusinesses and a 41.2% market share among professionals, in each case as of December 31, 2019 and based on number of seats. In 2019, we also had a 30.2% market share in the Italian e-invoicing market, based on the number of e-invoices submitted to the Italian Revenue Agency's exchange system through our TeamSystem Digital platform out of the total number of e-invoices submitted to the Italian Revenue Agency by SMEs and Microbusinesses in such year. Based on the number of e-invoices sent through our TeamSystem Digital platform, in 2019, we were the leading e-invoicing platform both in Italy and Europe.

As set out in the charts below, our market share among SMEs and Microbusinesses within the fragmented Italian ERP and business management software market, based on number of seats, increased by 24 percentage points from December 31, 2011 to December 31, 2019, while our market share among professionals increased by 10 percentage points during the same period.



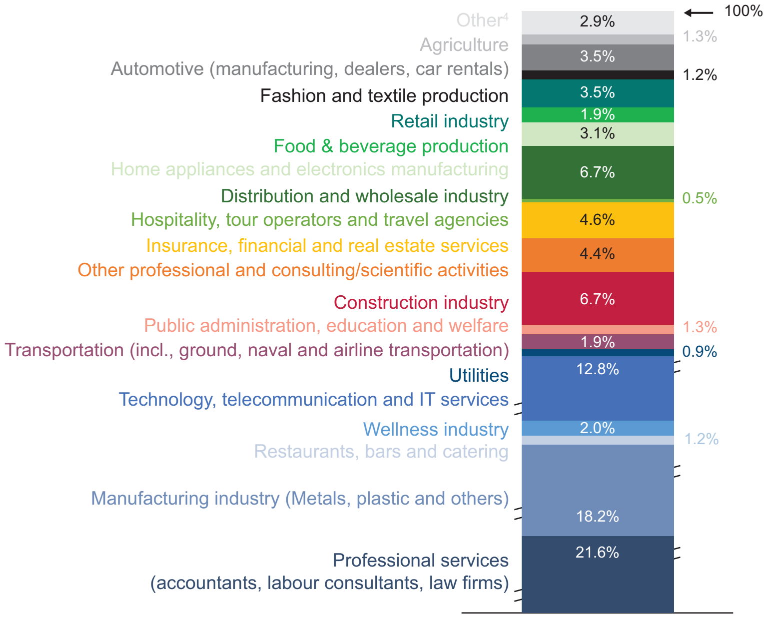
The Italian ERP and business management software market is characterized by local regulatory constraints and the importance of local relationships and proximity with customers. We believe that these features favor local players, such as TeamSystem. In addition, we believe that we are well-positioned compared to our local competitors on several key parameters, such as: (i) pricing, in certain customer market segments (*e.g.*, SMEs), where the market perceives our product quality to be similar at more attractive prices (based on the average yearly price per seat for SME software); (ii) offering, where our offering is perceived to be more focused, making it easier for our sales network to sell our products; (iii) our cloud offering, where we are perceived to be ahead on the cloud development roadmap, having an extended SaaS multi-tenant portfolio; and (iv) ease of installation, where our products are perceived as being less complex to migrate to.

With respect to the Italian e-invoicing market, we took advantage of the strong digitalization trend involving Microbusinesses, which has been driven by the new regulatory requirements introduced by the Italian e-invoicing regulation. We entered and achieved a leadership position in this market through the launch of digital solutions designed to enable our customers to comply with such requirements (*e.g.*, Fatture in Cloud and TeamSystem Digital Invoice).

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

From 2009 to September 2020, our end-customer base, including VARs' end-customers, increased at a CAGR of 31% from approximately 88,000 customers to approximately 1,551,000 customers, of which 59,000 were SMEs and 97,000 were professionals using our ERP, business management and industry-specific solutions (consisting of 48,000 from our Direct Channel business line, 44,000 from our Indirect Channel business line and 64,000 from our Vertical Solutions business line), 430,000 were Microbusinesses using our e-invoicing and simple ERP solutions, such as Fatture in Cloud, Contabilità in Cloud and Cassa in Cloud, and 965,000 were digital customers of TeamSystem Digital platform, processing and sending e-invoices through the software solutions of our accountant customers. Overall, we have a low customer concentration and, for the twelve months ended September 30, 2020, our ten largest customers and our ten largest VARs generated 3.1% and 7.6% of our total revenue, respectively. We also do not have any major single industry exposure, with a high contribution from resilient sectors and low exposure (approximately 7%) to industries most affected by COVID-19 (*e.g.*, hospitality, wellness, restaurants, bars and catering and automotive), as set forth in the chart below for the year ended December 31, 2019.

Revenue breakdown by industry[1] (%)



Source: TeamSystem estimates.

(1) Excludes revenues from our Indirect Channel business line.

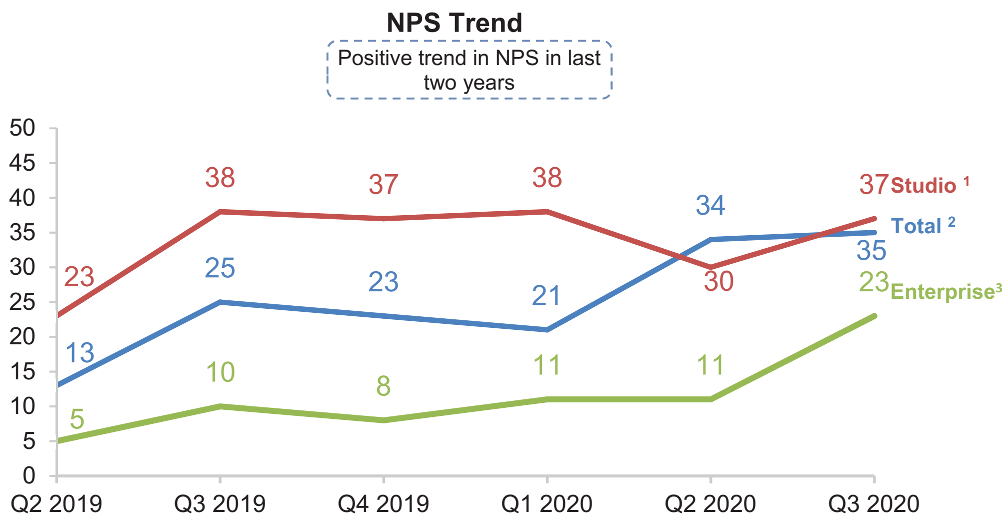
Our growing customer base contributes significantly to revenue growth and allows us to benefit from economies of scale related to, for example, product development and updates, cloud infrastructure costs and customer support efficiency, in addition to constituting an opportunity for up-selling more complex software solutions and cross-selling ancillary and industry-specific software. 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 high and stable Customer Retention Rates. For the years ended December 31, 2019 and 2020, we experienced Customer Retention Rates of approximately 94.1% and 94.5% for SMEs and 93.0% and 92.2% for professionals, respectively. Customer Retention Rate for Microbusinesses is typically lower than Customer Retention Rate for SMEs and professionals due to the lower switching costs associated with solutions for Microbusinesses, mainly as a result of their lower level of complexity. Our Customer Retention Rate for Microbusinesses increased from approximately 83.1% for the twelve months ended November 30, 2019 to 89.9% for the twelve months ended November 30, 2020. This increase in Customer Retention Rate for Microbusinesses is primarily the result of the e-invoicing trend driven by the Italian e-invoicing regulation introduced in early 2019, which led to a strong increase in customers who decided to try our e-invoicing products for a limited period, without renewing the contract, thereby resulting in a lower rate for 2019. However, after the initial e-invoicing trend in 2019, we believe our Microbusiness customer base is currently more stable, in continuous growth and has shown resiliency in every month of 2020 despite the COVID-19 pandemic, which has positively affected customers' demand for digitalization products and services.

We believe that the mission-critical nature of our software products and services, which are deeply embedded in many of our customers' workflows and IT systems, has historically provided a degree of insulation from economic uncertainties and resulted in our high Customer Retention Rates. 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 switching costs for our customers. In particular, SME and professional customers tend to carefully consider the migration to alternative 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. Moreover, for the professionals customer market segment, we believe the adoption of our digital ancillary solutions allows a strong connection and digital interrelation between our professional customers and their end-customers, making our professional customers more dependent on our products in their day-to-day activities, which, in turn, incentivizes our customers to continue using our products and not to switch to competitors' solutions.

Retention rates for our Indirect Channel business line are typically higher than retention rates for our Direct Channel business line, which is due to the multi-year length of our VAR distribution agreements (typically three years) 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 any reduction in the number of our VARs is usually associated with: (i) the consolidation of small VARs into larger VARs (with limited or no loss of end-customers); (ii) the acquisition of VARs by TeamSystem, which results in the incorporation of the VARs and their end-customers in our Direct Channel business line (*e.g.*, TeamSystem 5 S.r.l. and TeamSystem 6 S.r.l. in 2020); and (iii) 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.

Our high Customer Retention Rates are reflected in the trend of our NPS (net promoter score), a metric used to calculate customer satisfaction. The NPS represents the percentage of customers rating their likelihood to recommend our products to others and is measured as the sum of the percentage of promoters (loyal customers, repeat buyers and the ones that are most likely to promote our business willingly) less the percentage of detractors (customers that will most likely never buy our products again). Our NPS for each of our Studio and Enterprise products and a sample of products across all our product lines have shown a positive trend over the last 18 months, as set forth in the chart below. See also "*Certain definitions—NPS*."



Source: TeamSystem evaluation based on data reported by Nielsen through its NPS tracking for the Q3 2020 starting from July 1, 2020 ending on September 30, 2020 for the Italian Market (Copyright © 2020, Nielsen).

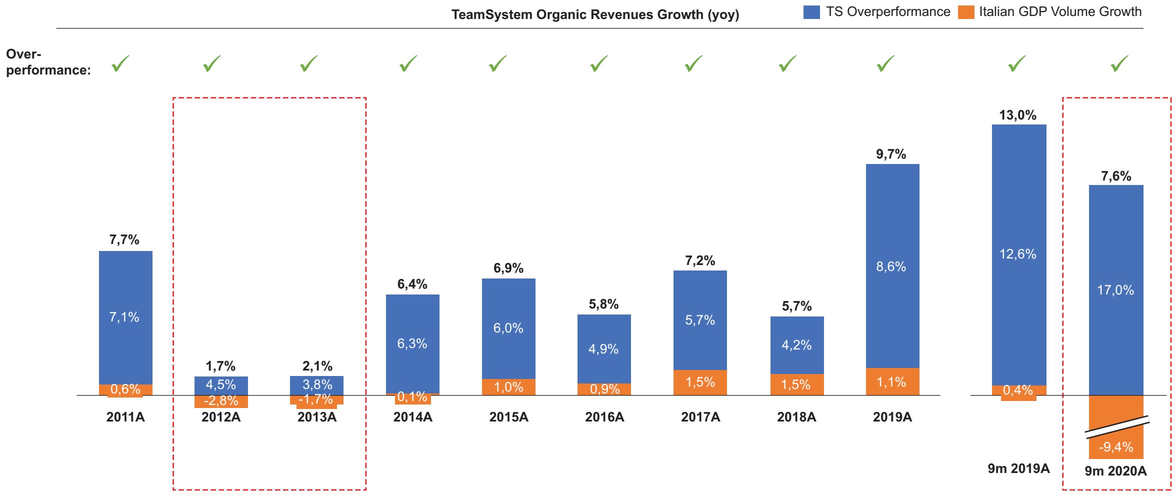
(1) "Studio" includes customers of TeamSystem Studio and TeamSystem ViaLibera.

(2) "Enterprise" includes customers of TeamSystem Azienda, TeamSystem Enterprise and TeamSystem Power I.

(3) "Total" includes customers of TeamSystem Studio, TeamSystem ViaLibera, TeamSystem Azienda, TeamSystem Enterprise, TeamSystem Power I, NetLex, TeamSystem Construction, Danea and Fatture in Cloud.

Resilient organic growth coupled with recurring and visible revenues

Between 2017 and 2019, our total revenue increased at a CAGR of 9.2% and our organic total revenue (calculated for any given year as our total revenue for such year *less* the revenue of the companies we acquired in such year) increased at an average annual rate of approximately 7.5%, outperforming the Italian GDP growth over the same period by an average of 6.2 percentage points each 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. In the first nine months of 2020, when the Italian GDP declined compared to 2019, we achieved 7.6% organic revenue growth (outperforming the Italian GDP by 17.0 percentage points), which was also attributable to the launch of our e-invoicing products. The following chart presents a comparison of our organic revenue growth and the Italian GDP growth for each year between 2011 and 2019 and for the nine months ended September 2019 and September 2020.

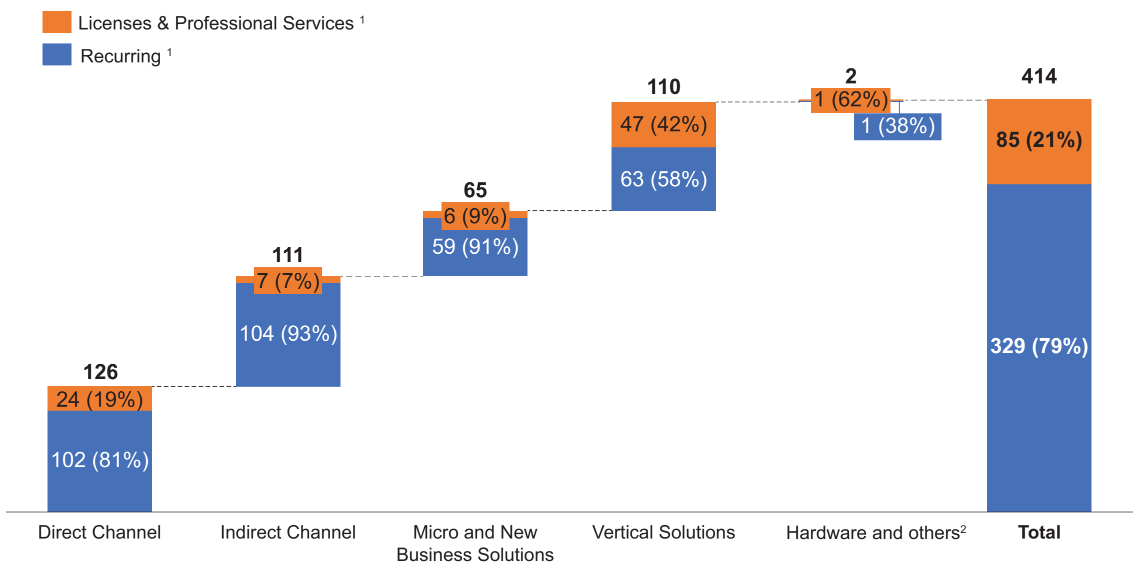


We believe that such resilience is mainly due to (i) the recurring nature of the contracts we enter into with our customers and the related fee structure, which is based on fees from annual assistance and maintenance and subscription contracts, annual fees from our multi-year contracts with VARs (which are determined at the time the contract is signed and which cannot be reduced below a certain threshold) and fees from Regulatory LTAs; (ii) our customers' loyalty demonstrated by our high Customer Retention Rates; (iii) the mission critical nature of the software which brings customers, in particular SME and professional customers, to carefully consider the migration to alternative suppliers, in light of the fact that migration is, among other things, a time-consuming process, and allows us to continue selling our products also during economic downturns, as customers need ERP, business management and other digital software to operate their businesses; and (iv) our strong brand recognition.

For the twelve months ended September 30, 2020, we generated 79.4% of our total revenue from recurring sources (compared to 67.1% in 2017), which we believe provide significant visibility of future earnings. The growth in the contribution of revenues with a recurring nature to our total revenue has been driven in part by the increased weight and importance of our cloud solutions in our product portfolio, with the contribution of cloud software solutions revenue to our total revenue increasing from 9.8% in 2017 to 36.4% for the twelve months ended September 30, 2020.

The wide and diversified range of solutions we offer enables us to address different industries and customer market segments and we believe such high level of product and customer diversification positively impacts the resiliency of our business, even during economic downturns or crisis of specific sectors. The following chart sets forth the details of our recurring revenue attributable to each of our business lines for the twelve months ended September 30, 2020.

High Revenue Generation by Existing Customers (LTM Sep-20,€m)



(1) "Recurring" refers to revenues generated by assistance and maintenance contracts, subscription contracts, annual fees from our multi-year contracts with VARs, primarily composed of Forfait Fees and Formulaic Fees, as well as from the sale of Regulatory LTAs; and "Licenses & Professional Services" refers to revenues from the sale of software licenses, and professional services, which generate fees generally related to the installation and customization of our software solutions, the training services we provide to customers at the product start-up and the training, pre-sales and marketing support services we provide to our VARs.

(2) "Hardware and others" reflects minor revenues deriving from our hardware operations and certain *de minimis* revenues in respect of certain professional services rendered by our subsidiary Mondora S.r.l.

Our recurring revenue model generates a low dependency on new sales and has enabled us to deliver strong performance during the COVID-19 pandemic. We generated revenue of €303.0 million for the nine months ended September 30, 2020, which was 14.3% higher than the €265.2 million we generated for the nine months ended September 30, 2019. We experienced strong new bookings by both existing and new customers in the beginning of 2020, with a significant recovery in new bookings from June onwards, after an initial decline in March, April and May 2020. We believe the recurring nature of our revenues has acted as a clear mitigant against revenue stagnation. Our Adjusted EBITDA during the same period grew by 36.7% (from €98.3 million to €134.4 million), resulting in Adjusted EBITDA margin of 44.4% for the nine months ended September 30, 2020 (compared to 37.1% for the nine months ended September 30, 2019). This increase was partially driven by the contingency plan we launched at the beginning of March 2020, which allowed us to contain costs during the lockdown period in Italy, thereby preserving our profitability through the 2020 economic downturn. In addition, our average days delinquent (which for any given period measures the average number of days between the date on which our trade receivables fall due and the date on which the relevant payments are made by our customers) marginally improved in the nine months ended September 30, 2020 compared to the same period in the prior year, despite the COVID-19 pandemic, as a result of software products becoming increasingly critical to customers and our improved collection process.

In addition, despite the COVID-19 pandemic and the consequent downturn of the Italian economy, our Customer Inactivity Rate, which measures the level of use of our key products, did not grow, thus showing the mission critical nature of our products for customers and the resilience of our business. In particular, the Customer Inactivity Rate on a sample of 35,000 of our Direct Channel, Indirect Channel and Vertical Solutions' customers using certain core ERP software and business management solutions, measured at the beginning of November 2020, shows that only 1.1% of those customers never logged into the relevant software product in the period between September 2020 and October 2020. In addition, our Customer Inactivity Rate of customers using Fatture in Cloud decreased in 2020, with an average Customer Inactivity Rate of 9.5% among customers whose contracts expire between April and October 2020 and an average of 5.6% among customers whose contracts expire between November 2020 and January 2021.

Leadership position in cloud solutions as a result of early investments in cloud technologies and well positioned to launch new attractive cloud solutions within the TeamSystem Digital ecosystem

In order to provide our customers with fully integrated and digitalized software solutions, we began investing in cloud products in 2014 and we were among the first in Italy 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 outperform our national competitors in terms of quality, breadth of cloud products offering and market penetration. Cloud products accounted for 36.4% of our revenue for the twelve months ended September 30, 2020, compared to 9.8% in the year ended December 31, 2017. Our R&D expenditure as a percentage of revenue was 11.3% for the year ended December 31, 2019, which, we believe, compares well with the median across the industry.

In the last few years, we capitalized our investments in cloud solutions in different ways: (i) transitioning our traditional customer base to cloud ERP solutions and offering such customers ancillary digitalization products and cloud native solutions; (ii) addressing the Microbusiness customer market segment with moderately priced and easy-to-use solutions, designed to satisfy the streamlined requirements of such businesses; and (iii) building a digital ecosystem for our SME, professional and Microbusiness customers that allows them to connect with their suppliers, customers, public administration, tax authorities, banks and other entities through our integrated solutions and that has enabled us to launch new products and services and widen our offer in previously unexplored areas.

To enable the transition of our traditional customer base to our cloud solutions, we have developed a comprehensive set of cloud products, including the SaaS version of our most successful on premise software solutions (*e.g.*, TeamSystem Enterprise and TeamSystem Studio), as well as cloud-native ancillary products, such as TeamSystem Digital Invoice, TeamSystem Digital Archive and TeamSystem Digital Sign, to facilitate the full digitalization of our customers' business. Our goal is to maintain our traditional on premise customer base and assist such customers with the transition to cloud technology when they request it, with an evolutionary approach.

At the same time, in order to target the large and, at that time, untapped market of Microbusiness customers in Italy, we started in 2015 to develop (both internally and as a result of targeted acquisitions) a range of innovative cloud-native products and applications, such as Fatture in Cloud, Contabilità in Cloud and Cassa in Cloud. These products are simple, easy-to-use and competitively priced and constitute an attractive entry-level solution to meet the streamlined software needs of Microbusinesses. We believe that there is still significant room for further growth in the Italian Microbusinesses market, which represents the bulk of the Italian economy, as Microbusinesses are now aware of the benefits of digitalization, but are still at an early stage of the digitalization process. We believe that the penetration rate in Italy for business management software cloud solutions in the Microbusiness customer market segment is relatively low, which provides room for further expansion. Due to our broad cloud product offering, we believe we are well positioned to capture this potential growth, both directly by, for example, cross-selling new complementary cloud products, such as Dipendenti in Cloud and CRM in Cloud, to our existing Microbusiness customer base, and indirectly through our wide network of accountant customers that can propose our solutions, integrated with their ERP software solutions, to their Microbusiness end-customers.

The launch of our new platform, TeamSystem Digital, alongside our first e-invoicing product at the beginning of 2017 allowed us to create a connected ecosystem in which our cloud software plays a key role in facilitating the data flow exchange among enterprises, professionals, banks, suppliers, customers, public administration organizations and tax authorities in the Italian economic system. We believe this ecosystem gives us a significant advantage in the development and launch of innovative products, including in untapped areas, such as the digital payment and the trade receivable financing areas, expected to be addressed by our TeamSystem Digital Finance offer. See "*—Our strategy—Leverage TeamSystem Digital ecosystem to launch innovative services, such as TeamSystem Digital Finance, and exploit the full potential of our large number of customers and users connected it*" and "*Business—Our product offering—Digital—TeamSystem Digital Finance*."

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 twelve months ended September 30, 2020, our Adjusted EBITDA and *Pro Forma* Adjusted EBITDA were €182.2 million and €206.4 million, respectively, and our Adjusted EBITDA margin and *Pro Forma* Adjusted EBITDA margin were 44.0% and 45.7%, respectively. Our Adjusted EBITDA grew at a CAGR of 13.7% from 2017 to 2019. 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, 2019, was approximately twice that of each of our two next-largest Italian competitors. Our Adjusted EBITDA growth, among other factors, resulted in a consistent decline in our net leverage ratio (calculated as the ratio between adjusted net financial debt (as defined under "*—Summary historical financial information and other data—Other financial and pro forma data—Adjusted net financial debt*") and Adjusted EBITDA) from 6.4x as of December 31, 2016 to 6.0x as of December 31, 2017, 5.9x as of December 31, 2018, 5.0x as of December 31, 2019 and 3.9x as of September 30, 2020.

As a result of our recurring revenue streams, we have consistently visible cash flows. Our cash flow conversion rates were 82.5%, 90.2%, 103.5% and 79.2% for the years ended December 31, 2017, 2018 and 2019 and the twelve months ended September 30, 2020, respectively, 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 business line and, to a lesser extent, our Vertical Solutions business line, most of our contracts with customers are automatically renewed at the beginning of each calendar year, with a majority invoiced in January and almost all invoiced by March, 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 these business lines. Typically, our Direct Channel and Vertical Solutions contracts are renewed unless customers provide a written termination notice (usually six months) prior to the expiration of such contracts. In our Indirect Channel business line, revenue is almost entirely of a recurring nature as it primarily consists of the annual fees that we invoice each VAR quarterly or, to a lesser extent, annually for the right to resell our products. Similarly, revenue in our Micro and New Business Solutions business line is almost entirely of a recurring nature as it primarily consists of annual subscription fees, a relevant portion of which are prepaid between December and January at the moment of renewal. 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 especially product offering. The main goals we have been pursuing with the latest acquisitions, which we intend to keep pursuing going forward, relate to the following main areas:

- **organic bolt-on acquisitions:** we have acquired selected start-ups and software houses with the aim to support the expansion of our cloud products offering and strengthen our market position in potentially high-growth industries; these acquisitions aim at reducing our time-to-market for the launch of new cloud-based and industry specific solutions, providing us with a competitive advantage over our competitors and allowing us to internalize relevant competences and expertise on innovative technologies and products (*e.g.*, "*Industry 4.0*" and solutions for human resource ("**HR**") management);

- **VARs insourcing:** we have acquired and we intend to continue acquiring small VARs who are not willing or able to keep up with the pace of our growth (also in light of the new Formulaic Fee model and the new growth incentive schemes) and do not have the opportunity to consolidate with other VARs; and

- **international expansion:** we recently completed an acquisition in Spain with the goal to expand our footprint outside of Italy in a market where new e-invoicing regulations are expected to be introduced in the near future and where we expect a strong trend for digitalization and growth potential in the Microbusiness customer market segment.

We have a dedicated team focused on the integration of acquired companies and we have developed a disciplined and structured approach to plan and execute all activities required to successfully integrate and extract revenue and cost synergies from acquired companies. In particular, the integration process involves all aspects of the acquired businesses, including finance, reporting, personnel, procurement, facility management, research and development ("**R&D**"), product integration, marketing and sales and the definition of the value proposition and go-to-market approach for the newly acquired and integrated products.

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 2017, through the acquisition of Cassanova, we entered the microbusiness B2C-oriented market segment with Cassa in Cloud, an innovative cloud solution that satisfies the new regulatory requirement for restaurants and shops to electronically share transactions ("*corrispettivi telematici*") with the Italian Tax Authority on a daily basis. In 2019, we started to develop a new "all-in-one" solution for HR management through the acquisition of SkyLab, a provider of cloud solutions. This new HR solution, which we integrated in our HR payroll and HR administration solutions, allows our customers to manage employee careers, development plans, benefits, training and health and safety. Moreover, in 2019 we further expanded our cloud offering through the acquisition of TechMass, an innovative start-up focused on so called "*Industry 4.0*" solutions that launched a cloud-native product for the supervision and optimization of production processes. In addition, the acquisition of Iperelle in 2019 allowed us to complement our CAD software offering, addressing large manufacturing companies not covered by our Nuovamacut solutions. Our acquisitions have contributed positively to our revenue increases, with acquired incremental revenues of €3.5 million, €1.1 million, €6.5 million and €3.1 million for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020, respectively. 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 gave us, for example, the ability to cross-sell the products that we acquired to our existing customer base and to enrich our product offering in key strategic areas (*e.g.*,SkyLab for HR solutions) and, especially in the case of Cassa in Cloud, to sell new products for the first time specifically designed for Microbusinesses. 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 seven times.

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, economic instability and the COVID-19 pandemic. 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, and the long-term commitment of our main shareholder, H&F. Since its acquisition of a majority stake in TeamSystem in 2016, H&F has implemented successful value creation initiatives and demonstrated strong partnership with our management team. We believe that H&F have continued high conviction in the business with outstanding organic growth opportunities and strong competitive positioning. Through the Acquisition, which involves a new money equity investment, H&F will extend the duration of its investment in TeamSystem, thereby underlining their long term commitment in TeamSystem despite the effects of the COVID-19 pandemic.

Our strategy

Between 2017 and 2019, we focused on launching a cloud transformation of our business, strengthening our distribution channels and customers' satisfaction. We now plan to continue pursuing this cloud transformation, achieve a long-term sustainable growth and strengthen our leadership in the Italian ERP and business management software market by leveraging and enhancing our existing advantage in cloud products and digitalization services for Microbusiness customers, further improving our distribution model and improving our customers satisfaction and retention rates. At the same time, we expect to continue to implement cost saving initiatives that will make our business model more efficient. We intend to achieve these goals by pursuing the following strategies:

Continue the transition from on premise to cloud-based products at full speed, while working on product and technology innovation to always offer state-of-the-art solutions to our customers

Demand for cloud-based applications is increasing in our markets and the higher availability and speed of the broadband infrastructure around the world, including Italy, 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 providing incentives for both existing and new customers to own cloud solutions.

Our cloud strategy aims at facilitating the shift from on premise to cloud-based software environment, offering innovative, cloud-native versions of our traditional ERP software and providing assistance to our existing customers willing to migrate to cloud solutions. For example, we are offering users of the on premise versions of TeamSystem Enterprise and TeamSystem Studio the ability to switch to the cloud version of such products with our assistance, in order to minimize migration impacts. In addition, we are enriching our product offering with new cloud-native solutions, such as TeamSystem HR and the latest versions of TeamSystem "*Industry 4.0*" products and we are leveraging the hybrid architecture of our ERP and business management software solutions by cross-selling our wide range of cloud complementary products (including, for example, our TeamSystem Digital solutions and other cloud-based applications for customer relationship management, document management and archiving, business intelligence, e-commerce and mobile sales) to all of our on premise and cloud customers. Finally, we intend to directly offer the cloud versions of our ERP and business management software, together with all our TeamSystem Digital products, to new customers.

The migration of our existing Direct Channel customers to cloud products allows us to achieve an uplift on the recurring revenues paid by the customer, as subscription fees associated with cloud-based products are usually slightly higher than the maintenance fees of the license and maintenance model associated with our on premise products. In 2019, we also started to support our VARs in migrating their end-customers from the on premise versions to the SaaS version of TeamSystem Enterprise and TeamSystem Studio, providing such VARs with trainings and dedicated promotions (*e.g.*, discounts on fees). We believe that the migration to cloud in the Indirect Channel business line also positively affects our revenues, since for our cloud products, which generally require an easier delivery process and less maintenance efforts, we receive higher fees per end-customer from our VARs, compared to the fees we receive for the on premise version of the same product. As of the date of this Offering Memorandum, the transition to cloud is more advanced for professional customers of our Direct Channel business line, but we believe that there is significant room to accelerate the transition to cloud for SMEs and Microbusinesses of our Direct Channel business line and, in general, for our Indirect Channel business line.

While continuing working on the transition of our customers to the cloud, we also intend to continue investing in software innovation, technology evolution and new product development, as we believe that the quality and innovation of our solutions are competitive advantages against our competitors. For example, in 2020 we launched our "One Platform" project, aimed at further modernizing our products through: (i) building common back-end modules and functionalities that can be shared across all products (*e.g.*, unique modules for accounting, VAT management, fiscal deadlines across all products); (ii) extending basic common services used by various software modules (*e.g*., API (*application programming interfaces*) management, notifications, database); and (iii) enriching the digital ecosystem with new integrated solutions (*e.g.*, TeamSystem Digital Finance). Our "One Platform" project also aims at increasing efficiency of product developments (*e.g.*, sharing common components across product lines), evolving our offer to the latest technology trends (*e.g.*, the use of artificial intelligence and data analytics) and building a modular architecture for future product integration. We plan to continue delivering state-of-the-art products to our customers as we believe that investing in the innovation of our products and in new technologies is key to maintaining our leadership position in the Italian ERP and business management software market.

Leverage TeamSystem Digital ecosystem to launch innovative services, such as TeamSystem Digital Finance and exploit the full potential of the large number of customers and users connected to it

As part of our digital strategy, in 2017, we introduced our TeamSystem Digital platform and launched numerous ancillary services for business digitalization (e.g. TeamSystem Digital Invoice for e-invoicing, TeamSystem Digital Sign for e-signatures and strong authentication and TeamSystem Digital Archive for digital documentation storing). This platform and its ancillary services allowed us to create an extensive digital ecosystem, connecting our customers to their accountants, public administrations, banks, and their own customers and suppliers. We intend to leverage this ecosystem to launch innovative digital services and products across our wide customer base. For example, we intend to launch a new and innovative product line: TeamSystem Digital Finance, encompassing three main services: TeamSystem Digital Invoice Trading, TeamSystem Pay and TeamSystem Digital BankLink 4.0.

In March 2020, we launched TeamSystem Digital Invoice Trading, a service that allows our customers to sell their trade receivables to selected investors on a non-recourse (*pro soluto)* basis through our Whit-e Platform, to which our customers can have access via our TeamSystem Digital platform. In connection with these activities, we do not incur any liability to the investor or the customer, including in the event of non-payment of invoices. Our Whit-e Platform allows the assignment of trade receivables not only to traditional financing institutions, but also to third-party securitization vehicles, which we believe may contribute to the further growth of this business going forward. In addition, we expect that in the near future (i) our asset management subsidiary TeamSystem Capital at Work SGR S.p.A. will start to manage funds investing in receivables through our Whit-e Platform and (ii) our subsidiary TeamSystem Payments S.r.l. will launch a new platform providing payment services integrated in our e-invoicing and ERP products. Such services will allow our customers and, in particular, Microbusinesses, while using our new products, to (i) collect payments from B2B and B2C customers online through credit cards or SDD (e.g. sending links within the invoice just released) or expedite cash collection (*e.g.*, setting up payment reminders) and make payments, including for example, for a supplier's invoice, directly from our ERP products (TeamSystem Pay); and (ii) access their bank statements or the bank statements of their digital customers connected through them to our systems and download bank account information and reconcile them with our ERP accounting products immediately (TeamSystem Digital Banklink 4.0). For further information, on these services, see "*Business—Our product offering—Digital—TeamSystem Digital Finance*."

We believe we will benefit from the launch of TeamSystem Digital Finance as, following the example of international players, such as Xero, Intuit, MyOB and Visma, we will be the first player in Italy among our competitors to enter this market and to offer in an easy and convenient way, certain services to SMEs and microbusinesses, such as invoice factoring (not currently offered by banks), directly from our TeamSystem Digital platform. In addition, we will be able to rely on our accountant customers in the conveyance of such product offering to their end-customers.

Finally, following our recent acquisition of Software DELSOL, S.A., a Spanish e-invoicing business, we intend to exploit the digitalization trend in Spain, where the introduction of an e-invoicing regulation is planned in the near future. We believe that such acquisition will enable us to address the digitalization needs of Microbusinesses and SMEs in Spain, building on the existing customer base of our newly acquired subsidiary and increasing our penetration in this market with our e-invoicing and other cloud-native solutions. We believe that our successful experience with e-invoicing and Microbusiness customers in Italy, coupled with the know-how and expertise in the Spanish local market of our newly acquired subsidiary, will facilitate our growth in Spain.

Accelerate penetration of the Microbusiness customer market segment through new go-to-market models and capture upselling opportunities from our existing Microbusiness customer base

We began investing in cloud solutions in 2014 and, over the last few years, we took advantage of the strong digitalization trend involving Microbusinesses, entering and achieving a leadership position in the Microbusiness customer market segment through the offering of easy-to-use, entry-level, moderately priced products, suitable for the needs of this customer market segment (*e.g.*, Fatture in Cloud). In addition, we benefited from the new requirements introduced by the Italian e-invoicing regulation, leveraging our In Cloud product line to enable our Microbusiness customers to comply with such requirements. Going forward, we intend to continue leveraging our products, such as Fatture in Cloud, Cassa in Cloud, Contabilità in Cloud and additional cloud, simple solutions suitable for Microbusinesses, such as CRM in Cloud and Dipendenti in Cloud, allowing them to digitalize relevant business processes, such as invoicing, reporting and collaboration with their employees and accountants. We also believe that we have a significant cross-selling and up-selling opportunity not only in respect of our Microbusiness customers, whose needs are evolving as a result of the digitalization, but also with the large amount of digital customers that are connected to our TeamSystem Digital platform through their accountants (more than 965,000 users as of September 30, 2020). In particular, on one hand, our Microbusiness customers may require a more advanced or complex software than the one they use, in order to address not only e-invoicing, but also day-to-day business functions, such as accounting, economics performance monitoring, orders control and stock management; on the other hand, we can reach digital customers, which now rely on their accountants for e-invoicing services, and offer them our In Cloud products, which would enable them to benefit from the digital and automatic exchange of data with their accountants.

In order to target both digital customers and Microbusinesses in a more efficient way, we launched a completely new go-to-market approach in 2018 in which our accountant customers play a key role. Since then we have been providing tailored packages of our In Cloud products, in particular Fatture in Cloud, to our accountant customers. These product packages allow us to reach new end-customers, as our accountant customers purchase the package from us, and then assign each product included in the package to a different end-customer.

In the future, we intend to continue offering this type of package and supporting our accountant customers in digitalizing not only their internal processes, but also the relationship with their end-customers through our solutions, enabling them to focus on higher value-added services, while we simplify and automatize the data exchange and all basic tax requirements and accounting activities through our range of cloud products. In particular, we intend to provide accountant customers with new and updated product functionalities, dedicated trainings on digital way-of-working and continuous support from our digitalization experts. Finally, we expect the digitalization trend will be even stronger following the COVID-19 pandemic as a consequence of the new ways of working which we all have experienced in the past year (*e.g.*, remote working, need to access company systems through cloud, etc.).

Optimize and further strengthen our distribution model by expanding the reach of our Direct Channel and Indirect Channel business lines

Since completing the reorganization of our Direct and Indirect Channel business lines into a unified sales organization in 2017, we have tried to exploit the full potential of our Direct Channel business line, setting up a new territorial organization and governance and launching a new remote sales channel (*i.e.,* the Digital Sales team) composed, as of September 30, 2020, of eleven sales specialists who focus on selling selected, simple and moderately priced digital and cloud products which do not require installation services to both our existing customer base and potential new customers. These initiatives have allowed us to increase our focus on our target customers and to achieve the highest geographic coverage possible with our "on field" sales representatives. However, we believe that there are still some geographic areas with high-growth potential where our penetration is low and some untapped markets we can still cover, especially in the SME customer market segment. As a consequence, we have defined a sales growth plan for our Direct Channel business line, based on hiring junior and experienced resources in regions and areas which we believe have a high growth potential. In particular, we have designed a program to attract junior resources, train them via a six-week class and six months of tutorship with senior sales representatives and finally hire them as part of our "on field" sales force (the "**Sales Academy**"). We launched the Sales Academy at the end of 2019. As part of such initiative, we hired approximately ten junior resources at the beginning of 2020, after they successfully completed their tutorship program, and an additional 11 resources that participated in the Sales Academy, after the completion of their training and tutorship program in 2020. In addition, we hired two additional and more experienced sales resources covering north-western and north-eastern Italy, focusing on the SME customer market segment. We intend to closely monitor the performance of these new hires and to structurally replicate this approach also in the upcoming years, if proven effective.

Furthermore, we plan to continue facilitating and pursuing the transformation of our VARs network, currently composed of approximately 280 resellers, which will be one of our priorities in the future. The VARs network transformation started in 2017 and we now intend to enrich such transformation with new mechanisms and initiatives to favor VARs' growth and the margins of our Indirect Channel business line. The transformation is based on four key pillars:

- *Migration from the Forfait Fee model to the new Formulaic Fee model*. Under the Forfait Fee model, which we have historically used, each VAR pays us an annual fee which is determined at the time the contract is signed pursuant to a pre-determined price scheme and which cannot be reduced below a certain threshold. We are in the process of replacing the existing Forfait Fee model with the new Formulaic Fee model, gradually, upon renewal of each VAR contract. Under the Formulaic Fee model, our fee is subject to pre-determined annual increases that are calculated based on the actual VAR's customer base and sales volumes, in order to incentivize our VARs to expand their customer base. As of September 30, 2020, approximately 68% of our VARs were subject to Formulaic Fee contracts. We expect to replace all the Forfait Fee contracts by the end of 2023.
- *Introduction of new incentive schemes to enhance VARs' growth.* Starting from 2021, upon renewal of each VAR contract, we will implement a new "*bonus/malus*" mechanism based on the achievement by the VAR of certain annual target growth and churn rates. In particular, if the relevant VAR reaches these targets in a given year, such VAR will receive a rebate from us at the beginning of the following year, based on the over-performance against the targets. If the VAR does not meet the targets, the fees due to us will increase at the beginning of the following year. We believe that this mechanism will incentivize VARs' growth and improve their performance.
- *Facilitating the consolidation of smaller VARs into larger VARs*. Over the past few years, we supported our VARs in completing more than 100 mergers, transferring customers, technical resources and competences from small VARs, facing economic distress, to larger and growing VARs. We benefit from this consolidation trend as it translates into VARs which are generally stronger, more structured and able to benefit from better economies of scale and to therefore grow and provide their end-customers with better services.
- *Customer+ strategy and other margin improvement initiatives*. We believe that the superior quality of our products, the completeness of the functionalities provided and the continuous improvement of our offering allow us to adjust our pricing policies from time to time. We call this our "Customer+" strategy and since 2017, at the beginning of each year, we have been implementing it to certain products that are sold through our Direct Channel business line, continuing to provide our customers with product upgrades and increased functionalities. In 2020, for the first time, we implemented our Customer+ approach in our Indirect Channel business line. In particular, we adjusted the price paid by our VARs for the products they sell to their end-customers in exchange for improved functionalities. In implementing this approach, we also trained our VARs and provided them with tools for clustering their customer base and explaining the "Customer+" approach (including the incremental functionalities offered) to their end-customers, ensuring alignment between the Direct and Indirect Channel business lines. We intend to continue improving our margins with VARs, working on "Customer+" and other initiatives.

Continue to optimize customer success processes and operating model, in light of customer centricity, to increase customers' satisfaction and strengthen relationships with our customers

We believe that our long-standing and robust relationship with our customers is the result of our premium 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. In the last few years, we worked intensively to increase customer centricity in our Direct Channel business line and we launched the "Customer Success Initiative", designing new processes and tools and setting up a dedicated team for customer retention in 2018. Our customer retention team monitors our customers' behaviors in the Direct Channel and, with the aim to reduce churn, try to re-negotiate service levels and other aspects of existing customer contracts before a customer submits a final contract termination notice or immediately after a termination notice is submitted in order to recover the customer. In addition, among other actions, we introduced a premium customer service offer aimed at providing our customers with quicker customer service response and service availability during business and off-business hours at a premium price. We intend to continue building on and extending our customer success initiatives, redesigning and optimizing the entire customer journey in order to maintain and further develop the relationship with our existing customers. In particular, we are defining new processes and touch points with all our customers with the aim to increase their satisfaction and avoid cancellations, such as placing welcome calls immediately after the purchase of our products and follow-up calls after the delivery completion, which are tailored to the customer type and behaviors in order to keep customers engaged in every step of their lifecycle. Moreover, since the beginning of 2020, we have extended our customer success and customer retention practices to our Micro and New Business Solutions and Vertical business lines. We also launched a pilot with our Indirect Channel business line, engaging a sample of VARs and giving them the support of our retention team to manage their end-customers cancellation requests and recover their customers. Since all these initiatives and pilots have been successful so far, we plan to further extend our customer success and retention initiatives to the entire perimeter of our Micro and New Business Solutions, Vertical Solutions and Indirect Channel business lines in the near future, in order to enhance customer engagement and satisfaction across our entire end-customer base.

Continue to focus on cost discipline, improving the profitability and efficiency of our business model

Our revenues per full-time employee ("**FTE**") increased from approximately €155.3 thousand for the year ended December 31, 2017 to approximately €185.4 thousand for the twelve months ended September 30, 2020 and our Adjusted EBITDA margin increased from 35.8% to 44.0% in the same period. We believe that the increase in our revenues per FTE and Adjusted EBITDA margin is attributable to, among other things, several initiatives that we implemented in the last few years aimed at achieving organizational synergies and cost savings, as well as improving the way we conduct our business and interact with our customers. As part of these initiatives, we made certain changes to our organizational structure in order to improve the efficiency and effectiveness of our sales organizations. In addition, we went through a process of reorganization of certain internal functions, including our customer service, R&D, marketing, human resources management and other staff functions and in the last few years we merged a number of wholly owned subsidiaries into TeamSystem, in order to simplify our organization and reduce administrative costs.

In March 2020, following the outbreak of the COVID-19 pandemic, we promptly reacted to the emergency, transitioned all of our employees to remote working and closed our offices, in order to protect employees' health while ensuring business continuity. In addition, we launched a contingency plan to reduce costs, which allowed us to contain costs after the period of lockdown in Italy, and to preserve our profitability and operating cash flow through the 2020 economic downturn. To ensure stability and sustainability of our operating model going forward and in an attempt to maintain the 2020 low cost levels also in the future, we designed and fully launched in the last quarter of 2020 a comprehensive set of cost saving initiatives related to several areas of our organization, including administration and finance, facility expenses management, information and communications technology (ICT) and procurement, R&D, customer service and delivery and sales. We expect to realize certain annual-run rate cost savings from these initiatives between 2021 and the first half of 2022, with the majority expected to be realized in 2021. The table below sets forth a description of the main initiatives we expect to implement in each relevant area and the related estimated cost savings we expect to achieve. We estimate that the full realization of these cost savings will require in aggregate an approximately €20 million to €25 million of capital expenditures and one-off costs, the vast majority of which we expect to incur during the course of 2021, with the remainder expected to be incurred in the first half of 2022. See "*Risk factors—Risks related to our business—Changes to our sales organization and other corporate functions can be disruptive and may negatively impact our results of operations"* and "*Forward-looking statements.*"

Area	Description of main cost saving initiatives	Estimated cost savings (€ in millions)
Administration and finance	• implementation of automation tools in respect of certain administration processes and reduction of manual activities • streamlining and improvement of certain administration and finance areas (*e.g.*, procure-to-pay, sales administration and subsidiaries integration) • streamlining of operating processes and synergies exploitation through the centralization of administration and finance teams of our Indirect Channel business line and certain subsidiaries of TeamSystem	2.7

Area	Description of main cost saving initiatives	Estimated cost savings (€ in millions)
Facility expenses management	• optimization of facility expenses management through the renegotiation with service providers of contracts related to offices' utilities (*e.g.*, energy), cleaning services, surveillance services, building maintenance and other facility expenses	0.2
ICT and procurement	• review of the IT internal service desk tools, set-up and processes, in order to achieve higher efficiency and right-size IT service desk capacity and resources	0.9
	• full centralization for all procurement activities related to, *inter alia*, (i) laptops, mobile phones and all IT equipment provided to employees, (ii) offices' printers, video-conferencing tools and (iii) telecommunication and connectivity services, in order to renegotiate certain contractual terms with our suppliers and achieve better economies of scale	
R&D	• progressive phase out of selected R&D resources related to products in divestment (*e.g.*, previous versions of certain products)	5.0
	• development of synergies between R&D teams through to development and use of common modules and architecture across various products (*e.g.*, TeamSystem Studio and TeamSystem ViaLibera)	
Customer service and delivery	• optimization of information flow and internal processes between customer service, delivery and R&D teams, in order to reduce response time of support requests, bugs elimination time and increase our customers support efficiency	1.5
	• internalization of customer service volumes related to specific customers' groups to TeamSystem central customer support center of excellence, in order to leverage economies of scale and reduce outsourcing rates	
	• increase billability and efficiency of selected delivery teams (*e.g.*, Nuovamacut) through reorganization, introduction of new delivery models (*e.g.*, remote model) and procedures review	
Sales model	• reorganization of our network of agents, reducing agencies' commissions through the consolidation of small agencies into larger ones and the insourcing of part of them	3.1
	• optimization of price mechanism with our VARs on selected products	
Total		**13.4**

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, Digita and H-umus.

In 2015, we launched two of our most successful current products: Lynfa (now called TeamSystem Studio), an integrated management software for payroll professionals and accountants, and Alyante (now called TeamSystem Enterprise), 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. In 2016, we launched TeamSystem Store, our online e-commerce platform where customers can purchase the majority of our Digital products and solutions for Microbusinesses. In 2017, we entered into strategic partnerships with important players in the global software market, such as Vodafone and Telecom Italia, in order to sell our products as part of their product offering. The Polyedro platform has progressively been renewed over time and then replaced by Agyo (now called TeamSystem Digital), our digital platform integrated with all our digital products such as, among others, our solutions to send, receive, register and store electronic invoices from and to private customers, companies, Microbusinesses, public entities, banks and external accountants and to send tax filings to the relevant tax authorities electronically. In 2018, we launched new functionalities and products to ensure compliance of all our solutions with Regulation (EU) 2016/679 on data protection and privacy laws and, in the second part of 2018 and in the first months of 2019, we focused, both in terms of products and operating model (*e.g.*, training for VARs and customers, reinforcement of our customer service), on e-invoicing solutions, in order to provide our customers with products tailored to comply with the Italian regulation regarding the use of electronic invoicing for businesses. In 2019, in order to continue improving our solutions' usability, we redesigned TeamSystem Enterprise, leveraging on state-of-the-art technologies and new methodology for optimization of the user experience.

In March 2016, Hellman & Friedman acquired control of the Group from HgCapital. For more information regarding our shareholders, see "*Principal shareholders.*"

In addition to our organic growth, we have carried out a number of acquisitions over the past few years. Between 2013 and 2016, we acquired: (i) ACG and TSS S.p.A. (formerly 24OreSoftware), to strengthen and consolidate our position in the Italian software market for SMEs and professionals; (ii) Fatture in Cloud, to enter the Italian software market for Microbusinesses with an innovative cloud solutions for electronic invoicing; and (iii) AliasLab and its subsidiaries to expand our cloud offer in the electronic signature and authentication services businesses. Below is a list of the most significant acquisitions we carried out in recent years:

- in 2017, we entered the Microbusiness B2C-oriented market segment by acquiring a controlling interest in Cassanova, which has developed Cassa in Cloud, an innovative cloud solution that satisfies the new regulatory requirement for retail Microbusinesses, such as restaurants and shops, to electronically share receipts ("*corrispettivi telematici*") with the Italian Tax Authority on a daily basis;

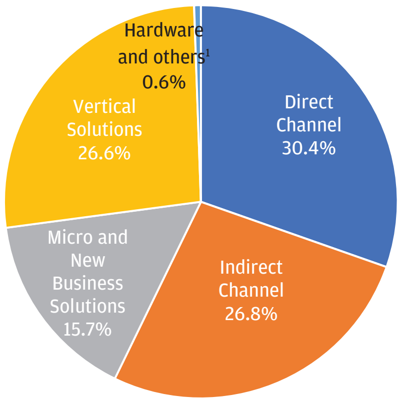
- in 2019, we acquired (i) a controlling interest in TechMass, an innovative start-up focused on so called "*Industry 4.0*" solutions that launched a cloud-native product for the monitoring and optimization of production processes; (ii) Iperelle, a provider of CAD solutions, that allowed us to complement our CAD software offering, addressing large manufacturing companies not covered with our Nuovamacut solutions; and (iii) a controlling interest in SkyLab, a provider of cloud solutions. Through the acquisition of SkyLab, we developed a new "all-in-one" solution for human resources ("**HR**"), which we integrated with our HR payroll and HR administration solutions, allowing our customers to manage employees' recruiting, careers, performance management, careers, development plans, benefits, training and health and safety; and

- in 2020, we acquired a controlling interest in MBM Italia, a software house that will complement our "*Industry 4.0*" products offer with solutions for logistics and planning and management of production processes, warehouse management and delivery control solutions and complete ERP specific for fashion, apparel and footwear industry.

Our Business Lines

We offer our products and services through four business lines: (a) Direct Channel, (b) Indirect Channel, (c) Micro and New Business Solutions and (d) Vertical Solutions. The following charts set forth our total revenue breakdown by business line for the twelve months ended September 30, 2020.

Total revenue of €414.3 million



(1) "Hardware and others" reflects minor revenues deriving from our hardware operations and certain *de minimis* revenues in respect of certain professional services rendered by our subsidiary Mondora S.r.l.

We believe that the combination of our business lines have enabled us to build a significant competitive advantage within the Italian management software market: Our Direct Channel business line enables us to maintain a direct relationship with end-customers and to identify customers' needs promptly and accurately; our Vertical Solutions business line allows us to provide industry-specific products; our Indirect Channel business line, through our unique network of VARs, allows us to increase our customer base and benefit from the strong distribution and geographical proximity our VARs have with their end-customers; and our Micro and New Business Solutions business line allows us to market our new cloud-based products and other ancillary cloud technology products to Microbusiness customers throughout Italy.

Direct Channel

Our Direct Channel business line provides software solutions and related services, including installation, start-up, maintenance and post-sale customer assistance, directly to our customers.

Sales Model

We sell our products directly to our SME and professional end-customers either via our direct "on field" salesforce or remotely. As of September, 30, 2020, our sales team was composed of approximately 130 in-house on-field representatives, distributed throughout our main locations spread across Italy, and approximately 40 sales agents. Our sales representatives are employed directly by us while our sales agents operate under exclusive agency contracts. In addition, as of September, 30, 2020, we had a dedicated team of eleven sales specialists selling, via phone or through our e-commerce website, our Digital and In Cloud products to our customers (our "**Digital Sales Team**"). As of September, 30, 2020, our Direct Channel had approximately 48,000 active customers, primarily represented by SMEs and professionals.

Over the past four years, we have unified and reorganized the governance structure of our Direct Channel and Indirect Channel business lines 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 reorganization of our direct salesforce into four regions and the creation of a unified marketing department for the entire Group.

Revenue generation

In the Direct Channel business line, we divide our revenue-generating streams into (i) recurring revenues and (ii) revenues from licenses and professional services.

Our main sources of recurring revenues in the Direct Channel business line are:

- *Assistance and Maintenance/Subscription*: assistance and maintenance and subscription agreements generate recurring fees. Customers typically enter into these types of contracts at the time of initial sale of our software products. Assistance and maintenance fees are normally associated with license agreements (our "license and maintenance model"), while when a customer enters into a subscription agreement, a fee is paid in order to both utilize a particular software product and benefit from customer support, technical assistance and maintenance and software updates (our "subscription model"). Typical assistance and maintenance fees and subscription fees in the Direct Channel Business line are invoiced at the beginning of the year and the related trade receivables are primarily collected during the second quarter, providing us with a reliably recurring source of revenue; unless a customer gives prior notice of cancellation (usually six months prior to the expiration of the contract), the assistance and maintenance contract or subscription agreement, as applicable, is automatically renewed on an annual basis, thus providing us with a reliably recurring source of revenue. 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 licenses, terminating the customer's access to the software product. In addition, as part of our "Customer+" strategy, we sometime adjust the assistance and maintenance fee or the subscription fee at the beginning of the relevant year for selected customers (*e.g.*, SMEs) in exchange of incremental functionalities (*e.g.*, new analytics and reports in the software, certain number of digital signatures made available, additional space for documents in digital archives).

- *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.* assistance and maintenance fees or subscription fees, as applicable). Regulatory LTAs are temporary annual licenses that become subscription fees from the second year and are automatically renewed every year, unless a contract termination notice is submitted by the customer at least six months in advance. For accounting purposes, we classify fees generated through the sale of Regulatory LTAs according to the "license and maintenance model" or to the "subscription model" based on the base contract of the customer.

Our licenses and professional services revenues in the Direct Channel are:

- *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. However, when the customer buys our product under our license and assistance model, recurring revenue is generated from the annual assistance and maintenance fee.

- *Professional Services*: professional service fees are generally related to the installation and customization of our software solutions and to the training services we provide to the customers at the product start-up. Service fees are generally one-off fees and therefore do not generate recurring revenue.

Indirect Channel

Our Indirect Channel is mainly composed of our VAR network. VARs resell the majority of our products and are mainly focused on SMEs and professional customers. 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, mainly for SMEs and professional customers. VARs are resellers of products 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 software maintenance services to customers. The provision of these business services is particularly important to SMEs and professionals, 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.

We acknowledge the importance of VARs' role in the sale of our products and the ongoing software assistance to end-customers, and we developed VAR certification programs whereby each VAR must undergo a specific training course and pass a test in order to be certified for the resale of each product line. 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 software delivery and assistance services to the end-customers. At the end of 2019, we also launched a partnership program dedicated to VARs with significant size and high growth potential, aimed at supporting them in training their salesforce, conducting high value negotiations with their larger customers or potential customers, defining strategies and setting goals (including sales targets).

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.

Finally, as of September 30, 2020, approximately 30 agencies were also part of our Indirect Channel business line ("the **ACG agencies**"). The ACG agencies, which are not VARs, resell certain of our Enterprise products, provide software installation services directly to our customers and are remunerated on the basis of a percentage of their sales to our customers. For the twelve months ended September 30, 2020, approximately 16% of our Indirect Channel revenue was generated by ACG agencies.

Sales Model

As of September, 30, 2020, our Indirect Channel business line was composed of approximately 280 VARs, which are located and service customers throughout Italy. As of September, 30, 2020, our VARs had approximately 44,000 active end-customers.

Marketing our products through our VARs constitutes an effective way of targeting end-customers 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. 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 the renegotiation of VAR distribution agreements and in supporting VARs during consolidation processes.

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 licensing system. We manage the VARs in order to prevent competition between our Indirect Channel and the other business lines, and in 2017 we have reorganized the governance structure of our Direct Channel and Indirect Channel business lines in order to enhance coordination and create synergies between the two business lines. 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 to get their insight on customers and local market dynamics and to keep them updated with our developments and performance.

VAR Distribution agreements and Revenue Generation

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 our Direct Channel business line or to another VAR in the area. We perform a similar migration if a VAR fails to pay its 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.

In the Indirect Channel business line, we divide our revenue-generating streams into (i) recurring revenues and (ii) licenses and professional services. Our main recurring revenues in the Indirect Channel business line are:

- *Assistance and Maintenance/Subscription:* VARs pay us assistance and maintenance/subscription fees primarily composed of the annual fees established under our VAR distribution agreements. We currently have the following two fee models in place.

  (i) Forfait Fee model. Under this 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 of sales generated by the relevant VAR.

  (ii) Formulaic Fee model. Under this fee model, which we are in the process of implementing and which is meant to eventually fully replace the existing Forfait Fee model, the fee is subject to pre-determined annual increases that are 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. Downward adjustments are subject to a floor, which is the VAR's first-year base fee under the distribution agreement. Formulaic contracts' algorithms for annual fees adjustments are differentiated by product families; similarly to Forfait Fee contracts, Formulaic Fee contracts have a three-year duration and the annual fees are usually invoiced quarterly. We are currently undergoing a full transformation of the VARs remuneration model, replacing the old Forfait Fee model with the new Formulaic Fee model gradually, upon renewal of each VAR contract. As of September 30, 2020 approximately 68% of our VARs were subject to Formulaic Fee contracts (see also "*Risk factors—Risks related to our business—If we fail to maintain, expand or develop our relationships with VARs and ACG agencies, our business, financial condition and results of operations could be adversely affected*"). Through the Formulaic Fee model VARs are incentivized to increase their customer base in order to achieve a better discount from us. Therefore, the Formulaic Fee model contributes to further expand our Indirect Channel and we may benefit from this increased customer base each year when the Formulaic Fee is adjusted, as well as from the sale of new products we launch from time to time.

  In January 2020, we applied for the first time our "Customer+" strategy also to our Indirect Channel business line, on our Formulaic Fee contracts. In particular, we applied a price adjustment to TeamSystem Enterprise and TeamSystem Studio reseller contracts in exchange of new functionalities made available in these software (*e.g.*, new analytics and reports in the software, new app versions of selected functionalities, certain number of digital signatures made available and additional space for documents in digital archives). See "*Summary—Our strategy—Optimize and further strengthen our distribution model by expanding the reach of our Direct Channel and Indirect Channel business lines.*"

- *Regulatory LTAs*: our VARs pay the Regulatory LTA fees on an annual basis, separately from and on top of the Forfait Fee or Formulaic Fee, as applicable. For accounting purposes, we classify fees generated through the sale of Regulatory LTAs as license fees.

Our Licenses and professional services revenues in the Indirect Channel business line are (i) licenses, composed of license fees (mainly related to perpetual licenses for selected Enterprise products above a certain number of seats that VARs resell to customers) for the purchase of and right to utilize our products; (ii) professional services, which are fees we receive in connection with our training services, pre-sales support services and marketing services that we provide to VARs and (iii) hardware & other, which are revenues generated from, *inter alia*, the sale of hardware components to VARs.

Micro and New Business Solutions

Our Micro and New Business Solutions business line includes our products designed to address the needs of Microbusinesses, most of which may be purchased directly by customers on our online TeamSystem store. Our Micro and New Business Solutions business line includes entry-level software products for Microbusinesses and services to enable digitalization and other ancillary cloud technology products.

Sales Model

These products do not require delivery activities on our part as they are mainly self-provisioning. Self-provisioning with respect to cloud-based solutions refers to the installation and start-up of software products using an automated process, which generally provides customers with immediate access to the product. Our Micro and New Business Solutions business line has no dedicated sales force and customers may rely on the Digital Sales Team or, in certain cases, on our Direct Channel sales representatives support for any assistance they require. As of September 30, 2020, our Micro and New Business Solutions business line had approximately 430,000 active customers, represented by Microbusinesses.

Revenue Generation

In our Micro and New Business Solutions business line revenue is almost entirely of a recurring nature as it primarily consists of annual subscription fees, which are accounted for on a monthly basis and which customers pay annually in advance. Subscription agreements are not automatically renewed, but, prior to the expiration of the existing contract, customers receive an email reminder and are contacted by our Digital Sales Team to renew the contract (potentially with offering upgrades) in order to reduce the churn.

Vertical Business

Our Vertical Solutions business line includes products and services which are designed to address the needs of customers in specific industries, such as, *inter alia*, among others, mechanical and manufacturing, construction, CAF/public sectors, legal, wellness, hospitality and professional education. We view our Vertical Solutions products as a complementary offering to our Direct Channel business line, allowing us to achieve significant cross-selling opportunities across these two business lines. We are often able to draw new Vertical Solutions customers from our existing customer base for other products, and to increase our sales in the Direct Channel business line 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.

Sales Model

We sell our Vertical Solutions products directly to our SME and professional end-customers either through our "on field" salesforce teams or remotely in case of selected, simple and low-priced products. As of September, 30, 2020, our Vertical Solutions sales team was composed of approximately 100 in-house representatives, distributed throughout our main locations spread across Italy. As of September 30, 2020, our Vertical Solutions business line had approximately 64,000 active customers, primarily represented by SMEs and professionals.

Revenue generation

In our Vertical Solutions business line, the majority of our revenues are generated through direct sales and only a small part of revenues through VARs. See "*—Direct Channel—Revenue generation*" and "*—Indirect Channel—Revenue generation.*"

Our Product Offering

We divide our product offering in four product lines: (i) Enterprise, which includes products for SMEs, including specific-industry solutions, (ii) Studio, which includes products for professionals, such as accountants, labor advisors and law firms, (iii), In Cloud, which includes products, such as entry-level ERP software products for Microbusinesses and (iv) Digital, which includes cloud digitalization solutions for SMEs, professionals, Microbusinesses and other digital customers connected through their accountants.

Enterprise

Our product line for SMEs consists of a wide range of scalable ERP and other business management software products. The Enterprise product line integrates internal and external information across all business processes and provides finance and accounting support, operations support (including warehouse management, manufacturing, procurement and logistics) as well as customer base management, 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. Our 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). Moreover, they can be used by SMEs in nearly all industries.

Set forth below is a description our key Enterprise solutions offered to our SME customers.

TeamSystem Enterprise and TeamSystem Enterprise Cloud

TeamSystem Enterprise is our software, available in both on premise and SaaS versions, dedicated to SMEs, covering a wide range of integrated functions for the management of internal and external processes. TeamSystem Enterprise is web-based, flexible and capable of evolving according to the needs of the business. Some of TeamSystem Enterprise's features include customer management and sales analysis, invoicing production and management, warehouse, production and logistics management and a comprehensive set of accounting tools. In addition, TeamSystem Enterprise, with its recently redesigned interface, 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, TeamSystem Enterprise is available in different versions, each of which has certain industry-specific features, specifically designed for a particular industry (*e.g.*, food and agriculture, fashion, retail, etc.).

TeamSystem Industry 4.0

TeamSystem Industry 4.0 includes our wide range of manufacturing execution systems ("**MES**") and software products for computer numerical control ("**CNC**") machines and manufacturing plants monitoring. Through its various application models, TeamSystem Industry 4.0 is suitable to manage various types of production lines with different production technologies and levels of automation. With the acquisition of TechMass in 2019, our product offering was further enriched with an easy, plug-and-play and very flexible cloud solution for performance monitoring, overall equipment effectiveness ("**OEE**") measurement, quality control and raw material tracking.

TeamSystem HR

TeamSystem HR is our software dedicated to SMEs, covering a wide range of functions for HR management integrated in a unique platform with a user friendly interface. The human resources solution includes various functionalities covering all aspects of organization and employees management such as, among others, employees registry, organization mapping, payroll calculation functionalities, HR administration processes, recruiting process, employees performance management, compensation, MBOs and careers, employees training and employees health and safety requirements. In addition to our software solution, we also offer business process outsourcing ("**BPO**") and payroll calculation services.

Industry specific solutions

Among our other Enterprise products and services, we offer the following key industry-specific products to our SME customers:

- *CAD/CAM*. 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 tenth largest worldwide. CAD/CAM software is business critical for manufacturing companies whose core business revolves around the design and production of physical goods;

- *TeamSystem Construction*. TeamSystem Construction includes our wide range of software products for the construction industry and offers to construction companies, 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 revenue following the initial product sale. Sales of our construction solutions are made under our license and maintenance fee model, with the exception of our cloud solution for construction projects management, designed for smaller players, architects and design firms with less complex needs, which is made under our subscription model. All our TeamSystem Construction products have recently been enriched with specific functionalities allowing construction companies, engineers, architects and other professionals to manage the documentation and workflows required by "*Ecobonus*" regulation;

- *TeamSystem Wellness*. We offer a variety of products, including both on premise and SaaS versions, for the wellness industry, including 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 a subscription model, with automatic renewal every year, thus contributing to our recurring revenues streams; and

- *TeamSystem Hospitality*. TeamSystem Hospitality includes our range of solutions for hotels, bed and breakfasts ("**B&Bs**") and tourism operators. These products enable customers to manage all typical processes of an hospitality player (independent hotels, B&Bs and hotel chains) including, for example, bookings and room reservations, check-in/check-out processes, regulatory requirements (*e.g.*, the obligation to store and transmit data related to transactions to the Italian tax authority on a daily basis), restaurant services, cleaning services, staff management, cost control and other accounting functionalities.

Studio

Our product line for professional customers provide accountants, labor advisors and fiscal consultants with mission-critical software solutions they require to perform their day-to-day activities. These products can be divided into three main groups: (i) fiscal and accounting software, (ii) payroll software and (iii) legal software. Our Studio product line consists of a comprehensive set of content and functionalities, including modules for internal management, such as timesheet and staffing management, and modules for regulatory obligations compliance, which are constantly updated.

Set forth below is a description our key Studio solutions offered to our professional customers:

TeamSystem Studio and TeamSystem Studio Cloud

TeamSystem Studio is our management software, available in both on premise and SaaS versions, for accountants and labor advisors, which primarily features accounting and tax filing tools, payroll and HR administration tools. For example, accountants use TeamSystem Studio products to support their bookkeeping, tax calculation and compliance procedures, as well as to provide accounting services to their customers, while labor advisors use TeamSystem 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. TeamSystem Studio also helps professionals comply with certain important anti-money laundering obligations, such as the proper identification of their customers.

TeamSystem ViaLibera and TeamSystem ViaLibera Cloud

TeamSystem ViaLibera is our simple management software, available in both on premise and SaaS versions, 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.

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.

Industry specific solutions

Among our other Studio products and services, we offer the following key industry-specific products to our professional customers:

- *TeamSystem Legal*. We offer a variety of solutions for law firms, including software for the management of agendas and paperwork, bookkeeping 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 products are cloud solutions and are sold under a subscription model;

- *CAF Solutions*. We offer a variety of 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); and

- *Professional Education*. We began to offer professional education services 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 which we hold in person or remotely (due to COVID-19, we started to make all our trainings available also through virtual classrooms to ensure continuity of training programs also during the pandemic), as well as through our self-paced e-learning platform; publications and contents produced by Euroconference are integrated within TeamSystem Studio and TeamSystem ViaLibera, as our customers may, for instance, access relevant content, while using our fiscal and accounting software modules for their customers' accounting or for themselves. Our professional education business is well sustained by the regulatory requirements of our customers. For example, accountants and labor consultants are required by law or professional association rules to attend courses for a specified number of hours every year in order to maintain their professional license; these mandatory courses are sold to professional customers via subscription agreements, thus contributing to the generation of recurring revenues.

In Cloud

We offer a range of cloud products, innovative and recently developed, that constitute the entry-level software products for Microbusinesses to perform basic accounting activities, to comply with fiscal and other regulatory requirements and e-invoicing and to manage their business processes.

Set forth below is a description our key In Cloud products offered to our Microbusiness customers:

Fatture in Cloud

Fatture in Cloud is our simple invoicing and accounting 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.

Contabilità in Cloud

An accounting platform primarily designed for small enterprises, including groups with non-Italian subsidiaries. Contabilità in Cloud 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. Contabilità in Cloud 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, manage logistics and inventory, etc. We launched Contabilità in Cloud in 2017 following our acquisition of ECI Denmark ApS (which subsequently changed its name in Reviso International ApS) in 2016.

Cassa in Cloud

Cassa in Cloud is our easy-to-use business management software primarily designed for shops and restaurants. Cassa in Cloud uses a cloud-based platform and may be accessed by an unlimited number of users through any device that is connected to the internet. Cassa in Cloud allows our customer to, among other things, have real time access to their business performance (*e.g.*, sales report, stock availability, out-of-stock monitoring, shops assistants performance, etc.), do internal accounting, electronically produce and send any type of invoice to any type of customers, receive invoices from suppliers, electronically share receipts ("*corrispettivi telematici*") with the Italian Tax Authority on a daily basis. Cassa in Cloud has differentiated features and functionalities (i) for restaurants, such as, tables and orders collection and management through tablets, digital menu, kitchen monitoring, and (ii) for retail shops, such as management of size and colors of the items sold in the shop, bar code scan and management, stock management and simple e-commerce set-up.

Digital

As part of our digital strategy, we introduced our digital platform, TeamSystem Digital, and launched numerous ancillary services for business digitalization. Our Digital product line consists of cloud digitalization solutions, such as electronic invoicing, electronic signature and authentication services and digital archiving provided through our TeamSystem Digital. Our Digital product line is designed to address the digitalization needs of businesses, simplifying the information flow with customers, suppliers, public administration, banks and other parties involved in the day-by-day business of our customers. Our Digital solutions are natively integrated with our ERP products, but, in certain cases, such as digital signature and strong authentication can be used as stand-alone software. Our TeamSystem Digital and its ancillary services allowed us to create a wide digital ecosystem, connecting our customers to their accountants, public administrations, banks, and their own customers and suppliers.

Set forth below is a description of our key Digital products offered to our SME, professional and Microbusiness customers and other digital customers connected through our accountant customers.

TeamSystem Digital Invoice

TeamSystem Digital Invoice allows our customers to create, send, receive, register, sign and store electronic invoices from and to private customers, public administration organizations and external accountants, and to send invoices and other documentation to the relevant tax authorities electronically. TeamSystem Digital Invoice is widely sold to our entire customer base and allows us to reach numerous digital customers connected through our accountant customers, as a result of the Italian Law No. 205 of December 27, 2017 (*Legge di Bilancio*) which introduced the obligation for businesses in Italy with revenues higher than €65 thousand per year (with the exception of healthcare professionals) starting from January 1, 2019 to provide electronic invoices to other businesses with whom they conduct transactions and to file all the e-invoices to the Italian Tax Authority. TeamSystem Digital Invoice is a safe and end-to-end solution, handling the entire electronic invoice process from the upload of the invoice, the sending of the XML invoice to the Italian Revenue Agency's exchange system (*Sistema di Interscambio–"SDI"*) to the receipt of notifications.

TeamSystem Digital Sign

TeamSystem Digital Sign allows our customers to easily and safely sign electronic documents. TeamSystem Digital Sign is an easy-to-use and intuitive tool, integrated with both TeamSystem Studio and TeamSystem Enterprise. In addition to e-signature, we also offer strong authentication and other remote identifications functionalities.

TeamSystem Digital Archive

TeamSystem Digital Archive is a safe tool to electronically archive digital files, thus allowing compliance with the Italian regulations requiring businesses and professionals to archive and keep fiscal and accounting documents for a determined number of years. TeamSystem Digital Archive is accredited at the Italian agency for digital services (Agenzia per l'Italia Digitale) and has obtained the ISO 27001 e ISO 9001 certifications.

TeamSystem Digital Finance

In 2019, as part of our digital strategy, we started to enhance our Digital product line through the introduction of TeamSystem Digital Finance, a new and innovative line of digital services, natively integrated within our ERP products.

In March 2019, TeamSystem Financial Value Chain S.r.l., a subsidiary in which we hold a 51% equity interest (with the remaining equity interest being held by certain third-party minority investors), acquired Whit-e S.r.l., a leading provider of platform infrastructures for invoice trading, which enabled us to equip TeamSystem Digital with an invoicing trading platform (the "**Whit-e Platform**").

Subsequently, in March 2020, we launched TeamSystem Digital Invoice Trading, a service that allows our customers to sell their trade receivables to selected investors on a non-recourse (*pro soluto)* basis through Whit-e Platform, to which our customers can have access via our TeamSystem Digital platform. Upon the sale of each trade receivable, our customers immediately receive a cash amount normally corresponding to 90% of the total invoice amount, which may vary depending on the investor's assessment of the risk associated with the invoice and which is reduced by an amount equal to the commission due to us for using the Whit-e Platform. When the invoice is paid, the customer receives the remaining invoice amount reduced by the discount applied by the relevant investor. In the event the invoice is not paid, no further payment is due to our customer. In connection with these activities, we do not incur any liability to the investor or the customer, including in the event of non-payment of invoices. TeamSystem Digital Invoice Trading aims at supporting the liquidity requirements of our customers (also reducing their credit risk), allowing SMEs and Microbusinesses to quickly obtain a significant portion of each invoice payment instead of having to wait for the expiration of the relevant payment term. Our Whit-e Platform allows the assignment of trade receivables not only to traditional financing institutions, but also to third-party securitization vehicles, which, as part of customary securitization transactions, issue securities purchased by institutional investors. In the context of any such securitization transactions, our subsidiary Factor@Work S.r.l. may act as sub-servicer to facilitate the collection of the receivables in exchange for a fee paid by the relevant securitization vehicle. In addition, we expect that our subsidiary TeamSystem Capital at Work SGR S.p.A., which was authorized by the Bank of Italy to operate as an asset management company in May 2020, will, in the near future, start to manage funds investing in receivables through our Whit-e Platform.

Furthermore, we expect that our subsidiary TeamSystem Payments S.r.l., which was authorized by the Bank of Italy to operate as a payment services institution in May 2020, will in the near future launch a new platform providing payment services integrated in our e-invoicing and ERP products. Such services will allow our customers and in particular Microbusinesses, while using our new products (*i.e.*, TeamSystem Pay and TeamSystem Digital Banklink 4.0), to:

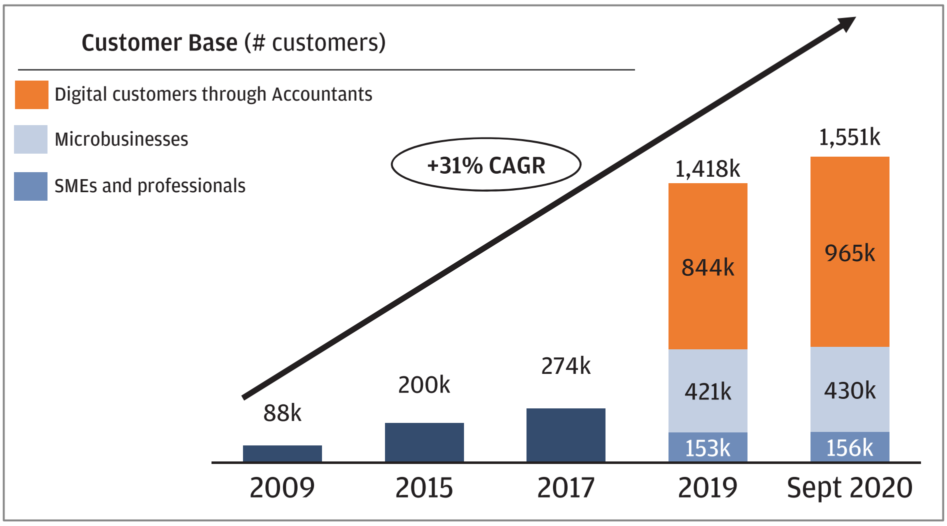
- collect payments from B2B and B2C customers online through credit cards or SDD (e.g., sending links within the invoice just released) or expedite cash collection (e.g., setting up payment reminders) and make payments, including for example, for a supplier's invoice, directly from our ERP products (TeamSystem Pay); and

- access their bank statements or the bank statements of their digital customers connected through them to our systems and download bank account information and reconcile them with our ERP accounting products immediately (TeamSystem Digital Banklink 4.0).

See "*Risk factors—Risks related to our business—Two of our subsidiaries operate in the financial industry, which is highly regulated, and any failure to comply with applicable laws and regulations or to adapt to laws and regulation as and when they change could adversely affect our business.*"

Customers

Our four key end-customer groups are SMEs, professionals, Microbusinesses and digital customers connected through our accountant customers to our e-invoicing platform, in addition to our VARs, which resell our products to these end-customer groups. As set out in the charts below, our end-customer base, including VARs' end-customers, increased from approximately 88,000 as of December 31, 2009 to approximately 1,551,000 as of September 30, 2020. Of this total figure, approximately 59,000 are SMEs, approximately 97,000 are professionals, approximately 430,000 are Microbusinesses and approximately 965,000 are digital customers connected through accountants.



In addition, our VARs resell the majority of our products and provide to final customers installation, start-up, training and assistance services. For more information see "*—Business lines—Indirect Channel*."

Our large and diverse customer base is highly fragmented and diversified in terms of both number of customers and industries. For example, in our Direct Channel, Micro and New Business Solutions and Vertical Solutions business lines, our largest 10, 50, 100 and 200 customers accounted for 3.1%, 6.5%, 8.4% and 10.6% of our total revenue for the twelve months ended September 30, 2020. 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, highly diversified and fragmented customer base characterized by high retention rates.*"

Small and Medium Enterprises (SMEs)

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. Our solutions targeted at SMEs (mainly Enterprise and Digital product lines) are marketed through our Direct Channel, Indirect Channel and Vertical Solutions business lines.

Professionals

Our professional customer base primarily consists of accountants, labor advisors, fiscal consultants and law firms. In Italy, professionals' need for our software solutions and related updates is primarily driven by the complex and frequently-evolving Italian accounting, tax and legal regulatory landscape, as well as the need to be equipped with software solutions to perform accounting, fiscal and payroll services for their customers. Our solutions targeted at professionals (mainly Studio and Digital product lines) are marketed through our Direct Channel, Indirect Channel and Vertical Solutions business lines.

Microbusinesses

We offer cloud products to Microbusinesses, which are primarily composed of small enterprises with less than ten employees, 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 further significant potential upside in the sale of our cloud-based products to Microbusiness customers, due to the large size of the Italian Microbusiness software market and its comparatively low level of penetration.

Because our Microbusiness customers require products tailored to different and simpler needs as compared to our SME products, we believe that the increased adoption and sales of our In Cloud product line will pose very limited risk of cannibalization of sales of our software products offered to our SME customers. Our solutions targeted at Microbusinesses are marketed through our Micro and New Business Solutions business line.

Digital customers connected through accountants

We are able to reach additional customers through accountants who are using our solutions. In particular, the final customers of accountants can choose to use TeamSystem Digital products utilized and bought by their accountants to send and receive invoices, thus also fulfilling the requirement of e-invoices submission to the Italian Tax Authority. However, we charge these digital customers only when they use services and products not previously bought by their accountants. 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. In addition, through our accountant customers, we are able to reach these digital customers and offer them all our products offer, capturing upselling and cross-selling opportunities.

Research and development (“R&D”)

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: (i) SME solutions and (ii) professional solutions. In addition, we have a team that specializes in software architecture and common software components, as well as small teams dedicated to TeamSystem HR, TeamSystem Construction and specific cloud-based products. In 2016 we launched a full transformation of our R&D operating model (which is now almost complete) in order to improve time-to-market and effectiveness of software development activities.

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 functionalities with respect to regulatory and legal updates, which is very important and critical for our customers that require quick responses to frequently changing legislation;

<u>Software innovation</u>: It refers to activities aimed at broadening our product range, extending current functional coverage and introducing new functionalities, entering new market segments and improving our products from a technical, architectural, user experience and security standpoint, 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 our acquisitions. We make substantial investments in research and software product development. In the past five years such investments were mainly dedicated to: (i) evolve our core ERP products towards state-of-art technology, software architecture, user experience and interface;

(ii) build our cloud-native offer across all product lines, launching both the cloud-native versions of our core ERP solutions for SMEs and professionals and brand-new cloud software for Microbusinesses, thus resulting in the expansion of our cloud product offering from approximately ten cloud-based solutions as of December 31, 2018 to approximately 15 as of December 31, 2019 and approximately 20 as of September 30, 2020; (iii) create our digital ecosystem, that enables extended collaboration among our products and create our wide range of Digital products, fully integrated to both our on premise and cloud native software. In 2020 we launched our "One Platform" project, aimed at further modernizing our products through: (i) building common back-end modules and functionalities that can be shared across all products (*e.g.*, unique modules for accounting, VAT management, fiscal deadlines across all products); (ii) extending basic common services used by various software modules (*e.g.*, API (*application programming interfaces*) management, notifications, database); (iii) enriching the digital ecosystem with new integrated solutions (*e.g.*, TeamSystem Digital Finance). Our "One Platform" project also aims at increasing efficiency of product developments (*e.g.*, sharing common components across product lines), evolving our offer to the latest technology trends (*e.g.*, the use of artificial intelligence and data analytics) and building a modular architecture for future products integration. As part of our acquisition strategy, we acquired companies that brought us valuable competencies and skills, as well as cutting edge technologies and products, 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 SkyLab and TechMass in 2019 and MBM Italia in 2020 allowed us to expand our competences and products in HR management and Industry 4.0 solutions, two areas we believe are key for our strategy.

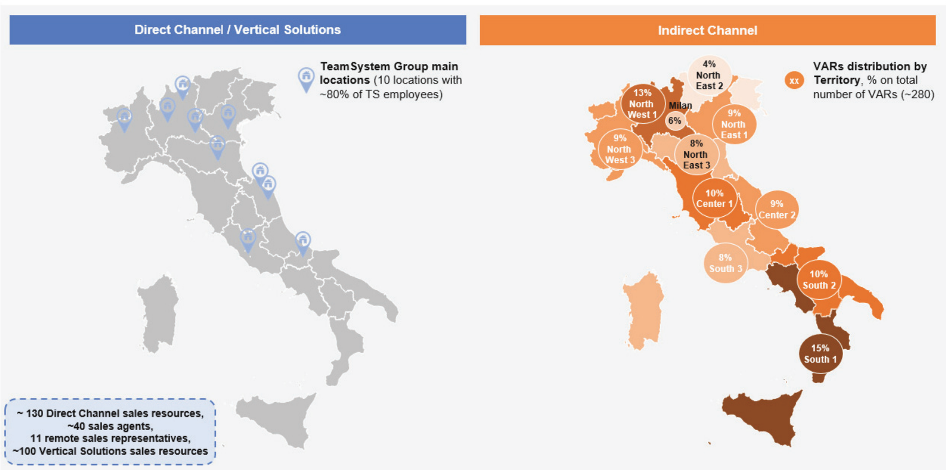
Development costs are generally expensed in our results of operations, with the exception of our development costs related to new product developments, which are capitalized. Capitalized development costs were €13.4 million, €13.9 million and €14.3 million in 2017, 2018 and 2019, respectively and €16.2 million for the twelve months ended September 30, 2020. For the year ended December 31, 2019, our R&D expense accounted for 11.3% of our total revenue. 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.

Footprint

We have four main offices located in Pesaro, Milan, Bologna and Rome, corresponding to our four commercial regions, and six additional main locations in Jesi, Campobasso, Turin, Pegognaga, Padua and Valtellina. Almost 80% of our employees are located in these ten locations, but, as a result of our recent acquisitions, we have approximately 25 additional smaller offices all around Italy.

We lease the vast majority of our offices. We believe that, if required, suitable additional or alternative space will be available on commercially reasonable terms to accommodate expansion of our operations.

Set forth below is a chart representing the location of our key offices as well as the geographic distribution of our approximately 280 VARs, comprising our Indirect Channel (expressed as a percentage of total number of VARs) throughout Italy as of September 30, 2020:



Delivery operating model

We believe that our delivery operating model is a crucial element in allowing our distribution and service channels to meet customer expectations and drive revenue growth. Delivery of our software products varies depending on product type and end-customer group.

Most products for Microbusinesses do not require delivery services on our part or require only limited delivery services, as they are cloud native and mostly self-provisioning. Self-provisioning 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. Our customer support team provides support and training to Microbusinesses, including in connection with the activation of their solutions.

Our products targeting professional customers, such as TeamSystem Studio, are not self-provisioning, although the level of customization is limited and the activities required to install those solutions are standard. For the delivery of products for professional customers we utilize an internal team of project managers and technical consultants, with strong specialization on professional solutions, who also provide training to our TeamSystem Studio customers.

Our products directed at our SME customers, such as TeamSystem Enterprise, are not self-provisioning and are usually more complex than professional products primarily due to their higher complexity and customization requirements. We decided to externalize all delivery services for these products, maintaining internally only the personnel responsible for the training, governance and staffing of the relevant external system integrators (the "**System Integrators**") which perform the delivery. As of December 31, 2020, we worked with approximately 30 System Integrators. In particular, since June 2018, we have started a strategic partnership with selected System Integrators specialized in the installation, configuration and customization of our Enterprise products. These System Integrators manage their activities relying on dedicated teams which have a specific know-how in management and realization of ERP projects. We believe this delivery operating model ensures the high quality standards of our service and customers' satisfaction.

In addition, our VARs are responsible for the delivery of the products they sell to end-customers, as well as for customers training. When requested, we provide assistance to VARs engaging in delivery processes. See "*—Indirect Channel*."

Customer Support and Retention

We provide customer support and other assistance and maintenance services directly to all our customers, including our VARs. As of September 30, 2020, our customer service unit consisted of approximately 300 internal specialists (including approximately 250 specialists for our Direct Channel business line and approximately 50 specialists for our Vertical Solutions business line). Our dedicated customer service unit is organized by product type. All our customers, including our VARs, have access to a web portal through which they can submit their requests of assistance. Through this web portal, our customer service team is able to prioritize and manage the requests and, based on the level of complexity and type of request, assign them to an expert team. After an initial assessment and, in case of simple requests, a first answer via email, our customer support services are delivered by telephone conference between the customer and one of our customer support representatives. If the technical problem that customer is experiencing is related to the software and requires a structural intervention on the product, our customer support representatives forward the call to our research and development department. In addition, we maintain an online knowledge database, accessible by all our customers and VARs through the same web portal that is designed to answer common and basic inquiries related to our 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 have outsourced a small part of our customer support operations to 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 requests are received by our web portal and managed through a unified call center, which allocates the requests to our internal and external customer support representatives based on a variety of factors, including the current capacity of our internal and external teams.

Since 2018, we have created a customer retention team for our Direct Channel business line's customers, which deals with retention activities in every customer market segment. Our customer retention team re-negotiates service levels and other aspects of existing customer contracts to reduce churn after customers submit a contract termination notice. The creation of this team is part of our "Customer Success" initiative, which includes a number of activities to facilitate customer centricity, redesign and optimize the customer journey and improve customer satisfaction, which, in turn, increase our retention rate. In 2020, with the aim to extend the retention activities to all our business lines, VARs and customers in the next few years, we started to extend the activity of our customer retention team also to the Vertical Solutions and Micro and New Business Solutions business lines and we started to offer to a selected number of VARs the possibility to collaborate with our customer retention team to manage cancellations requests from their end-customers. See "*Summary—Our strategy—Continue to optimize customer success processes and operating model, in light of customer centricity, to increase customers' satisfaction and strengthen relationships with our customers*."

In our Indirect Channel business line, 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, Micro and New Business Solutions and Vertical Solutions' end-customers. When requested, we provide second-level assistance to the VARs on complex technical matters, requiring intervention on the software, through a dedicated unit within our customer service team. This department provides VARs with assistance 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 developed VAR certification programs whereby each VAR must undergo a specific training course and pass a test in order to be certified for the resale of each product line. Without this certification, the VAR is not authorized to sell our products. We also constantly monitor the number and the quality of the issues raised by each VAR when they seek our advice.

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 December 31,			As of September 30,
	2017	2018	2019	2020
Managers	57	69	71	83
Other employees	1,957	1,811	2,068	2,211
Total	**2,014**	**1,880**	**2,139**	**2,294**

We believe that we have satisfactory working relationships with our employees and have not experienced any significant labor disputes or work stoppages. Since 2018, we have started to measure employee's satisfaction, requesting our employees to periodically answer to anonymous satisfaction surveys (70% participation to employees' surveys as of December 31, 2020). This system allows us to collect employees' feedback and identify the areas to act on in order to further improve our working environment. As a result of these surveys and other initiatives, we estimate that our employees' satisfaction increased between December 31, 2019 and December 31, 2020. In addition, since 2018 we also launched a talent program for our best performing employees, giving them the opportunity to participate in dedicated trainings, leadership programs and mentorship initiatives.

Furthermore, we continuously promote work-life balance and healthy food habits, we have in place initiatives to build awareness around and promote diversity and gender balance, as part of both the hiring and career development process. As of December 31, 2020, approximately 38% of our employees were women.

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 industry, and which generally also sell their products through VARs, including the Zucchetti group, Sistemi, Gruppo WKI and Dylog. The Italian e-invoicing market is in its early stages and, in addition to our ERP and business management software competitors, we also compete with Aruba. For more information about our main competitors, see "*Industry—Competition.*" International or other well-established players, such as Microsoft, Oracle, Sap and Gruppo Wolters Kluwer have historically focused on large enterprises and do not currently compete directly with us.

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 in Italy to do so, achieving a significant competitive advantage in terms of products innovativeness and transition to cloud solutions and we also believe that we are the leader in the provision of electronic invoicing solutions, which are fully integrated with our ERP software and with other digital services. Our early and continued investment in cloud technology has driven our increasing expansion into the Microbusiness customer market segment. In addition, we believe we were the first ERP and business management software company in Italy to offer digitalization services, which allowed us to build a strong digital ecosystem. For more information about the competitive landscape in which we operate, see "*Industry—Competition.*"

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 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 twelve months ended September 30, 2020, the Nuovamacut group of companies accounted for 9.6% 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, TeamSystem Communication, Evolution Fit, Cassanova, Skylab, TechMass, AliasLab and MBM Italia). 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 of new companies—Incorporation of new companies*" section and notes 14 and 15 to our 2019 Financial Statements included elsewhere in this Offering Memorandum for further details regarding our bolt-on acquisitions. In selected cases, we have also undertaken to make yearly dividend distributions, provided that the relevant subsidiary's financial condition is stable. For the twelve months ended September 30, 2020, payments of dividends to non-controlling shareholders of our subsidiaries amounted to €2.6 million. As part of the Transactions, on or shortly after the Completion Date, we plan to use a portion of the proceeds of this Offering to, among other things, buy out the stakes held by these non-controlling shareholders in Danea, Aliaslab, Skylab and Madbit. As of September 30, 2020, on a *pro forma* basis for the Transactions and thus excluding liabilities in respect of Danea, AliasLab, Skylab and MadBit, we would have had €31.1 million of Liabilities to Non-Controlling Shareholders of Subsidiaries on a discounted basis (or €35.0 million on a non-discounted basis). For further information, see "*Summary—The Transactions*," "*Use of proceeds*," "*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—Liabilities to Non-Controlling Shareholders of Subsidiaries*."

Compliance with applicable regulations

We are subject to numerous regulations, including labor and employment regulations, regulations concerning data protection and regulation concerning intellectual property. We believe the following regulations are particularly relevant to our business.

Data Protection and Cybersecuity

We process personal customers data as part of our business, and therefore we believe that data security and strict compliance with data protection and privacy laws are competitive factors in our market. We adapted our internal procedures and operations to the requirements imposed by Regulation (EU) 2016/679 ("**General Data Protection Regulation**" or "**GDPR**"). We have appointed a dedicated data protection team, which also includes a Data Protection Officer (a "**DPO**"), a central data protection office and approximately 50 data privacy champions, and we have taken and will continue to take action to ensure the constant and complete implementation of the best practices for compliance with the applicable data protection laws and regulation.

In addition, we specifically focus on customers' needs and we have designed software and programs to assist our customers in respect of compliance with GDPR requirements.

Furthermore, over the last few years, we made several investments in the cybersecurity area (e.g., internal and external penetration tests conducted regularly, constant collaboration with Microsoft and AWS to adopt best practices for cloud security and architectural review, constant trainings for developers on secure coding practices and common vulnerabilities and new e-learning program for all employees), adopted advanced threat intelligence solutions to ensure full visibility on, and quick response time to, cyber threats and moved to state-of-the-art data centers with no single point of failure, ensuring data recovery in a few minutes in case of a complete data center failure.

Legislative Decree No. 231/2001

We have taken and will continue to take action to ensure the constant and complete implementation of the best practices for compliance with Legislative Decree No. 231/2001. We have adopted a "Code of Ethics" that includes provisions addressing compliance with anti-corruption and anti-bribery laws and regulations and best practices. TeamSystem and certain of its subsidiaries (AF Soluzioni S.r.l., Whit-e S.r.l. and Factor@work S.r.l.) adopted a 231/2001 Management and Organizational Model (*Modello di Organizzativo e Gestionale*) aimed, *inter alia*, at preventing the possibility to commit specifically identified offences in the interest or for the benefit of the TeamSystem Group. In addition, TeamSystem and these subsidiaries have appointed a supervisory body, with the scope to supervise the functioning and the adherence to the 231/2001 Management and Organizational Model, the internal procedures and the commitment to constantly update those procedures. This further reinforces our system of internal controls and will make a specific contribution to mitigate our exposure to operational and reputational risks.

Environmental Matters

We are committed to integrating environmental protection into our business operations. In addition to complying with applicable laws and other voluntary obligations, we strive to continuously improve our environmental performance and management systems. Our environmental management system is equipped with established standards and processes and is built around the principles of ISO 9001 and 27001 Quality Management System and LEED (Leadership in Energy and Environmental Design).

In order to reduce the environmental impact of our business, we carry out several initiatives, including:

- focusing on digitalization in order to reduce paper consumption;
- providing incentives for employees to use hybrid cars;
- carefully monitoring electricity and water consumption in our offices; and
- leasing all equipment utilized by our employees and returning it to the relevant supplier at the end of the life cycle to optimize waste management and recycling.

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 September 30, 2020, the provisions we had set aside for potential liabilities from litigation in our financial statements were almost nil. 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 relating to management of the TeamSystem Group and certain provisions of the Issuer's and TeamSystem's bylaws (statuto) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to the Issuer's and TeamSystem's bylaws and/or Italian law, as the case may be, and does not purport to be complete.

The Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated and existing under the laws of the Republic of Italy. The Issuer was formed as a limited liability company (*società a responsabilità limitata)* on September 16, 2020 and was converted into a joint stock company (*società per azioni*) by way of a resolution of the extraordinary shareholders' meeting on December 18, 2020. The Issuer is registered with the Companies' register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 11397370963. The registered office of the Issuer is at Via Alessandro Manzoni 38, 20121 Milan, Italy.

Board of Directors

The board of directors of the Issuer currently comprises two directors and is responsible for managing the Issuer in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the board of directors are to carry out the business of the Issuer and to legally represent the Issuer in its dealings with third parties. The following table lists the current members of the Issuer's board of directors, together with their age and position within the board. In addition, upon completion of the Transactions, we expect to appoint an independent member of the board of directors who, as of the date of this Offering Memorandum, is yet to be identified.

Name	Age	Position
Guillaume Vanmoerbeke	33	Director
Luca Velussi	51	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:

Guillaume Vanmoerbeke is a Director at Hellman & Friedman where he focuses on the software, internet & media, and business services sectors. Mr. Vanmoerbeke joined Hellman & Friedman in 2014. He is currently a Director of certain holding companies whose controlling shareholder is Fund IX and AutoScout24 and he was previously a Director of TeamSystem. Prior to H&F, Mr. Vanmoerbeke worked as consultant at the Boston Consulting Group. He holds a MSc in Management from the HEC School of Management in Paris.

Luca Velussi served as Director on the board of TeamSystem and TeamSystem Holding until November 2020 as well as on the board of AliasLab and AliasLab UK until 2019, to which positions he was appointed in 2016. He is also a Director of certain holding companies whose controlling shareholder is Fund IX, TeamSystem Capital at Work SGR S.p.A. and 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 and 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.

TeamSystem

TeamSystem is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy and registered under number 01035310414, REA PS-103483 with the Companies' Register of Pesaro and Urbino. TeamSystem'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 TeamSystem to be governed by a board of directors with no fewer than three and no more than fifteen members, TeamSystem's board of directors is composed of seven 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 TeamSystem, except for those actions reserved to the shareholders' meeting by law or pursuant to our bylaws. TeamSystem established a remuneration committee in 2016.

Board of Directors

The following table lists the current members of the TeamSystem's board of directors, together with their age, position and other roles they hold within the TeamSystem Group.

Name	Age	Position
Federico Leproux	49	Director and Chief Executive Officer
Vincenzo Morelli	66	Chairperson
Vincenzo Ferrari	61	Director
Jean Baptiste Brian	42	Director
Tommaso Cohen	41	Director and Chief Financial Officer
Patrick John Healy	54	Director
Blake Christopher Kleinman	44	Director

Summarized below is a brief description of the experience of the individuals who serve as members of the board of directors of the TeamSystem:

Federico Leproux joined the TeamSystem Group in 2007 as General Manager and was then appointed as Director and Chief Executive Officer in 2009. From 2004 until 2006, he was at McKinsey & Company focused on different sectors including energy, directory assistance and private equity. From 2002 until 2003, 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 2001, 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 Sapienza University in Rome, Italy.

Vincenzo Morelli was first appointed as Director and Chairman in 2013. He served until March 2016, when TeamSystem's majority control was sold by HgCapital LLP to Hellman & Friedman. He was then re-appointed as Director and Chairman in October 2016 and 2019. He also serves on the Board of Directors of Musaed El Seif & Sons Co. Ltd, 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 2004 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 has held positions in the TeamSystem Group since 2000. Mr. Ferrari was first appointed as Director in June 2011, confirmed in that position in April 2013 and was appointed as Chief Financial Officer in April 2013. He was then appointed as Legal and Procurement Director in 2016 and confirmed in that position in 2019. 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 as CFO or Financial Director in other companies like the ICM Group, 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.

Jean-Baptiste Brian was appointed as Director in 2016 and confirmed in that position in 2019. Mr. Brian currently serves as a partner at HgCapital LLP, where he focuses on investments in software businesses, with a particular interest in SME and enterprise software. Mr. Brian is also a Director of Access, Allocate, EidosMedia, Intelerad, Litera, Mitratech and Visma. Prior to joining HgCapital LLP at the beginning of 2013, Mr. Brian worked at TPG Capital for seven years where he was a member of the tech team. Mr. Brian began his career at Morgan Stanley and holds a MSc in Management from HEC Paris and a Masters in Law from Université Paris-Sud.

Tommaso Cohen was appointed as Director and Chief Financial Officer in 2018. From 2015 to 2018 he was Director and Head of CEO Office with responsibility on Strategy, M&A, Special Projects, Marketing, IT and overall coordination of product management cycle. Previously, 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.

Patrick Healy was appointed as Director in 2016 and confirmed in such position in 2019. Mr. Healy is Chief Executive Officer of H&F. Prior to becoming CEO in January 2019, Patrick served as Deputy CEO from 2009-2017 and as Co-CEO in 2018. He is a member of the Investment Committee, Chairman of the Compensation Committee, and leads H&F London office and European activities. He is currently a Director of TeamSystem and Verisure. Mr. Healy's previous investment activities included Action, Allfunds, AutoScout 24, Axel Springer, CarProof, Digitas, DoubleClick, Formula One, Gartmore Investment Management, Gaztransport & Technigaz, Iris Software, Mondrian Investment Partners, Nasdaq, National Information Consortium, Neverfail Springwater, Nets, Nielsen, PowerBar, ProSiebenSat.1 Media SE, Scout24 AG, SimpliSafe, Hostelworld (Web Reservations), Wood Mackenzie, VoiceStream Wireless, and Young & Rubicam. Prior to joining H&F in 1994, Mr. Healy was employed by James D. Wolfensohn Incorporated in New York and Consolidated Press Holdings in Australia. Mr. Healy graduated from Harvard College and earned an MBA, with distinction, from the Harvard Business School.

Blake Kleinman was appointed as Director in 2016 and confirmed in that position in 2019. Mr. Kleinman is a Partner at Hellman & Friedman where he focuses on the software, internet and media and financial services sectors. Mr. Kleinman joined Hellman & Friedman in 2001. Mr. Kleinman is currently a Director of TeamSystem, Allfunds Bank and of AutoScout24 and was formerly a Director of Gartmore, IRIS, SSP and Wood Mackenzie. Mr. Kleinman was active in the Firm's investments in Arch Capital, Axel Springer, Mondrian, ProSieben, and Nielsen. Prior to H&F, Mr. Kleinman 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.

TeamSystem Group Senior management

In addition to the Chief Executive Officer and Chief Financial Officer mentioned above under "*—The Issuer—Board of Directors*," the following individual is a member of the senior management team of the TeamSystem Group:

Name	Age	Title
Gian Luigi Rizzo	38	M&A and Strategic Projects Executive Director

Summarized below is a brief description of the experience of Mr. Rizzo:

Gian Luigi Rizzo joined TeamSystem in 2015 as head of M&A and extended his role overtime on Integration and Strategic Projects. Since 2018, he has covered the role of M&A and Strategic Projects Executive Director. Prior to joining TeamSystem, he was 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, 2019, TeamSystem paid its board of directors and senior management team aggregate remuneration and other benefits, excluding bonuses, of €3.2 million.

Board of Statutory Auditors

Pursuant to applicable Italian law, TeamSystem has 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 the Board of Statutory Auditors of TeamSystem were appointed in April 2018 and will remain in office until approval by the shareholders of the TeamSystem's financial statements for the year ended December 31, 2020.

The following table sets forth the members of our Board of Statutory Auditors of TeamSystem as of the date of this Offering Memorandum.

Name	Age	Title
Claudio Sanchioni	62	Chairperson
Fabio Landuzzi	50	Statutory Auditor
Nicole Magnifico	35	Statutory Auditor
Marco Cecilioni	50	Alternate Auditor
Cristina Amadori	53	Alternate Auditor

PRINCIPAL SHAREHOLDERS

The Issuer is a direct wholly-owned subsidiary of Holdco. The ultimate controlling party of the Issuer is Brunello Holdco S.p.A., an entity whose controlling shareholder is Fund IX, a fund whose ultimate general partner is H&F Corporate Investors IX, Ltd.

As of the date of this Offering Memorandum, Fund VII, a fund whose ultimate general partner is H&F Corporate Investors VII, Ltd., private investment firm HgCapital and Target Group management investors indirectly hold approximately 87.5%, 8.5% and 3.6% of the share capital of the Target, respectively, whereas approximately 0.4% is held by the Target as treasury shares.

On the Completion Date, the Issuer will become the direct owner of 100% of the entire issued and outstanding share capital of the Target and, therefore, Fund IX will acquire the indirect control of the Target Group.

Certain minority shareholders, comprised of private investment firm HgCapital and Target Group management are expected to reinvest in the Target Group as part of the Acquisition. Certain Fund VII investors are also expected to cash reinvest in the Target Group via newly established vehicles controlled by Fund IX.

Accordingly, on or shortly after the Completion Date, we expect that approximately 84.8% of the share capital of the Issuer will be indirectly controlled by Fund IX, with approximately 8.0% and 7.2% indirectly held by HgCapital and certain management investors, respectively.

Following the consummation of the Acquisition, our principal shareholders are expected to enter into a shareholder agreement (the "**Shareholder Agreement**"), which will govern, 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 2019 Financial Statements.

Other

During the year ended December 31, 2019, 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.

Following the consummation of the Acquisition, our principal shareholders, including certain Target Group management investors are expected to enter into the Shareholder Agreement, as further described under "*Principal shareholders*."

As part of the Acquisition, we may implement a management incentive plan on or shortly after the Completion Date pursuant to which management may receive a portion of their compensation in the form of, among other instruments, stock or stock options. As of the date of this Offering Memorandum, the final terms of any such management incentive plan have not been determined.

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.

"*Acquisition*" means the acquisition by the Issuer of the issued share capital of the Target (together with all rights attaching thereto or exercisable in respect thereof) on the terms of the acquisition documents.

"*Closing Date*" means the first date on which both:

(a) either:

(i) the proceeds of the Notes have been released from any escrow arrangements; and/or

(ii) the senior secured bridge facility has been drawn; and

(b) the Acqusition has completed in accordance with the terms of the acqusition documents.

"*Group*" means the Issuer and each of its restricted subsidiaries from time to time including on and from the Closing Date, the Target Group (unless any subsidiary of the Target Group is designated as an unrestricted subsidiary on or after the Closing Date).

"*Intercreditor Agreement*" means the intercreditor agreement to be entered into on or about 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 Brunello Bidco S.p.A.

"*Italian Banking Law*" means the Italian Legislative Decree No. 385 of September 1, 1993, as subsequently amended and supplemented.

"*Merger Date*" means the date on which the potential merger between the Issuer, the Target, TeamSystem Holding S.p.A. and TeamSystem S.p.A. on terms complying with Article 2501-bis (et seq.) of the Italian Civil Code and in accordance with the tax structure memorandum (provided that the entity surviving the merger shall not be TeamSystem Holding S.p.A) becomes effective pursuant to Article 2504-bis of the Italian Civil Code.

"*Notes*" means the Notes offered hereby.

"*Parent*" means Brunello Midco S.p.A.

"*Target*" means Barolo Lux 1 S.à r.l.

"*Target Group*" means Barolo Lux 1 S.à r.l. and its subsidiaries.

"*Transaction*" means the Acquisition, refinancing or otherwise discharging of certain existing indebtedness of the Target Group and the other transactions contemplated by the transaction documents or directly or indirectly in connection with the Acquisition (in each case including the financing or refinancing thereof).

Overview and structure

The Revolving Credit Facility Agreement provides for a super senior revolving credit facility in a principal amount of €180,000,000 (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 (on a bilateral and fronted basis). 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 towards financing or refinancing, directly or indirectly (a) all amounts payable in connection with the Acquisition other than any payment of the purchase price made on the Closing Date, (b) the refinancing, discharge and/or acquisition of existing indebtedness of the Target Group and paying any breakage costs, redemption premium, make-whole costs and other fees, costs and expenses payable in connection with such refinancing and/or acquisition, (c) any other purpose or payment contemplated by the tax structure memorandum, the funds flow statement or the transaction documents, (d) other related amounts, including fees, costs, expenses, liabilities, taxes (including stamp duty) and other amounts, including those incurred in connection with the Transaction, the tax structure memorandum and/or the transaction documents and (e) the general corporate and/or working capital purposes of the Group (including the Target Group from the Closing Date) and any related fees, costs, expenses, liabilities, taxes (including stamp duty) and other amounts.

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 additional or existing commitment or facility or as an additional tranche or class of, or an increase of, or an extension 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 78 months after the Closing Date.

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 lenders under the Revolving Credit Facility are offered the opportunity by the Issuer to amend the original termination date for the Revolving Credit Facility to a date on or prior to that of the relevant additional facility provided that (i) each lender under the Revolving Credit Facility will be deemed to have declined any such offer and consented to the proposed termination date of the relevant additional facility unless 50.1 per cent. of the lenders by commitment under the Revolving Credit Facility notify the agent under the Revolving Credit Facility that they (A) accept such offer or (B) reject such offer and do not consent to the termination date of the relevant additional facility, in each case by 11 a.m. 5 business days after the date of such offer, and (ii) no such offer shall be required if the Additional Facility Commitments with an earlier termination date do not exceed the greater of €15,000,000 (or its equivalent in other currencies) and 15 per cent. of consolidated EBITDA.

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, and provided that no insolvency, payment (insofar as it relates to the payment of principal and/or interest and/or fees) or breach of other obligations (insofar as it relates to failure to deliver a compliance certificate such that the margin cannot be determined) 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 30.000 per cent. of the margin applicable at that time, and is payable quarterly in arrear, 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, the same jurisdiction as an existing borrower, any borrower jurisdiction contemplated in the tax structure memorandum 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 will be guaranteed by the Parent and the Issuer (together the "*Original Guarantors*").

If any of the Issuer's restricted subsidiaries is or becomes a material subsidiary under the Revolving Credit Facility Agreement, the Issuer shall procure (or, if the Merger Date has not occurred, use commercially reasonable efforts to procure) that such material subsidiary shall, subject to the Agreed Security Principles and to any agreed limitation language, become a guarantor of the Revolving Credit Facility Agreement and shall accede to the Intercreditor Agreement, no later than (i) the earlier of (x) 60 days following the Merger Date and (y) 60 days after the date falling 15 months following the Closing Date and (ii) the date falling 90 days after the latest due date on which the annual financial statements are required to be delivered to the agent in respect of each subsequent financial year (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 procure (or, if the Merger Date has not occurred, use commercially reasonably efforts to procure) that, subject to the Agreed Security Principles, tested annually by reference to the original financial statements and then the relevant annual financial statements of the Issuer (or, at the Issuer's option, any more recent available financial information which is provided to the Agent), 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 the contribution of any on-balance sheet joint ventures) is not less than 80 per cent. of consolidated EBITDA of wholly-owned members of the Group incorporated in a guarantor jurisdiction (the "*Guarantor Coverage*") (subject to certain exceptions).

Security

The Revolving Credit Facility (subject to certain agreed security principles set out in the Revolving Credit Facility Agreement) is secured as further described in the section entitled "*Description of Notes—Security*."

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) no filing or stamp taxes; (viii) taxation; (ix) the accuracy of financial statements; (x) no litigation; (xi) legal and beneficial ownership; (xii) sanctions and anti-money laundering; and (xiii) 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 intercreditor agreements; and (xi) IPO debt pushdown. 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) *pari passu* ranking; (vi) further assurance; (vii) sanctions, anti-corruption and anti-money laundering; (viii) no change of "centre of main interest"; (ix) taxes; and (x) conditions subsequent.

Financial covenant

If at 5.00 p.m. on a testing date (being each quarter date, commencing on the quarter date falling at the end of the first complete quarter after the Closing Date) the aggregate principal amount of all loans under the Revolving Credit Facility Agreement and any additional facility that is specified to benefit from the financial covenant (in each case excluding (i) any utilizations by way of letters of credit (or bank guarantees), (ii) ancillary facilities, and (iii) any loans drawn to fund any fees and/or original issue discount or other fees, costs and expenses in connection with the Transaction) on such testing date less any cash and cash equivalents exceeds 40 per cent. of the aggregate of (A) the total commitments under the Revolving Credit Facility as at the date of the Revolving Credit Facility Agreement and (B) the aggregate of all Additional Facility Commitments established after the date of the Revolving Credit Facility Agreement (disregarding, in each case, any reduction of commitments following the establishment thereof) (the "*Test Condition*"), the senior secured net leverage ratio in respect of the relevant period will not exceed 9.98:1 (the "*Financial Covenant*"). The Financial Covenant only acts as a draw stop to new drawings under the Revolving Credit Facility and, if breached, will not trigger a default or an event of default under the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement contains an equity cure provision enabling the Issuer to cure or prevent a draw stop event at any time if the Group has received one or more shareholder injections by way of shareholder loan and/or equity and the Issuer has elected that all or any part of any amounts so received shall, at the option of the Issuer, either (i) increase the consolidated EBITDA or (ii) decrease senior secured indebtedness, in each case under the Revolving Credit Facility Agreement. The equity cure right 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. The Issuer can also cure or prevent a draw stop event by electing to recalculate (i) the senior secured net leverage ratio for any relevant period for which the Issuer has sufficient available information to effect such recalculation and/or (ii) the Test Condition on any subsequent date notwithstanding that such date is not a test date (including to give effect to any reduction in the aggregate principal amount of loans outstanding, any reduction in senior secured indebtedness and/or any increase in cash and/or cash equivalents).

Prepayments

Upon a change of control under the Revolving Credit Facility Agreement, each lender under the Revolving Credit Facility Agreement shall be entitled to cancel its commitments and require repayment of all of its share of the utilizations and payment of all amounts owing to it under the finance documents provided that the relevant lender gives notice to the agent within 30 days of the Issuer notifying the agent of the change of control.

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 one business day's 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) misrepresentations; (ii) breach of the Intercreditor Agreement; (iii) unlawfulness, invalidity and repudiation of finance documents; (iv) non-payment of amounts due under the finance documents; (v) non-compliance with other obligations under the finance documents; (vi) cross payment default and cross acceleration; (vii) final judgment default; and (viii) 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 relevant creditor groups, amongst others, the Senior Secured Notes Issuer, the Senior Notes Issuer, the lenders under the Revolving Credit Facility Agreement (the "**RCF Lenders**"), each obligor in respect of the Revolving Credit Facility (collectively, the "**Obligors**"), the Third Party Security Providers, the Security Agent, the Trustee, and the Subordinated Creditors (as that term is defined in the Intercreditor Agreement) will enter into an intercreditor agreement prior to the Issue Date (the "**Intercreditor Agreement**"). The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the 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, the Indentures and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail. Capitalized terms used below shall have the meanings given to them in the Intercreditor Agreement unless otherwise defined.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain indebtedness of the Group (as defined below);
- the relative ranking of certain security granted by certain members of the Group;
- when payments can be made in respect of certain indebtedness of the Group;

- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken 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 turn over amounts received from enforcement of the Transaction Security;
- when the Transaction Security and any guarantee(s) issued by certain Obligors and Third Party Security Providers will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Senior Secured Notes Issuer and/or the Senior Notes Issuer and/or Future Senior 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 and other amounts received by the Security Agent.

Parties

Upon the issuance of the Notes, the principal parties to the Intercreditor Agreement will be: (i) Brunello Midco 1 S.R.L. in the capacity of Topco and Original Shareholder Creditor, (ii) the Senior Notes Issuer (in such capacity and certain other capacities), (iii) the Senior Secured Notes Issuer (in such capacity and certain other capacities), (iv) the agent for the finance parties under the Revolving Credit Facility Agreement (the "**RCF Agent**"), (v) the RCF Lenders, (vi) the Senior Secured Notes Trustee, (vii) the Senior Notes Trustee and (vii) the Security Agent.

The "**Super Senior Creditors**" include the RCF Lenders and the RCF Agent together with, upon accession, the Super Senior Hedging Lenders (as defined below). The "**Senior Secured Creditors**" include the holders of the Senior Secured Notes, the Senior Secured Notes Trustee together with, upon accession, the Pari Passu Hedging Lenders (as defined below), the Future Pari Passu Creditors (as defined below) and the Cash Management Facility Creditors (as defined in the Intercreditor Agreement). The "**Senior Creditors**" include the holders of the Senior Notes, the Senior Notes Trustee together with, upon accession, the Future Senior Creditors (as defined below).

The Intercreditor Agreement therefore allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including (i) hedge counterparties pursuant hedging agreements which are secured on a super senior basis with (among other liabilities) the Revolving Credit Facility (the "**Super Senior Hedging Agreements**" and the providers thereof the "**Super Senior Hedging Lenders**"), (ii) hedge counterparties pursuant to hedging agreements which are secured on a *pari passu* basis with (among other liabilities) the Senior Secured Notes (the "**Pari Passu Hedging Agreements**" and the providers thereof, the "**Pari Passu Hedging Lenders**" and together with the Super Senior Hedging Lenders, the "**Hedging Counterparties**"), (iii) creditors of future loan or bond indebtedness of the Obligors (which is permitted by or not restricted under the terms of the Credit Facility Documents (as defined in the Intercreditor Agreement), the Senior Secured Notes and the Senior Notes, and which is not subordinated in right of payment to the liabilities owed to the Super Senior Creditors or the Senior Secured Creditors) (the "**Future Pari Passu Debt**"), including any senior secured notes issued after the Issue Date pursuant to the Senior Secured Notes Indenture (the "**Future Pari Passu Creditors**"), (iv) creditors of future loan or bond indebtedness of the Obligors (which is permitted by or not restricted under the terms of the Credit Facility Documents, the Senior Secured Notes and the Senior Notes, and which is *pari passu* with, and not subordinated in right of payment to, the liabilities owed to the Senior Creditors) ("**Future Senior Debt**"), including any senior notes issued after the Issue Date pursuant to the Senior Notes Indenture (the "**Future Senior Creditors**") and (v) creditors of future loan or bond indebtedness of the Obligors (which is permitted by or not restricted under the terms of the Credit Facility Documents, the Senior Secured Notes and the Senior Notes, and which is not subordinated in right of payment to the liabilities owed to the Super Senior Creditors or the Senior Secured Creditors but is secured on the Transaction Security on a second ranking basis ("**Future Second Lien Debt**" and the providers thereof, the "**Future Second Lien Creditors**").

No Restricted Subsidiary (as that term is defined in the Intercreditor Agreement) of the Senior Secured Notes Issuer (each a member of the "**Group**") nor any shareholder of a member of the Group which, in each case, is not otherwise party to (1) a document creating security in favor of the Super Senior Creditors, the Senior Secured Creditors or the Senior Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for (i) any shareholder of the Senior Notes Issuer in respect of any existing or future loan made to the Senior Notes Issuer or any other member of the Group (each a "**Shareholder Creditor**") (the Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from the Senior Notes Issuer or any member of the Group to any Shareholder Creditor (the "**Shareholder Liabilities**")) and (ii) certain members of the Group that lend to another member of the Group (each an "**Intragroup Lender**") that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such members of the Group to such Intra-Group Lenders in respect of intra-group loans (the "**Intra-Group Liabilities**"). The Intercreditor Agreement contains subordination provisions relating to any Intra-Group Liabilities. However, members of the Group will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Credit Facility Documents or the Indentures is continuing and at any time prior to such acceleration event, such Intra-Group Liabilities may be converted into equity (subject to certain security being granted where required).

Ranking and priority

Priority of Indebtedness

The Intercreditor Agreement provides that the liabilities of the Obligors 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 liabilities owed to the Security Agent, the liabilities owed to the Super Senior Creditors (the "**Super Senior Liabilities**"), the liabilities owed to the Senior Secured Creditors including with respect to the Senior Secured Notes (the "**Senior Secured Liabilities**"), the liabilities owed to any Hedging Counterparty (to the extent not already included in the Super Senior Liabilities), the liabilities owed to the Cash Management Facility Creditors (the "**Cash Management Facility Liabilities**"), the liabilities of the Senior Notes Issuer, in respect of the Senior Notes (the "**Senior Notes Issuer Liabilities**"), the liabilities owed to any Future Second Lien Creditors (the "**Future Second Lien Liabilities**"), the Future Pari Passu Debt, the Future Senior Debt of any future issuer of senior debt to the Future Senior Creditors (the "**Future Senior Issuer Liabilities**"), and certain customary costs and expenses of the Senior Secured Notes Trustee and the Senior Notes Trustee (the "**Trustee Liabilities**") *pari passu* and without any preference between them;

(b) *second*, any guarantee liabilities owed to the Senior Creditors with respect to the Senior Notes (the "**Senior Notes Guarantee Liabilities**", and, together with the Senior Notes Issuer Liabilities, the "**Senior Notes Liabilities**"), together with any guarantee liabilities owed to any Future Senior Creditor *pari passu* and without any preference between them;

(c) *third*, the Intra-Group Liabilities and any liabilities owed by the Senior Secured Notes Issuer and any of its subsidiaries to the Senior Notes Issuer *pari passu* and without any preference between them; and

(d) *fourth*, the Shareholder Liabilities.

The Intercreditor Agreement contains an acknowledgment by all parties thereto that the Senior Notes Issuer Liabilities and the Future Senior Issuer Liabilities are senior obligations of the relevant issuer, and provides that nothing in the Intercreditor Agreement shall impair the right of the Senior Creditors to institute suit for the recovery of any payment due by such an issuer in respect of the Senior Notes Issuer Liabilities or the Future Senior Issuer Liabilities (as applicable), but provided that the Senior Creditors shall not, until the Senior Secured Debt Discharge Date (as defined in the Intercreditor Agreement), take any steps to appropriate the assets of such an issuer subject to the Transaction Security in connection with any Enforcement Action other than as expressly permitted by the Intercreditor Agreement.

Priority of security

The Intercreditor Agreement provides that the security provided for the liabilities described in paragraphs (a) to (c) below (the "**Transaction Security**") shall rank and secure these liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below):

(a) *first*, the liabilities owed to the Security Agent, the Super Senior Liabilities, the Senior Secured Liabilities, the liabilities owed to any Hedging Counterparty (to the extent not already included in the Super Senior Liabilities), the Cash Management Facility Liabilities, the Future Pari Passu Debt and the Trustee Liabilities, *pari passu* and without any preference between them (but only to the extent that such Transaction Security is expressed to secured those liabilities);

(b) *second*, the Future Second Lien Liabilities *pari passu* and without any preference between them (but only to the extent that such Transaction Security is expressed to secure those liabilities); and

(c) *third*, the Senior Notes Liabilities and the Future Senior Debt *pari passu* and without any preference between them (but only to the extent that such Transaction Security is Shared Security (which term shall include, for the purposes of the Intercreditor Agreement, certain other security as may be granted in future and designated by the Senior Secured Notes Issuer as "**Shared Security**")).

The Intercreditor Agreement further provides that any security provided for the Senior Notes only (the "**Senior Notes Only Security**") shall rank and secure only the Senior Notes Liabilities and the Future Senior Debt, *pari passu* and without any preference between them (but only to the extent that such Senior Notes Only Security is expressed to secure such liabilities).

The Shareholder Liabilities, the Holdco Liabilities and the Intra-Group Liabilities (the "**Subordinated Liabilities**") shall not be secured by the Transaction Security or the Senior Notes Only Security.

If security is to be granted for certain future indebtedness (including Credit Facility Lender Liabilities (other than with respect to the Revolving Credit Facility) (as defined in the Intercreditor Agreement), Cash Management Facility Liabilities, Future Pari Passu Debt, Future Second Lien Debt and Future Senior Debt) ("**Future Debt**"), to the extent such Future Debt cannot be secured with the agreed ranking without the existing security first being released, the Intercreditor Agreement contains provisions that such Future 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 Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with corresponding liabilities which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future 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 and retaking of security under the existing security documents shall be permitted without the consent of the required creditors under the documents thereby secured unless permitted by such documents (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document).

Payments and prepayments; subordination of Future Second Lien Debt

Prior to the discharge of all Senior Secured Liabilities, no Debtor and Third Party Security Provider may make payments in respect of the Future Second Lien Liabilities without the consent of the Majority Super Senior Creditors (as that term is defined in the Intercreditor Agreement) and the Majority Senior Secured Creditors (as that term is defined in the Intercreditor Agreement) except as described in the foregoing paragraph or as permitted by the Intercreditor Agreement including 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 either (1) not prohibited from being paid by the Credit Facility Documents, the Cash Management Facility Documents, the Senior Secured Notes Indenture or any Future Pari Passu Debt Document or (2) is paid on or after the final maturity of the Future Second Lien Liabilities; or

(ii) any other amount in respect of the Future Second Lien Liabilities which is not an amount of principal or capitalized interest accrued due and payable in cash in accordance with the terms of the Future Second Lien Debt Documents (such other amounts 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 Future Second Lien Debt Documents);

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Second Lien Debt (a "**Future Second Lien Debt Payment Blockage Notice**") is outstanding; and

(c) no Senior Secured Debt Payment Default (as that term is defined in the Intercreditor Agreement) has occurred and is continuing; or

(2) if the payment is pursuant to provisions contained in a Future Second Lien Debt Document that are comparable to the following provisions in the Revolving Credit Facility Agreement (and no acceleration event under the Senior Secured Debt Documents has occurred): (a) illegality, (b) right of cancellation and repayment in relation to a single lender or issuing bank, (c) change of control and (d) replacement of a lender;

(3) payments in respect of amounts due under the Future Second Lien Debt Documents to the Future Second Lien Debt Representative;

(4) certain amounts due under the original form of any fee letter relating to agency or upfront fees under any Future Second Lien Debt Document

(5) (for so long as a Future Second Lien Event of Default is continuing), if the payment is in respect of commercially reasonable work fees and professional fees, costs and expenses for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisers) incurred by the Future Second Lien Debt Representative not covered by paragraph (3) above in an aggregate amount to all such Future Second Lien Debt Representatives under this paragraph not exceeding €5,000,000 (or its equivalent in other currencies) in aggregate until the discharge of all Senior Secured Liabilities;

(6) payments of amounts equal to any payment accrued pursuant to the Future Second Lien Debt immediately after the period during which any Future Second Lien Debt Payment Blockage Notice is outstanding or a Senior Secured Debt Payment Default or a Future Second Lien Debt Payment Default ceases to be continuing and which would otherwise have been a permitted payment pursuant to the terms of the Intercreditor Agreement;

(7) for so long as a Senior Secured Debt Event of Default is continuing certain payments as a result of the Future Second Lien Liabilities being released or otherwise discharged in exchange for the issuance of shares in any holding company of the Senior Notes Issuer, subject to certain conditions;

(8) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Second Lien Debt documents (including in relation to any reporting or listing requirements under the Future Second Lien Debt documents), subject to certain conditions;

(9) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Second Lien Debt in compliance with the Intercreditor Agreement, the Credit Facility Documents, the Senior Secured Notes Indenture, the Cash Management Facility Documents and any Future Pari Passu Debt document;

(10) payments of certain reasonable and customary consent fees in connection with amendments to the Future Second Lien Debt documents in proportion to any corresponding amounts paid in respect of the Super Senior Liabilities and the Senior Secured Liabilities (to the extent such fees are paid or payable);

(11) payments in connection with purchases or redemptions of the Future Second Lien Debt permitted under the Credit Facility Documents, Cash Management Facility Documents, Senior Secured Notes documents and Future Pari Passu Debt documents; or

(12) payment of any other amount not exceeding €2,500,000 (or its equivalent) in aggregate in any financial year of the Senior Secured Notes Issuer provided that any such amount not so applied may be carried forward and utilized in the subsequent financial year (where it shall be deemed to have been used first).

If an event of default (other than a Senior Secured Debt Payment Default) under the finance documents in respect of the Senior Secured Liabilities (each a "**Senior Secured Default**") has occurred and is continuing and the Future Second Lien Debt Representative has received a Future Second Lien Debt Payment Blockage Notice from either the Credit Facility Agent, the Cash Management Facility Agent, the Senior Secured Notes Trustee or the representative of the Future Pari Passu Debt, all payments in respect of the Future Second Lien Liabilities (other than those consented to by the Majority Super Senior Creditors and the Majority Senior Secured Creditors and those permitted by paragraph (2)(a), (3) and (5) above) are suspended until the earliest of:

(a) the date on which there is a waiver, remedy or cure of such Senior Secured Default in accordance with the relevant finance documents;

(b) 120 days after the receipt by the Future Second Lien Debt Representative of the Future Second Lien Debt Payment Blockage Notice;

(c) the repayment and discharge of all obligations in respect of the Senior Secured Liabilities;

(d) the date on which the Relevant Representative which issued the Future Second Lien Debt Payment Blockage Notice (and, if at such time a Senior Secured Default is continuing in relation to the Senior Secured Liabilities (other than the Senior Secured Liabilities in respect of which the notice was given), the Relevant Representative(s) in respect of those other Senior Secured Liabilities notify/ies (amongst others) the Future Second Lien Debt Representative that the Future Second Lien Debt Payment Blockage Notice is cancelled;

(e) the date on which the Security Agent or Future Second Lien Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(f) the date on which the relevant Senior Secured Default is no longer continuing and if the relevant Senior Secured Liabilities have been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand, such rescission can be effected by the relevant majority creditors in respect of the relevant debt);

(g) provided no Senior Secured Debt Payment Default is continuing, the original scheduled maturity date of the Future Second Lien Debt issued in the form of notes (provided that such maturity date is a date not earlier than the later of the original maturity date of the Senior Secured Notes and the Termination Date (as defined in the Credit Facility Documents) at the time of issuance of such Future Second Lien Debt); and

(h) if a Future Second Lien Debt Standstill Period (as defined below) is in effect at any time after delivery of a Future Second Lien Debt Payment Blockage Notice, the date on which the Future Second Lien Debt Standstill Period expires.

No new Future Second Lien Debt Payment Blockage Notice may be served by a Future Second Lien Debt Relevant Representative in respect of a Future Second Lien Debt Default unless 360 days have elapsed since the immediately prior Future Second Lien Debt Payment Blockage Notice. No Future Second Lien Debt Payment Blockage Notice may be served in respect of a Senior Secured Debt Payment Default more than 60 days after the date that the Relevant Representative received notice of that Senior Secured Default. No Relevant Representative may serve more than one Future Second Lien Debt Payment Blockage Notice with respect to the same event or set of circumstances, and no Future Second Lien Debt Payment Blockage Notice may be served in respect of a Senior Secured Debt Payment Default notified to a Relevant Representative at the time at which an earlier Future Second Lien Debt Payment Blockage Notice was issued.

If a Future Second Lien Debt Payment Blockage Notice ceases to be outstanding and/or (as the case may be) Senior Secured Debt 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 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 enforcement notice which may have been issued as a result of that event of default shall be waived. A Future Second Lien Debt Payment Default is remedied by the payment of all amounts then due.

Payments and prepayments—Obligors and Third Party Security Providers

The Obligors and the Third Party Security Providers may make payments and prepayments in respect of the Credit Facility Documents, the Super Senior Hedging Agreements, the Pari Passu Hedging Agreements, and the Senior Secured Notes at any time in accordance with their terms and may prepay or acquire the Senior Secured Notes.

Payments and prepayments; subordination of the Senior Notes

The Senior Notes Issuer may make payments and prepayments in respect of the Senior Notes Issuer Liabilities (including by prepaying or acquiring the Senior Notes) at any time in accordance with the terms of the Senior Notes Indenture, the Senior Notes and the Intercreditor Agreement provided that such payment is not made from assets subject to Transaction Security and not financed by a payment from a member of the Group that was prohibited at such time by any of the Debt Documents.

Prior to the discharge of all Senior Secured Liabilities and Future Second Lien Liabilities, no Debtor nor Third Party Security Provider may make payments in respect of the Senior Notes Liabilities without the consent of the Majority Super Senior Creditors (as that term is defined in the Intercreditor Agreement), the Majority Senior Secured Creditors (as that term is defined in the Intercreditor Agreement) and the Majority Future Second Lien Creditors (as that term is defined in the Intercreditor Agreement)

(1) if:

  (a) the payment is of:

    (i) any of the principal or interest (including capitalized interest) amount of the Senior Notes Liabilities which is either (1) not prohibited from being paid by the Credit Facility Documents, the Cash Management Facility Documents, the Senior Secured Notes Indenture, any Future Pari Passu Debt Document or any Future Second Lien Debt Document or (2) is paid on or after the final maturity of the Senior Notes; or

    (ii) any other amount in respect of the Senior Notes Liabilities which is not an amount of principal or capitalized interest accrued due and payable in cash in accordance with the terms of the Senior Notes Documents or a corresponding amount under any Holdco Debt Document (as that term is defined in the Intercreditor Agreement) (such other amounts including all additional amounts payable as a result of the tax gross up provisions relating to the Senior Notes Liabilities and amounts in respect of currency indemnities in the relevant Senior Notes Documents or Holdco Debt Documents);

  (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Notes Liabilities (a "**Senior Notes Payment Blockage Notice**") is outstanding; and

  (c) no Senior Secured Debt Payment Default (as that term is defined in the Intercreditor Agreement) or Future Second Lien Debt Payment Default has occurred and is continuing; or

(2) certain amounts due to the Senior Notes Trustee for its own account;

(3) payments of amounts equal to any payment accrued pursuant to the Senior Notes or any Senior Notes guarantee immediately after the period during which any Senior Notes Payment Blockage Notice is outstanding or a Senior Secured Debt Payment Default or Future Second Lien Debt Payment Default ceases to be continuing and which would otherwise have been a permitted payment pursuant to the terms of the Intercreditor Agreement;

(4) for so long as a Senior Secured Debt Event of Default is continuing certain payments as a result of the Senior Notes Liabilities being released or otherwise discharged in exchange for the issuance of shares in any holding company of the Senior Notes Issuer, subject to certain conditions;

(5) certain payments of non-cash interest by way of capitalization;

(6) payments funded with the incurrence of Senior Notes Liabilities;

(7) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Senior Notes documents (including in relation to any reporting or listing requirements under the Senior Notes documents), subject to certain conditions;

(8) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Notes in compliance with the Intercreditor Agreement, the Credit Facility Documents, the Senior Secured Notes Indenture, the Cash Management Facility Documents, any Future Pari Passu Debt document and any Future Second Lien Debt Documents;

(9) payments of certain reasonable and customary consent fees in connection with amendments to the Senior Notes documents in proportion to any corresponding amounts paid in respect of the Super Senior Liabilities, the Senior Secured Liabilities and the Future Second Lien Liabilities (to the extent such fees are paid or payable);

(10) payments in connection with purchases or redemptions of Senior Notes permitted under the Credit Facility Documents, Cash Management Facility Documents, Senior Secured Notes documents and Future Pari Passu Debt documents; or

(11) payment of any other amount not exceeding €2,500,000 (or its equivalent) in aggregate in any financial year of the Senior Secured Notes Issuer provided that any such amount not so applied may be carried forward and utilized in the subsequent financial year (where it shall be deemed to have been used first).

Until the later of the discharge of all the Senior Secured Debt and the Future Second Lien Debt, if a Senior Secured Debt Payment Default has occurred and is continuing or a Future Second Lien Payment Default has occurred and is continuing, all payments in respect of the Senior Notes Liabilities (other than those consented to by the Majority Super Senior Creditors. the Majority Senior Secured Creditors and the Majority Future Second Lien Creditors and certain amounts due to the Senior Notes Trustee for its own account) will be suspended.

In addition, if either (x) a Senior Secured Default has occurred and is continuing and the Senior Notes Trustee has received a Senior Notes Payment Blockage Notice from either the Credit Facility Agent, the Cash Management Facility Agent, the Senior Secured Notes Trustee or the representative of the Future Pari Passu Debt (or, in the case of (y) below, the representative of the Future Second Lien Debt) (the "**Relevant Representative**" (as applicable)) or (y) an event of default (other than a Future Second Lien Payment Default) under the finance documents in respect of the Future Second Lien Liabilities is continuing and the Senior Notes Trustee has received a Senior Notes Payment Blockage Notice from the Relevant Representative, all payments in respect of the Senior Notes Liabilities (other than those consented to by the Majority Super Senior Creditors, the Majority Senior Secured Creditors and the Majority Future Second Lien Creditors and certain amounts due to the Senior Notes Trustee for its own account and those permitted pursuant to paragraph (5) above) are suspended until the earliest of:

(a) the date on which there is a waiver, remedy or cure of such Senior Secured Default or Future Second Lien Debt Event of Default (as applicable) in accordance with the relevant finance documents;

(b) 179 days after the receipt by the Senior Notes Trustee of the Senior Notes Payment Blockage Notice;

(c) the later of the repayment and discharge of all obligations in respect of the Senior Secured Liabilities and the repayment and discharge of all obligations in respect of the Future Second Lien Liabilities;

(d) the date on which the Relevant Representative which issued the Senior Notes Payment Blockage Notice (and, if at such time a Senior Secured Default or Future Second Lien Debt Event of Default (as applicable) is continuing in relation to the Senior Secured Liabilities (other than the Senior Secured Liabilities in respect of which the notice was given) or the Future Second Lien Liabilities (other than the Future Second Lien Liabilities in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Liabilities or Future Second Lien Liabilities (as applicable)) notify/ies (amongst others) the Senior Notes Trustee that the Senior Notes Payment Blockage Notice is cancelled;

(e) the date on which the Security Agent or Senior Notes Trustee takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(f) the date on which the relevant Senior Secured Default or Future Second Lien Debt Event of Default (as applicable) 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 (and if such acceleration consisted solely of declaring the relevant debt payable on demand, such rescission can be effected by the relevant majority creditors in respect of the relevant debt); or

(g) if a Standstill Period (as defined below) is in effect at any time after delivery of a Senior Notes Payment Blockage Notice, the date on which the Standstill Period expires,

provided that none of the circumstances described in this paragraph, nor those described in the paragraph above shall prevent the Senior Notes Issuer from making payments in respect of the Senior Notes Issuer Liabilities in accordance with the terms of the relevant documentation from its own assets (excluding at all times any assets which are subject to Transaction Security) provided that such payment is not financed by a payment to the Senior Notes Issuer from a member of the Group that was prohibited by the Senior Secured Debt Documents and the Future Second Lien Debt Documents.

No new Senior Notes Payment Blockage Notice may be served by a Relevant Representative in respect of a Senior Secured Debt Event of Default unless 360 days have elapsed since the immediately prior Senior Notes Payment Blockage Notice. No Senior Notes Payment Blockage Notice may be served in respect of a Senior Secured Debt Event of Default or a Future Second Lien Debt Event of Default more than 60 days after the date that the Relevant Representative received notice of that Senior Secured Debt Event of Default or Future Second Lien Debt Event of Default (as applicable). No Relevant Representative may serve more than one Senior Notes Payment Blockage Notice with respect to the same event or set of circumstances, and no Senior Notes Payment Blockage Notice may be served in respect of a Senior Secured Debt Event of Default or Future Second Lien Debt Event of Default notified to a Relevant Representative at the time at which an earlier Senior Notes Payment Blockage Notice was issued.

If a Senior Notes Payment Blockage Notice ceases to be outstanding or the relevant Senior Secured Debt Payment Default and/or Future Second Lien Debt 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 Senior Notes and if it does so promptly any event of default under the Senior Notes caused by such delayed payment shall be waived and any enforcement notice which may have been issued as a result of that event of default shall be waived. A Senior Secured Debt Payment Default and/or Future Second Lien Debt Payment Default is remedied by the payment of all amounts then due.

Restrictions on enforcement by the Future Second Lien Creditors; Future Second Lien Debt Standstill

Until the discharge of all the Senior Secured Liabilities, no Future Second Lien Creditor may take Enforcement Action with respect to the Future Second Lien Debt, except that such restriction will not apply in relation to any Future Second Lien Liabilities if:

(a) a Future Second Lien Debt Event of Default is continuing;

(b) the Credit Facility Agent and the other representatives of the Senior Secured Liabilities have received notice of the specified event of default from the Future Second Lien Debt Representative;

(c) a Future Second Lien Debt Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Future Second Lien Debt Standstill Period.

A "**Future Second Lien Debt Standstill Period**" shall mean the period starting on the date (the "**Future Second Lien Debt Standstill Date**") that the Future Second Lien Debt Representative serves an enforcement notice on the Credit Facility Agent, the Cash Management Facility Agent, the Senior Secured Notes Trustee and the representative of any Future Pari Passu Debt until the earliest of:

(a) the date falling (i) 90 days in the case of a non-payment of interest, principal or fees representing the Future Second Lien Liabilities, (ii) 120 days in the case of a failure to make a payment of any other amount representing the Future Second Lien Liabilities, and (iii) 150 days in the case of any other Future Second Lien Debt Event of Default, in each case after the Future Second Lien Debt Standstill Start 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 Creditors may only take the same Enforcement Action against the same entity as is taken by the Security Agent and may not take any other action against any other member of the Group;

(c) the date on which an insolvency event occurs in respect of any Debtor owning Future Second Lien Liabilities against whom Enforcement Action is to be taken;

(d) in respect of Future Second Lien Debt issued in the form of notes, the date on which a Future Second Lien Debt Event of Default 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 Debt Standstill Period which was outstanding at the date that the current Future Second Lien Debt Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If the Security Agent has notified the Future Second Lien Debt Representative that it is enforcing Transaction Security, no Future Second Lien Creditor may take any enforcement action against that Debtor, Third Party Security Provider, or any subsidiary of that Debtor or Third Party Security Provider (as the case may be) while the Security Agent is taking steps to enforce that Transaction Security where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom. If the Future Second Lien Creditors are permitted to give instructions to the Security Agent to require the enforcement of such Transaction Security, such Enforcement Action must require the realization of the relevant Security by way of a sale or disposal conducted in accordance with the Intercreditor Agreement.

Restrictions on enforcement by the Senior Notes; Senior Notes Standstill

Until the later of the discharge of all the Senior Secured Liabilities and the Future Second Lien Liabilities, neither the Senior Notes Trustee nor the holders of the Senior Notes may take Enforcement Action (including a Senior Only Distressed Disposal) with respect to the Senior Notes (including any action against the Senior Notes Issuer or the guarantors of the Senior Notes (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security or Senior Notes Only Security document without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply in relation to:

(1) any Senior Notes Guarantee Liabilities and Shared Security if:

  (a) an event of default under the Senior Notes Indenture is continuing;

  (b) the RCF Agent and the other representatives of the Senior Secured Liabilities and the Future Second Lien Debt Representatives, have received notice of the specified event of default from the Senior Notes Trustee (as the case may be);

  (c) a Senior Notes Standstill Period (as defined below) has expired; and

  (d) the relevant event of default is continuing at the end of the Senior Notes Standstill Period; and

(2) any Senior Notes Issuer Liabilities and/or the Senior Notes Only Security if:

  (a) an event of default under the Senior Notes Indenture is continuing;

  (b) the RCF Agent and the other representatives of the Senior Secured Liabilities and the Future Second Lien Debt Representatives, have received notice of the specified event of default from the Senior Notes Trustee (as the case may be);

  (c) a Senior Notes Issuer Standstill Period (as defined below) has expired; and

  (d) the relevant event of default is continuing at the end of the Senior Notes Issuer Standstill Period,

A "**Senior Notes Standstill Period**" shall mean the period starting on the date that the Senior Notes Trustee serves an enforcement notice on the Credit Facility Agent, the Cash Management Facility Agent, the Senior

Secured Notes Trustee, the representative of any Future Pari Passu Debt and the Future Second Lien Debt Representative(s) 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 Senior Notes Trustee and holders of Senior Notes may only take the same Enforcement Action against the same entity as is taken by the Senior Secured Creditors and may not take any other action against any other member of the Group;

(c) the date on which an insolvency event occurs in respect of the Senior Notes Issuer and/or any guarantor of the Senior Notes against whom Enforcement Action is to be taken; and

(d) the expiration of any other Senior Notes Standstill Period which was outstanding at the date that the current Senior Notes Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

A "**Senior Notes Issuer Standstill Period**" shall mean the period starting on the date that the Senior Notes Trustee serves an enforcement notice on the RCF Agent, the Cash Management Facility Agent, the Senior Secured Notes Trustee, the representative of any Future Pari Passu Debt and the Future Second Lien Debt Representative(s) until the earliest of:

(a) 90 days after such date in respect of an event of default arising by reason of non-payment and 150 days after such date in respect of any other event of default;

(b) the date on which the Security Agent takes Enforcement Action in respect of the Senior Notes Issuer (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement);

(c) the date on which an insolvency event occurs in respect of the Senior Notes Issuer; and

(d) the expiration of any other Senior Notes Issuer Standstill Period which was outstanding at the date that the current Senior Notes Issuer Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

Substantially similar provisions to those described in this section with respect to the Senior Notes are included in the Intercreditor Agreement with respect to Future Senior Debt and related Future Senior Creditors.

If the Security Agent has notified the Senior Notes Trustee that it is enforcing Transaction Security, no other Senior Notes Creditor may take any enforcement action against that Debtor, Third Party Security Provider, or any subsidiary of that Debtor or Third Party Security Provider (as the case may be) while the Security Agent is taking steps to enforce that Transaction Security where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom. If the Senior Notes Creditors are permitted to give instructions to the Security Agent to require the enforcement of such Transaction Security, such Enforcement Action must require the realization of the relevant Security by way of a sale or disposal conducted in accordance with the Intercreditor Agreement.

Curing of certain Events of Default and termination of Enforcement

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.

Consultation

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 Liabilities and/or Super Senior Liabilities (as applicable) shall notify the Security Agent and the creditor representatives for each of the Super Senior Creditors and each of the Senior Secured Creditors 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 any other Enforcement Action given by the Super Majority Super Senior Creditors and/or the Majority Senior Secured Creditors, the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the Credit Facility Agent (acting on the instructions of the Super Majority Super Senior Creditors), the Cash Management Facility Agent, the representative of any Future Pari Passu Creditors and the Senior Secured Note Trustee 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 Senior Notes Issuer, the Senior Secured Notes Issuer, a borrower or a guarantor, a Third Party Security Provider (as that term is defined in the Intercreditor Agreement) or any Material Subsidiary (as that term is defined in the Revolving Credit Facility Agreement) (each a "**Relevant Company**"); or

(b) subject to no instructions having been given by an Instructing Group in the circumstances described below, the Super Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notifies each other representative agent of the Super Senior Creditors, each Cash Management Facility, the Senior Secured Creditors, the Future Pari Passu Creditors and the Security Agent) that any delay caused by such consultation could reasonably be expected to reduce the amount likely to be realized to a level such that (following application thereof in accordance with the Payments Waterfall described below) the Super Senior Liabilities would not be discharged in full or have a material adverse effect of the ability to effect an enforcement or a distressed disposal and in this case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors or, as the case may be, the 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 Super Majority Super Senior Creditors and/or the Majority Senior Secured Creditors 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 by the end of the Consultation Period, 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 Creditors, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received by the Super Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If the Super Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the security in a manner which is not consistent with the Security Enforcement Principles, subject to (a) and (b) above, the relevant representative shall give notice to the other representatives after which each such representative shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant representatives may agree) with a view to agreeing the manner of Enforcement, provided that such representatives shall not be obliged to consult more than once in relation to each Enforcement Action.

For the purposes of Enforcement, an "**Instructing Group**" means:

(1) if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Super Majority Super Senior Creditors and the Majority Senior Secured Creditors, provided that if:

(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 delivery of a specified notice by the Majority Senior Secured Creditors, where no 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 delivery of a specified notice by the Majority Senior Secured Creditors, where no 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 Super Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors) and "Instructing Group" in relation to such Enforcement shall mean the Super Majority Super Senior Creditors. Subject to the foregoing, in the event of conflicting Enforcement Instructions, the "Instructing Group" shall mean the Majority Senior Secured Creditors provided that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal pursuant to such instructions will be determined by the Majority Senior Secured Creditors;

(2) after the Credit Facility Lender Discharge Date but prior to the Senior Secured Debt Discharge Date, the Majority Senior Secured Creditors;

(3) on or after the Senior Secured Debt Discharge Date but prior to the Future Second Lien Debt Discharge Date, the Majority Future Second Lien Creditors; and

(4) on or after the Senior Secured Debt Discharge Date and the Future Second Lien Debt Discharge Date, the Majority Senior Creditors.

Prior to the later of the Senior Secured Debt Discharge Date: (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Shared Security; or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Majority Future Second Lien Creditors are then entitled to give to the Security Agent in accordance with the Intercreditor Agreement, as described under the heading "Restrictions on Enforcement by the Future Second Lien Creditors" above. Notwithstanding the foregoing, if at any time any Future Second Lien Creditor or its Creditor Representative is then entitled to give the Security Agent instructions to enforce the Transaction Security and the Majority Future Second Lien Creditors do not give such instruction and do not indicate any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Transaction Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Future Second Lien Creditors or its Creditor Representative under the Intercreditor Agreement and Security Agent shall act on such instructions received from the Instructing Group.

Prior to the later of the Senior Secured Debt Discharge Date and the Future Second Lien Debt Discharge Date: (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor or Third Party Security Provider to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Shared Security which the Majority Senior Creditors are then entitled to give to the Security Agent in accordance with the Intercreditor Agreement, as described under the heading "Restrictions on Enforcement by the Senior Notes; Senior Notes Standstill" above. Notwithstanding the paragraph above, if at any time any Senior Creditor or its Creditor Representative is then entitled to give the Security Agent instructions to enforce the Shared Security pursuant to the above and the Majority Senior Creditors do not give such instruction and do not indicate any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Shared Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Creditors or its Creditor Representative under the Intercreditor Agreement and the Security Agent shall act on such instructions received from the Instructing Group.

For the avoidance of doubt, the above provisions do not apply to the enforcement of the Senior Notes Only Security in accordance with the terms of the Intercreditor Agreement where the Security Agent will act in accordance with and subject to the instructions of the Majority Senior Creditors (as that term is defined in the Intercreditor Agreement).

Security Enforcement Principles

Unless otherwise agreed in writing between the Senior Secured Notes Issuer, Super Majority Super Senior Creditors, the Majority Cash Management Facility Creditors (as defined in the Intercreditor Agreement), the Senior Secured Notes Required Holders (as defined below) (if prior to the Senior Secured Notes Discharge Date), the Future Pari Passu Debt Required Holders (as defined below) (and to the extent relating to the definition of Security Enforcement Objective or paragraph (a) below, the Majority Future Second Lien Creditors), enforcement of the Transaction Security must be conducted in accordance with the "**Security Enforcement Principles**", which are summarized as follows:

(a) It shall, subject to any requirements of applicable law, be the primary and overriding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, the recovery by the Super Senior Creditors, the Senior Secured Creditors, the Future Pari Passu Creditors and the Future Second Lien Creditors (to the extent that Transaction Security is expressed to secure the Future Second Lien Liabilities) (the "**Security Enforcement Objective**").

(b) The Transaction Security will, subject to any requirements of applicable law, be enforced and other action as to Enforcement will be taken such that either (i) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all in cash) for distribution in accordance with the Payments Waterfall; or (ii) sufficient proceeds from 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 Super Majority Super Senior Creditors agree otherwise).

(c) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement and any requirements of applicable law, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to Enforcement will be determined by the Instructing Group provided that it is consistent with the Security Enforcement Objective.

(d) On a proposed Enforcement of any of the Transaction Security, the Security Agent shall (unless such enforcement is made pursuant to a public auction 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 as expert (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery of any such Enforcement Action, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances, and (C) that such sale is otherwise in accordance with the Security Enforcement Objective. Such Financial Advisor shall be selected by the Instructing Group giving any enforcement instructions to the Security Agent in accordance with the Intercreditor Agreement and the Security Agent shall be directed to appoint such Financial Adviser in any such enforcement instruction.

(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 and it has received instructions as to the identity of such Financial Advisor from the Instructing Group. The liability of any Financial Advisor in respect of the opinions referred to in paragraph (d) above may be limited to the amount of its fees in respect of such engagement.

(f) The Financial Advisor's opinion will be conclusive evidence that the Security Enforcement Objective has been met and the Security Agent shall not be liable to any party as a result of having acted on the basis of the instructions given to it by the Instructing Group, as opined on by the Financial Advisor.

(g) In the event that an Enforcement of the Transaction Security is over assets and shares and such Enforcement is conducted by way of public auction, any equity investors of the Group shall be entitled to participate in such auction. There is no requirement in the Security Enforcement Principles that requires the Enforcement of Transaction Security to take place by way of public auction.

(h) In the absence of written notice from a creditor or group of creditors that are not part of the relevant Instructing Group that such creditor(s) object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(i) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisers and/or exercise its own judgement in accordance with this Agreement), a Financial Advisor's opinion to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

For the avoidance of doubt, the above provisions do not apply to the enforcement of the Senior Notes Only Security.

Turnover

The Intercreditor Agreement also provides that if any Super Senior Creditor, Cash Management Facility Creditor, Super Senior Hedging Lender, Senior Secured Creditor, Senior Creditor, Future Pari Passu Creditor, Future Senior Creditor or Future Second Lien Creditor receives or recovers the proceeds of any Enforcement of Transaction Security (whether before or after an insolvency event) or any Senior Notes Only Security not permitted under the Intercreditor Agreement or applied other than in accordance with Payments Waterfall that it shall (subject to certain prior actual knowledge qualifications in the case of the Senior Secured Notes Trustee and the Senior Notes Trustee, as applicable):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the relevant liabilities of that creditor (or, if less, the amount received or recovered) 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.

Certain further turnover obligations following receipt of non-permitted payments apply to Future Second Lien Creditors, Senior Notes Creditors, Future Senior Creditors and Subordinated Creditors.

Application of proceeds/Waterfall

All amounts received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of the Transaction Security (and, in relation to the Senior Creditors, Shared Security) or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall (the "**Enforcement Proceeds**"), other than with respect to the Senior Notes Only Security, will be paid to the Security Agent for application in accordance with the following payments waterfall in each case to the extent that security has been given in favor of such obligations (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 Security Agent, any receiver or any of its delegates and any Trustee Liabilities as the case may be, and then (ii) pari passu and pro rata to each Creditor Representative (as the term is defined in the Intercreditor Agreement) (to the extent not included in (i) above and excluding any Hedging Counterparty as its own Creditor Representative) of the costs and expenses of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Transaction Security Document or the Intercreditor Agreement;

- *second*, pari passu and pro rata, in or towards payment of all costs and expenses incurred by the Super Senior Creditors, the Senior Secured Creditors and the Senior Creditors in connection with any realization 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;

- *third*, pari passu and pro rata, in or towards payment to (i) each Creditor Representative(s) in respect of a Credit Facility on its own behalf and on behalf of the Arrangers and the Credit Facility Lenders under that Credit Facility; and (ii) to the Super Senior Hedging Lenders for application towards the discharge of (A) the liabilities owed to the Creditor Representative in respect of each Credit Facility, the Credit Facility Lender Liabilities and the related Arranger Liabilities in accordance with the terms of the Credit Facility Documents and (B) the Priority Hedging Liabilities (in proportion to each Priority Hedge Counterparty's Priority Hedge Proportion), on a pro rata basis as between paragraphs (A) and (B) above;

- *fourth*, pari passu and pro rata to the Cash Management Facility Agent on behalf of the Cash Management Facility Creditors, the Senior Secured Notes Trustee and to the relevant Creditor Representative on behalf of the Future Pari Passu Creditors for application towards any unpaid costs and expenses incurred by or on behalf of any Cash Management Facility Creditors, holders of Senior Secured Notes and Future Pari Passu Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- *fifth*, pari passu and pro rata to the Cash Management Facility Agent on behalf of the Cash Management Facility Creditors for application towards the Cash Management Facility Liabilities, to the Senior Secured Notes Trustee on behalf of the holders of Senior Secured Notes for application towards the discharge of the Senior Secured Notes Liabilities (in accordance with the relevant documents) and to the relevant Creditor Representative on behalf of the Future Pari Passu Creditors for application towards the discharge of the Future Pari Passu Debt (in accordance with the relevant documents) and to the Pari Passu Hedging Lenders for application towards the discharge of the Non-Priority Hedging Liabilities (in proportion to each Pari Passu Hedging Lender's Non-Priority Hedge Proportion);

- *sixth*, and only to the extent that the Future Second Lien Creditors are entitled to the relevant Recoveries, pari passu and pro rata in or towards payment to each Future Second Lien Debt Representative on behalf of the Future Second Lien Creditors it represents for application towards any unpaid costs and expenses incurred by or on behalf of any Future Second Lien Creditors in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- *seventh*, and only to the extent that the Future Second Lien Creditors are entitled to the relevant Recoveries, pari passu and pro rata to each Future Second Lien Debt Representative on behalf of the Future Second Lien Creditors it represents for application towards the discharge of the Future Second Lien Liabilities (in accordance with the Future Second Lien Debt Documents);

- *eighth*, and only to the extent that the Senior Creditors are entitled to the relevant recoveries, pari passu and pro rata, in or towards payment to the Senior Notes Trustee on behalf of the holders of Senior Notes and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards any unpaid costs and expenses incurred by or on behalf of the holders of Senior Notes and any Future Senior Creditors in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- *ninth*, and only to the extent that the Senior Creditors are entitled to the relevant Recoveries, pari passu and pro rata to the Senior Notes Trustee on behalf of holders of the Senior Notes for application towards the discharge of the Senior Notes Liabilities (in accordance with the relevant documents) and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards the discharge of the Future Senior Debt (in accordance with the relevant documents); and

- *tenth*, after the Final Discharge Date, in payment of the surplus (if any) to the relevant Obligor or other person entitled to it.

For the avoidance of doubt (other than as provided above) payments of Enforcement Proceeds may only be made to the Senior Secured Notes Trustee for the holders of the Senior Secured Notes, if all payments then due and payable under the Revolving Credit Facility to the RCF Lenders, ancillary lenders and issuing bank and to the Super Senior Hedging Lenders in respect of the Priority Hedging Liabilities and the other payments referred to under "thirdly" above have been paid in full.

All amounts received or recovered by the Security Agent in connection with the realization or Enforcement of all or any part of the Senior Notes Only Security will be applied in accordance with a separate payments waterfall as follows (the "**Senior Notes Only Security Payments Waterfall**"):

- *first*, in payment of the following amounts in the following order (i) pari passu and pro rata any sums owing to the Security Agent, any receiver or any of its delegates and any Trustee Liabilities, as the case may be, and then (ii) pari passu and pro rata to each Creditor Representative of the holders of the Senior Notes and the Future Senior Creditors of the costs and expenses of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Senior Notes Only Security document or the Intercreditor Agreement;

- *second*, pari passu and pro rata, to the Senior Notes Trustee and to the relevant Creditor Representative on behalf of the Future Senior Creditors in or towards payment of all costs and expenses incurred by the by the holders of the Senior Notes and any of Future Senior Creditors in connection with any realization or enforcement of the Senior Notes Only Security taken in accordance with the terms of the Senior Notes Only Security documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

- *third*, pari passu and pro rata, to the Senior Notes Trustee on behalf of the holders of the Senior Notes for application towards the discharge of the Senior Notes Liabilities (in accordance with the relevant documents) and to the relevant Creditor Representative on behalf of the Future Senior Creditors for application towards the discharge of the Future Senior Debt (in accordance with the relevant documents); and

- *fourth*, after the Senior Debt Discharge Date, in payment of the surplus (if any) to the relevant Obligor or other person entitled to it.

Acceleration

If an event of default occurs under the Revolving Credit Facility, the Senior Secured Notes or Future Pari Passu Debt then any decision to accelerate the Revolving Credit Facility or Senior Secured Notes or Future Pari Passu 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 relevant Senior Secured Notes Indenture or in accordance with the terms of the Future Pari Passu Debt (as applicable). The Intercreditor Agreement contains provisions requiring relevant Creditor Representative to notify the Security Agent of such event and the Security Agent shall, upon receiving that notification, notify each other party to the Intercreditor Agreement.

Release and/or transfer of claims and liabilities in respect of the Senior Notes and the Senior Secured Notes and the Transaction Security

Non-distressed disposal

In circumstances where a disposal or other transaction whereby a release, consent or other step in relation to, Transaction Security is considered necessary or desirable by the Senior Secured Notes Issuer in connection with such transaction (including to reflect the Agreed Security Principles), is not being effected pursuant to a Distressed Disposal and is otherwise permitted by the terms of the Senior Secured Notes Indenture, the Senior Notes Indenture the Credit Facility Documents, the Cash Management Facility Documents, the Future Pari Passu Debt Documents, the Future Second Lien Debt Documents and the Future Senior Debt Documents (as those terms are defined in the Intercreditor Agreement), the Intercreditor Agreement provides that (subject to certain conditions) the Security Agent is authorized (i) to release relevant the Transaction Security or any other relevant claim (relating to a Debt Document) over any relevant asset; (ii) where any relevant asset consists of all the shares in the capital of an Obligor, to release the Transaction Security or any other claim (relating to a Debt Document) over the assets of that Obligor and the shares in and assets of any of its subsidiaries; (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and/or (ii) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing, or return any physical collateral or other documents, in each case, as reasonably requested by the Senior Secured Notes Issuer, and (iv) to take any other action on behalf of the Secured Parties in connection with the same that is permitted under the relevant Debt Documents provided that, to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security shall, to the extent reasonably practicable and subject to the Agreed Security Principles, be granted at the same time as (or before) the relevant disposal is effected.

Distressed Disposal

"**Distressed Disposal**" means a disposal of an asset of a member of the Group or of a holding company (including the Parent) which in each case is subject to the Transaction Security or any disposal of a Material Subsidiary (as that term is defined in the Revolving Credit Facility Agreement as at the date of the Intercreditor Agreement) or all or substantially all of the assets of a Material Subsidiary (as defined in the Revolving Credit Facility Agreement as at the date of the Intercreditor Agreement) which is (a) being effected at the request of the Instructing Group in circumstances where the Transaction Security has become enforceable, (b) being effected by enforcement of the Transaction Security, or (c) being effected, after the occurrence of a Distress Event (as defined below), by a Debtor, any holding company (including the Parent) of a Debtor or a Third Party Security Provider to a person or persons which is not a member of the Group.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement provides that the Security Agent is authorized and instructed:

(i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non- crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of an Obligor, to release (a) that Obligor and any subsidiary of that Obligor from all or any part of: (x) the liabilities it may have as a principal debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly and including, without limitation, liabilities as a Borrower under and as defined in the Revolving Credit Facility Agreement or liabilities as an issuer of the Senior Secured Notes or the Senior Notes or in any equivalent capacity under the Future Pari Passu Debt Documents, Future Second Lien Debt Document and/or Future Senior Debt Documents) (the "**Borrowing Liabilities**"); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity as a primary debtor, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Debt Documents, the Future Second Lien Debt Documents, the Senior Notes Documents or the Future Senior Debt Documents (as each such term is defined in the Intercreditor Agreement) (the "**Guarantee Liabilities**") and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee

Liabilities) it may have to the Holdco Lender (as such term is defined in the Intercreditor Agreement), any Intra-Group Lender, any Obligor, any Shareholder Creditor or any holding company of any Obligor (the "**Other Liabilities**"); (b) any Transaction Security granted by that Obligor or any subsidiary of that Obligor over any of its assets; and (c) any other claim of a Subordinated Creditor, an Intra-Group Lender, or another Obligor over that Obligor's assets or over the assets of any subsidiary of that Obligor, in each case, on behalf of, in each case the relevant Creditors, Obligors and Third Party Security Providers;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of an Obligor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities, Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (c) any other claim of a Subordinated Creditor, an intra-Group Lender or another Obligor over the assets of any subsidiary of that holding company;

(iv) if the asset which is disposed of consists of shares in the capital of an Obligor or a holding company of an Obligor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any member of the Group or the Senior Notes Issuer to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities (the "**Liabilities**"); or (z) any liabilities owed to any Obligor or Shareholder Creditor (whether actual or contingent and whether incurred solely or jointly (the "**Debtor Liabilities**") owed by that Obligor or holding company or any subsidiary of that Obligor or holding company on the basis that (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of those Liabilities owed to the Primary Creditors or Debtor Liabilities provided that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant Creditors, Obligors and Third Party Security Providers: and

(v) if the asset which is disposed of consists of shares in the capital of an Obligor or the holding company of an Obligor (the "**Disposed Entity**") and the Security Agent decides to transfer to another Obligor or a holding company of an Obligor all or part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra- Group Liabilities; (y) the Liabilities owed by any member of the Group to the Holdco Lender (including for the avoidance of doubt with respect to any Proceeds Loan), together with any related additional liabilities (the "**Holdco Liabilities**"); or (z) the Debtor Liabilities to execute and deliver or enter into any agreement to (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra- Group Lenders, the Holdco Lender and the relevant Obligors to which those obligations are owed and on behalf of the Obligors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

If a Distressed Disposal is being effected (provided that, for this purpose, a Distressed Disposal shall not be deemed to include reference to any disposal of a Material Subsidiary (as defined in the Revolving Credit Facility Agreement) or all or substantially all of the assets of a Material Subsidiary (as defined in the Revolving Credit Facility Agreement)) such that the Future Second Lien Liabilities' and Transaction Security over shares in the Senior Secured Notes Issuer or assets of a Future Second Lien Guarantor or the Senior Secured Notes Issuer will be released, it is a 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 Creditors (as defined in the Intercreditor Agreement); or

(ii) each of the following conditions is satisfied:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all present or future obligations owed to the Senior Secured Creditors and the Super Senior Creditors under the Senior Secured Debt Documents by a member of the Group all of whose shares pledged under in favor of the Senior Secured Creditors and the Super Senior Creditors are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and

(C) such sale or disposal is made:

(I) pursuant to Competitive Process (being a public or private auction or other competitive sale process in which more than one bidder participates or is invited to participate (including any person invited that is a Primary Creditor (as defined in the Intercreditor Agreement) at the time of such invitation), which may or may not be conducted through court or other legal proceedings, and which is conducted with the advice of a Financial Advisor) in which the Future Second Lien Creditors (or a representative acting on their behalf) shall be entitled to participate as bidder or financier to the potential purchaser and shall be provided equal information rights as any other bidder, subject to applicable securities law (and for the avoidance of doubt in which the Future Second Lien Creditors or a representative acting on their behalf are also entitled to participate);

(II) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law which has jurisdiction and where there is a determination of value by or on behalf of such court; or

(III) where a Financial Advisor 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 Financial Advisor in giving such opinion may be limited to the amount of its fees in respect of such engagement.

If prior to the Senior Secured Debt Discharge Date, a Distressed Disposal is being effected at a time when the Majority Future Second Lien Creditors are entitled to give, and have given, instructions, the Security Agent is not authorized to release any Debtor, Subsidiary or Holding Company that is a member of the Group from any Borrowing Liabilities or Guarantee Liabilities or Other Liabilities owed to any Senior Secured Creditor or any Super Senior Creditor unless those Borrowing Liabilities or Guarantee Liabilities or Other Liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent Liability relating to a Letter of Credit, Cash Management Facility LC, a Cash Management Facility or an Ancillary Facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release.

If a Distressed Disposal is being effected such that the Senior Notes Liabilities and Shared Security will be released, it is a condition to the release that either:

(i) the Senior Notes Trustee has approved the release on the instructions of the Senior Notes Required Holders and any Future Senior Debt representative has approved the release on the instructions of the Future Senior Debt Required Holders (as defined in the Intercreditor Agreement); or

(ii) (each of the following conditions is satisfied:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all present or future obligations owed to the secured parties under the Senior Secured Debt Documents and Future Second Lien Debt Documents by the Senior Notes Issuer, Future Senior Debt Issuer, or a member of the Group all of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale; and

(C) such sale or disposal is made:

(I) pursuant to Competitive Process (being a public or private auction or other competitive sale process in which more than one bidder participates or is invited to participate (including any person invited that is a Primary Creditor (as defined in the Intercreditor Agreement) at the time of such invitation), which may or may not be conducted through court or other legal proceedings, and which is conducted with the advice of a Financial Advisor) in which the Senior Creditors, Super Senior Creditors of Future Second Lien Creditors (or in each case a representative acting on their behalf) shall be entitled to participate as bidder or financier to the potential purchaser and shall be provided equal information rights as any other bidder, subject to applicable securities law (and for the avoidance of doubt in which the Senior Secured Creditors, the Super Senior Creditors, the Future Second Lien Creditors or, in each case, a representative acting on their behalf are also entitled to participate);

(II) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law which has jurisdiction and where there is a determination of value by or on behalf of such court; or

(III) where a Financial Advisor 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 Financial Advisor in giving such opinion may be limited to the amount of its fees in respect of such engagement.

If prior to the later of the Senior Secured Debt Discharge Date and the Future Second Lien Discharge Date, a Distressed Disposal is being effected at a time when the Majority Senior Creditors are entitled to give, and have given, instructions, the Security Agent is not authorized to release any Debtor, Subsidiary or Holding Company that is a member of the Group from any Borrowing Liabilities or Guarantee Liabilities or Other Liabilities owed to any Senior Secured Creditor, Super Senior Creditor or Future Second Lien Creditor unless those Borrowing Liabilities or Guarantee Liabilities or Other Liabilities and any other Senior Secured Liabilities or Future Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent Liability relating to a Letter of Credit, Cash Management Facility LC, a Cash Management Facility or an Ancillary Facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release.

If a disposal of an asset subject to the Senior Notes Only Security is being effected (i) at the request of the Majority Senior Creditors (at a time when enforcement of the Senior Notes Only Security is permitted by the "Restrictions on Enforcement by Senior Notes; Senior Notes Standstill" section above in circumstances, (ii) by enforcement of the Senior Notes Only Security or (iii) after the occurrence of a Distress Event, by Topco or a Third Party Security Provider to a person which is not a member of the Group), the Security Agent is irrevocably authorized and instructed to take all such actions as if the disposal was a Distressed Disposal (including the release of any Senior Notes Only Security) and the net proceeds of the disposal shall be paid to the Security Agent to be distributed in accordance with the Senior Notes Only Security Payments Waterfall provided that, if such disposal occurs prior to the later of the Senior Secured Debt Discharge Date and the Future Second Lien Discharge Date, the Security Agent is not authorized to release any Debtor, Subsidiary or Holding Company that is a member of the Group from any Borrowing Liabilities or Guarantee Liabilities or Other Liabilities owed to any Senior Secured Creditor, Super Senior Creditor or Future Second Lien Creditor unless those Borrowing Liabilities or Guarantee Liabilities or Other Liabilities and any other Senior Secured Liabilities or Future Second Lien Liabilities will be paid (or repaid) in full (or, in the case of any contingent Liability relating to a Letter of Credit, Cash Management Facility LC, a Cash Management Facility or an Ancillary Facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), following that release.

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 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 Credit Facility, the Senior Secured Notes and/or Future Pari Passu Debt will be in accordance with the relevant documents.

Subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement requires the written agreement of:

(a) the Majority Super Senior Creditors;

(b) the Majority Cash Management Facility Creditors;

(c) the Senior Secured Notes Required Holders (as defined below) (if prior to the Senior Secured Notes Discharge Date);

(d) the Future Pari Passu Debt Required Holders (as defined below);

(e) the Majority Future Second Lien Creditors;

(f) the Senior Notes Required Holders (as defined below) (if prior to the Senior Notes Discharge Date);

(g) the Future Senior Debt Required Holders (as defined below);

(h) the Security Agent; and

(i) the Senior Secured Notes 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 representative for any affected class (acting on the instructions of the affected class as required) shall be required. Notwithstanding the paragraph immediately above, subject to certain exceptions, including in relation to the implementation of certain future indebtedness as contemplated by the Intercreditor Agreement, 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) proceeds of disposals, (vi) application of proceeds, (vii) consents, amendments and overrides, and (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, shall not be made without the written consent of:

(a) the RCF Lenders;

(b) the Cash Management Facility Lenders (to the extent that the amendment or waiver would materially adversely affect the rights and obligations of the Cash Management Facility Lenders under the Intercreditor Agreement in their capacity as such);

(c) the Senior Secured Notes Trustee (acting in accordance with the terms of the Senior Secured Notes Indenture);

(d) the Senior Notes Trustee (acting in accordance with the terms of the Senior Notes Indenture);

(e) the representative of the Future Pari Passu Creditors;

(f) the representative of the Future Second Lien Creditors;

(g) the representative of the Future Senior Creditors;

(h) each Super Senior Hedging Lender and each Pari Passu Hedging Lender (to the extent that the amendment or waiver would materially adversely affect Super Senior Hedging Lenders and Pari Passu Hedging Lenders); and

(i) the Senior Secured Notes 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 representative for any affected class (acting on the instructions of the affected class as required) shall be required.

The Intercreditor Agreement provides that:

(a) "**Future Senior Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Future Senior Creditors holding in aggregate a principal amount of Future Senior Debt which is not less than the principal amount of Future Senior 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 Senior Debt;

(b) "**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 at least holding the majority of the principal amount of the then outstanding Future Pari Passu Debt;

(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 the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable); and

(d) "**Senior Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Senior Notes holding in aggregate a principal amount of Senior Notes which is not less than the principal amount of Senior Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Notes Indenture or, if the required amount is not specified, the holders holding the majority of the principal amount of the then outstanding Senior Notes (as applicable).

Snooze/lose

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement (and any other Debt Document (other than the Senior Notes Documents and the Future Senior Debt Documents), which does not contain a substantially equivalent snooze/ lose provision) any creditor fails to respond to the request within ten Business Days or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable provided that, notwithstanding the foregoing, such provision shall not apply to any holder of a Note in respect of any request where such holder of a Note is not given the option to respond to such request in the negative but shall otherwise apply to all holders of a Note.

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, a Cash Management Facility Document, the Senior Secured Notes, the Future Pari Passu Debt, the Future Second Lien Debt, the Senior Notes or the Future Senior Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**") (and provided that no option to purchase has been served by the Future Second Lien Creditors, the Senior Notes Creditors or the Future Senior Creditors), the holders of the Senior Secured Notes, the Cash Management Facilities Lenders and the Future Pari Passu Creditors shall have an option to purchase all (but not part) of the RCF Lenders' (or their affiliates) commitments under the Revolving Credit Facility and all their exposures in respect of any related Super Senior Hedging Agreements at par plus accrued interest and all other amounts owing under the Revolving Credit Facility Agreement and the Super Senior Hedging Agreements, with such purchase to occur all at the same time.

Following (a) any notice that the Transaction Security has become enforceable; or (b) a Distress Event (and provided that no option to purchase has been served by the Senior Notes Creditors or the Future Senior Creditors), the holders of the Future Second Lien Debt shall have an option 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.

Following (a) any notice that the Transaction Security has become enforceable; or (b) a Distress Event, the holders of the Senior Notes and the Future Senior Creditors shall have an option to purchase all (but not part) of the Senior Secured Debt and Future Second Lien Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt and Future Second Lien Debt, with such purchase to occur all at the same time.

Hedging

All scheduled payments permitted under a Super Senior Hedging Agreements or a Pari Passu Hedging Agreement (other than certain close out payments whilst a Senior Secured Default is continuing (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 contains customary provisions in relation to the circumstances in which a Super Senior Hedging Lender and a Pari Passu Hedging Lender may take Enforcement Action in relation to its hedging.

Provisions following an IPO

On, following or in contemplation of an initial public offering of the Company (or a holding company of the Company) (an "**IPO**") but not earlier than the Merger Date, the Senior Secured Notes Issuer and/or the Senior Notes Issuer are entitled to give notice that the terms of the Debt Documents will automatically operate so that, amongst other things, (i) the Group (and all related provisions) will now refer to the entity who will issue shares or whose shares are to be sold pursuant to such IPO (the "**IPO Pushdown Entity**,") and each of its respective Restricted Subsidiaries, (ii) all financial ratio calculations shall be made excluding any holding company of the IPO Pushdown Entity, (iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the IPO Pushdown Entity, provided that if any Senior Notes (or debt ranking *pari passu* therewith) are not refinanced in full on or before the date of such IPO, the IPO Pushdown Entity shall either (at the election of the Company) be (x) be the Senior Notes Issuer (or other *pari passu* debt issuer) for the purposes of the Senior Liabilities (as defined in the Intercreditor Agreement) and all references to the Parent, the Holdco Lender or the Senior Notes Issuer shall be construed as references to that IPO Pushdown Entity and for the purpose of Group or Liabilities (other than the Senior Liabilities) and all related provisions, reference to IPO Pushdown Entity shall be construed as reference to the direct Subsidiary of the IPO Pushdown Entity; or (y) the Senior Secured Notes Issuer, and for the purposes of the Senior Liabilities (i) the Senior Notes Issuer and any Future Senior Notes Issuer shall be the direct Holding Company of the Pushdown Entity; and (ii) the Senior Notes Issuer and any Future Senior Notes Issuer shall remain subject to all obligations and restrictions under the Debt Documents subject to releasing any Transaction Security granted by the Senior Notes Issuer and/or any Future Senior Notes Issuer.

Each holding company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the Debt Documents (including any Transaction Security and any Shared Security), and each Subordinated Creditor, Topco, Parent or Senior Notes Issuer will be released from its obligations and restrictions under the Intercreditor Agreement in the appropriate capacity.

Subject to the consent of the requisite majority lenders under each applicable class of debt (being the Majority Super Senior Creditors, the Majority Senior Secured Creditors the Majority Senior Creditors and the Majority Future Second Lien Creditors (each as defined in the Intercreditor Agreement)), the Senior Secured Notes Issuer and each other member of the Group shall also be released from all obligations as Debtor and guarantor under the Debt Documents and from the Transaction Security (other than, in each case, borrowing liabilities). Each party to the Intercreditor Agreement (other than a member of the Group) shall be required to enter into any amendment, release or replacement of any Debt Document required to facilitate such matters.

General

The Intercreditor Agreement contains provisions dealing with:

(a) close-out rights for the Super Senior Hedging Lenders and the Pari Passu Hedging Lenders;

(b) permitted payments (including without limitation, the repayment of 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 Senior Notes and the Future Senior Debt);

(c) incurrence of Future Pari Passu Debt, Future Senior Debt or Future Second Lien Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt, Future Senior Debt or Future Second Lien 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 so long as not prohibited under the Credit Facility Documents or the Senior Secured Notes Indenture and Future Senior Debt shall be subject to the same subordination provisions as the Senior Notes;

(d) the ability to replace or supplement the Revolving Credit Facility Agreement with facilities benefiting from a similar position under the terms of the Intercreditor Agreement;

(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; and

(f) customary protections for the Senior Notes Trustee and the Senior Secured Notes Trustee.

Governing law

The Intercreditor Agreement is governed by and construed in accordance with English law.

Reviso Intercompany Loan

TeamSystem, as lender, has granted an interest bearing revolving loan for a principal amount of up to €7.5 million, repayable at any time, to its subsidiary 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 (the **"Reviso Intercompany Loan"**). As of September 30, 2020, approximately €4.1 million was outstanding under the Reviso Intercompany Loan and approximately €3.4 million were available for future drawings.

We expect that the Reviso Intercompany Loan will remain outstanding following the Completion Date.

Cash Pooling Arrangements

Certain subsidiaries of TeamSystem have joined centralized cash pooling systems made available by Teamsystem and managed by means of specific bank accounts opened with Intesa Sanpaolo S.p.A. and UniCredit S.p.A. pursuant to agreements entered into by the relevant subsidiary, TeamSystem and Intesa Sanpaolo S.p.A. or UniCredit S.p.A., as applicable, related to the carrying out of a cash pooling "zero balance" service, and an agreement entered into by TeamSystem with Intesa Sanpaolo S.p.A. or UniCredit S.p.A., as applicable, regarding the management of the relevant bank accounts.

TeamSystem Proceeds Loan

On or about the Completion Date, the Issuer will make available to TeamSystem the TeamSystem Proceeds Loan. The TeamSystem Proceeds Loan is expected to be comprised of two facilities for an estimated aggregate principal amount of €840.5 million, deriving from the proceeds under Tranche B (as defined under "*Use of Proceeds*") under the Notes ("**Facility A1**" and "**Facility A2**"). The amounts borrowed by TeamSystem under the TeamSystem Proceeds Loan will be used as described under "*Summary—The Transactions*" and "*Use of Proceeds.*"

Interest on the TeamSystem Proceeds Loan will accrue at a rate that we anticipate will be generally consistent with (i) the rate applicable to the Fixed Rate Notes, in respect of Facility A1 and (ii) the rate applicable to the Floating Rate Notes, in respect of Facility A2. The maturity date of the TeamSystem Proceeds Loan will be on or about the maturity date of the Notes, in respect of Facility A1 and Facility A2.

Subject to certain significant exceptions, the TeamSystem Proceeds Loan documentation will prohibit the repayment, reduction, extinction or equitization of the TeamSystem Proceeds Loan. Such exceptions include, but are not limited to, the repayment of the TeamSystem Proceeds Loan to enable the Issuer to make payments of principal and interest on the Notes. The Indenture will not include any restrictions on the Issuer or TeamSystem to amend the TeamSystem Proceeds Loan documentation, including to permit the repayment of the TeamSystem Proceeds Loan in order to allow the Issuer to discharge other debt secured by the Collateral. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The principal amount of the receivables forming part of the Collateral may be reduced as a result of prepayments of such loans prior to the maturity date of the Notes*."

The agreement governing the TeamSystem Proceeds Loan will not provide for any undertakings or representations by the parties. The Issuer's interest in the receivables under the TeamSystem Proceeds Loan will be subject to security on a first-ranking basis as part of the Collateral securing the Notes and the Revolving Credit Facility. The agreement governing the TeamSystem Proceeds Loan will be governed by Italian law.

Upon completion of the Post Completion Merger, the TeamSystem Proceeds Loan will be terminated and the security interests over the Issuer's interest in the receivables in respect of the TeamSystem Proceeds Loan will be extinguished by operation of law.

Holdco Private Notes

In connection with the Transactions, on or prior to the Completion Date, Holdco will issue €300.0 million in aggregate principal amount of Senior Floating Rate Pay-If-You-Want PIK Toggle Notes due 2029 (the "**Holdco Private Notes**") in a private placement. The Holdco Private Notes will mature twelve months following the maturity date of the Notes, unless earlier redeemed or repurchased and cancelled in accordance with the indenture governing the Holdco Private Notes.

Holdco will pay interest on the Holdco Private Notes either in cash or in kind or in a combination thereof, at the sole option of Holdco, in accordance with applicable provisions of law and the terms and conditions of the Holdco Private Notes. Interest will be payable semi-annually in arrears. The Holdco Private Notes are expected to be serviced by Holdco through dividends or other distributions by the Issuer or its subsidiaries to Holdco, subject to the limitations under applicable law.

Subject to the terms of the Security Documents, the following assets which are part of the Collateral securing the Notes will be secured on a contractual second-priority basis by operation of the Intercreditor Agreement for the benefit of the holders of the Holdco Private Notes: 100% of the share capital of the Issuer (the "**Shared Collateral**"). See "*Description of Notes—Security*." The Holdco Private Notes will not be guaranteed by, and will not receive any other credit support from, the Issuer and its subsidiaries.

The Holdco Private Notes are expected to be issued in dematerialized book-entry form through the facilities of Monte Titoli S.p.A. and are expected to be listed on the Vienna MTF of the Vienna Stock Exchange. The Holdco Private Notes will be governed by New York law and will have covenants substantially similar to the covenants of the Notes, as amended to reflect, among other things, the different position of Holdco and the Holdco Private Notes in the capital structure.

DESCRIPTION OF NOTES

Brunello Bidco S.p.A. (the "**Issuer**") will issue (i) € million in aggregate principal amount of Senior Secured Floating Rate Notes due 2028 (the "**Floating Rate Notes**") and (ii) € million in aggregate principal amount of % Senior Secured Notes due 2028 (the "**Fixed Rate Notes**" and, together with the Floating Rate Notes, the "**Notes**") under an indenture to be dated as of , 2021 (the "**Indenture**"), between, *inter alios*, the Issuer, Brunello Midco 2 S.p.A. ("**Holdco**" or the "**Parent Guarantor**"), as guarantor, The Law Debenture Trust Corporation p.l.c. as trustee of the holders of the Notes and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code (the "**Trustee**") under the Indenture, and Deutsche Bank AG, London Branch, as security agent under the Intercreditor Agreement (as defined below) and representative (*rappresentante*) of the holders of the Notes pursuant to and for the purposes set forth under Article 2414-*bis*, 3rd paragraph of the Italian Civil Code (the "**Security Representative**") under the Indenture (the "**Security Agent**"). Definitions of certain capitalized terms used in this "*Description of Notes*" are set forth under the heading "*—Certain definitions*" below. For purposes of this "*Description of Notes*," "Issuer" means Brunello Bidco S.p.A. (not including any of its Subsidiaries) and any and all successors thereto (including, following the Post Completion Merger, MergerCo (as defined below)).

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer and the Parent Guarantor. Prior to the Completion Date, the Issuer will not control the Target or any of its Subsidiaries, and none of the Target nor any of its Subsidiaries will be subject to the covenants described in this "*Description of Notes*." As such, the Issuer cannot assure you that prior to the Completion Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities as of and from the Issue Date and prior to the Completion Date.

If the Offering of the Notes closes prior to the Completion Date, pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the Initial Purchasers will, concurrently with the closing of the Offering of the Notes on the Issue Date, deposit the gross proceeds of this Offering of Fixed Rate Notes and Floating Rate Notes into two segregated escrow accounts (collectively, the "**Escrow Accounts**") pursuant to the terms of an escrow deed (the "**Escrow Agreement**") dated on or prior to the Issue Date among the Issuer, the Trustee and JPMorgan Chase Bank, N.A., as Notes escrow agent (the "**Escrow Agent**"). The release of the Escrowed Property (as defined below) from the Escrow Accounts will be subject to the satisfaction of certain conditions, including the completion of the Acquisition pursuant to the terms of the Acquisition Agreement within one Business Day following the release of the funds from the Escrow Accounts. If the conditions to the release of the Escrowed Property have not been satisfied on or prior to June 30, 2021 (the "**Escrow Longstop Date**"), or upon the occurrence of certain other events, the Notes will be subject to a Special Mandatory Redemption (as defined herein). The Special Mandatory Redemption price of each series of Notes will be equal to 100% of the initial issue price of such series of Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined herein). See "*—Escrow of proceeds; Special Mandatory Redemption*."

Upon release from escrow, the proceeds of the Offering of the Notes sold on the Issue Date will be used by the Issuer, together with the Shareholder Funding (as defined under "*Summary—The Transactions*" and including proceeds from the Holdco PIK Contribution (as defined below)), to fund the purchase price for the Acquisition, redeem all of the outstanding Existing Notes, fund cash on balance sheet to allow the Target Group to, among other things, acquire the minority stakes held by certain third-party shareholders in certain subsidiaries of TeamSystem and to pay costs and expenses incurred in connection with the Transactions, as described further in this Offering Memorandum under "*Use of proceeds*."

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 Notes, 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.

Additional Notes

The Indenture will be unlimited in aggregate principal amount, of which (i) € million aggregate principal amount of Floating Rate Notes and (ii) € million aggregate principal amount of Fixed 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 Floating Rate Notes having substantially identical terms and conditions as the Floating Rate Notes originally issued (the "**Additional Floating Rate Notes**") and an unlimited principal amount of additional Fixed Rate Notes having substantially identical terms and conditions as the Fixed Rate Notes originally issued (the "**Additional Fixed Rate Notes**" and, together with the Additional Floating Rate Notes and any notes issued under the Indenture of any other series as further described below, 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*").

Any such Additional Notes shall have terms substantially identical to the applicable series of Notes originally issued except in respect of any of the following terms which shall be set forth in an Officer's Certificate (as defined below) supplied to the Trustee:

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes may be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes may bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest may be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes may be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the maturity date or dates of such Additional Notes, and the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes may be issued and redeemed;

(8) the status of registration with the SEC of such Additional Notes or the applicable exemption from such registration pursuant to which such Additional Notes may be offered or sold; and

(9) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes of the applicable series, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires or unless otherwise specified, for all purposes of the Indenture and this "*Description of Notes*," references to the "Notes" include the Notes issued on the Issue Date under the Indenture and any Additional Notes that are actually issued from time to time thereunder.

For all purposes other than U.S. federal income tax purposes, Additional Notes shall be deemed to form one series with any corresponding series of Notes previously issued if they have terms substantially identical in all material respects to such other series of Notes. In the event that any Additional Notes sold pursuant to Rule 144A are not fungible with any corresponding series of Notes previously issued for U.S. federal income tax and/or Italian tax purposes, such non-fungible Additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued series of Notes. Additional Notes sold pursuant to Regulation S from time to time may at the option of the Issuer be issued with the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued without being fungible with such series of initial Notes for U.S. federal income tax and/or, as applicable, Italian tax purposes. **If you are a U.S. holder (as defined in "*Certain tax considerations—Certain U.S. federal income tax considerations*") considering the purchase of Notes sold pursuant to Regulation S as part of this Offering of Notes or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of Additional Notes that are not fungible with the applicable series of initial Notes for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified.**

General

The Notes

The Notes will, on the Issue Date:

- be general senior obligations of the Issuer and, subsequent to the Post Completion Merger, MergerCo;
- rank *pari passu* in right of payment among themselves and 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 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 (or MergerCo, as applicable) 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 (or MergerCo, as applicable) 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 "—*Methods of receiving payments on the Notes*").

Under the terms of the Intercreditor Agreement, Holders will receive proceeds from the enforcement of the Collateral only after certain obligations entitled to receive proceeds from the enforcement of the Collateral in priority to the Notes have been repaid in full, including obligations under the Revolving Credit Facility and certain Hedging Obligations, if any.

The Guarantees

The Guarantee of each Guarantor 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, in the case of (i) Holdco, its obligations under the Holdco Private Notes, and (ii) in the case of each Subsidiary Guarantor, 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, the Guarantees and the Collateral*," "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and "*Description of certain financing arrangements—Intercreditor Agreement*."

Terms of the Notes

The Issuer will issue € million in aggregate principal amount of Floating Rate Notes and € million in aggregate principal amount of Fixed Rate Notes on the Issue Date. The Notes will mature on , 2028. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest on the Fixed Rate Notes will accrue at the rate of % per annum. Interest on the Fixed Rate 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 semi-annually in arrears on and , commencing on , 2021;
- be payable to the Holder of record of such Fixed Rate Notes on the Business Day immediately preceding the related interest payment date (for Fixed Rate Notes held in global form); and
- be computed on the basis of a 365-day year and the actual number of days elapsed.

Interest on the Floating Rate 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) %, as determined by the Calculation Agent (as defined below). Interest on the Floating Rate 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 , , and of each year, commencing on , 2021;
- be payable to the Holder of record of such Floating Rate Notes on the Business Day immediately preceding the related interest payment date (for Floating Rate Notes held in global form); and
- be computed on the basis of a 365-day year and the actual number of days elapsed.

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 on the Floating Rate Notes 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 the Floating Rate Note 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 365. 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 Floating Rate 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 Floating Rate Notes is permitted under any applicable law.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Floating Rate Notes.

"**Calculation Agent**" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, London Branch.

"**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.

In the event that EURIBOR is no longer being calculated or administered or is otherwise no longer generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities hereunder, the alternative basis for determining the rate of interest on the Floating Rate Notes will be any successor rate generally accepted in the euro-zone for the purposes of determining floating rates of interest in respect of euro-denominated securities, as identified by the Issuer in good faith; *provided* that, in the event that there is no generally accepted successor rate to EURIBOR in the good faith judgment of the Issuer, the Issuer, in consultation with the Calculation Agent, shall determine a reasonably appropriate alternative basis for determining the rate of interest on the Floating Rate Notes; *provided further* that any such alternative basis adopted pursuant to this paragraph shall in all cases never be less than 0%. The Issuer shall promptly notify the Holders of the adoption of any such alternative basis for determining the rate of interest on the Floating Rate Notes. Following the adoption of an alternative basis pursuant to this paragraph, all references to "EURIBOR" in the Indenture shall be deemed to refer to such alternative basis.

"**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 , 2021.

"**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 (TARGET2) System is open for the settlement of payments in euro.

The rights of Holders to receive the payments of interest on the Notes will be subject to applicable procedures of Euroclear Bank SA/NV ("**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, Dublin 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 by the Issuer 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.

Post Completion Merger

We will use commercially reasonable efforts, subject to any relevant approval and/or authorization by any competent authority, to implement the Post Completion Merger in accordance with Articles 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable following the Completion Date. Failure to complete the Post Completion Merger shall not constitute a Default or an Event of Default under the Indenture. Following consummation of the Post Completion Merger, all references in the Indenture to the "Issuer" shall refer to MergerCo, unless the context otherwise requires. The Post Completion Merger is subject to certain conditions and may not be completed. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all*."

Guarantees

On the Issue Date, the Notes will only be guaranteed by the Parent Guarantor. In addition, in the event the Post Completion Merger does not occur on or prior to the date falling 15 months after the Completion Date (the "**Cut-Off Date**"), the Issuer shall use commercially reasonable efforts to procure that, subject to the Agreed Security Principles and to certain significant limitations under Italian law, TeamSystem guarantees the Notes within 60 days of the Cut-Off Date. As of and for the twelve months ended September 30, 2020, TeamSystem accounted for 72.2% of TeamSystem Holding's consolidated total assets, 63.3% of TeamSystem Holding's total revenue and 65.9% of TeamSystem Holding's Adjusted EBITDA, after the elimination of intercompany balances.

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, in each case of the Issuer or a Subsidiary Guarantor, shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

For the purposes of this "*Description of Notes*," "**Guarantor**" means the Parent Guarantor and any Restricted Subsidiary of the Issuer that may guarantee the Notes from time to time pursuant to the Indenture (each a "**Subsidiary Guarantor**") on or after the Completion Date (in each case, together with any and all successors thereto).

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 Guarantees and the Collateral and certain insolvency law considerations*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantee and the Collateral may adversely affect the validity and enforceability of the Guarantee and the Collateral*." 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 will be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee.

The Issuer is a holding company established in connection with the Transactions with no revenue generating operations of its own. As of the Issue Date, the Issuer will not have any Subsidiaries. Following the Completion Date, substantially all of the operations of the Issuer will be conducted through its Subsidiaries. As a result, prior to the Post Completion Merger, the Issuer will be dependent upon dividends and other payments from its Subsidiaries to generate the funds necessary to meet its outstanding indebtedness service (including under the Notes) and other obligations, and such dividends and other payments may be restricted by law or the instruments governing our indebtedness, including any financing agreements of our Subsidiaries. Our Subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the Notes. See "*Risk factors—Risks related to our structure and the Financing—The Issuer is a holding company that has no revenue generating operations of its own and prior to the Post Completion Merger will depend exclusively on cash from the operating companies of the Target Group to be able to make payments on the Notes*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—We may be unable to complete the Post Completion Merger within the anticipated time frame, or at all*."

Not all of the Subsidiaries of the Issuer will guarantee the Notes and, following the Post Completion Merger, no Subsidiary of MergerCo is expected to guarantee the Notes. 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. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Prior to completion of the Post Completion Merger and, in the event that the Post Completion Merger does not occur within fifteen months from the*

Completion Date, prior to the granting of the Guarantee by TeamSystem, the Notes will be structurally subordinated to the existing or future indebtedness or obligations of each of the Issuer's subsidiaries, including the Target and TeamSystem. After the granting of the Guarantee by TeamSystem (and subject to the limitations thereon), the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of the Issuer, other than TeamSystem. After the Post Completion Merger, the Notes will be structurally subordinated to any existing or future indebtedness or obligations of each of the subsidiaries of MergerCo." As of September 30, 2020, after giving *pro forma* effect to the Transactions, the Issuer's subsidiaries which are not expected to guarantee the Notes would have had €3.7 million in outstanding financial debt (excluding €7.4 million of Liabilities to Non-Controlling Shareholders of Subsidiaries), none of which was secured and €3.5 million of which was represented by lease obligations under IFRS 16, which would have ranked structurally senior to the Notes and the Guarantees. Although the Indenture will limit the Incurrence of Indebtedness 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 under the Indenture, including the Liabilities to Non-Controlling Shareholders of Subsidiaries. See "*—Certain covenants—Limitation on Indebtedness*."

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, dissolution 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 not prohibited 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*;"
- pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement (including as described under "*Description of certain financing arrangements—Intercreditor Agreement—Release and/or Transfer of Claims and Liabilities in Respect of the Senior Notes and the Senior Secured Notes and the Transaction Security—Provisions following an IPO*");
- 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 second 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*" (including the Post Completion Merger, to the extent applicable).

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 (except to the extent required under the fifth bullet above) or any action on the part of the Trustee.

Escrow of Proceeds; Special Mandatory Redemption

If the Offering of the Notes closes prior to the Completion Date, concurrently with, or prior to, the closing of the Offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the gross proceeds of the Offering of the Notes sold on the Issue Date into the Escrow Accounts. The Escrow Accounts will be pledged on a first-priority basis in favor of the Trustee for the benefit of the Holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Escrow Charge**"). The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrowed Property**."

The Escrow Agent shall promptly release the Escrowed Property to the Issuer (the "**Release**"), subject only to receipt by the Escrow Agent of an Officer's Certificate by the Issuer to the Escrow Agent with a copy to the Trustee (upon which both the Escrow Agent and the Trustee shall be able to conclusively rely without further investigation), on or before the Escrow Longstop Date, to the effect that:

- the Acquisition will be consummated within one Business Day following the Release, on substantially the same terms as described in this Offering Memorandum under the section "*Summary—The Transactions*," except for any waivers, changes or other modifications that will not, individually or when taken as whole, materially adversely affect the Holders or to which the Holders have consented; and
- as of the date of delivery of the Officer's Certificate, there is no Default or Event of Default under clause (5) of the first paragraph under the heading titled "*—Events of Default*" below with respect to the Issuer.

Upon the Release, the Escrow Accounts shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (a) the satisfaction of the conditions set forth above does not take place on or prior to the Escrow Longstop Date, (b) at any time prior to the Escrow Longstop Date, in the good faith judgment of the Issuer, the Acquisition will not be consummated on or prior to the Escrow Longstop Date, (c) the Acquisition Agreement terminates at any time on or prior to the Escrow Longstop Date, (d) Permitted Holders cease to beneficially own or control a majority of the issued and outstanding Capital Stock of the Issuer or (e) a Default or Event of Default arises under clause (5) of the first paragraph under "*—Events of Default*" on or prior to the Escrow Longstop Date with respect to the Issuer (the date of any such event being the "**Special Termination Date**"), the Issuer will redeem all of the Notes (the "**Special Mandatory Redemption**") at a price (the "**Special Mandatory Redemption Price**") equal to 100.0% of the respective issue prices of the Fixed Rate Notes and the Floating Rate Notes, as applicable, plus accrued interest and Additional Amounts, if any, from the Issue Date to, but excluding, the Special Mandatory Redemption Date (as defined below) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date falling prior to or on the redemption date).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, the Paying Agent and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Escrow Agreement (the "**Special Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each Holder the relevant Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver any excess Escrowed Property (if any) to the Issuer.

Pursuant to a shortfall agreement between the Issuer and Holdco to be entered on or about the Issue Date (the "**Shortfall Agreement**"), Holdco will be required to contribute to each of the Escrow Accounts an amount equal to the amount by which the relevant Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Property. See "*Risk factors—Risks related to the Transactions—If certain conditions are not satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem the Notes, which means holders of the Notes may not obtain the return they expect on the Notes. In addition, the Issuer might not have sufficient funds to pay all of the amounts due to the holders of the Notes in the event of a Special Mandatory Redemption*."

To secure the payment of the relevant Special Mandatory Redemption Price, the Issuer will grant to the Trustee for the benefit of the Holders of the relevant series of Notes a security interest in the relevant Escrow Account. Receipt by the Trustee of either an Officer's Certificate for the Release or a notice of Special Mandatory Redemption shall constitute deemed consent by the Trustee for the Release of the Escrowed Property from the Escrow Charge.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

Amounts of the Escrowed Property may be released from the Escrow Accounts prior to the Completion Date to pay negative interest charged on the Escrow Account (if any) and to pay interest on the relevant series of Notes and any Additional Amounts on any interest payment date in respect thereof occurring prior to the Release.

The provisions of the Indenture relating to the Escrow Longstop Date or the Issuer's obligations to redeem the Notes in connection with a Special Mandatory Redemption may be waived or modified with the consent of Holders of a majority in outstanding aggregate principal amount of the Notes.

Transfer and Exchange

The Notes will be issued in the form of several 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.

In the event Additional Notes are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series (including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such Additional Notes) will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes. See also "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Additional Notes sold pursuant to Regulation S may not be fungible with existing Notes for U.S. federal income tax purposes*," "*Book-entry; delivery and form—Transfers*" and "*—Additional Notes*."

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

As of the Issue Date, the Issuer will not have any Subsidiaries. As of the Completion Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture.

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

On the Issue Date and prior to the Completion Date, the Notes will be secured by a first-priority security interest in the Escrowed Property. See "*—Escrow of proceeds; Special Mandatory Redemption*."

On or about the Completion Date, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) 100% of the share capital of the Issuer;

(2) the material current bank accounts of the Issuer opened in Italy (if any); and

(3) the Issuer's receivables in respect of the TeamSystem Proceeds Loan (collectively, the "**Completion Date Collateral**").

Within 30 Business Days after the Completion Date, the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

(1) 100% of the share capital of the Target (the "**Target Share Pledge**"); and

(2) subject to certain significant limitations under Italian law, 100% of the share capital of TeamSystem (together with the Target Share Pledge, the "**Post Completion Date Collateral**" and, together with the Completion Date Collateral, the "**Pre Merger Collateral**").

No later than 30 Business Days following the completion of the relocation of the Target's legal seat and tax residence from Luxembourg to Italy, subject to and on the terms consistent with the Agreed Security Principles, the Issuer will reconfirm the Target Share Pledge or, to the extent required under Italian law, grant an Italian law share pledge in respect of 100% of the share capital of the Target.

Following the Post Completion Merger, in the event that the Target or TeamSystem is the successor company of the Post Completion Merger, MergerCo will, upon consummation of the Post Completion Merger, assume the obligations of the Issuer under the Notes and the Indenture. Concurrently with the Post Completion Merger and as a result thereof, the security interest over the Issuer's receivables in respect of the TeamSystem Proceeds Loan will be automatically terminated and depending on which entity will survive the Post Completion Merger, certain other Pre Merger Collateral will be extinguished by operation of law and, in particular, (a) in the event that the Issuer is the successor company of the Post Completion Merger, the Target Share Pledge and the pledge over the share capital of TeamSystem, will be extinguished by operation of law; (b) in the event that the Target is the successor company of the Post Completion Merger, the Issuer Share Pledge and the pledge over the share capital of TeamSystem, will be extinguished by operation of law; and (c) in the event that TeamSystem is the successor company of the Post Completion Merger, the pledge over the share capital of the Issuer and the Target Share Pledge will be extinguished by operation of law.

In addition, subject to and on terms consistent with the Agreed Security Principles:

(a) within 60 days following completion of the Post Completion Merger, MergerCo will grant (or reconfirm, as applicable) an Italian law pledge in respect of certain material current bank accounts of MergerCo opened in Italy (if any); and

(b) within 10 Business Days following completion of the Post Completion Merger, Holdco will reconfirm an Italian law share pledge in respect of 100% of Holdco's shares in MergerCo (the Collateral described under clauses (a) and (b), collectively, the "**Post Merger Collateral**").

In the event that the Post Completion Merger does not occur on or prior to the Cut-Off Date, in addition to the Pre Merger Collateral, the Issuer shall use commercially reasonable efforts to procure that the Notes will be secured, subject to the Agreed Security Principles, certain perfection requirements and certain significant limitations described under "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*," "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability*" and "*Risk* *factors—Risks related to the Notes, the Guarantees and the Collateral—Corporate benefit, financial assistance laws, capital maintenance and other limitations on the Guarantee and the Collateral may adversely affect the validity and enforceability of the Guarantee and the Collateral*" by security interests granted on a first-priority basis over certain material current bank accounts of TeamSystem opened in Italy (if any) (the "**Target Group Collateral**") within 60 days of the Cut-Off Date.

The Completion Date Collateral, the Post Completion Date Collateral, the Post Merger Collateral and the Target Group Collateral, as applicable, together with any and all assets in respect of which from time to time a Security Interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes and/or any Guarantee, in each case as may be in existence from time to time, is referred to herein as the "**Collateral.**"

Subject to the terms of the Security Documents, the following assets which are part of the Collateral will be secured on a contractual second-priority basis by operation of the Intercreditor Agreement for the benefit of the holders of the Holdco Private Notes: 100% of the share capital of the Issuer (the "**Shared Collateral**"). See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law. In addition, in the event of an enforcement over the Shared Collateral, holders of the Notes will have to rely on the contractual provisions of the Intercreditor Agreement to ensure that the security interests over the Shared Collateral for the benefit of the holders of the Holdco Private Notes will receive the proceeds of the enforcement after the holders of the Notes.*"

Subject to certain conditions, including compliance with the covenants described under "*—Certain covenants—Impairment of Security Interest*" and "*—Certain covenants—Liens*," the Issuer and its Restricted Subsidiaries are permitted to grant security over the Collateral in connection with future issuances of Indebtedness, including any Additional Notes issued by the Issuer as permitted under the Indenture and the Intercreditor Agreement. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and other secured indebtedness may be secured by assets that do not secure the Notes*." All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain covenants—Additional Guarantees*," certain property, rights and assets (other than the Collateral described above in this section) 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. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited. The following is a summary of certain terms of the Agreed Security Principles:

- general legal and statutory limitations, regulatory restrictions, financial assistance (including, without limitation, pursuant to articles 2358 or 2474 of the Italian Civil Code), capital maintenance, corporate benefit, equity subordination, fraudulent preference, limitations of the granting of guarantee by holding companies, interest stripping, controlled foreign corporation, transfer pricing or thin capitalization rules, exchange control restrictions, minority shareholder protection/equal treatment of shareholder rules, tax restrictions retention of title claims and similar principles may prohibit, limit or otherwise restrict the ability of a security provider to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise;

- in certain jurisdictions, it may be impossible, impractical, or disproportionately costly to create guarantees or security over certain categories of assets, in which event guarantees or security will not be taken over such assets;

- subject to certain conditions, any assets or security providers subject to third party arrangements which may prevent those assets from being charged or assigned or those security providers from giving a security or guarantee (or assets which, if charged or assigned, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the security provider in respect of those assets or require any security provider to take any action materially adverse to the interests of the Issuer and its Restricted Subsidiaries (the "**Group**") or any member of the Group) will be excluded from any relevant security document and any requirement to give security or guarantee;

- certain supervisory board, works council, regulator or regulatory board (or equivalent), minority shareholder or another external body's or person's consent may be required to enable a security provider to provide a guarantee or security;
- no security provider will be required to give guarantees or enter into security documents if (i) it is not within the legal capacity of the relevant security provider to do so, (ii) it results in the security document being null and void, or (iii) it would conflict with the fiduciary duties of their or any affiliates' directors, officers or employees, contravene any legal, contractual or regulatory prohibition, or regulatory or contractual condition or result in a risk of personal, contractual or criminal liability on the part of any director, officer or employee;
- security that requires payment in Italy of an *ad valorem* registration tax on the amount of the secured obligations will not be taken (i) unless it can be executed by way of exchange of correspondence or in any other form required under the applicable law (other than Italian law) governing the relevant security which does not give rise to any such ad valorem registration tax, or (ii) if tax duty cannot be minimized upon execution, including by securing only the relevant grantor's own obligations as borrower;
- no security provider that is subject to a license under any law or regulation that would prohibit or materially restrict the granting of security or giving of guarantees shall be required to grant any security or give any guarantees, provided that reasonable endeavours (not involving the payment of any material fees or the incurrence of any material costs or expenses) to obtain consent or waivers from any relevant party shall be used by the relevant security provider if, in the view of the Issuer (acting reasonably), granting such security or giving such guarantee will have no material adverse impact on relationships with third parties or otherwise force the relevant security provider or the Group to pay any material fees or incur any material costs or expenses;
- the security will be first ranking, to the extent possible, subject to any non-consensual liens and other liens mandatorily preferred by any applicable law and permitted under the finance documents;
- security shall not be required to be granted over any trade receivables, intellectual property, livestock, moveable plant, equipment, insurance policies, real estate assets or vehicles, and any security provider shall be free to deal with such assets in the course of its business or as otherwise permitted or not prohibited under the finance documents;
- no guarantees or security will be required in jurisdictions other than Italy and any jurisdiction in which any borrower under the Revolving Credit Facility Agreement is incorporated (a "**Guarantor Jurisdiction**");
- security shall be limited to (i) security over the shares (or quotas or partnership interests, if applicable) owned by: the Parent Guarantor in the Issuer (or, following the Post Completion Merger, MergerCo); the Issuer in the Target; TeamSystem Holding in TeamSystem; and an obligor or a wholly-owned member of the Group incorporated in a Guarantor Jurisdiction in a wholly-owned Restricted Subsidiary of the Issuer incorporated in a Guarantor Jurisdiction which has earnings before interest, tax, depreciation and amortization (calculated on the same basis as consolidated EBITDA) representing more than five (5) per cent. of consolidated EBITDA of the Group (a "**Material Subsidiary**"), (ii) security over material bank accounts owned by the Issuer or a Material Subsidiary which is an obligor that are opened in a Guarantor Jurisdiction and (iii) security over material intercompany receivables that are structural intercompany receivables owed to an obligor, the Parent Guarantor or a wholly-owned member of the Group incorporated in a Guarantor Jurisdiction by a Material Subsidiary, in each case in accordance with the Agreed Security Principles;
- all security (subject to certain exceptions) shall be governed by the law of and secure assets located only in the jurisdiction of incorporation of that security provider and where possible, the transaction security documents governed by Italian law will be executed by way of exchange of correspondence *(scambio di corrispondenza commerciale*), or outside Italy, in order to minimize any documentary tax cost connected with their execution;
- notification of security will only be given where required by local law to perfect the security;
- transaction security will be granted on an "as is, where is" basis, and no security provider will be required to procure any changes to or corrections of filings on external registers other than (for the avoidance of doubt) to register transaction security under the Revolving Credit Facility Agreement; and

- no perfection action will be required in jurisdictions where security providers are not incorporated but perfection action may be required in the jurisdiction of incorporation of one security provider in relation to security granted by another security provider incorporated in a different jurisdiction.

The Agreed Security Principles also set out certain additional factors which will apply when determining the extent of the guarantees and the security to be provided and certain additional principles which will be reflected in any security taken.

As described above, (i) all of the Collateral will also secure on a first-priority basis the liabilities under the Revolving Credit Facility Agreement, as well as certain Hedging Obligations (if any) and any Additional Notes and may also secure certain future indebtedness; *provided, however*, that pursuant to the Intercreditor Agreement the lenders under the Revolving Credit Facility, counterparties to certain Hedging Obligations (if any) and providers of certain future indebtedness will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes; and (ii) the Shared Collateral will secure, on a contractual second-priority basis by operation of the Intercreditor Agreement, the liabilities under the Holdco Private Notes. See "*—Priority*." See also, "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes*."

In the future, the lenders under the Revolving Credit Facility Agreement and/or counterparties to certain Hedging Obligations (if any) and any Additional Notes in certain circumstances may also benefit from security which does not secure the Notes offered hereby.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a description of such limitations, see "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability*."

No appraisals of the Collateral have been made in connection with this Offering of the Notes. 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 actors—Risks related to the Notes, the Guarantees and the Collateral—Creditors under the Revolving Credit Facility and counterparties to certain hedging obligations (if any) and future indebtedness permitted to be incurred under the terms of the Indenture and the Intercreditor Agreement ranking pari passu with the Revolving Credit Facility are entitled to be repaid with proceeds from the enforcement of the Collateral in priority to the Notes*."

Priority

The relative contractual priority with respect to Security Interests among the lenders under the Revolving Credit Facility, the counterparties under certain Hedging Obligations, if any, secured by the Collateral, the Trustee, the Security Agent, the Holders of the Notes, the holders of the Holdco Private Notes and the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, 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, such Hedging Obligations, the Holdco Private Notes or other Indebtedness, as applicable. The Intercreditor Agreement will provide, among other things, that (i) the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility, 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, and (ii) the obligations under the Holdco Private Notes will be secured by Security Interests in the Shared Collateral (subject to certain exceptions) on a contractual second-priority basis by operation of the Intercreditor Agreement.

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*."

Security Documents; Enforcement of Security Interests

Under the Security Documents, security will be granted over the Collateral to secure the payment when due of the Issuer's payment obligations under the Notes and the Indenture. The Security Documents will be entered into by, among others, the relevant security provider, the Security Agent for itself and as agent for the secured parties (and, with respect to the Security Documents governed by Italian law, also as Security Representative and legal representative (*mandatario con rappresentanza*)), and, with respect to the Security Documents governed by Italian law, 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. 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 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 under the Security Documents 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, individually or collectively, 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. The Indenture and the Intercreditor Agreement will restrict the ability of the holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. 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 Holdco, 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, the Guarantees and the Collateral*."

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 non-cash 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, also for the purposes of Article 1704 (*mandato con rappresentanza*) of the Italian Civil Code, the Security Agent to act as its agent and *mandatario con rappresentanza* 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 as *mandatario con rappresentanza* pursuant to article 1704 of the Italian Civil Code to act on its behalf and as representative (*rappresentante*) pursuant to article 2414-*bis* of the Italian Civil Code. 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 under the Indenture and/or the Intercreditor Agreement (as applicable) 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 Deutsche Bank AG, London 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 share capital of the Issuer and, subsequent to the Post Completion Merger, the share capital of MergerCo) 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 not prohibited by 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 transfer, 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 share capital of the Issuer and, subsequent to the Post Completion Merger, the share capital of MergerCo) "*—Merger and consolidation*;"

(7) in connection with the Post Completion Merger with respect to Security Interests over the Completion Date Collateral or the Pre Merger Collateral that are extinguished by operation of law (*provided* that the Post Merger Collateral is granted or reconfirmed, as the case may be, as described under "*—Security—General*"), and in connection with one or more Permitted Reorganizations;

(8) in the case of any Security Interests over intra-group receivables, upon partial repayment or discharge thereof, the Security Interests created over such receivables will be automatically reduced in proportion to such partial repayment or discharge and, upon full repayment or discharge thereof, the Security Interests shall be automatically and fully released and of no further effect;

(9) upon the contribution of any claim against the Issuer or any Restricted Subsidiary, which is subject to a Lien, to the equity of the Issuer or any of the Restricted Subsidiaries; *provided* that, such contribution is made in compliance with the Intercreditor Agreement; or

(10) as otherwise not prohibited by 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 (including, following consummation of the Post Completion Merger, in connection with an IPO pushdown as described under "*Description of certain financing arrangements—Intercreditor Agreement—Release and/or transfer of claims and liabilities in respect of the Senior Notes and the Senior Secured Notes and the Transaction Security—Provisions following an IPO*").

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 (except to the extent required under clause (3) above) or any action on the part of the Trustee.

IPO Debt Pushdown

On, in contemplation of, or following an Initial Public Offering, the terms of the Intercreditor Agreement will provide (and the Indenture and the Notes shall be subject to such provisions) that the Issuer or its successor shall be entitled to require (by written notice to the Trustee and the Security Agent) that the terms of the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) and the Security Documents shall operate (with effect from the date specified in such notice and *provided that* such date falls on or after the date on which the Post Completion Merger is completed) as described in "*Description of certain financing arrangements—Intercreditor Agreement—Release and/or transfer of claims and liabilities in respect of the Senior Notes and the Senior Secured Notes and the Transaction Security—Provisions following an IPO*." The Trustee and the Security Agent shall be required (at the expense of the Issuer) to enter into any amendment to the Indenture, the Intercreditor Agreement (and any Additional Intercreditor Agreement) or the Security Documents required by the Issuer and/or take such other action as is required by the Issuer in order to facilitate or reflect any of the matters contemplated by this paragraph; *provided that* such amendment will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee or the Security Agent under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—There are circumstances other than the repayment or discharge of the Notes under which the Collateral will be released automatically without your consent or the consent of the Trustee or the Security Agent*."

Optional Redemption

Floating Rate Notes

Except as described below and except as described under "*—Escrow of proceeds; Special Mandatory Redemption*," "*—Post tender redemption*" and "*—Redemption for taxation reasons*," the Floating Rate Notes are not redeemable until , 2022. On and after , 2022, the Issuer may redeem all or, from time to time, part of the 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 falling prior to or on the redemption date), if redeemed during the twelve-month period beginning on of the year indicated below:

Year	Redemption Price
2022 and thereafter	100.000%

Prior to , 2022, the Issuer may redeem all or, from time to time, part of the 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 Floating Rate Notes, 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 falling prior to or on the redemption date).

Fixed Rate Notes

Except as described below and except as described under "*—Escrow of proceeds; Special Mandatory Redemption*," "*—Post tender redemption*" and "*—Redemption for taxation reasons*," the Fixed Rate Notes are not redeemable until , 2024. On and after , 2024, the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (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 falling prior to or on the redemption date), if redeemed during the twelve month period beginning on of the years indicated below:

Year	Redemption Price
2024	%
2025	%
2026 and thereafter	100.000%

At any time and from time to time prior to , 2024, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem in the aggregate up to 40% of the aggregate principal amount of the Fixed Rate Notes (calculated after giving effect to any issuance of Additional Fixed Rate Notes) with an amount equal to the net cash proceeds of one or more Equity Offerings by the Issuer or any direct or indirect parent of the Issuer, to the extent (in the case of an Equity Offering by a direct or indirect parent of the Issuer) that such net cash proceeds thereof are contributed to the common equity capital of the Issuer or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer through an issuance of Capital Stock by the Issuer, at a redemption price of % of the principal amount of the Fixed Rate Notes, 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 falling prior to or on the redemption date); *provided* that:

(1) at least 50% of the original aggregate principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Fixed Rate Notes) remains outstanding immediately after each such redemption (except to the extent otherwise repurchased or redeemed in accordance with the terms of the Indenture concurrently with or following the Equity Offering); and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time and from time to time prior to , 2024, the Issuer may, at its option, during each calendar year redeem up to 10% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes so redeemed, 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 falling prior to or on the redemption date).

In addition, prior to , 2024, the Issuer may redeem all or, from time to time, part of the Fixed 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 Fixed Rate Notes, plus the Applicable Premium, 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 falling prior to or on the redemption date).

General

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

Except as set forth above under "—*Escrow of proceeds; Special Mandatory Redemption*," the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. The Issuer or its Affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such Affiliates may determine.

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   , 2028, the Issuer will redeem the Notes 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 falling prior to or on the redemption date).

Selection and Notice

If less than all of any series of Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under "*Book-entry; delivery and form*," based on a method that most nearly approximates a *pro rata* selection in accordance with the procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made 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 instead be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and 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 falling prior to or on the redemption date) and all Additional Amounts, 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 laws 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, protocols 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 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, 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, 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, to the extent that such Taxes 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, to the extent that such Tax 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; or

(8) any combination of the items (1) through (7) 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 (7) 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 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, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement 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, and 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 falling prior to or on the purchase 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 deliver 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 falling prior to or on the repurchase 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 delivered) (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 delivered 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 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 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 with respect to each series of Notes has been given pursuant to the Indenture as defined under "*—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—The Issuer may not be able to repurchase the Notes upon a change of control or pursuant to an asset sale offer. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender*."

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 Relevant Testing Period, 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:

(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 €200.0 million and 100% 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 if and to the extent required by the terms of the Intercreditor Agreement) unsecured and (if and to the extent required by the terms of the Intercreditor Agreement and 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 and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, 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) (x) 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, and (y) any "parallel debt" obligations related to any other Indebtedness permitted to be Incurred pursuant to the Indenture;

(b) an amount equal to any Indebtedness of the Target Group outstanding, committed or available for borrowing or utilization as in effect on the Completion Date after giving *pro forma* effect to the Transactions (other than Indebtedness Incurred under the Revolving Credit Facility on the Completion Date (if any) or described in clause (4)(a) of this paragraph);

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (4)(a), (4)(b), this clause (4)(c) 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 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 a transaction or series of related transactions pursuant to which (i) any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) any assets are acquired and related liabilities are assumed by the Issuer or any Restricted Subsidiary; *provided, however*, that Indebtedness Incurred pursuant to this clause (5) is in an aggregate amount then outstanding not to exceed (I) the greater of €40.0 million and 20% of Consolidated EBITDA, plus (II) unlimited additional Indebtedness to the extent that after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (A) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (B) the Fixed Charge Coverage Ratio for the Issuer would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(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 (a) 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 or useful 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 or reimburses amounts used for such purposes (*provided* that, in each case under this clause (B), such Indebtedness exists on the date of such purchase, lease, rental, design, construction, installation or improvement, as applicable, or is created within 365 days thereafter), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7)(a) and then outstanding, will not exceed at any time outstanding the greater of €60.0 million and 30% of Consolidated EBITDA; or (b) in respect of Sale and Leaseback Transactions and any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness Incurred pursuant to this sub-clause (b);

(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, (d) any Bank Products in the ordinary course of business, (e) Indebtedness representing (i) deferred compensation to current or former directors, officers, employees, members of management, managers and consultants of any Parent, the Issuer or any of its Subsidiaries in the ordinary course of business or (ii) deferred compensation or other similar arrangements in connection with the Transactions or any other Investment or acquisition permitted hereby and (f) irrespective of the Election Option, any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IAS 17 (*Leases*);

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn outs 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 or consistent with past practice;

(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 the Issuer or 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 any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €100.0 million and 50% of Consolidated EBITDA;

(12) Indebtedness Incurred (a) in a Qualified Receivables Financing or (b) pursuant to factoring financings, securitizations, asset-backed loans and financings (howsoever described or structured), receivables financings, reverse factoring financings or similar arrangements, in each case under this clause (12)(b), that are either: (x) not recourse to the Issuer or any Restricted Subsidiary other than a Securitization Subsidiary (except to the extent customary in the good faith determination of the Issuer for such type of arrangement or except for Standard Securitization Undertakings); or (y) not in excess of the greater of €15.0 million and 7.5% of Consolidated EBITDA at any time outstanding;

(13) Indebtedness of the Issuer and any Restricted Subsidiary 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 Completion Date and, for the avoidance of doubt, excluding the Equity Contribution; *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 "*—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 "*—Limitation on Restricted Payments*" in reliance thereon;

(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;

(15) Indebtedness of Restricted Subsidiaries that are not Guarantors and guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of joint ventures in an aggregate amount not to exceed the greater of €20.0 million and 10% of Consolidated EBITDA at any time outstanding; and

(16) the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness consisting of local lines of credit or working capital facilities not exceeding the greater of €40.0 million and 20% of Consolidated EBITDA at any time outstanding.

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 clause (13) 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 €40.0 million and 20% 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) subject to clause (2) below, 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 Completion Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;

(3) the amount of Indebtedness that may be Incurred pursuant to any provision of this covenant or secured pursuant to the covenant set forth under "*—Limitation on Liens*" shall be deemed to include all amounts necessary to renew, refund, redeem, refinance, replace, restructure, defease or discharge any such Indebtedness Incurred and/or secured pursuant to such provisions, including after giving effect to additional Indebtedness in an amount equal to the aggregate amount of fees, underwriting discounts, *premia* and other costs and expenses Incurred in connection with such renewal, refund, redemption, refinancing, replacement, restructuring, defeasance or discharge. Notwithstanding any other provision of this covenant or any provision of the covenant set forth in "*—Limitation on Liens*," the maximum amount that the Issuer or a Restricted Subsidiary may Incur and/or secure pursuant to this covenant and/or the covenant set forth in "*—Limitation on Liens*" shall not be deemed to be exceeded, with respect to such Incurrence or grant of Lien, due solely to the result of fluctuations in the amount of Consolidated EBITDA (and, for the avoidance of doubt, such Indebtedness and such Lien will be permitted to be refinanced or replaced notwithstanding that, after giving effect to such refinancing or replacement, such excess will continue);

(4) 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;

(5) 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), (13), (15) or (16) 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;

(6) 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;

(7) 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;

(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;

(9) 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 (including interest paid in kind), 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*;" and

(10) in the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to Incur or issue Indebtedness or commits to Incur any Lien pursuant to clause (31) of the definition of "Permitted Liens" or any Permitted Collateral Lien, the Incurrence or issuance thereof for all purposes under the Indenture, including, without limitation, for purposes of calculating the Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, or use of clauses (1) through (16) of the preceding paragraph for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at the Issuer's option, either: (a) be determined on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof has been borrowed as of such date) or other Indebtedness, and, if such Fixed Charge Coverage Ratio, the Consolidated Net Leverage Ratio or the Consolidated Senior Secured Net Leverage Ratio, as applicable, test or other provision of the Indenture is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant and under "*—Limitation on Liens*" irrespective of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or re-borrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "**Reserved Indebtedness Amount**" as of such date for purposes of the Fixed Charge Coverage Ratio, Consolidated Net Leverage Ratio, Consolidated Senior Secured Net Leverage Ratio, as applicable, or other provision of the Indenture, and, to the extent the usage of clauses (1) through (16) of the preceding paragraph, shall be deemed to be Incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and, in each case, the Issuer may revoke such determination at any time and from time to time.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by such Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date 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 (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (ii) of the Target Group outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion 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 (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) is 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 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) and (10) 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 prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available; *provided* that the amount taken into account pursuant to this clause (i) shall not be less than zero (0);

(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 Completion Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares and, for the avoidance of doubt, excluding the Equity Contribution) of the Issuer subsequent to the Completion 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 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 Completion 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 Contribution;

(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 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;"

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; and

(vii) €30.0 million;

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, a Parent Debt Contribution or the Equity Contribution) of the Issuer, in each case subsequent to the Completion Date; *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*," 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 (in each case 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)(x) prior to the consummation of an Equity Offering of the Issuer, any IPO Entity or any Parent, the greater of €15.0 million and 7.5% of Consolidated EBITDA in any calendar year or (y) subsequent to the consummation of an Equity Offering of the Issuer, any IPO Entity or any Parent, the greater of €30.0 million and 15% of Consolidated EBITDA in any calendar year, 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) plus (c) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in sub-clauses (b) and (c) 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*;"

(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; and

   (b) amounts constituting or to be used for purposes of making payments of (i) fees and expenses incurred in connection with the Transactions or fees, expenses, principal, interest or other amounts disclosed in this 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 immediately thereafter therefrom), the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the Capital Stock, common stock or common equity interests of the Issuer, any Parent or any IPO Entity following a Public Offering of such Capital Stock, 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 from such Public Offering or subsequent Equity Offerings by the Issuer or an IPO Entity 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 (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization *provided that* in the case of this clause (b) after giving *pro forma* effect to such dividends, distributions, cash payments, advances, loans or expense reimbursements, the Consolidated Net Leverage Ratio shall be equal to or less than 5.5 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €60.0 million and 30% 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 the substantially concurrent payment of interest amounts and premiums (excluding make-whole premiums) as and when due under or in respect of (a) the Holdco Private Notes issued on or about the Completion Date in connection with the Transactions (or any refinancing Indebtedness thereof), or (b) any Indebtedness of such Parent, in the case of this clause (b), 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*, in the case of this sub-clause (b), any such Indebtedness of the Issuer or any of its Restricted Subsidiaries (including in the form of a guarantee) is subordinated in right of payment to the Notes and the Guarantees;

(18) so long as no Default or Event of Default has occurred and is continuing (or would result immediately thereafter therefrom), any Restricted Payments; *provided that*, on the date of such Restricted Payment, the Consolidated Net Leverage Ratio would not exceed 5.25 to 1.0 on a *pro forma* basis after giving effect thereto; and

(19) advances or loans (a) to any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement; (b) 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 of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); or (c) to any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent in an amount under this clause (c) not to exceed the greater of €10.0 million and 5% of Consolidated EBITDA in any calendar year.

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), 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*."

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "Increased Amount" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing such Indebtedness.

Notwithstanding any other provision herein, prior to the Release, the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien securing any Indebtedness over the Escrow Accounts or the Escrowed Property, in each case other than Liens (x) granted to secure the obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the Indenture or (y) described in clause (1) of the definition of "Permitted Collateral 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, the Escrow Charge 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 on the Issue Date after giving pro forma effect to the Transactions, or (c) any other agreement or instrument with respect to the Target Group in effect at or entered into on the Completion 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 in respect of Hedging Obligations;

(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, the Escrow Agreement and the Intercreditor Agreement, together with the Security Documents associated therewith, in each case, as in effect on the Issue Date (or, with respect to the Security Documents, the Completion 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 Capital Stock, property or other assets subject to such Asset Disposition (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 €30.0 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, as applicable, 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 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 redeeming Notes in accordance with the redemption provisions of the Indenture or 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 falling prior to or on the repurchase date), *provided* that to the extent the Issuer or any Restricted Subsidiary has elected to purchase any amount of the Notes at a price not less than par, to the extent Holders elect not to tender their Notes for such purchase, the Issuer will be deemed to have applied an amount of Net Available Cash equal to such amount not tendered, and such amount shall not increase the amount of Excess Proceeds, 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 the greater of €40.0 million and 20% of Consolidated EBITDA, 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 such *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 such *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 thereon 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 the greater of €20.0 million and 10% of Consolidated EBITDA 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 the greater of €50.0 million and 25% of Consolidated EBITDA, the terms of such transaction or series of related transactions have been approved or ratified 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 Subordinated Shareholder Funding, 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 or ratified by the Board of Directors;

(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 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 the Acquisition Agreement or 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 Completion Date or described in this Offering Memorandum under "*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 (as determined in good faith by the senior management or the Board of Directors of the Issuer or any direct or indirect Parent of the Issuer); 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 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 or the receipt by the Issuer of other contribution of proceeds of any Incurrence of indebtedness by a Parent (including the Holdco PIK Contribution) 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 and indemnities in an aggregate amount not to exceed the greater of €5.0 million and 2.5% of Consolidated EBITDA per fiscal 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) any contribution to the equity of the Issuer in exchange for Capital Stock (other than Disqualified Stock and Preferred Stock) or any investments by any Permitted Holders in securities of any Restricted Subsidiary (and the payment of reasonable out-of-pocket expenses of the Permitted Holders in connection therewith);

(14) pledges of Capital Stock of Unrestricted Subsidiaries;

(15) any transaction effected as part of a Qualified Receivables Financing; and

(16) Investments by Affiliates in Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) non Affiliates were also offered the opportunity to invest in such Indebtedness or Preferred Stock on the same or more favorable terms and (iii) in the case of securities, the investment constitutes less than 5% of the issue amount of such securities, and transactions with Affiliates solely in their capacity as holders of Indebtedness or Preferred Stock of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally.

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, 2020, 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 or burden, 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, 2021, 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 or burden, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; and (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; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any Restricted Subsidiary announces publicly, 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 required by clauses (1) through (3) of the first paragraph of this covenant 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 will also be made available on the website of the Luxembourg Stock Exchange.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Issuer's Consolidated EBITDA for the Relevant Testing Period tested after giving effect to such transaction in the case of an acquisition and prior to giving effect to such transaction in the case of a disposition.

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 the Issuer or 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 this 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.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer or any Parent 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 or such Parent, as applicable, 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.

With respect to periods commencing prior to the Completion Date, to the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of TeamSystem Holding or special purpose financial information of the Issuer (incorporating such financial information of TeamSystem Holding) may be provided in lieu thereof.

Notwithstanding the foregoing, 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 or TeamSystem Holding, 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 or TeamSystem Holding, as applicable.

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 or TeamSystem Holding (as the case may be), 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, any Parent or IPO Entity are listed on Borsa Italiana or any other internationally recognized stock exchange and the Issuer or such Parent or IPO Entity 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 such Parent or IPO Entity 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 such Parent or IPO Entity 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 (other than in connection with the Post Completion Merger), 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, the United Kingdom, 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 Relevant Testing Period, either (a) the Issuer or the Successor Company, as applicable, would be able to Incur at least an additional €1.00 of Indebtedness pursuant to 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 or the Successor Company, as applicable, shall have delivered to the Trustee an Officer's Certificate 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 that all conditions precedent provided for therein relating to such transaction have been complied with or satisfied, and that the assumption (if any) of obligations under clause (1) above constitutes the legal, valid and binding obligation of the Successor Company. The Trustee shall be entitled to rely conclusively on such Officer's Certificate without independent verification.

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—The Issuer*" 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.

Subsidiary Guarantors

No 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 and other than in connection with the Post Completion Merger) 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; (iv) the Post Completion Merger; and (v) 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 (other than in respect of the Post Completion Merger) clauses (1), (2) and (4) under the heading "—*The Issuer*" and clause (3) (other than clause (3)(B)(2)) under the heading "—*Subsidiary Guarantors*," as the case may be, 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.

Post Completion Merger and Further Assurances

The Issuer shall use commercially reasonable efforts, subject to any relevant approval and/or authorization by any competent authority, to implement the Post Completion Merger in accordance with Articles 2501-*bis* and following of the Italian Civil Code and other applicable provisions of Italian law, with MergerCo being the surviving entity, as soon as reasonably practicable following the Completion Date. Failure to complete the Post Completion Merger shall not constitute a Default or an Event of Default under the Indenture.

Each holder of the Notes, by accepting a Note will be deemed to agree, for the purposes of Article 2503-*bis* (*et seq.*) of the Italian Civil Code, to the consummation of the Post Completion Merger and, in the event that the Target or TeamSystem is the successor company of the Post Completion Merger, the assumption by MergerCo of all obligations of the Issuer in respect of the Notes, the Indenture, the Intercreditor Agreement and the relevant Security Documents in accordance with the terms of the Indenture upon completion of the Post Completion Merger.

In the event the Post Completion Merger does not occur on or prior to the Cut-Off Date, the Issuer shall use commercially reasonable efforts to procure that (i) TeamSystem guarantees the Notes and (ii) the Notes are secured by security interests granted on a first-priority basis over the Target Group Collateral, in each case, within 60 days of the Cut-Off Date and subject to the Agreed Security Principles and certain significant limitations pursuant to applicable laws as described under "*Limitations on validity and enforceability of the Guarantees and the Collateral and certain insolvency law considerations*" and "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—The Guarantees and 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 their validity and enforceability*."

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—The Issuer*," "*—Impairment of Security Interests*" and the second, third and fourth paragraphs of the definition of "*Unrestricted Subsidiary*" 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 and the second, third and fourth paragraphs of the definition of "*Unrestricted Subsidiary*" will be interpreted as if they have 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 classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness.*"

Furthermore, (a) any transactions prohibited by the covenant set forth under "*—Limitation on Affiliate Transactions*" entered into after the Reversion Date pursuant to an agreement entered into during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (6)(b) of the second paragraph of the covenant set forth under " *—Limitation on Affiliate Transactions*," and (b) any encumbrance or restriction on the ability of any Restricted Subsidiary to take any action described in clauses (A) through (C) of the first paragraph of the covenant described under " *—Limitation on restrictions on distributions from Restricted Subsidiaries*" that becomes effective during any continuance of a Suspension Event shall be deemed to be permitted pursuant to clause (1)(c) of the second paragraph of the covenant set forth under " *—Limitation on restrictions on distributions from Restricted Subsidiaries*."

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 amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring 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 the Post Completion Merger 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, release 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 €15.0 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 Guarantees 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, 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.

Financial Calculations

When determining or calculating the availability under any basket or ratio under the Indenture in connection with any transaction (including, for the avoidance of doubt and without limitation, any Incurrence or assumption of Indebtedness (including any Reserved Indebtedness Amount) or Liens, a Change of Control, a Specified Change of Control Event, the making of any Restricted Payment, Permitted Payment or Investment, any Asset Disposition, any acquisition, merger, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket based on the Consolidated EBITDA of the Issuer), the date of determination of such basket or ratio or the testing of any such transaction and of any Default or Event of Default shall, at the option of the Issuer, be (A) the date the definitive agreements for such transaction are entered into, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Coverage Ratio and Consolidated Net Leverage Ratio after giving effect to such 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 had occurred at the beginning of the applicable 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 sub-clause (A) above and are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income, Consolidated EBITDA of the Issuer or arising from an asset or a target company subject to such transaction) 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 transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions; *provided* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement pursuant to sub-clause (A) above, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered into for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction pursuant to sub-clause (A) above, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that in the case of an acquisition, merger or consolidation, any calculation of Consolidated EBITDA for purposes other than Incurrences of Indebtedness or Liens or the making of Restricted Payments (not related to such acquisition, merger or consolidation) shall not reflect such transaction until it has been consummated.

For any relevant financial covenant or financial ratio or Incurrence-based permission, test, basket or threshold in the Indenture (each, an "**Applicable Metric**") set by reference to a fiscal year, a calendar year, a four-quarter period (including Relevant Testing Period) or any other similar annual period (each an "**Annual Period**"):

(i) at the option of the Issuer, the maximum amount so permitted under such Applicable Metric during such Annual Period may be increased by: (A) an amount equal to 100% of the difference (if positive) between the permitted amount in the immediately preceding Annual Period and the amount thereof actually used or applied by the Issuer during such preceding Annual Period (the "**Carry Forward Amount**"); and/or (B) an amount equal to 100% of the permitted amount in the immediately following Annual Period and the permitted amount in such immediately following Annual Period shall be reduced by such corresponding amount (the "**Carry Back Amount**"); and

(ii) to the extent that the maximum amount so permitted under such Applicable Metric during such Annual Period is increased in accordance with clause (i) above, any usage of such Applicable Metric during such Annual Period shall be deemed to be applied in the following order: (A) first, against the Carry Forward Amount; (B) second, against the maximum amount so permitted during such Annual Period prior to any increase in accordance with clause (i) above; and (C) third, against the Carry Back Amount.

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 Issuer or any of its Restricted Subsidiaries or, solely in connection with the covenant described under " *—Certain covenants—Impairment of Security Interests*," the Parent Guarantor, to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with their respective 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 €40.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Parent Guarantor, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer or any other applicable reporting entity under the covenant described under " *—Certain covenants—Reports*"), 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 or any other applicable reporting entity under the covenant described under " *—Certain covenants—Reports*"), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €40.0 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 €20.0 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, as applicable, 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 30% 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 30% 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) above 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 non-payment 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 not less than a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any, which may only be waived with the consent of Holders holding not less than 75% of the then outstanding aggregate 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 30% 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 not less than 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 holders 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 (beginning with the first fiscal year ending after the Issue Date), an Officer's Certificate indicating whether the signers thereof know of any Default or Event of 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); *provided that* (x) if any such amendment, supplement or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of the Holders of at least a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required and (y) if any such amendment, supplement or waiver by its terms will affect a series of Notes in a manner that is different from and materially adverse relative to the manner in which such amendment, supplement or waiver affects other series of Notes, then the consent of the Holders of at least a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall also be required. However, without the consent of Holders holding not less than 75% of the principal amount of the Notes affected 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 non-payment 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 that (x) if any such amendment, supplement or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture and does not or would not affect holders of the Notes generally, then only the consent of the holders of not less than 75% in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall be required and (y) if any such amendment, supplement or waiver by its terms will affect a series of Notes in a manner that is different from and materially adverse relative to the manner in which such amendment, supplement or waiver affects other series of Notes, then the consent of the Holders of not less than 75% in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such series of the Notes) shall also be required.

Notwithstanding the foregoing, without the consent of any Holder of any series of Notes, 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 Intercreditor Agreement, 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*."

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment pursuant to subsections (3) and (6) in respect of providing for a Guarantee, it shall only be necessary for the supplemental indenture or Guarantee of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

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, its Restricted Subsidiaries' and the Parent Guarantor's 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*," 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*" ("**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*."

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; and

(4) 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 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 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 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 "—*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 or the relevant series of Notes, as the case may be*." 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 "*—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 Deutsche Bank AG, London 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 Deutsche Bank AG, London 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, any Guarantor or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under 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 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. Such notices may instead be published by the Issuer in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxembourger Wort) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

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.

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. 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.

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 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.

"**Acquisition**" means the acquisition of the entities and assets comprising the Target Group pursuant to the Acquisition Agreement as described in this Offering Memorandum under "*Summary—The Transactions*."

"**Acquisition Agreement**" means the share purchase agreement relating to all of the equity interests in the Target dated January 15, 2021 among, *inter alios*, H&F Barolo Lux 2 S.à r.l, together with certain other sellers, and the Issuer, as purchaser, together with all exhibits and schedules thereto and as amended through the Completion Date.

"**Additional Amounts**" has the meaning ascribed to that term under " *—Withholding taxes*."

"**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**" means the agreed security principles appended to the Indenture.

"**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 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 Floating Rate Note at , 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*—Optional redemption—Floating Rate Notes*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Floating Rate Note to and including , 2022 (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 Floating Rate Notes for the period from the redemption date through , 2022 will equal the rate of interest on the 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 Floating Rate Note; and

(ii) with respect to any Fixed Rate Note, the excess (to the extent positive) of:

(A) the present value at such redemption date of (1) the redemption price of such Fixed Rate Note at , 2024 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*—Optional redemption—Fixed Rate Notes*" (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Fixed Rate Note to and including , 2024 (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; over

(B) the outstanding principal amount of such Fixed 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 the Issuer or a Subsidiary of the Issuer (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 or ratified by the Board of Directors of the Issuer or such Restricted Subsidiary 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 €20.0 million and 10% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, 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, leases, transfers or other dispositions to the extent the proceeds thereof are used to make Restricted Payments, Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited under "*—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);

(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 not prohibited by the covenant described 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; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to Sale and Leaseback Transactions, asset securitizations and other similar financings permitted by the Indenture.

In the event that a transaction (or any portion thereof) meets the criteria of a permitted Asset Disposition and would also be a Permitted Investment or an Investment permitted under " *—Certain covenants—Limitation on Restricted Payments*," the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or such portion thereof) as an Asset Disposition and/or one of more of the types of Permitted Investments or Investments permitted under "*—Certain covenants—Limitation on Restricted Payments*."

"**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.

"**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)   , 2022 in the case of the Floating Rate Notes, or (ii)   , 2024 in the case of the Fixed Rate Notes; *provided, however*, that if the period from the redemption date to (i)   , 2022 in the case of the Floating Rate Notes, or (ii)   , 2024 in the case of the Fixed 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)   , 2022 in the case of the Floating Rate Notes, or (ii)   , 2024 in the case of the Fixed 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; *provided*, *however*, that for any payments to be made to the Holders in euro under the Indenture, such day shall also be a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in euro.

"**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, in relation to any determination under the Indenture, an obligation that is required to be classified and accounted for as a finance lease or a capitalized lease for financial reporting purposes on the basis of IAS 17 (*Leases*), or as the case may be and subject to (as applicable) the Election Option, as lease liabilities on the balance sheet in accordance with IFRS 16 (*Leases*). 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, subject to the Election Option, 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 Completion Date.

"**Change of Control**" means the occurrence of any of the following:

(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; 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.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of another company if (i) the direct or indirect holders of the Voting Stock of such other company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no Person (other than (x) one or more Permitted Holders and/or (y) one or more companies satisfying the requirements of this provision) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such other company, and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock or other corporate actions will not cause a party to be a beneficial owner.

"**Clearstream**" means Clearstream Banking, *société anonyme*, or any successor securities clearing agency.

"**Collateral**" has the meaning ascribed to that term under "*—Security—General*."

"**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.

“**Completion Date**” means the date of completion of the Acquisition.

“**Completion Date Collateral**” has the meaning ascribed to that term under “*—Security—General*.”

“**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 clauses (13) and (14) below, not included, in calculating such Consolidated Net Income:

(1) Fixed Charges for such period (including (x) net losses on any Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate, currency or commodities risk, (y) bank fees and (z) costs of surety bonds in connection with financing activities), plus amounts excluded from the definition of “*Consolidated Interest Expense*” pursuant to clauses (i) through (iii);

(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;

(13) the "*run rate*" synergies, cost savings, operating expense reductions, restructuring charges and expenses that are expected (in good faith) to be realized within 24 months of the date of the relevant determination (calculated on a *pro forma* basis as though such synergies, cost savings, operating expense reductions, restructuring charges and expenses had been realized from the first day of such period and during the entirety of such period), net of the amount of actual benefits realized during such period from such actions (which adjustments, without double counting, may be incremental to *pro forma* adjustments made pursuant to the definition of "*Fixed Charge Coverage Ratio*"); *provided* that (a) no synergies, cost savings, operating expense reductions, restructuring charges and expenses shall be added pursuant to this defined term to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a *pro forma* adjustment or otherwise, for such period, and (b) the aggregate amount of such "*run rate*" synergies, cost savings, operating expense reductions, restructuring charges and expenses that may be included pursuant to this sub- clause (13) in such calculation of Consolidated EBITDA for any Relevant Testing Period may not exceed 25% of Consolidated EBITDA (calculated after fully taking into account any adjustments to be made by the Issuer pursuant to this definition of "Consolidated EBITDA") for such Relevant Testing Period; *provided further that*, for the avoidance of doubt, the cap set forth under this sub-clause (13)(b) shall not apply to adjustments made pursuant to clause (14) below (which, for the avoidance of doubt, can be taken into consideration in the denominator when calculating Consolidated EBITDA for purposes of such cap); and

(14) to the extent not already included herein, (a) adjustments of the nature set forth in the line items "Bolt-on acquisitions" and "Annualized revenues" used in the calculation of "Pro Forma Adjusted EBITDA" in this Offering Memorandum (as described in footnote (3) under "*Summary historical financial information and other data—Other financial and pro forma data*"), (b) the specific adjustments set forth in the line item "Cost saving initiatives" and the related footnote used in the calculation of "Pro Forma Adjusted EBITDA" in this Offering Memorandum (as described in footnote (3) under "*Summary historical financial information and other data—Other financial and pro forma data*"), for an aggregate amount under this clause (b) of up to €13.4 million; (c) to the extent not already included under clause (14)(a) above, adjustments in respect of revenue synergies and other synergies, cost reductions or other savings expected to be generated from acquisitions; *provided, in each case, that*, to the extent such adjustments constitute synergies, cost savings, operating expense reductions, restructuring charges and expenses, such synergies, cost savings, operating expense reductions, restructuring charges and expenses are limited to those reasonably expected to be achieved within 24 months of the relevant date of determination, and (d) adjustments of a nature consistent with the adjustments in respect of "Regulatory LTAs" and price increases which were included in the calculation of "Pro Forma Adjusted EBITDA" in the offering memorandum relating to the Existing Notes dated March 22, 2018.

For purposes of calculating Consolidated EBITDA for the purpose of any basket or ratio under the Indenture, Consolidated EBITDA shall be the Consolidated EBITDA of the Issuer for the Relevant Testing Period, in each case with such *pro forma* adjustments giving effect to such Indebtedness, acquisition or Investment, as applicable, since the start of such Relevant Testing Period and as are consistent with the *pro forma* adjustments set forth in the definition of "*Fixed Charge Coverage Ratio*" and in accordance with the provisions under "*—Financial calculations*."

"**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) interest with respect to Indebtedness of any Holding Company of the Issuer appearing upon the balance sheet of the Issuer solely by reason of push down accounting under IFRS, (iv) 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, (v) 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, (vi) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding and (vii) 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 Liabilities to Non-Controlling Shareholders of Subsidiaries.

"**Consolidated Leverage**" means the sum of the aggregate outstanding Indebtedness and the Reserved Indebtedness Amount of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations and excluding Indebtedness Incurred pursuant to clause (4)(b) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect thereof).

"**Consolidated Net Income**" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries for such period 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 contractual restrictions in effect on the Completion Date with respect to the Target Group, 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 or the Completion Date, as applicable, 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 or discontinued operations of the Issuer or any Restricted Subsidiaries (including pursuant to any Sale and 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 (including the Post Completion Merger) or any investments), acquisition costs, integration and facilities' opening costs and other business optimization costs and expenses and operating improvements, 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 closure, consolidation or disruption of facilities, internal costs in respect of strategic initiatives, 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), contract terminations and professional and consulting fees Incurred with any of the foregoing;

(5) any fees and expenses (including any transaction or retention bonus or similar payment) Incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, disposition of assets or securities, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Completion Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs Incurred during such period as a result of any such transaction, in each case whether or not successful;

(6) the cumulative effect of a change in law, regulation or accounting principles;

(7) 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*;"

(8) 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;

(9) 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;

(10) 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;

(11) 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;

(12) 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;

(13) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(14) 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.

"**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 Relevant Testing Period. 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) subsequent to the commencement of the Relevant Testing Period but prior to or simultaneously with the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "**CNLR Calculation Date**") or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period, then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, and the use of proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period; *provided, however*, that the *pro forma* calculation of Consolidated Net Leverage shall not give effect to (i) any Indebtedness Incurred on the CNLR Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain covenants—Limitation on Indebtedness*" or (ii) the discharge on the CNLR 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 (x) the Consolidated Net Leverage Ratio in connection with the making of any Restricted Payment pursuant to clause (18) of the second paragraph under "*—Certain covenants—Limitation on Restricted Payments*" and (y) the Consolidated Senior Secured Net Leverage Ratio pursuant to clause (2)(d) of the definition of "Permitted Collateral Liens"). 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 synergies, cost savings, operating expense reductions, restructuring charges and expenses), 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 or any actions reasonably expected to be taken, by the Issuer or any Restricted Subsidiary, including, without limitation, in connection with any synergies, cost savings, operating expense reductions, restructuring charges and expenses or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise; *provided* that the amount of such anticipated synergies, cost savings, operating expense reductions, restructuring charges and expenses shall be limited to those reasonably expected to be achieved within 24 months of the CNLR 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 Relevant Testing Period or subsequent to such Relevant Testing Period and on or prior to the CNLR Calculation Date, or that are to be made on the CNLR Calculation Date, will be given pro forma effect as if they had occurred on the first day of the Relevant Testing 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 Relevant Testing Period will be calculated after giving *pro forma* effect to such Purchase as if such Purchase had occurred on the first day of such Relevant Testing 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 CNLR Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of the Relevant Testing Period;

(3) any Person that is a Restricted Subsidiary on the CNLR Calculation Date will be deemed to have been a Restricted Subsidiary at all times during the Relevant Testing Period; and

(4) any Person that is not a Restricted Subsidiary on the CNLR Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during the Relevant Testing 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, in the definition of "Fixed Charge Coverage Ratio" and in accordance with the provisions under "*—Financial calculations*."

"**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.

"**Consolidated Senior Secured Net Leverage Ratio**" means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness and excluding the Reserved Indebtedness Amount that, upon Incurrence, would not constitute Senior Secured Indebtedness.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease (subject, as applicable, to the Election Option), 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 Restricted 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 or arrangement 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 would not be prohibited under "*—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 Contribution**" has the meaning ascribed to it under "*Summary—The Transactions—The Financing*" and, for the avoidance of doubt, includes the Holdco PIK Contribution and any equity contribution which may be made by the Hg Investors following the Completion Date in connection with the Transactions.

"**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, in each case after the Completion Date and, for the avoidance of doubt, excluding the Equity Contribution.

"**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.

"**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 Completion 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 after the Completion Date, 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 and, for the avoidance of doubt, excluding the Equity Contribution.

"**Existing Notes**" refers to, collectively, TeamSystem S.p.A.'s €550.0 million senior secured floating rate notes due 2023 and €200.0 million senior secured floating rate notes due 2025, issued pursuant to an indenture dated April 4, 2018, which are to be redeemed in full with, *inter alia*, part of the proceeds from this Offering.

"**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, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person to the Fixed Charges of such Person for the Relevant Testing Period. 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) subsequent to the commencement of the Relevant Testing Period but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**FCCR Calculation Date**") or has caused any Reserved Indebtedness Amount to be deemed to be Incurred during such period, then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect to such Incurrence, deemed Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment, amendment, repricing, replacement, exchange or other discharge of Indebtedness, and the use of proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Fixed Charges attributable to Indebtedness Incurred on the FCCR Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain covenants—Limitation on Indebtedness*" or (ii) Fixed Charges attributable to any Indebtedness discharged on such FCCR Calculation Date 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 Fixed Charge Coverage Ratio under clause (5)(II) 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 synergies, cost savings, operating expense reductions, restructuring charges and expenses), 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 or any actions reasonably expected to be taken, by the Issuer or any Restricted Subsidiary, including, without limitation, in connection with any synergies, cost savings, operating expense reductions, restructuring charges and expenses or in connection with any transaction, Investment, acquisition, disposition, restructuring, corporate reorganization or otherwise; *provided* that the amount of such anticipated synergies, cost savings, operating expense reductions, restructuring charges and expenses shall be limited to those reasonably expected to be achieved within 24 months of the FCCR 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 Relevant Testing Period or subsequent to such Relevant Testing Period and on or prior to the FCCR Calculation Date, or that are to be made on the FCCR Calculation Date, will be given *pro forma* effect as if they had occurred on the first day of the Relevant Testing 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 Relevant Testing Period will be calculated after giving *pro forma* effect to such Purchase as if such Purchase had occurred on the first day of such Relevant Testing 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 FCCR Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of the Relevant Testing Period;

(3) the Fixed Charges 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 FCCR Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of the Relevant Testing Period, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the Issuer or any of its Restricted Subsidiaries following the FCCR Calculation Date;

(4) any Person that is a Restricted Subsidiary on the FCCR Calculation Date will be deemed to have been a Restricted Subsidiary at all times during the Relevant Testing Period;

(5) any Person that is not a Restricted Subsidiary on the FCCR Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during the Relevant Testing 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 FCCR Calculation Date had been the applicable rate for the entire Relevant Testing Period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the FCCR Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the Relevant Testing Period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Issuer may designate; and

(8) subject to the Election Option, 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.

When calculating the Fixed Charge Coverage Ratio, *pro forma* adjustments may be taken into account in the manner set forth above and in accordance with the provisions under "*—Financial calculations*."

"**Fixed Charges**" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; *plus*

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Disqualified Stock or Preferred Stock payable to the Issuer or a Restricted Subsidiary; *plus*

(3) Fixed Charges that would have arisen from the Reserved Indebtedness Amount had such Reserved Indebtedness Amount been Incurred as of the date of its classification as a Reserved Indebtedness Amount.

"**guarantee**" means any guarantee or 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 Subsidiary Guarantor.

"**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 Hg Genesis 8 Aggregator L.P. 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 Hg portfolio company.

"**Holdco**" or "**Parent Guarantor**" means Brunello Midco 2 S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy and the direct parent company of the Issuer, 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.

"**Holdco PIK Contribution**" means the contribution to the equity of the Issuer or other share capital increase of the Issuer to be made or underwritten for, as the case may be, by Holdco on or about the Completion Date with the net proceeds of the Holdco Private Notes issued on or about the Completion Date, as described in this Offering Memorandum under "*Summary—The Transactions*."

"**Holdco Private Notes**" means the senior private notes to be issued by Holdco under the Holdco Private Notes Indenture from time to time, including the €300.0 million aggregate principal amount of senior floating rate pay-if-you-want PIK-toggle notes due 2029 to be issued on or about the Completion Date.

"**Holdco Private Notes Indenture**" means the indenture pursuant to which Holdco will issue the Holdco Private Notes, to be dated on or around the Completion Date, as the same may be amended from time to time.

"**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 IX 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, as in effect on the Issue Date, or, solely, with respect to the covenant described under the heading "—*Certain covenants—Reports*," as in effect from time to time; *provided* that:

(1) except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS will be computed in accordance with IFRS as in effect on the Issue Date;

(2) at any time after the Issue Date, the Issuer may elect to implement any new measures or other changes to IFRS in effect on or prior to the date of such election; and

(3) notwithstanding any of the foregoing or any other provision of the Indenture, in relation to the making of any determination or calculation under the Indenture, the Issuer may elect (the "**Election Option**"), from time to time, either (i) to apply IFRS 16 (*Leases*) or (ii) to apply IAS 17 (*Leases*) to the making of such determination or calculation (*provided* that for the avoidance of doubt, in connection with any determination hereunder which is based upon the calculation of more than one component, including any determination in respect of the Fixed Charge Coverage Ratio, Consolidated Senior Secured Net Leverage Ratio and Consolidated Net Leverage Ratio, all such components shall be calculated on a consistent basis, applying the same accounting standard).

"**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 Hedging Obligations (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) if the Issuer elects to apply IAS 17 (*Leases*) pursuant to the Election Option, any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS, (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 Completion Date or in the ordinary course of business, (v) any asset retirement obligation or (vi) the 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;

(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; or

(iv) any receivable owed by the Issuer in connection with the Acquisition, to the extent such receivable is fully extinguished within 30 Business Days from the Completion Date.

"**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 Restricted Subsidiary or any successor of the Issuer or any Parent or Restricted Subsidiary (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, Holdco, 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 under "*—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 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, the United Kingdom, 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, "Baa3" or higher by Moody's or "*BBB-*" or higher from Fitch or the equivalent of such rating by such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating 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 Rating Organization.

"**IPO Entity**" has the meaning given to it 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 , 2021.

"**Issuer**" means Brunello Bidco S.p.A. and any and all successors thereto in accordance with the Indenture (including, for the avoidance of doubt, subsequent to the Post Completion Merger, MergerCo). Following the Post Completion Merger, any reference in this "*Description of Notes*" to the Issuer shall be deemed to refer to MergerCo.

"**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.

"**Liabilities to Non-Controlling Shareholders of Subsidiaries**" refers to the aggregate amount of the liabilities, as reported in the consolidated financial statements of the Issuer (or any other applicable reporting entity pursuant to "*—Certain covenants—Reports*"), in connection with the put and call option and earn out arrangements under the acquisition agreements with the Target Group's strategic partners relating to the Target's majority-owned Subsidiaries.

"**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 the greater of €10.0 million and 5% of Consolidated EBITDA in the aggregate outstanding at any time.

"**Management Investors**" means the managers, officers, (executive and non-executive) 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.

"**MergerCo**" means the entity resulting from the Post Completion Merger.

"**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 Escrow Agreement, the Escrow Charge, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“**Offering Memorandum**” means the offering memorandum dated , 2021 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 “—Certain covenants—Limitation on Restricted Payments,” including, for the avoidance of doubt, the Holdco PIK Contribution.

"**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, regulatory costs 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 the greater of €10.0 million and 5% of Consolidated EBITDA in any 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.

"**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 Guarantees, 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 greater than 5.5 to 1.0;

   (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 described under clause (5) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness;" provided* that, in the case of clause (5)(II), 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 greater 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 described under clauses (4)(a)(x) 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)(a) (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 secured on a junior priority basis to the Notes and the Guarantees; and

(i) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) to (h) and this clause (i),

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 on the Shared Collateral to secure Indebtedness issued or borrowed by Holdco and the guarantees thereof; *provided* that such Liens rank junior to the Liens on the same Collateral securing the Notes and Guarantees in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(4) 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 the greater of €10.0 million and 5% of Consolidated EBITDA at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money 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, (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 IPO Entity, the 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 owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments 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 or, with respect to the Target Group, on the Completion 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, with respect to the Target Group, on the Completion 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 35% of Consolidated EBITDA and €70.0 million; *provided that*, if an Investment is made pursuant to this clause in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "*Unrestricted Subsidiary*," 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 not prohibited 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;

(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;

(17) Investments in a Similar Business, taken together with all other Investments made pursuant to this clause (17) 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 €45.0 million or 22.5% of Consolidated EBITDA; *provided that*, if an Investment is made pursuant to this clause (17) in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "*Unrestricted Subsidiary*," 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 (17);

(18) Investments in joint ventures or Unrestricted Subsidiaries, taken together with all other Investments made pursuant to this clause (18) 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 €45.0 million or 22.5% of Consolidated EBITDA; *provided that*, if an Investment is made pursuant to this clause (18) in a Person that is not the Issuer or a Restricted Subsidiary and such Person subsequently becomes the Issuer or a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary in accordance with the definition of "Unrestricted Subsidiary," 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 (18); and

(19) any other Investment arising in the ordinary course of business of the Issuer or a Restricted Subsidiary.

"**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 (x) Capitalized Lease Obligations, Purchase Money Obligations and, in each case, any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness (as applicable), or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance, refinance or reimburse amounts used for 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 the Indenture 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; and (y) Indebtedness in respect of Sale and Leaseback Transactions and any Indebtedness which refinances, replaces, refunds or reimburses such Indebtedness;

(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 (a) existing on, or provided for or required to be granted under, written agreements existing on the Issue Date after giving *pro forma* effect to the Transactions, or (b) with respect to the Target Group, (i) existing on, provided for or required to be granted under written agreements existing on, the Completion Date and (ii) securing Indebtedness for borrowed money that will be repaid and discharged in connection with the Transactions;

(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 the Issuer or 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 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 (a) of the type described in the definition of "*Qualified Receivables Financing*" Incurred in connection with a Qualified Receivables Financing and (b) in connection with Indebtedness permitted to be Incurred under clause (12)(y) of the second paragraph under "*—Certain covenants—Limitation on Indebtedness*;"

(22) Liens on cash proceeds (including, for the avoidance of doubt, the 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, (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 and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with any 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;

(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 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 to secure Indebtedness where the granting of an equal and ratable (or prior) Lien on such property or assets to secure the Notes would be inconsistent with the Agreed Security Principles;

(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 €60.0 million and 30% 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. For the avoidance of doubt, the Post Completion Merger and transactions related thereto will be permitted under the Indenture and will not be required to comply with any of the conditions for a Permitted Subsidiary Reorganization and/or a 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.

"**Post Completion Date Collateral**" has the meaning ascribed to that term under "*—Security—General*."

"**Post Completion Merger**" means the merger pursuant to article 2501-*bis* of the Italian Civil Code of the Issuer with the Target, TeamSystem Holding and TeamSystem, with MergerCo being the surviving entity, as described under "*Summary—The Transactions*" in this Offering Memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer, the Target, TeamSystem Holding and TeamSystem following the completion of the Acquisition.

"**Post Merger Collateral**" has the meaning ascribed to that term under "*—Security—General*."

"**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.

"**Pre Merger Collateral**" has the meaning ascribed to that term under "*—Security—General*."

"**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 €50.0 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 a Restricted Subsidiary (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 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 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 (x) of the Issuer and its Restricted Subsidiaries that is existing on the Issue Date, (y) of the Target and its Restricted Subsidiaries that is existing on the Completion Date after giving effect to the Transactions and/or (z) 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 Stated Maturity of 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 underwriting discounts, 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 (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) 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.

"**Relevant Testing Period**" means, for purposes of the calculation of any applicable financial covenant, test, basket or ratio (including those based on Consolidated EBITDA, Fixed Charge Coverage Ratio, Consolidated

Senior Secured Net Leverage Ratio and/or Consolidated Net Leverage Ratio), the most recently completed four consecutive fiscal quarters ending on the last day of the most recent fiscal quarter (or fiscal year, if later) for which financial statements have been delivered pursuant to the "*—Certain covenants—Reports*" covenant or, at the option of the Issuer, the most recently completed twelve consecutive months ending on the last day of a calendar month for which the Issuer has, in its sole determination, sufficient available information to be able to determine any applicable financial covenant, test, basket or ratio.

"**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 (including the Target Group's business) 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 €180.0 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.

"**Sale and Leaseback Transaction**" means any arrangement providing for the leasing by the Issuer or any Restricted Subsidiary of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"**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)(x), (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 or proposed to be engaged in by the Issuer or any of its Subsidiaries or any Associates (including the Target Group) on the Completion Date, (b) the business management software business and (c) 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 4.7 to 1.0. 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 under "*—Change of Control*" and "*—Certain covenants—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 Completion Date with respect to the "Holdco 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 any Restricted Subsidiary of the Issuer that guarantees the Notes from time to time pursuant to the terms of the Indenture.

"**Target**" means Barolo Lux 1 S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*).

"**Target Group**" means the Target and its Subsidiaries.

"**Target Group Collateral**" has the meaning ascribed to that term under "*—Security—General*."

"**Target Share Pledge**" has the meaning ascribed to that term under "*—Security—General*."

"**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, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and/or any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"**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.

"**TeamSystem**" means TeamSystem S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy and a wholly-owned direct subsidiary of TeamSystem Holding.

"**TeamSystem Holding**" means TeamSystem Holding S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of Italy and a wholly-owned direct subsidiary of the Target.

"**TeamSystem Proceeds Loan**" means the loan to be made by the Issuer to TeamSystem on or about the Completion Date with a portion of the proceeds of the Notes, as described in this Offering Memorandum under "*Summary—The Transactions*," as amended, accreted or partially repaid from time to time.

"**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, the United Kingdom, 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 this Offering Memorandum under "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 or the relevant Restricted Subsidiary 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

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 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 144A 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.

In the event additional Notes of any series are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series (including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes of such series on or prior to the date of issuance of such additional Notes) will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series. Such a restriction could adversely impact the liquidity of sales of Book-Entry Interests in the Regulation S Global Notes of such series of Notes. See also "*Risk Factors—Risks related to the Notes, the Guarantees and the Collateral—Additional Notes sold pursuant to Regulation S may not be fungible with existing Notes of the relevant series for U.S. federal income tax purposes*" and "*Description of Notes—Additional Notes*."

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 issues or causes 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 their 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 Guarantees 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 Guarantees under the U.S. Securities Act and, therefore, the Notes and the Guarantees 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 Guarantees 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 Guarantees 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, any 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 a Note is issued with OID, the Note shall bear a legend in substantially the following form:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(C) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, THE ISSUE PRICE, THE ISSUE DATE AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING THE ISSUER AT BRUNELLO BIDCO S.P.A., AT VIA ALESSANDRO MANZONI 38, 20121 MILAN, ITALY.

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.

(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, any 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*."

(11) You understand that, in the event additional Notes of any series are issued pursuant to Regulation S that bear the same ISIN, Common Code, CUSIP or other securities identification number as Notes belonging to the same series previously issued, without being fungible with such series of initial Notes for U.S. federal income tax purposes, Book-Entry Interests in the Regulation S Global Notes that form part of that series, including in respect of investors that hold Book-Entry Interests in the Regulation S Global Notes on or prior to the date of issuance of such additional Notes, will not be eligible for transfer to Book-Entry Interests in a Rule 144A Global Note (if any) representing Notes of that same series.

(12) You represent that you are not a "retail investor" in the EEA. For the purposes of this paragraph, the expression "retail investor" means a person who is one (or more) of the following:

(i) a "retail client" as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution 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 Regulation.

(13) You represent that you are not a "retail investor" in the U.K. For purposes of this paragraph, the expression "retail investor" means a person who is one (or more) of:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;

(14) You understand and acknowledge that:

(i) 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 (as defined in paragraph 12 above) or any "retail investor" in the United Kingdom (as defined in paragraph 13 above); and

(ii) no key information document required by PRIIPs Regulation in the EEA or for offering or selling the Notes or otherwise making them available to retail investors in the EEA (as defined in paragraph 12 above) has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

(iii) no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**U.K. PRIIPs Regulation**") in the U.K. or for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom (as defined in paragraph 13 above) has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the U.K. may be unlawful under the U.K. PRIIPs Regulation.

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

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 and/or in Article 13-*bis* of Law Decree No. 124 of October 26, 2019 converted into Law No. 157 of December 19, 2019 ("**Decree No. 124**"), 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, such as the additional 3.5% surcharge for banks and certain financial institutions) and, in certain circumstances, depending on the status of the Noteholder and also to the Italian regional tax on productive activities ("**IRAP**") (*i.e.*, generally in the case of banks and financial institutions).

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 and/or in Article 13-*bis* of Decree No. 124, 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.

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.

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.

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 and/or in Article 13-*bis* of Decree No. 124, 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 and/or in Article 13-*bis* of Decree No. 124, 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 (which term includes, for these purposes, also certain multilateral trading facilities) 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).

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 (which term includes, for these purposes, also multilateral trading facilities), 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 No. 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 (which term includes, for these purposes, also multilateral trading facilities), 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 regulated markets (including multilateral trading facilities), 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.

The *mortis causa* transfer of financial instruments included in a long-term savings account (*piano individuale 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 and/or in Article 13-*bis* of Decree No. 124, as subsequently amended and supplemented, is exempt from inheritance taxes.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Wealth tax on financial products held abroad—direct holding

According to Article 19(18) of Law Decree No. 201 of December 6, 2011, Italian resident individuals, Italian non-commercial entities, Italian non-commercial partnerships and similar Italian resident entities 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).

The wealth tax cannot exceed €14,000 per year for Noteholders other than individuals.

The wealth tax is due only in relation to financial assets held outside the Italian territory (and not through an Italian intermediary). If the Notes are held through Italian intermediaries, the rules described in subsection "*Stamp taxes and duties—holding through financial intermediary*" apply.

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*.

Additional Notes

The Issuer may issue Additional Notes (as defined in "*Description of Notes*") under the Indenture. Any Additional Notes will be considered fungible for Italian income tax purposes with the applicable series of initial Notes issued under the Indenture only if the conditions set forth in Article 11(2) of Decree No. 239, which requires in particular that (i) the issuance of Additional Notes occurs within 12 months of the original issue of the initial Notes, and (ii) the spread between (a) the issue price of the applicable series of initial Notes bonds and (b) the issue price of the Additional Notes is less than 1 percent of the principal amount of the issuance multiplied by the number of full years until the maturity date. If these requirements are not met, the Additional Notes will not be considered fungible for Italian income tax purposes with the applicable series of initial Notes issued under the Indenture.

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 Issuer and should be subject to the tax regime described above. However, there are no Italian tax authorities guidelines 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 Notes, but does not purport to be a complete analysis of all potential tax effects. 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 alternative minimum tax or 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, 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, holders and beneficial owners of the Existing Notes, 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.

Transactions related to the Acquisition

If the conditions for the Post Completion Merger are met, it is expected that the Issuer will merge with the MergerCo, with MergerCo being the surviving entity. MergerCo, as the surviving entity, will assume the obligations of the Issuer under the Notes. See "*Description of Notes—Post Completion Merger*." Although the issue is not free from doubt, we intend to take the position (to the extent we are required to do so) that these transactions will not constitute a significant modification of the Notes and therefore will not be treated as resulting in a deemed exchange for U.S. federal income tax purposes.

It is possible, however, that the IRS could take a contrary view, and seek to treat the Post Completion Merger and the assumption of the obligations under the Notes by MergerCo as resulting in a deemed exchange for U.S. federal income tax purposes. If such a position were taken and sustained, if the fair market value of the Notes at the time of the Post Completion Merger is less than the principal amount of the "new" Notes (by more than a statutorily defined *de minimis* amount), such Notes may be treated as issued with OID or a greater amount of OID for U.S. federal income tax purposes. In addition, U.S. holders generally would recognize any gain in connection with such deemed exchange (although any loss could be disallowed) and would have a new holding period and new tax basis in the Notes for U.S. federal income tax purposes.

U.S. holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences to them of the Acquisition and the Post Completion Merger. The balance of the discussion below assumes that the Post

Completion Merger and the assumption of the obligation under the Notes by MergerCo will not be treated as a deemed exchange for U.S. federal income tax purposes.

Effect of the IPO Debt Pushdown provisions

In the event that the Issuer of the Notes changes as a result of the provisions described under "*Description of Notes—IPO Debt Pushdown*," such change in the Issuer could result in a deemed exchange of the Notes for "new" Notes for U.S. federal income tax purposes. In such event, U.S. holders generally would recognize any gain on such exchange (although any loss could be disallowed), and the "new" Notes could be treated as issued with OID or a greater amount of OID for U.S. federal income tax purposes.

Characterization of the Notes

In certain circumstances (see "*Description of Notes—Escrow of proceeds; Special Mandatory Redemption*," "*Description of Notes—Withholding taxes*," and "*Description of Notes—Change of Control*"), the Issuer may be obligated to redeem the Notes for an amount less than their stated principal amount (plus accrued and unpaid interest), or may be obligated to redeem the Notes or to make certain payments on the Notes in excess of stated principal and interest. The Issuer believes that the Notes should not be treated as contingent payment debt instruments due to the possibility of such a redemption occurring or such excess payments being made. The Issuer's position is binding on a U.S. holder, unless the U.S. holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate different than their yield to maturity and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement, redemption or other taxable disposition of a Note. The balance of this discussion assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

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.

Original issue discount

Each series of Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. In the event a series of Notes is issued with OID, U.S. holders of such Notes generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders generally will include any OID in income in advance of the receipt of cash attributable to such income.

A series of Notes will be treated as issued with OID if the stated principal amount of such series of Notes exceeds its issue price (as defined above) by an amount equal to or greater than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event that a series of Notes is issued with OID, the amount of OID with respect to a Note of such series includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note. For the purposes of determining OID accruals and adjusted issue price only, the amounts of stated interest and OID on the Floating Rate Notes are determined by assuming that the interest rate on the Floating Rate Notes is a fixed rate based on the value of the floating rate applicable to the Floating Rate Notes as of the issue date.

OID, if any, on a series of Notes will be determined for any accrual period in euro and then translated into U.S. dollars in accordance with either of the two alternative methods described in the third paragraph under "*—Payments of stated interest*."

A U.S. holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of 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 payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first, as payment of stated interest payable on the Note; second, as receipt of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal. The rules governing OID instruments are complex and prospective purchasers should consult their tax advisors concerning the application of such rules to the Notes as well as the interplay between the application of the OID rules and the currency exchange gain or loss rules.

Foreign currency 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 (and OID, if any) 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, increased by any OID previously accrued by such U.S. holder with respect to the Note. 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 and OID, if any, which will be treated as discussed above under "*—Payments of stated interest*" or "*—Original issue discount*," as applicable. 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 (and the accrual of OID, if any) 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 (as defined in "*Description of Notes*") under the Indenture. Any Additional Notes sold pursuant to Regulation S from time to time may be issued with the same ISIN, Common Code, CUSIP or other securities identification number as the applicable series of Notes previously issued under the Indenture without being fungible with such series of Notes for U.S. federal income tax purposes. If you are considering the purchase of Notes sold pursuant to Regulation S as part of this Offering or in the secondary market, you should consult your tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of such Notes, including with respect to the potential issuance of Additional Notes that are not fungible with the applicable series of initial Notes issued under the Indenture for U.S. federal income tax purposes, but which nevertheless are not capable of being separately identified.

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**") and subject to the proposed regulations discussed below, 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 published in the Federal Register generally would be “grandfathered” unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could 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 of a series sold pursuant to Regulation S are issued after the expiration of the grandfathering period, have the same CUSIP or ISIN as the original Notes of such series sold pursuant to Regulation S and issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all the Notes of such series sold pursuant to Regulation S, including any such Notes issued hereby, as subject to withholding under FATCA. Under recently proposed regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. 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 Parent Guarantor and the Initial Purchasers dated as of the date of the final 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 J.P. Morgan AG, Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, Morgan Stanley & Co. International plc, Nomura Financial Products Europe GmbH and UniCredit Bank AG. Sales in the United States may be made through affiliates of the Initial Purchasers.

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. If an Initial Purchaser defaults, the Purchase Agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the Purchase Agreement may be terminated.

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. 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 Parent 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 Parent Guarantor will for a period of 60 days after the Closing Date, offer, sell, contract to sell or otherwise dispose of, except the Notes and the Guarantees thereof, any debt securities issued or guaranteed by the Parent Guarantor, the Issuer or any of its subsidiaries that are substantially similar to the Notes without the prior written consent of the representative 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 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 Parent 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 Distribution Directive or the Prospectus Regulation relating to the offer and sale of securities to retail investors.

In the Purchase Agreement, each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available any securities 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) MiFID II; (ii) a customer within the meaning of the Insurance Distribution 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 Regulation. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been or will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes (i) in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes and (ii) in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from a requirement to publish a prospectus for offers of such securities. This Offering Memorandum is not a prospectus for the purpose of the Prospectus Regulation or the UK Prospectus Regulation.

In the Purchase Agreement, each Initial Purchaser has represented and agreed that 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been or will be prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

No action has been taken in any jurisdiction, including the United States, Italy 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 business day following the date of pricing of the Notes (such settlement being herein referred to as "**T+** "). 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 succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+ , 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 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. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. See "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—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. Neither we nor any of the Initial Purchasers make any representation that the Stabilizing Manager, or persons acting on its behalf, will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. 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, TeamSystem Holding 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 may 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. 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. Affiliates of an Initial Purchaser have committed to invest in securities of an affiliate of the Issuer. In addition, each of the Initial Purchasers or their respective affiliates have committed to provide bridge loan financing in respect of the Transactions in the event the Offering is not consummated, and such entities will receive customary fees in respect thereof.

Depending on market conditions, the Initial Purchasers may decide to initially purchase and hold a portion of the Notes for their own account.

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.

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 TeamSystem Holding S.p.A. for each of the years ended December 31, 2017, 2018 and 2019, 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 Parent Guarantor is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy. The Indenture, the Notes and the Guarantees are or will be governed by New York law. The Intercreditor Agreement and the Revolving Credit Facility Agreement are or will be governed by the laws of England and Wales.

Service of process

None of the directors or executive officers of the Issuer and the Parent Guarantor are residents or citizens of the United States. Because substantially all of the assets of the Issuer and the Parent Guarantor, and their directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or the Parent Guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer and the Parent Guarantor will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on such persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal or state securities laws. It may be possible for investors to effect service of process within other jurisdictions (including Italy) upon those persons or the Issuer or the Parent 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.

If a judgment is obtained in a U.S. court against the Issuer or the Parent Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which the Parent Guarantor or the Collateral is located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

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 the defendant party's failure to appear before the court, 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 GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Guarantees and of the security interests and a summary of certain insolvency law considerations in Italy, the jurisdiction where each of the Issuer and the Parent Guarantor are 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 or a future security provider of the Notes and it does not purport to be complete or to discuss all the limitations or considerations that may affect the validity and enforceability of the Notes or the Guarantees or security interests being provided for 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 Parent Guarantor are incorporated under the laws of Member States of the European Union (the "EU").

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 "center 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 "center 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 center 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 center 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. In that respect, the factors that courts may take into consideration when determining the center of main interests of a debtor can include where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established and where they recognize as being the centre of the company's operations.

If the center 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 center 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 (subject to certain exceptions) 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 center 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 (subject to any public policy exceptions) 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.

The Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of our group's members.

In addition, the concept of "*group coordination proceedings*" has been introduced in the Insolvency Regulation with the aim of bolstering communication and efficiency in the insolvency of several members of a group of companies in one or more member states of the EU (other than Denmark). Under Article 61 of the Insolvency Regulation, group coordination proceedings may be requested before any court having jurisdiction over the insolvency proceedings of a member of the group, by an insolvency practitioner appointed in insolvency proceedings opened in relation to a member of the group. Participation in group proceedings and adherence to the coordinating insolvency practitioner's recommendations or plan however is voluntary.

In the event that the Issuer or the Guarantors 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. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

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 incorporated under Italian law must be permitted by the applicable laws and by its by-laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, 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 a business decision of 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. While corporate benefit for downstream guarantee or security (i.e., a guarantee guaranteeing or a security interest granted to secure financial obligations of direct or indirect 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 adequate benefits or advantages from the granting of such guarantee or security. In particular, in case of an up-stream and cross-stream guarantee or 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 or guarantor under a guarantee 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 the subject matter of 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, cross-stream and down-stream guarantees or security interests 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 the granting of 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 relevant guarantors 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

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 guarantor 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 relevant Italian guarantor. It has been held that such determination must be proportionate to the relevant Italian guarantor's assets. If such determination is deemed disproportional to the assets of the relevant Italian guarantor, there is the risk that the guarantee could be declared void.

Limitations to the Guarantees and Collateral

In order to comply with the above corporate law requirements on corporate benefit and financial assistance, the maximum amount that any Guarantor incorporated under the laws of Italy (each, an "**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 and any other transaction documents related thereto, will be subject to limitations. By virtue of these limitations, an Italian Guarantor's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or an Italian Guarantor may have effectively no obligation under its Guarantee.

As a result of the applicable limitations under Italian law with respect to, amongst others, corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and/or the Intercreditor Agreement, as regards to the Parent Guarantor:

(i) the maximum amount guaranteed by the Parent Guarantor, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes; and

(ii) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of the Parent Guarantor under its Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively.

In particular, as regards to any Italian Guarantor (other than the Parent Guarantor), given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and/or the Intercreditor Agreement:

(i) the Guarantee and security interests granted by the relevant Italian Guarantor shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans advanced from time to time to the relevant Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Completion Date, and outstanding at the time of the enforcement of the relevant Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or the Intercreditor Agreement and/or received upon the enforcement of any security interests granted by such Italian Guarantor; provided further that no Italian Guarantor shall be liable as a Guarantor in respect of any amounts in excess of the amount that such Italian Guarantor is entitled to set-off against its claims of recourse or subrogation (*regresso or surrogazione*) arising as a result of any payment made by such Italian Guarantor under the relevant Guarantee;

(ii) the maximum amount guaranteed and/or secured by any Italian Guarantor, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed 120% of the outstanding principal amount of the Notes;

(iii) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by an Italian Guarantor will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by the relevant Italian Guarantor at that time; and

(iv) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of any of the Italian Guarantor under its Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively.

In the event that the Post Completion Merger does not occur on or prior to the Cut-off Date, as regards to TeamSystem, given the above limitation in relation to Italian financial assistance law and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement, and/or the Intercreditor Agreement:

(i) the Guarantee and security interests granted by TeamSystem will only guarantee and secure the Issuer's obligations under the Tranche B (as defined in "*Use of Proceeds*") under the Notes and shall not exceed at any time an amount equal to the aggregate principal amount of any intercompany loans (including the TeamSystem Proceeds Loan) advanced from time to time to TeamSystem (or any of its direct or indirect subsidiaries pursuant to Article 2359 of the Italian Civil Code) by the Issuer (whether directly or indirectly) on or following the Completion Date, and outstanding at the time of the enforcement of the relevant Guarantee, in each case net of any proceeds already paid pursuant to the enforcement of its guarantee under the Revolving Credit Facility and/or the Intercreditor Agreement and/or received upon the enforcement of any security interests granted by TeamSystem; provided that TeamSystem shall not be liable as a Guarantor in respect of any amounts in excess of the amount that TeamSystem is entitled to set-off against its claims of recourse or subrogation (*regresso or surrogazione*) arising as a result of any payment made by such Guarantor under the Guarantee;

(ii) the maximum amount guaranteed and/or secured by TeamSystem, also in accordance with article 1938 of the Italian Civil Code (where applicable), will not exceed the lower of (i) 120% of the outstanding principal amount of the Notes, and (ii) the aggregate amount of the original principal amount of the Tranche B (as defined in "*Use of Proceeds*") under the Notes, reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the aggregate amount of the original principal amount of the Tranche B (as defined in "*Use of Proceeds*") under the Notes to (II) the original principal amount of the Notes;

(iii) the aggregate amount of interest in respect of the Notes guaranteed and/or secured by TeamSystem will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes guaranteed and/or secured by TeamSystem at that time;

(iv) notwithstanding any provision to the contrary in the Indenture, in order to comply with the mandatory provisions of Italian law in relation to (i) maximum interest rates (including the Italian Usury Law and Article 1815 of the Italian Civil Code) and (ii) capitalization of interests (including article 1283 of the Italian Civil Code and article 120 of the Italian Legislative Decree No. 385 of 1 September 1993), the obligations of any of TeamSystem under its Guarantee shall not include and shall not extend to (A) any interest qualifying as usurious pursuant the Italian Usury Law and (B) any interest on overdue amounts compounded in violation of the provisions set forth by article 1283 of the Italian Civil Code and/or article 120 of the Italian Legislative Decree No. 385 of 1 September 1993, respectively; and

(v) any guarantee, indemnity, obligations and liability granted or assumed pursuant to the relevant Guarantee and/or security interest by TeamSystem does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche B (as defined in "*Use of Proceeds*") under the Notes.

In addition, as a result of the applicable limitations under Italian law with respect to, amongst others, financial assistance and corporate benefit, notwithstanding anything to the contrary provided in the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement, as regards to TeamSystem Holding, prior to (and including) the date on which the Post Completion Merger becomes effective:

(i) any security interests granted by TeamSystem Holding will only secure the Issuer's obligations under Tranche B (as defined in "*Use of Proceeds*") under the Notes, as reduced, from time to time, by an amount equal to any repayment, prepayment or redemption of the principal amount of the Notes multiplied by the ratio of (I) the aggregate amount of the original principal amount of the Tranche B (as described under "*Use of Proceeds*") under the Notes to (II) the original principal amount of the Notes;

(ii) the aggregate amount of interest in respect of the Notes secured by TeamSystem Holding will be at any time equal to the interest then outstanding in respect of a principal amount of the Notes equal to the principal amount of the Notes secured by TeamSystem Holding at that time; and

(iii) any indemnity, obligations and liability granted or assumed pursuant to the relevant security interest by TeamSystem Holding does not (and will not) include and does not (and will not) extend, directly or indirectly, to any amounts and/or payment obligations other than the amounts and/or payment obligations under Tranche B (as described under "*Use of Proceeds*") under the Notes.

The abovementioned "*virtual tranching*" structure aimed at identifying the relevant portion of the Notes' proceeds which does not constitute "acquisition debt" in respect of TeamSystem and TeamSystem Holding, respectively, and, therefore, does not fall within the prohibition under Italian financial assistance rules (namely, Article 2358 or 2474, as applicable, of the Italian Civil Code), is untested in Italian courts and it cannot be excluded that it might be deemed not sufficient to clearly distinguish and separate the non-acquisition portion of the Notes' proceeds from any portion of the Notes' proceeds to be utilized to support the acquisition or subscription by the Issuer of the share capital of TeamSystem and TeamSystem Holding, respectively. Should the Guarantee and/or the security interests granted by TeamSystem and TeamSystem Holding, respectively, be deemed by a court or public authority to be contrary to any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, such Guarantee and/or security interests could be declared null and void and the Notes documents will provide that, if and to the extent such Guarantee would result in a breach of any provisions regulating financial assistance, including Articles 2358 and 2474, as applicable, of the Italian Civil Code, applicable to TeamSystem, TeamSystem will be deemed to have no liability thereunder and the Guarantee shall not be in force and effect.

In addition, the obligations of any Italian Guarantor and/or Italian security provider (other than the Parent Guarantor, TeamSystem and TeamSystem Holding) that becomes a Guarantor and/or a security provider will be subject to the Agreed Security Principles and will be subject to the additional limitations set forth in the relevant supplemental indenture to the Indenture and/or in the applicable security documents, in order for the applicable Italian Guarantor and/or Italian security provider to comply with the above corporate law requirements on, among others, corporate benefit and financial assistance.

In any case, the maximum amount that an Italian Guarantor and/or Italian security provider (in each case, other than the Parent Guarantor) may be required to pay in respect of its obligations as Guarantor under the Indenture and/or security grantor under the relevant security documents upon enforcement of the security interests granted by such Italian Guarantor will ratably concur and not cumulate with the corresponding amounts due by such Italian Guarantor and/or Italian security provider to any guaranteed and/or secured creditor pursuant to the Revolving Credit Facility Agreement, and/or the Intercreditor Agreement (including any guaranteed and/or secured creditors with respect to any further *pari passu* indebtedness contemplated under the Intercreditor Agreement) and/or any security documents, and *vice versa*. For the avoidance of doubt, by virtue of the abovementioned limitations applicable to the guarantees and the security interests granted by an Italian Guarantor (other than the Parent Guarantor), the obligations of each Italian Guarantor as guarantor and/or security provider under the Notes, the Indenture, the Revolving Credit Facility Agreement, and/or the Intercreditor Agreement and any agreement regulating future *pari passu* indebtedness contemplated under the Intercreditor Agreement, the security documents relating to the Collateral and any other transaction documents related thereto shall not be deemed to be cumulative and shall be considered without duplication, and the transaction documents will provide that the aggregate amount of the proceeds deriving from any enforcement of any such guarantee and/or security obligations of the relevant Italian Guarantor shall not exceed on an aggregate basis the limit of the relevant Italian Guarantor's credit support as described above.

The proceeds of the enforcement of said guarantees and/or security interests will be distributed amongst the guaranteed and/or secured creditors (including, without, limitation, the holders of the Notes) in accordance with the provisions of the Intercreditor Agreement. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Guarantees and security.

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 Italian 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 parties 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 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 guarantees and 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 and/or security interests granted by such Italian subsidiaries may be impaired or restricted.

However, due to the COVID-19 emergency, the Liquidity Decree according to which the provisions summarized above are temporarily frozen and therefore loans granted 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 limited liability company (*società a responsabilità limitata*) during the period between April 9, 2020 and December 31, 2020 are exempted from the application of the so-called "*equitable subordination*" rule.

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 below 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 and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;
- 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;

- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;

- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;

- penalties and liquidated damages (*penali*) may be equitably reduced by a court;

- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;

- 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.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and

- that, in the case of non-gratuitous acts, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

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.

Insolvency laws and regulations have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (so called "*Code of Business Crisis and Insolvency*", hereinafter the "**Insolvency Code**"). The Legislative Decree was published in the *Gazzetta Ufficiale* on February 14, 2019 no. 38—Suppl. Ordinario no. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) the adoption of definition of debtor's "center of main interest" as provided in the new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform.

In response to the COVID-19 pandemic, such entry into force of the Insolvency Code has been currently postponed to September 1, 2021, according to Article 5 of the Law Decree No. 23 of 8 April 2020 ("**Liquidity Decree**"), converted into law on June 5, 2020 no. 40. Until that date, insolvency proceedings will continue to be governed by Italian Royal Decree No. 267 of March 16, 1942 (the "**Italian Bankruptcy Law**"), as in force before. Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein.

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 83/2015**"). The Decree 83/2015 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.

The two primary aims of 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 of insolvency, in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

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 debt restructuring agreements with creditors holding at least 60% of the total amount of claims or debts outstanding, 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 (*omologazione*), 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 becomes 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 and cannot obtain any security interest (unless agreed) in relation to pre-existing debts. 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. Pending such deadline, creditors and other interested parties may file an opposition to the agreement. At such hearing, the court decides upon any opposition and 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 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 (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith and (ii) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-participating financial creditors have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. 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 file an objection (*opposizione*) to it within 30 days of receipt of the application.

In no case the debt restructuring agreement provided for under article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors, *inter alia*, performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize the existing facilities or the utilization of new facilities.

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 or the approval of the *concordato preventivo*. The same provisions apply to financings granted by shareholders up to 80% of their amount.

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 composition 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*), or by assigning claims, 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*). Nevertheless, in response to the COVID-19 pandemic, Article 9 of the Liquidity Decree, provides that the debtor company which has been granted such extension by the Court, can, before the deadline, request for a further extension up to 90 days, even if it has been filed an appeal for a declaration of bankruptcy. The petition provides for the elements that make it necessary to grant the extension with specific reference to the events that have occurred as a result of the COVID-19 pandemic. The Court, acquired the opinion of the judicial commissioner (if appointed), grants the extension when it considers that the application is based on reasonable grounds. 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 did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the concordato proceedings, the interactions between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies are largely untested in the Italian courts (recent case law has however affirmed the right of noteholders whose vote may be tainted by conflict of interest - as could be the case of disenfranchised noteholders - to be computed for the purposes of relevant *quora* and be admitted to vote, albeit in a specific class). 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.

Pursuant to Article 169-bis of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*)). The request may be filed with the competent court at the time of the filing of the application for the concordato preventivo or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

In response to the COVID-19 pandemic, according to Article 9 of the Liquidity Decree, the deadlines for the fulfilment of *concordati preventivi* and the ratified debt restructuring agreements (*accordi di ristrutturazione omologati*) expiring after February 23, 2020 shall be extended by six months. In the procedures for the validation (*omologazione*) of *concordato preventivo* and of a debt restructuring agreement with creditors (*accordo di ristrutturazione dei debiti*), pending on February 23, 2020, the debtor may submit, until the hearing, a petition for the grant of an extension up to 90 days for the deposit of a new plan and a new proposal for a *concordato* in accordance with Article 161 of the Italian Bankruptcy Law or a new debt restructuring agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law. The period starts from the date of the decree by which the court assigns the term, and it shall not be extended. The request is inadmissible if submitted in the context of a *concordato preventivo* in the course of which it has already been held the meeting of creditors but the majorities were not reached according to Article 177 of the Italian Bankruptcy Law.

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;
- 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; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

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 liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* 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 petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), the restructuring of debts 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. 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. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including, *inter alia*, a claim whose priority is legally acquired (*i.e.*, repayment of rescue or interim financing) 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. 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.

Finally, 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.

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 will be 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.

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 on the official website of the Luxembourg Stock Exchange (www.bourse.lu). Such notices may instead be published in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxembourger Wort) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

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 Guarantors;
- 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 on the website of the Luxembourg Stock Exchange or in a leading newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort).

Clearing information

The Fixed 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 and , respectively. The international securities identification number (“**ISIN**”) for the Fixed Rate Notes sold pursuant to Regulation S is and the ISIN for the Fixed Rate Notes sold pursuant to Rule 144A is .

The 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 and , respectively. The ISIN for the Floating Rate Notes sold pursuant to Regulation S is and the ISIN for the Floating Rate Notes sold pursuant to Rule 144A is .

Legal information

Issuer

The Issuer is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy. The Issuer is registered with the Companies’ register of Milan-Monza-Brianza-Lodi under registration number and fiscal code 11397370963. The LEI code of the Issuer is 8156000BE2F1A5658E76. The registered office of the Issuer is at Via Alessandro Manzoni 38, 20121 Milan, Italy. The Issuer has an authorized share capital of Euro 50,000, fully paid up and composed of 50,000 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 of the Issuer taken on , 2021.

Holdco

Holdco is a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy and registered with the Companies' Register of Milan-Monza-Brianza-Lodi, under registration number 11360430968, REA MI-2597294. Holdco's registered office is located at Via Alessandro Manzoni 38, 20121 Milan, Italy. Holdco 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 of Holdco taken on , 2021.

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 the date of our last published 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.
Unaudited Interim condensed consolidated financial statements for the nine months ended 30 September 2020

Euro thousands **Consolidated statement of profit or loss**	**Notes**	**30 Sep 2020**	**30 Sep 2019**
Revenue	1	301,428	264,679
Other operating income	1	1,587	537
TOTAL REVENUE	1	**303,015**	**265,217**
Cost of raw and other materials	2	(24,676)	(19,739)
Cost of services	3	(61,930)	(64,436)
Personnel costs	4	(82,486)	(80,699)
Other operating costs	5	(2,763)	(4,827)
Depreciation and amortization of non-current assets		(65,792)	(61,944)
Allowance for bad debts		(3,957)	(3,615)
Other provisions for risks and charges		(48)	(4,372)
OPERATING RESULT		**61,363**	**25,586**
Finance income	6	3,896	506
Finance cost	7	(44,658)	(36,962)
PROFIT (LOSS) BEFORE INCOME TAXES		**20,601**	**(10,870)**
Current income tax		(16,727)	(12,411)
Deferred income tax		10,857	11,936
TOTAL INCOME TAX		**(5,869)**	**(475)**
PROFIT (LOSS) FOR THE PERIOD		**14,732**	**(11,345)**
(Profit) Loss for the period—Non-controlling interests		**(104)**	**(44)**
PROFIT (LOSS) FOR THE PERIOD—OWNERS OF THE COMPANY		**14,628**	**(11,389)**

Euro thousands Consolidated statement of comprehensive income	Notes	30 Sept 2020	30 Sept 2019
PROFIT (LOSS) FOR THE PERIOD	**20**	**14,732**	**(11,345)**
Actuarial evaluation of Staff leaving indemnity		(144)	(1,036)
Tax effect		35	249
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX		**(109)**	**(787)**
Exchange rate differences		(2)	4
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX		**(2)**	**4**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**20**	**14,621**	**(12,128)**
Total comprehensive (income) loss for the period attributable to Non-controlling interests	20	(104)	(44)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD—OWNERS OF THE COMPANY	**20**	**14,517**	**(12,172)**

Euro thousands Consolidated statement of financial position	Notes	30 Sep 2020	31 Dec 2019
ASSETS			
Tangible assets	9	15,024	15,139
Intangible assets	10	632,801	641,985
Right of use	11	22,980	22,987
Goodwill	12	757,411	734,258
Other Investments	13	1,041	308
Investments in associates	13	129	129
Deferred tax assets	14	13,715	14,760
Financing fees prepayments—non-current	15	392	701
TOTAL NON-CURRENT ASSETS		**1,443,492**	**1,430,266**
Inventories	16	993	845
Trade receivables	17	144,663	122,474
Tax receivables	18	673	3,847
Other receivables—current	19	26,661	30,395
Financing Fees prepayments—current	15	413	413
Other financial assets—current	15	108	72
Cash and bank balances	15	49,974	36,412
TOTAL CURRENT ASSETS		**223,484**	**194,458**
TOTAL ASSETS		**1,666,975**	**1,624,724**
EQUITY AND LIABILITIES			
Share capital	20	5,450	5,450
Other reserves	20	359,737	395,193
Profit (Loss) attributable to Owners of the Company	20	14,628	(35,346)
TOTAL EQUITY attributable to OWNERS OF THE COMPANY		**379,814**	**365,297**
Non-controlling interests—Capital and reserves	20	535	465
Non-controlling interests—Profit (Loss)	20	104	71
TOTAL NON-CONTROLLING INTERESTS		**639**	**537**
TOTAL EQUITY		**380,453**	**365,834**
Financial liabilities with banks and other institutions—non-current	15	855,370	884,518
Staff leaving indemnity	21	18,944	17,338
Provisions for risks and charges	22	4,249	8,595
Deferred tax liabilities	14	163,662	168,958
Other liabilities—non-current	23	490	523
TOTAL NON-CURRENT LIABILITIES		**1,042,714**	**1,079,932**
Financial liabilities with banks and other institutions—current	15	61,910	27,150
Trade payables		30,100	47,692
Tax liabilities—current	24	14,110	3,656
Other liabilities—current	23	137,687	100,461
TOTAL CURRENT LIABILITIES		**243,808**	**178,958**
TOTAL LIABILITIES		**1,286,522**	**1,258,890**
TOTAL EQUITY AND LIABILITIES		**1,666,975**	**1,624,724**

Euro thousands Consolidated statement of cash flows	Notes	30 Sep 2020	30 Sep 2019
Operating Result		**61,363**	**25,586**
Depreciation and amortization of non-current assets		65,792	61,944
Depreciation and amortisation of non-current assets		**65,792**	**61,944**
Trade receivables		(20,046)	4,672
Inventories		(148)	(115)
Other receivables		39	(1,207)
Trade payables		(17,814)	(12,958)
Other liabilities		34,951	38,584
Change in Working capital		**(3,019)**	**28,977**
Staff leaving indemnity		46	(355)
Provisions for risks and charges		(1,843)	1,194
Change in provisions		**(1,797)**	**839**
Income tax		**(3,343)**	**(2,983)**
CASH FLOWS FROM OPERATING ACTIVITIES	**8**	**118,995**	**114,363**
Investments in tangible assets		(2,471)	(2,188)
Investments in intangible assets		(10,904)	(7,815)
Capitalized development costs—personnel costs		(10,794)	(8,154)
Capitalized development costs—service costs		(1,669)	(2,357)
Capital Expenditure		**(25,837)**	**(20,514)**
Acquisition of investments	8	(25,831)	(14,841)
Cash and bank balances at the date of acquisition		2,570	7,747
Acquisition of investments	**8**	**(23,261)**	**(7,094)**
CASH FLOWS FROM INVESTING ACTIVITIES		**(49,099)**	**(27,608)**
Financial balance paid / cashed-in and change in financial assets / liabilities	**8**	**(30,059)**	**(33,648)**
Liabilities to non-controlling shareholders of Subsidiaries paid	**8**	**(26,268)**	**(6,009)**
Distribution of reserves		**0**	**(48,000)**
CASH FLOWS FROM FINANCING ACTIVITIES		**(56,327)**	**(87,658)**
INCREASE (DECREASE) IN CASH AND BANK BALANCES DUE TO EXCHANGE RATE MOVEMENTS		**(8)**	**0**
INCREASE (DECREASE) IN CASH AND BANK BALANCES		**13,561**	**(902)**
CASH AND BANK BALANCES—BEGINNING OF THE YEAR		**36,412**	**24,574**
CASH AND BANK BALANCES—END OF THE PERIOD		**49,974**	**23,672**

Consolidated statement of changes in equity

Euro thousands	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	Total
31 Dec 2018	**5,450**	**501,117**	**(826)**	**(56,030)**	**449,711**	**464**	**450,175**
Loss allocation		(56,856)	826	56,030	**0**		**0**
TeamSystem Holding S.p.A. distribution of reserves		(48,000)			**(48,000)**		**(48,000)**
Total Comprehensive Income (Loss) for the period		(783)		(11,389)	**(12,172)**	44	**(12,128)**
30 Sep 2019	**5,450**	**395,479**	**0**	**(11,389)**	**389,540**	**508**	**390,049**

Euro thousands	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Profit (Loss) attributable to Owners of the Company	Equity attributable to Owners of the Company	Non-controlling interests	Total
31 Dec 2019	**5,450**	**396,020**	**(826)**	**(35,346)**	**365,298**	**536**	**365,834**
Loss allocation		(36,172)	826	35,346	**0**		**0**
Total Comprehensive Income (Loss) for the period		(111)		14,628	**14,517**	104	**14,621**
30 Sep 2020	**5,450**	**359,737**	**0**	**14,628**	**379,814**	**639**	**380,453**

Notes to the unaudited Interim condensed consolidated financial statements

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” or the “Company”) is the parent company of TeamSystem Group (the “Group”), leader in Italy in the production and marketing of management software and in the provision of training targeted at associations, small and medium-sized enterprises and professionals (accountants, labour consultants, lawyers, condominium managers and self-employed professionals).

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

Basis of preparation

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

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

The interim consolidated financial documents for the period ended 30 September 2020 show comparative figures for the nine months ended 30 September 2019 for the components of the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and show comparative figures as at 31 December 2019 for the components of consolidated statement of financial position.

The interim condensed consolidated financial statements for the period ended 30 September 2020 consist of a consolidated statement of profit or loss, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of cash flows, a consolidated statement of changes in equity and notes to the interim condensed consolidated financial statements components.

The format used for the financial statements is the same as the one used for the preparation of the TeamSystem Holding S.p.A. consolidated financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial statements for the first nine months ended 30 September 2020 are presented in Euro and all amounts have been rounded to Euro thousands, unless otherwise specified.

The condensed consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries for the nine months period ended 30 September 2020 and for the nine months period ended 30 September 2019 have not been audited by TeamSystem Holding’s independent auditors.

Scope of consolidation

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	Notes	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation
TeamSystem Holding S.p.A.		Pesaro	5,450,000	643,605,198	(79,659)	EUR		
TeamSystem S.p.A.		Pesaro	24,000,000	329,611,859	(14,164,132)	EUR	100.00	100.00
TeamSystem Service S.r.l.		Campobasso	200,000	21,762,226	5,131,091	EUR	100.00	100.00
TeamSystem Communication S.r.l.	1	Civitanova Marche (MC)	23,300	161,080	44,291	EUR	60.00	100.00
Danea Soft S.r.l.	1	Vigonza (PD)	100,000	25,319,350	9,864,317	EUR	70.00	100.00
Madbit Entertainment S.r.l.	1	Treviolo (BG)	10,000	22,869,410	16,787,732	EUR	51.00	100.00
MMDATA S.r.l.		Rome	10,000	162,368	(2,308)	EUR	100.00	100.00
Mondora S.r.l.		Milan	105,000	3,372,833	766,415	EUR	100.00	100.00
Voispeed Limited		Saint Albans—UK	1,000	139,536	40,374	GBP	85.00	85.00
Aliaslab S.p.A.	1	Milan	156,000	31,594,095	6,024,905	EUR	70.00	100.00
Reviso International ApS		Copenhagen	50,011	(14,038,697)	(8,059,878)	DKK	100.00	100.00
Reviso Cloud Accounting Limited		Reading	1	22,571	3,857	GBP	100.00	100.00
Reviso Soluciones Cloud S.L.		Madrid	3,000	9,460	(6,893)	EUR	100.00	100.00
Reviso Deutschland GmbH		Berlin	25,000	87,234	105,352	EUR	100.00	100.00
Evols S.r.l.	1	Catania	887,000	1,389,212	(4,568)	EUR	51.00	100.00
Netlex S.r.l.		Velletri (RM)	12,500	768,276	191,722	EUR	100.00	100.00
Cassanova S.r.l.	1	Santarcangelo di Romagna (RN)	10,000	1,083,881	314,516	EUR	51.00	100.00
Evolution Fit S.r.l.	1	Turin	10,000	619,945	296,106	EUR	71.00	100.00
TeamSystem Active S.r.l.		Pesaro	15,000	413,162	322,118	EUR	100.00	100.00
Gruppo Euroconference S.p.A.	2	Verona	300,000	18,997,169	3,364,932	EUR	96.87	96.87
Nuovamacut Automazione S.p.A.		Bologna	108,000	21,083,926	2,540,130	EUR	100.00	100.00
TeamSystem 4 S.r.l.		Pesaro	50,000	119,378	27,973	EUR	100.00	100.00
TeamSystem 5 S.r.l.		Trento	10,000	3,256,089	(136,834)	EUR	100.00	100.00
Area 32 S.r.l.		Bolzano	10,000	390,802	154,117	EUR	100.00	100.00
MBM Italia S.r.l.	1	Padova	40,800	1,229,890	393,318	EUR	61.00	100.00
AF Soluzioni S.r.l.	1	Salerno	70,000	675,008	12,656	EUR	60.00	100.00
Beneficy S.r.l.	1	Rome	90,000	46,515	(82,042)	EUR	51.00	100.00
Skylab Italia S.r.l.	1	Turin	143,600	6,875,378	557,510	EUR	60.00	100.00
Gi.Esse Macchine Utensili S.r.l.		Assago (MI)	100,000	1,373,622	45,798	EUR	100.00	100.00
Iperelle S.r.l.		Brescia	50,000	1,820,155	35,296	EUR	100.00	100.00
Iperelle Edist Torino S.r.l.		Grugliasco (TO)	100,000	329,250	6,287	EUR	100.00	100.00
Reway S.r.l.		Monza (MB)	10,000	161,820	18,064	EUR	100.00	100.00
Techmass S.r.l.	1	Bassano del Grappa (VI)	11,538	231,665	(52,508)	EUR	51.00	100.00
TeamSystem BK S.r.l.	1	Rome	1,010,000	5,657,845	147,845	EUR	80.00	100.00
TeamSystem Financial Value Chain S.r.l.	1	Milan	4,931,373	13,530,733	(38,731)	EUR	51.00	100.00
Whit-e S.r.l.		Milan	15,000	1,067,456	(18,935)	EUR	100.00	100.00
Factor@Work S.r.l.		Milan	65,000	225,403	(263,584)	EUR	100.00	100.00
TeamSystem AM Holdco S.r.l.	1	Milan	10,000	1,291,877	(7,768)	EUR	51.00	100.00
TeamSystem Capital at Work SGR S.p.A.		Milan	100,000	855,213	(314,407)	EUR	100.00	100.00
TeamSystem Payments Holdco S.r.l.		Milan	10,000	1,821,015	(6,655)	EUR	100.00	100.00
TeamSystem Payments S.r.l.		Milan	125,000	1,108,907	(265,827)	EUR	100.00	100.00

Amounts in Euro Consolidated Companies Equity Method	Notes	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation
Esaedro S.r.l.	3	Parma	20,800	396,144	150,407	EUR	40.00	40.00
INTIT S.r.l.	3	Frosinone	20,800	373,826	(85,843)	EUR	35.00	35.00
Cesaco S.r.l.	3	Vicenza	90,000	88,430	(49,450)	EUR	48.00	48.00

(1) = equity interest would be 100% should put/call options be exercised;

(2) = takes account of treasury shares held by Gruppo Euroconference;

(3) = Equity and Profit (Loss) figures updated to 31 December 2019;

Changes to the scope of consolidation during the first nine months of 2020

The 30 September 2020 scope of consolidation has changed compared to the Consolidated financial statements for the period ended 31 December 2019, because of the consolidation of new acquired companies TeamSystem 5 S.r.l., Area 32 S.r.l., MBM Italia S.r.l., AF Soluzioni S.r.l. and Beneficy S.r.l. in the 30 September 2020 Consolidated Financial Statements.

Significant events during the first nine months of 2020

COVID-19

During the nine-month period of 2020, the world lived a recent and rapid development of the COVID-19 pandemic, where many countries have imposed limitation or suspension of certain commercial activities and adopted travel restrictions and quarantine measures.

The COVID-19 pandemic occurred in China in December 2019 and continued to evolve gradually worldwide. In response to the COVID-19 pandemic, on 9 March 2020, the Italian government (the country where the Group mainly operates) imposed a nationwide quarantine together with several other measures. As a result of these restrictive measures, we closed substantially all of our facilities and transitioned all of our remaining employees to remote working. Additionally, even though the nationwide quarantine was lifted on 4 May 2020, significant restrictions and social distancing measures remain in place, which continue to adversely affect the overall Italian economy and, in turn, our operations and our customers' operations. In particular, as the number of infections in Italy significantly increased in the fall of 2020, new drastic measures were taken, including a nationwide evening curfew and certain more stringent ad hoc measures for regions with higher infection rates, which has resulted in, among other things, large-scale protests and further economic and social turmoil.

In this scenario, the Group has progressively limited activities to customers and / or operating offices being able to work in smart working ensuring the safety of the Group's employees and the continuation of the activities contracted with customers.

In the current complex market situation, the Group is focused on supporting its clients in order to best meet their needs and the increasing demands for digitization.

There may be a slowdown in cash collections from certain customers, who may be impacted more significantly by the COVID-19 emergency, compared to what was expected. In any case, the diversification of the sectors in which the Group's customers operate (professionals, mechanical and manufacturing, construction, CAF/public sector, legal, wellness, hospitality, professional education), the good financial condition and the availability of liquidity, are elements mitigating the potential financial and liquidity risk.

However, at the current stage of the COVID-19 context, the scenarios of medium-long term of the Group did not identify indicators of impairment in the financial statements as at 30 September 2020, as well as evidenced by the increase in revenues and by the improvement in margins and collection from customers for our Software service line, as will be better described below.

The Group is actively monitoring this situation and the effects on its business, results of operations and financial condition, including expenses and employee-related amounts through temporary Government subsidy programs (so called "Cassa integrazione") for a total amount of € 1,569 thousand.

Additionally, in connection with the restrictions due to COVID-19 pandemic, we reduced our travel and participation to events and trade fair, with a significant decrease in travel and marketing costs.

Even in a context of general uncertainty related to the effects of COVID-19, based on the Company's current operating business plan and existing cash and cash equivalents the Company has determined that there are not significant uncertainties regarding its ability to continue as a going concern.

Acquisition of investments

Acquisition of TeamSystem 5 S.r.l.

To increase its direct presence in Italy, in January 2020, TeamSystem S.p.A. acquired a controlling interest in TeamSystem 5 S.r.l., a newco to which Aldebra S.p.A. (a TeamSystem products dealer that markets and sells "Metodo", "TeamSystem Digital", "ESA", "Alyante", "Lynfa" and "STR" software solutions) had previously transferred a business segment.

Acquisition of Area 32 S.r.l.

In order to increase its commercial offers to third sector's entities (mainly represented by associations and non-profit entities) and companies, at the end of February 2020, TeamSystem S.p.A. acquired the 100% interest in Area 32 S.r.l., a software house that develops and distributes cloud software solutions for Third Sector activities: sport, non-profit and culture.

Acquisition of MBM Italia S.r.l.

In April 2020, TeamSystem S.p.A. acquired a majority stake corresponding to 61% of share capital of MBM Italia S.r.l, a company that develops:

- software solutions for the management of planning and logistics of industrial companies;
- management software for manufacturing companies, mainly fashion companies.

With this acquisition, the Group has further strengthened its position in the "Industria 4.0" sector and its product range dedicated to the digitalization and optimization of organisational and production processes.

Acquisition of AF Soluzioni S.r.l.

In April 2020, TeamSystem S.p.A. acquired a majority stake corresponding to 60% of share capital of AF Solutions S.r.l, a company that develops on premise and cloud software solutions for e-procurement and for the management of tenders. The acquisition allows TeamSystem S.p.A. to enter new markets with a product dedicated to the public administration and to acquire skills for the management of account receivables.

Acquisition of Beneficy S.r.l.

In May 2020, TeamSystem S.p.A. acquired a majority stake corresponding to 51% of share capital of Beneficy S.r.l., a company that has developed an innovative platform to let companies, employees and labour consultants to manage and use their welfare benefits on a dedicated marketplace.

Acquisition of Habble S.r.l.

In order to increase its portfolio of cloud solutions for professionals and small-medium enterprises, in May 2020 TeamSystem S.p.A. acquired a 5% stake in the share capital of Habble S.r.l., a company that develops Saas cloud software for planning and control of business costs in real time.

Acquisition of residual 49% stake of Netlex S.r.l.

In May 2020, TeamSystem S.p.A. acquired the residual 49% stake in Netlex S.r.l and now is the full owner of Netlex S.r.l.. The company develops and markets advanced cloud solutions for legal and professional practices.

Acquisition of 20% stake of Evolution Fit S.r.l.

In May 2020, TeamSystem S.p.A. acquired a 20% stake in Evolution Fit S.r.l and now it owns 71% of Evolution Fit S.r.l.. The company is specialised in the development and marketing of cloud software for wellness operators (gyms, personal trainers etc…).

Acquisition of 19% stake of Aliaslab S.p.A.

In June 2020, TeamSystem S.p.A. acquired a 19% stake in Aliaslab S.p.A. and now it owns 70% of Aliaslab S.p.A.. The company is specialised in electronic signature and authentication services, with distinctive market positioning in Italy.

Other significant events

Change of BK Service S.r.l. name

BK Service S.r.l. has been renamed in TeamSystem BK S.r.l..

Translation of foreign currency financial statements

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

The foreign companies included in the scope of consolidation at 30 September 2020 that use a currency other than the Euro are: Voispeed Limited and Reviso Cloud Accounting Limited, which use the British Pound (GBP), and Reviso International ApS, which uses the Danish Krone (DKK).

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

Exchange rates	Average exchange rate for the first nine months of 2020	Exchange rate as at 30 September 2020	Average exchange rate for the first nine months of 2019	Exchange rate as at 31 December 2019
GBP	0.88509	0.91235	0.88346	0.85080
DKK	7.458	7.44620	7.4644	7.4715

Segment information

During the course of 2019, TeamSystem Group completed its revision of its corporate reporting system that led to substantial changes to the format of internal reports reviewed periodically by Management with the definitive elimination of the breakdown at the level of the previously identified three operating segments: **Software Solutions, Cloud Software Solutions and Hardware.**

In fact, Group Management deemed it appropriate and necessary (in a technological context of a market characterised by continuous evolution) to review its reporting activities that, effective 2019, envisage one sole operating segment for reporting purposes, the **Software Business Unit**, in line with the new organisational and internal responsibility structure.

Note that, also at 30 September 2020 (as at 31 December 2019), the financial sector companies that were newly incorporated and newly acquired in 2019 do not meet the quantitative thresholds set out in the applicable accounting standard (IFRS 8.13) and, given their immateriality within the Group, no specific disclosures have been made at Group level. Related disclosures have thus been presented in the "**Other sectors**" category, separately from the other reconciling items within the reconciliations required by IFRS 8.23.

Use of estimates

The preparation of consolidated financial statements requires the Group to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss and consolidated statement of cash flows, as well as the disclosures provided. The actual amounts of the financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.

Set out below is a listing of consolidated financial statement components that, more than others, require greater subjectivity, on the part of the Group, in the application of estimates and, for which, a change in the conditions of underlying assumptions used may give rise to a significant risk in relation to the determination of adjustments to the carrying amounts of current assets and liabilities that may have a significant impact on the financial statements of the consolidated companies:

- Business combinations (IFRS 3) and measurement of intangible assets;
- Goodwill and other intangible assets;
- Allowance for bad debts;
- Provisions for risks and charges;
- Employee benefits;
- Liability to non-controlling shareholders of subsidiaries;
- Annual effective tax rate used in interim financial statements.

Regarding the tax rate applied for the preparation of these interim financial statements, in particular, it should be considered that new tax options have been introduced in Italy in August 2020 that give a company the opportunity to align items that present differences between IFRS and fiscal values in terms of deductibility (this can be the case of past merger or purchase price allocation not recognized from a tax point of view). In addition, and only for companies, like many Group's subsidiaries, that prepare their statutory financial statements under Italian GAAP, it is possible to reevaluate some assets (tangible, intangibles and financial) and obtain a related fiscal deduction of depreciation, paying a one-off tax. The application of these options, currently under consideration by the TeamSystem Group, could lead to a materially different effective tax rate from that used in the preparation of these interim financial statements, with a potentially significant benefit in terms of taxes. Management has conducted its analysis as to whether this tax option should be used in the tax rate applied to these interim financial statements: considering that calculation and analysis on application is still in progress and that a Board decision, that commits the Group to apply the new tax options, has not been yet formalized at the time of preparation and approval of these interim financial statements. Management has concluded that the possible estimated change in the effective tax rate should not be reflected in these interim financial statements.

Seasonality

Due to the type of business, our operations/activities are not subject to seasonality.
From a cash perspective, our working capital is generally cash generative in the second quarter 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 business line and, partially, in our Vertical Solutions business line. Direct Channel and, to a lesser extent, Vertical Solutions' customer invoicing is concentrated at the beginning of the year, when most of the annual fees related to assistance and maintenance contracts and subscription contracts are invoiced; most of the related trade receivables are then collected in the second quarter.

Accounting Standards, Amendments and IFRS and IFRIC interpretations endorsed by the European Union, applicable starting from 1 January 2020

The following new international financial reporting standards, applicable from 1 January 2020, were adopted during the period:

- On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". This amendment is applied to new acquisition transactions that are concluded as from 1 January 2020.
- On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)".

- Amendments to References to the Conceptual Framework in IFRS Standards (Conceptual Framework). Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020.

- On 26 September 2019, the IASB published the document entitled "Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)", which has amended certain of the requirements for the application of hedge accounting, introducing temporary exemptions to such requirements.

At the date of preparation of these interim condensed consolidated financial statements, the following amendment has been adopted and it is applicable for the Financial Statements starting from 1 June 2020:

- The International Accounting Standards Board (IASB) has published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. It is possible the early adoption—the amendment is applicable for financial years starting from 1 January 2020).

These new IFRS standards and amendments have not had any significant impact on the nine-months interim condensed consolidated financial statements.

Notes to the unaudited interim consolidated financial statement

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

1. Total revenue

Euro Millions	30 Sep 2020	30 Sep 2019	Change	% Change
Point in Time	53,7	54,3	(0,5)	-1,0%
Over time	249,3	210,9	38,3	18,2%
TOTAL REVENUE	**303,0**	**265,2**	**37,8**	**14,3%**

Total Revenue for the period ended 30 September 2020 amounts to € 303 millions, up by € 37.8 millions compared to the corresponding figure for the period ended 30 September 2019 (€ 265.2 millions).

This growth is mainly the result of (i) the expansion of our customer base in cloud-based products, including the cloud-based version of our core ERPs, our new cloud-native ERP for Microbusiness and our other cloud ancillary products and services, (ii) the first time consolidation of the several companies we acquired in the first nine months of 2020 and (iii) the first time consolidation of several companies we acquired in the 2019 that are now included for a full nine months in 2020.

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.

Set out below is the Group's segment information for the the first nine months of 2020, compared with the corresponding period ended 30 September 2019.

Euro thousands Operating segments	30 Sep 2020	30 Sep 2019	Change	% Change
Business unit—Software	302.359	264.383	37.976	14%
Other	656	834	(177)	-21%
TOTAL REVENUE	**303.015**	**265.217**	**37.799**	**14,3%**
Business unit—Software	135.540	98.381	37.160	38%
Other	(1.185)	(85)	(1.100)	1296%
ADJUSTED EBITDA	**134.355**	**98.296**	**36.060**	**36,7%**

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 based on various indicators, the pre-eminent and most significant of which is Adjusted EBITDA, defined as profit (loss) for the year plus (i) income tax, (ii) finance income and costs, (iii) impairment of non-current assets, (iv) other provisions for risks and charges, (v) depreciation and amortisation of non-current assets, (vi) allocations to the allowance for bad debts and (vii) certain costs deemed by Management to be non-core for the measurement of the Group's performance.

Details are set out below of the Adjusted EBITDA reconciliation for the first nine months of 2020, compared with the corresponding period ended 30 September 2019:

Euro thousands Adjusted EBITDA reconciliation	30 Sep 2020	30 Sep 2019	Change	% Change
PROFIT (LOSS) FOR THE YEAR	14.732	(11.345)	26.077	-229,8%
Income tax	5.869	475	5.395	1136,1%
Financial income and expenses	40.762	36.456	4.306	11,8%
Other provisions for risks and charges	48	4.372	(4.324)	-98,9%
Depreciation and amortization of non-current assets	65.792	61.944	3.848	6,2%
Allowance for bad debts	3.957	3.615	342	9,5%
Advisory expenses related to reorganization and cost saving projects	1.127	1.514	(387)	-25,6%
Personnel redundancy	984	426	558	131,0%
Acquisitions and mergers costs	880	262	619	236,5%
Settlements with clients and agents	70	520	(450)	-86,5%
Other minor items	133	57	75	131,6%
ADJUSTED EBITDA	**134.354**	**98.296**	**36.058**	**36,7%**

Lastly, note that there is no concentration of revenue with any specific customer, given the notable segmentation of Group sales, which in the period under analysis, were almost exclusively realised in Italy.

2. Cost of raw and other materials

	30 Sep 2020	30 Sep 2019	Change	% Change
Hardware purchases	4,524	3,079	1,445	46.9%
Third parties' software	19,236	14,682	4,554	31.0%
Handbooks and forms	30	52	(22)	-41.6%
Materials for education	48	101	(54)	-53.0%
Fuel	814	1,490	(676)	-45.4%
Other materials	170	449	(278)	-62.0%
Change in inventory of raw materials	(147)	(115)	(32)	27.9%
Total	**24,676**	**19,739**	**4,938**	**25.0%**

Cost of raw and other materials amounts to € 24,676 thousand for the period ended 30 September 2020, up by € 4,938 thousand compared to the amount at 30 September 2019 (€ 19,739 thousand). The increase, mainly recorded in the line item Third parties' software, is attributable to the change in the consolidation area and to the organic growth experienced by the Group in the first nine months of 2020.

3. Cost of services

	30 Sep 2020	30 Sep 2019	Change	% Change
Agent commissions and other costs	11.132	10.495	637	6,1%
Consulting and third parties services	7.106	8.841	(1.735)	-19,6%
Software and Hardware maintenance costs	12.475	9.529	2.946	30,9%
Customer support service costs	2.754	4.816	(2.063)	-42,8%
Administrative and management consulting costs	3.038	2.823	215	7,6%
Financial interest costs	32		32	
Education—consulting and copyrights	1.823	2.411	(588)	-24,4%
Magazines—consulting and copyrights	1.074	1.153	(79)	-6,9%
Other costs for education services	206	779	(573)	-73,5%
Advertising and marketing	6.577	8.133	(1.556)	-19,1%
Car rentals	2.392	2.245	146	6,5%
Utilities	2.750	2.901	(151)	-5,2%
Costs for mergers and acquisitions	880	262	618	235,9%
Other minor items	353	189	164	86,8%
Costs for strategic projects and reorganizations	1.267	1.720	(453)	-26,3%
Other services	9.740	10.495	(755)	-7,2%
Cost of services—Gross of capitalisation	**63.599**	**66.793**	**(3.194)**	**-4,8%**
Services capitalized development costs	(1.669)	(2.357)	688	-29,2%
Total	**61.930**	**64.436**	**(2.505)**	**-3,9%**

Cost of services for the period ended 30 September 2020 amounts to € 61,930 thousand, down by € 2,505 thousand from the amount of the period ended 30 September 2019 (€ 64,436 thousand).

Compared to the corresponding period ended 30 September 2019, the main increase registered in Software and Hardware maintenance costs (as a consequence of the growth in Micro and new Business Solutions revenue) is compensated by the decrease of Customer support service costs, Consulting and third parties services and Advertising and Marketing. The decrease reflected a reduction in delivery expenses, travel and employees' expenses, mainly as a consequence of the lock-down and other restrictive measures imposed by the Italian government in response to the COVID-19 pandemic in the first nine months of 2020.

Costs for strategic project and reorganization for € 1,267 thousand includes costs incurred for services related to reorganization and cost saving projects of € 1,127 thousand (€ 1,514 thousand) and fees for legal advice concerning personnel reorganisation of € 140 thousand (€ 206 thousand).

As regards the capitalisation of cost of services recognised in the first nine months of 2020, reference should be made to the Note 10 Intangible Assets.

4. Personnel costs

	30 Sep 2020	30 Sep 2019	Change	% Change
Wages, salaries and social contributions	85,684	82,231	3,453	4.2%
Staff leaving indemnities	4,377	3,663	714	19.5%
Other personnel costs	413	216	196	90.6%
Personnel costs for redundancy and reorganizations	844	220	624	284.1%
Employee costs	**91,318**	**86,330**	**4,988**	**5.8%**
Freelancers and collaborators fees	347	394	(47)	-11.9%
Directors' fees and related costs	1,615	2,128	(514)	-24.1%
Directors and Collaborators	**1,962**	**2,523**	**(561)**	**-22.2%**
Personnel—Gross of capitalisation	**93,280**	**88,853**	**4,427**	**5.0%**
Personnel capitalized development costs	**(10,794)**	**(8,154)**	**(2,640)**	**32.4%**
Total	**82,486**	**80,699**	**1,787**	**2.2%**

Personnel costs for the period ended 30 September 2020 (€ 82,486 thousand) have increased by € 1,787 thousand, compared to the corresponding amount for the period ended 30 September 2019 (€ 80,699 thousand), as a consequence of the change in the consolidation area and of the organic growth experienced by the Group in the first nine months of 2020, partially offset by the subsidies provided by the Italian Government (i.e. Cassa Integrazione) to businesses in response to the COVID-19 pandemic, which were received and utilized in June, July and August 2020, for a total amunt of € 1,569 thousand.

Total personnel redundancy costs amounted to € 984 thousand (€ 426 thousand) for the nine months ended 30 September 2020 and they are classified among the above "Personnel costs for redundancy and reorganisations" for € 844 thousand (€ 220 thousand) and "Fees for legal advice concerning personnel reorganisation" for €140 thousand (€ 206 thousand)—see also Note 3.

As regards the capitalisation of personnel costs recognised in the first nine months of 2020, reference should be made to the Note 10 Intangible Assets.

5. Other operating costs

	30 Sept 2020	30 Sept 2019	Change	% Change
Rents	1,310	1,057	253	24.0%
Rentals	221	261	(40)	-15.5%
Other expenses for use of third parties assets	258	315	(57)	-18.2%
Other tax	262	204	58	28.3%
Losses from assets disposals	4	0	4	2225.2%
Other expenses and settlement costs	708	2,989	(2,281)	-76.3%
Total	**2,763**	**4,827**	**(2,064)**	**-42.8%**

Other operating costs for the period ended 30 September 2020 (€ 2,763 thousand) have decreased compared to the corresponding amount for the period ended 30 September 2019 (€ 4,827 thousand).

Other expenses and settlement costs amounted to € 708 thousand (€ 2,989 thousand) and mainly refer to the cost of settlement agreements with customers and agents of € 70 thousand (€ 520 thousand at 30 September 2019) and other minor costs of € 133 thousand (€ 57 thousand at 30 September 2019), which include costs relating to management fees.

6. Finance income

	30 Sep 2020	30 Sep 2019	Change	% Change
Interest and other finance income	8	198	(190)	-95.9%
Gains on foreign exchange	9	2	7	409.0%
Interest from cash pooling and other loans	0	(2)	3	-108.3%
Interest from banks	6	3	3	76.6%
Depreciation—Liabilities to non-controll. shareholders	3,292	136	3,156	2317.3%
Gain on valuation of derivative instruments	87	149	(62)	-41.5%
Dividends	494	20	474	2368.1%
Total	**3,896**	**506**	**3,390**	**669.6%**

Finance income for the period ended 30 September 2020 (€ 3,896 thousand) have increased for an amount of € 3,390 thousand compared to the corresponding amount at 30 September 2019 (€ 506 thousand), mainly due to the decrease of the fair value of the Liabilities to Non-Controlling Shareholders of Subsidiaries as a result of the write-down of certain put and call options in 2020.

7. Finance cost

	30 Sep 2020	30 Sep 2019	Change	% Change
Interest on bank loans	759	12	746	6049.1%
Interest on Notes	22,833	22,750	83	0.4%
Interest on derivative instruments	89	230	(142)	-61.5%
Interest on financing fees	2,107	2,100	8	0.4%
Revaluation—Liabilities to non-controll. Shareholders	9,070	1,986	7,085	356.8%
Bank commissions	1,375	1,505	(130)	-8.6%
Interests on actuarial valuation of employee benefit	101	424	(323)	-76.2%
Interests on leases—IFRS 16	750	733	17	2.3%
Other IFRS financial charges	6,193	5,811	383	6.6%
Interests on cash pooling and other loans	3	2	0	2.9%
Other financial charges	1,366	1,332	34	2.6%
Losses on foreign exchange	13	16	(3)	-20.2%
Write-downs of investments		62	(62)	n.s.
Total	**44,658**	**36,962**	**7,696**	**20.8%**

Finance cost for the period ended 30 September 2020 amount to € 44,658 thousand with an increase of € 7,696 thousand, compared to the corresponding amount at 30 September 2019 (€ 36,962 thousand). The increase of € 7,085 thousand in the line items Revaluation – Liabilities to non-controlling shareholders of Subsidiaries is mainly attibutable to change in the fair value of the debts due to minority shareholders under put option agreements.

8. Consolidated statement of cash flows

With regards to the more significant components of the statement of cash flow, a description of the main factors impacting the Group's cash flows over the course of the first nine months of 2020 are listed below.

Cash flows from operating activities amounted to € 118,995 thousand for the period ended 30 September 2020, increasing by € 4,633 thousand, compared to the corresponding flows for the period ended 30 September 2019 (€ 114,363 thousand), primarily due to the increase of the current receivable (not ooverdue) related to organic growth in 2020 and to the change in the consolidation perimeter.

Cash flows from investing activities changed from negative € 27,608 thousand in the period ended 30 September 2019, to negative € 49,099 thousand for the corresponding period of 2020.

The main investment activities for the first nine months of 2020 are attributable to:

- € 12,462 thousand (€ 10,511 thousand) relating to capitalized development costs;

- € 13,375 thousand (€ 10,003 thousand) relating to capital expenditures on tangible and intangible assets;
- € 23,261 thousand (€ 7,094 thousand) relating to the acquisition of a majority stake in TeamSystem 5 S.r.l., Area 32 S.r.l., MBM Italia S.r.l., AF Soluzioni S.r.l., Beneficy S.r.l. and the acquisition of a minority stake in Habble S.r.l .

Cash flows from financing activities changed from negative € 87,658 thousand in the period ended 30 September 2019, to negative € 56,327 thousand for the corresponding period of 2020.

The main cash items occurred in the first nine months of 2020 are attributable to:

- € 30,059 thousand (€ 33,648 thousand) relating to the payment of interest under the existing notes, the existing revolving credit facility and the payment of lease liabilities;
- € 26,268 thousand (€ 6,009 thousand) relating to Liabilities to Non-Controlling Shareholders of Subsidiaries paid in connection with the acquisition of further equity interests in AliasLab, Netlex S.r.l. and Evolution Fit S.r.l. and the payment of earn-outs primarily relating to investments in Skylab S.r.l..
- € 48,000 thousand at 30 September 2019 (nil at 30 September 2020) relating to an equity reserve distribution made by TeamSystem Holding S.p.A..

9. Tangible fixed assets

Net book value	30 Sep 2020	31 Dec 2019	Change	% Change
Land	948	948		
Buildings	2,856	3,071	(216)	-7.0%
Plant and machinery	3,088	4,064	(976)	-24.0%
Equipment	785	907	(122)	-13.4%
Other assets	7,347	6,142	1,205	19.6%
Tangible assets—in progress		7	(7)	-100.0%
Total	**15,024**	**15,139**	**(115)**	**-0.8%**

At 30 September 2020 Tangible fixed assets amount to € 15,024 thousand, down by € 115 thousand compared with the balance recorded at 31 December 2019 (€ 15,139 thousand).

10. Intangible assets

Net book value	30 Sep 2020	31 Dec 2019	Change	% Change
Capitalised development	**33,712**	**28,852**	**4,860**	**16.8%**
IFRS Assets	**574,026**	**590,191**	**(16,165)**	**-2.7%**
Other intangible assets	**25,063**	**22,943**	**2,120**	**9.2%**
Total	**632,801**	**641,985**	**(9,184)**	**-1.4%**

Intangible assets have gone from € 641,985 thousand at 31 December 2019 to € 632,801 thousand at 30 September 2020, with a decrease of € 9,184 thousand resulting from the aggregate of disposals, additions, capitalised development costs (€ 12,462 thousand) and amortisation (€ 58,189 thousand) for the period ended 30 September 2020.

11. Right of use

As at 30 September 2020 Right of use amounts to € 22,980 thousand, substantially unchanged compared to the balance as at 31 December 2019 (€ 22,987 thousand).

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

12. Goodwill

At 30 September 2020 Goodwill amounts to € 757,411 thousand, up by € 23,153 thousand compared with the balance recorded at 31 December 2019 (€ 734,258 thousand); the increase mainly relates to the first time consolidation of new acquired companies Teamsystem 5 S.r.l., Area 32 S.r.l., MBM Italia S.r.l., AF Soluzioni S.r.l. and Beneficy S.r.l.. The purchase price allocation of the above-mentioned companies is still provisional at 30 September 2020 and, consequently, the related goodwill is also provisional at the reporting date.

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 by the Group.

As disclosed in Note 1—Operating Segments, the new model established during the course of 2019 is based on a cash generating unit (CGU)—**Software**—consisting of a reporting operating segment, namely the “Software Business Unit” and a CGU—**Financial Services**—consisting of a non-reporting operating segment, namely “Other sectors”.

At 30 September 2020, the Group’s total goodwill has been allocated as set out below:

	31 Dec 2019	Other movements	Additions	(Impairment)	30 Sep 2020
CGU—Software	725.402	111	23.042		748.555
CGU—Financial Services	8.855				8.855
Total	**734.257**	**111**	**23.042**		**757.411**

The increase in goodwill of € 23,153 thousand, recorded at 30 September 2020, mainly refers to the additions (€ 23,042 thousand) related to the acquisitions occurred during the course of 2020:

- MBM Italia S.r.l. (€ 13,242 thousand);
- Teamsystem 5 S.r.l. (€ 3,714 thousand);
- AF Soluzioni S.r.l. (€ 3,163 thousand);
- Area 32 S.r.l. (€ 2,035 thousand);
- Beneficy S.r.l. (€ 888 thousand).

The purchase price allocations recognised for the acquisition of Iperelle S.r.l. and TeamSystem BK S.r.l., were still provisional at 30 September 2020 and, accordingly, the related goodwill was also provisional.

No differences arose with respect to allocations pertaining to companies acquired during the first nine months of 2019 (Factor @ Work S.r.l., With-e S.r.l., Skylab Italia S.r.l., TeamSystem 4 S.r.l., TechMass S.r.l.) in relation to which the provisional amounts were confirmed at 30 September 2020, with the sole exception of Gi.esse Macchine Utensili S.r.l., for which a small difference of € 150 thousands was recorded between provisional goodwill (€ 2,221 thousand at 31 December 2019) and final one (€ 2,071 thousand at 30 September 2020). Considering the immaterial amount of difference, no restatement has been presented for 31 December 2019 financial statements.

Impairment Test

The goodwill recognised by the Group is subject to an impairment test at least annually or more frequently if certain events or circumstances indicate potential impairment.

For the purposes of preparing the nine-months period financial statements and in consideration of the potential effects deriving from COVID-19, it was deemed appropriate to subject the CGU—Financial Services to an impairment test because it is considered to be more risky due to the delays in receiving certain authorizations from “Banca d’Iltalia” which are causing certain negative effects in their respective economic / financial plans. As recommended by European regulators, the Directors revised the estimated revenue growth, the relevant margins, and cash flows for the CGU—Financial services for future financial years in order to conduct a new impairment test as required by the occurrence of a trigger event.

The test was performed by discounting prospective cash flows prepared for the impairment test purposes of the CGU—Financial Services.

The impairment test carried out as of 30 September 2020 has confirmed that there is no impairment of the goodwill allocated to this CGU, as described below.

No potential impairment triggers were indentified for the CGU—Software; therefore, the related goodwill will be tested at year end.

For the purpose of the impairment test of the CGU—Financial Services, steps have been taken to determine the recoverable amount (enterprise value) 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.

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, there was a reasonable expectation of growth of 1.90% (so-called g rate).

In addition to the g rate assumption, the main assumptions adopted regarded an estimate of the post-tax weighted average cost of capital ("WACC") of 5.9 % (Financial Services CGU).

The Group also performed sensitivity analysis, by applying different assumptions for the determination of WACC and grate parameters. The results of this analysis are set out below:

CGU—Financial Services **Cover impairment sensitivity** **Euro million**		**WACC**				
		4,9%	**5,4%**	**5,9%**	**6,4%**	**6,9%**
	0,9%	32,8	27,8	23,8	20,5	17,7
	1,4%	38,9	32,5	27,5	23,5	20,3
G RATE	**1,9%**	47,0	38,5	**32,2**	27,2	23,3
	2,4%	58,3	46,6	38,2	31,9	27,0
	2,9%	75,2	57,8	46,2	37,9	31,6

The impairment test models, related results and the financial figures prepared for the impairment test purposes of the CGU—Financial Services, were approved by the Board of Directors of TeamSystem Holding S.p.A. on 28 December 2020, in accordance with the guidelines contained in joint document No. 4 of March 2010 issued by ISVAP, Bank of Italy and Consob.

Allocation of provisional Goodwill

MBM Italia S.r.l.

In April 2020, TeamSystem S.p.A. acquired a 61% stake in MBM Italia S.r.l. The remaining 39% stake is subject to a put and call option agreement with the non-controlling shareholder. MBM Italia S.r.l. is a software house specialized in software solutions for planning and management of production processes. This acquisition strengthened our position in the "Industry 4.0" sector and expanded our product range dedicated to solutions for logistics, warehouse management and delivery control and for fashion, apparel and footwear industry.

MBM Italia S.r.l.'s results have been consolidated as from April 2020, which was close to the date of acquisition. For the period ended 30 September 2020, the company reported total revenue of € 1,344 thousand and a profit of € 393 thousand.

The purchase price allocation recognised for the acquisition of MBM Italia S.r.l. was still provisional at 30 September 2020 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position MBM Italia S.r.l.	Notes	Apr 2020 After PPA provisional adjustments
ASSETS		
Tangible assets		120
Intangible assets		24.018
Right of use		412
Other Investments		10
TOTAL NON CURRENT ASSETS		**24.560**
Trade receivables		1.332
Tax receivables		259
Other receivables—current		167
Cash and bank balances		1.904
TOTAL CURRENT ASSETS		**3.662**
TOTAL ASSETS	**A**	**28.222**

Euro thousands Statement of financial position MBM Italia S.r.l.	Notes	Apr 2020 After PPA provisional adjustments
LIABILITIES		
Financial liabilities with banks and other institutions—non current		504
Staff leaving indemnity		893
Deferred tax liabilities		6.779
TOTAL NON CURRENT LIABILITIES		**8.176**
Financial liabilities with banks and other institutions—current		107
Trade payables		162
Tax liabilities—current		155
Other liabilities—current		1.469
TOTAL CURRENT LIABILITIES		**1.893**
TOTAL LIABILITIES	**B**	**10.069**
Fair Value of acquired net assets	**C = A—B**	**18.153**
Cost of the investment—net of transaction costs	**D**	**31.395**
Provisional Goodwill IFRS 3	**E = D—C**	**13.242**

Teamsystem 5 S.r.l.

In January 2020, TeamSystem S.p.A. acquired a 100% interest in Teamsystem 5 S.r.l., representing a business segment of a company that markets and sells certain software solutions and the related assistance.

Teamsystem 5 S.r.l.'s results have been consolidated as from January 2020, which was close to the date of acquisition. For the period ended 30 September 2020, the company reported total revenue of € 1,105 thousand and a loss of € 137 thousand.

The purchase price allocation recognised for the acquisition of Teamsystem 5 S.r.l. was still provisional at 30 September 2020 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands statement of financial position Teamsystem 5 S.r.l.	Notes	Jan 2020 After PPA provisional adjustments
ASSETS		
Tangible assets		3
TOTAL NON CURRENT ASSETS		**3**
Other receivables—current		157
TOTAL CURRENT ASSETS		**157**
TOTAL ASSETS	**A**	**159**

Euro thousands Statement of financial position Teamsystem 5 S.r.l.	Notes	Jan 2020 After PPA provisional adjustments
LIABILITIES		
Staff leaving indemnity		285
TOTAL NON CURRENT LIABILITIES		**285**
Other liabilities—current		181
TOTAL CURRENT LIABILITIES		**181**
TOTAL LIABILITIES	**B**	**466**
Fair Value of acquired net assets	**C = A—B**	**(307)**
Cost of the investment—net of transaction costs	**D**	**3.407**
Provisional Goodwill IFRS 3	**E = D—C**	**3.714**

AF Soluzioni S.r.l.

In April 2020, TeamSystem S.p.A. acquired a 60% interest in AF Soluzioni S.r.l., a company that develops on premise and cloud software solutions for e-procurement and for the management of public tenders. A put and call option agreement was entered into with respect to the remaining 40% interest. This transaction will allow TeamSystem Group to expand its product portfolio, as well as to reinforce its competitive position in this target market.

AF Soluzioni S.r.l.'s results have been consolidated as from April 2020, which was close to the date of acquisition. As at 30 September 2020, the company reported total revenue of € 330 thousand and a profit of € 13 thousand.

The purchase price allocation recognised for the acquisition of AF Soluzioni S.r.l. was still provisional at 30 September 2020 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position AF Soluzioni S.r.l.	Notes	Apr 2020 After PPA provisional adjustments
ASSETS		
Tangible assets		45
Intangible assets		85
Right of use		158
Other Investments		1
Other financial assets—non current		17
TOTAL NON CURRENT ASSETS		**306**
Trade receivables		579
Tax receivables		2
Other receivables—current		9
Other financial assets—current		136
Cash and bank balances		555
TOTAL CURRENT ASSETS		**1.281**
TOTAL ASSETS	**A**	**1.587**

Euro thousands Statement of financial position AF Soluzioni S.r.l	Notes	Apr 2020 After PPA provisional adjustments
LIABILITIES		
Financial liabilities with banks and other institutions—non current		302
Staff leaving indemnity		58
Provisions for risks and charges		126
TOTAL NON CURRENT LIABILITIES		**486**
Financial liabilities with banks and other institutions—current		50
Trade payables		4
Tax liabilities—current		98
Other liabilities—current		287
TOTAL CURRENT LIABILITIES		**439**
TOTAL LIABILITIES	**B**	**925**
Fair Value of acquired net assets	**C = A—B**	**662**
Cost of the investment—net of transaction costs	**D**	**3.825**
Provisional Goodwill IFRS 3	**E = D—C**	**3.163**

Area 32 S.r.l.

In February 2020, TeamSystem S.p.A. acquired a 100% interest in Area 32 S.r.l., a software-house that develops and distributes cloud software solutions for the third-sector, such as sports, non-profit and cultural organizations.

Area 32 S.r.l.'s results have been consolidated as from February 2020, which was close to the date of acquisition. As at 30 September 2020, the company reported total revenue of € 389 thousand and a profit of € 154 thousand.

The purchase price allocation recognised for the acquisition of Area 32 S.r.l. was still provisional at 30 September 2020 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Area 32 S.r.l.	Notes	Feb 2020 After PPA provisional adjustments
ASSETS		
Tangible assets		27
Intangible assets		235
Right of use		86
Other receivables—non current		5
TOTAL NON CURRENT ASSETS		**354**
Trade receivables		108
Tax receivables		14
Other receivables—current		6
Cash and bank balances		92
TOTAL CURRENT ASSETS		**220**
TOTAL ASSETS	**A**	**575**

Euro thousands Statement of financial position Area 32 S.r.l.	Notes	Feb 2020 After PPA provisional adjustments
LIABILITIES		
Financial liabilities with banks and other institutions—non current		86
Staff leaving indemnity		48
Provisions for risks and charges		12
TOTAL NON CURRENT LIABILITIES		**146**
Trade payables		31
Tax liabilities—current		84
Other liabilities—current		231
TOTAL CURRENT LIABILITIES		**345**
TOTAL LIABILITIES	**B**	**491**
Fair Value of acquired net assets	**C = A—B**	**83**
Cost of the investment—net of transaction costs	**D**	**2.118**
Provisional Goodwill IFRS 3	**E = D—C**	**2.035**

Beneficy S.r.l.

In May 2020, TeamSystem S.p.A. acquired a 51% interest in Beneficy S.r.l., a company that has developed an innovative platform allowing companies, employees and labor consultants to manage their welfare benefits on a dedicated marketplace. A put and call option agreement was entered into with respect to the remaining 49% interest. This transaction will allow TeamSystem Group to expand its product portfolio, as well as to reinforce its competitive position in this target market.

Beneficy S.r.l.'s results have been consolidated as from May 2020, which was close to the date of acquisition.

The purchase price allocation recognised for the acquisition of Beneficy S.r.l. was still provisional at 30 September 2020 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Beneficy S.r.l.	Notes	May 2020 After PPA provisional adjustments
ASSETS		
Intangible assets		54
TOTAL NON CURRENT ASSETS		**54**
Trade receivables		2
Cash and bank balances		18
TOTAL CURRENT ASSETS		**20**
TOTAL ASSETS	**A**	**75**

Euro thousands Statement of financial position Beneficy S.r.l.	Notes	May 2020 After PPA provisional adjustments
LIABILITIES		
Trade payables		27
Other liabilities—current		2
TOTAL CURRENT LIABILITIES		**28**
TOTAL LIABILITIES	**B**	**28**
Fair Value of acquired net assets	**C = A—B**	**47**
Cost of the investment—net of transaction costs	**D**	**935**
Provisional Goodwill IFRS 3	**E = D—C**	**888**

13. Investments in associates and other investments

	30 Sep 2020	31 Dec 2019	Change	% Change
Investments in Associates	129	129		
Other Investments	1,041	308	733	238.1%
Total	**1,170**	**437**	**733**	**167.9%**

The balance of Investments in Associates and Other investments changed from € 437 thousand at 31 December 2019 to € 1,170 thousand at 30 September 2020, with an increase of € 733 thousand.

The increase mainly refers to the acquisition of 5% in Habble S.r.l..

14. Deferred tax assets and liabilities

	30 Sep 2020	31 Dec 2019	Change	% Change
Deferred tax assets	13,715	14,760	(1,045)	-7.1%
Deferred tax liabilities	163,662	168,958	(5,297)	-3.1%

At 30 September 2020 Deferred tax assets amount to € 13,715 thousand, down by € 1,045 thousand compared to the balance at 31 December 2019 (€ 14,760 thousand).

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

At 30 September 2020 Deferred tax liabilities amount to € 163,662 thousand with a decrease of € 5,297 thousand compared to the balance at 31 December 2019 (€ 168,958 thousand), primarily due to the reversal of the deferred tax component pertaining to the amortisation of intangible assets identified on allocation of the price paid for the acquisition of TeamSystem Group (Software, Brands, Customer relationships and other IFRS assets).

15. Net financial debt

			30 Sep 2020			31 Dec 2019
	Current	Non-Current	Total	Current	Non-Current	Total
Bank accounts and post office	49,932		49,932	36,375		36,375
Cash and bank balances	42		42	38		38
Total Cash and bank balances	**49,974**		**49,974**	**36,412**		**36,412**
Accruals and prepaid commissions	34		34			
Other financial assets	74		74	72		72
Total Other financial assets	**108**		**108**	**72**		**72**
Loans with banks	(143)		(143)	(32)		(32)
Overdrafts with banks	(14)		(14)	(0)		(0)
Leases liabilities	(5,699)	(18,518)	(24,218)	(5,610)	(18,342)	(23,952)
Notes	(1,333)	(750,000)	(751,333)	(1,333)	(750,000)	(751,333)
Financial liabilities with other institutions	(26)		(26)	(3)		(3)
Dividends to be settled	(40)		(40)	(40)		(40)
Total Financial liabilities	**(7,255)**	**(768,518)**	**(775,773)**	**(7,019)**	**(768,342)**	**(775,361)**
Financing Fees—bond		7,633	7,633		9,431	9,431
Financing Fees—prepayments	413	392	805	413	701	1,114
Total Financing Fees	**413**	**8,025**	**8,438**	**413**	**10,132**	**10,545**
Liabilities to non-controlling shareholders of Subsidiaries	(54,420)	(94,484)	(148,904)	(19,781)	(125,607)	(145,387)
Derivative instruments—liabilities				(103)		(103)
Commission financial liabilities	(218)		(218)	(237)		(237)
Other financial liabilities	(18)		(18)	(11)		(11)
Total Other financial liabilities	**(54,655)**	**(94,484)**	**(149,140)**	**(20,131)**	**(125,607)**	**(145,738)**
Total	**(11,416)**	**(854,978)**	**(866,393)**	**9,747**	**(883,817)**	**(874,070)**

Net financial debt as at 30 September 2020 amounts to negative € 866,393 thousand.

Cash and bank balances

The amount of cash and bank balances stands at € 49,974 thousand as at 30 September 2020 and at € 36,412 thousand at 31 December 2019.

Lease liabilities

Following the adoption of IFRS 16 – Leases, lease liabilities at 30 September 2020 reflects the recognition of a financial liability of € 24,218 thousand (€ 23,952 at 31 December 2019), consisting of the present value of future lease payments.

Floating Rate Notes

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

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

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

At 30 September 2020, the Floating Rate Notes were secured by a senior guarantee provided by TeamSystem Holding S.p.A. and were also secured by the following first ranking collateral:

1) pledge over all of the shares of TeamSystem S.p.A.;

2) assignment by way of security of intercompany loans receivable by TeamSystem S.p.A. from certain subsidiaries;

3) pledge over certain of TeamSystem S.p.A.'s operational bank accounts.

The Floating Rate Notes are listed on the Luxembourg Stock Exchange and have been admitted for trading on the Euro MTF Market. Furthermore, the Floating Rate Notes are listed on the Vienna Stock Exchange and have been admitted for trading on the Third Market.

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

Bank loans and borrowings—Revolving Credit Facility (RCF)

In connection with the issuance of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. (as the Parent), entered into a € 90 million revolving credit facility agreement with a final maturity date of 15 October 2022.

The interest rate payable on loans under the RCF is based on the applicable Euribor or Libor, as the case may be and in either case subject to a 0% floor, plus a spread calculated in accordance with the margin definition of the Revolving Credit Facility Agreement.

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

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

Liabilities to non-controlling shareholders of Subsidiaries

Liabilities to non-controlling shareholders of Subsidiaries (€ 148,904 thousand at 30 September 2020) relates to put and call options and/or earn-outs due to non-controlling interest holders of certain consolidated subsidiaries. The main ones are: Danea Soft S.r.l., Madbit Entertainment S.r.l., Aliaslab S.p.A., TeamSystem Financial Value Chain S.r.l., AF Soluzioni S.r.l. and Skylab Italia S.r.l..

16. Inventories

	30 Sep 2020	31 Dec 2019	Change	% Change
Raw and ancillary materials	504	437	68	15.5%
Finished products and goods	975	930	46	4.9%
(Allowance for slow-moving inventory)	(488)	(522)	34	-6.5%
Total	**993**	**845**	**148**	**17.5%**

At 30 September 2020 inventories amount to € 993 thousand, up by € 148 thousand compared to the balance at 31 December 2019 (€ 845 thousand) 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.

17. Trade receivables

	30 Sep 2020	31 Dec 2019	Change	% Change
Trade receivables	166,140	141,296	24,844	17.6%
(Allowance for bad debts)	(21,477)	(18,823)	(2,654)	14.1%
Total	**144,663**	**122,474**	**22,190**	**18.1%**

Trade receivables at 30 September 2020 amounted to € 144,663 thousand, net of the allowance for bad debts of € 21,477 thousand.

The increase in Trade receivables is mainly attributable to the organic growth experienced by the Group in the first nine months of 2020 and because of the change in the consolidation area.

The balance of this line item is affected by the seasonality of billings for subscription fees that characterises the business of the Group.

Trade receivables are recorded net of an allowance for doubtful debts of € 21,477 thousand that was recorded in the accounts after having analysed the specific risk associated with doubtful balances as well as having considered future expected losses on credits. The balance of Allowance for bad debts is the aggregate of utilisations, accruals and any other movements.

The expected credit loss rates are primarily based on the historical collection times and on the corresponding losses on historical receivables. Historical loss rates have been adjusted to reflect the current and future macroeconomic condition influencing customers' ability to repay payables, considering the current economic context and the current health emergency due to COVID-19 pandemic as a relevant factor for collecting receivables from third parties.

18. Tax receivables

	30 Sep 2020	31 Dec 2019	Change	% Change
Tax credits	48	148	(100)	-67.6%
Other tax receivables	72	86	(13)	-15.7%
Withholding tax credit	84	43	40	n.s.
Tax consolidation receivables	6	4	3	75.8%
Advances and income tax credits	462	3,567	(3,105)	-87.0%
Total	**673**	**3,847**	**(3,175)**	**-82.5%**

At 30 September 2020 Tax receivables amount to € 673 thousand, down by € 3,175 thousand compared to the balance at 31 December 2019 (€ 3,847 thousand).

Advances and income tax credits mainly relate to an income tax credit which decreased due to positive result of the period and the partial compensation with income tax payables.

19. Other current receivables

	30 Sep 2020	31 Dec 2019	Change	% Change
Deposits	732	493	239	48.5%
Receivables from employees	741	691	49	7.2%
Other receivables	2,903	6,355	(3,452)	-54.3%
Accrued income	313	133	180	135.7%
Prepayments	21,540	22,116	(576)	-2.6%
VAT receivables	431	607	(176)	-29.0%
Total	**26,661**	**30,395**	**(3,558)**	**-11.7%**

At 30 September 2020 the Other current receivables balance amounts to € 26,661 thousand, down by € 3,558 thousand compared to the 31 December 2019 balance (€ 30,395 thousand), mainly due to decrease of Other receivables (€ 3,452 thousand).

20. Total equity attributable to owners of the company

Euro thousands	Share capital	Other reserves	Other profit (loss) net of income taxes	Profit (loss) attributable to owners of the company	Equity attributable to owners of the company	Non-controlling interests	Total
31 Dec 2018	**5,450**	**501,117**	**(826)**	**(56,030)**	**449,711**	**464**	**450,175**
Loss allocation		(56,856)	826	56,030	**0**		**0**
Dividends		(48,000)			**(48,000)**		**(48,000)**
Total Comprehensive Income (Loss) for the period		(783)		(11,389)	**(12,172)**	44	**(12,128)**
30 Sep 2019	**5,450**	**395,479**	**0**	**(11,389)**	**389,540**	**508**	**390,049**

Euro thousands	Share capital	Other reserves	Other profit (loss) net of income taxes	Profit (loss) attributable to owners of the Company	Equity attributable to owners of the Company	Non-controlling interests	Total
31 Dec 2019	**5,450**	**396,020**	**(826)**	**(35,346)**	**365,298**	**536**	**365,834**
Loss allocation		(36,172)	826	35,346	**0**		**0**
Total Comprehensive Income (Loss) for the period		(111)		14,628	**14,517**	104	**14,621**
30 Sep 2020	**5,450**	**359,737**	**0**	**14,628**	**379,814**	**639**	**380,453**

At 30 September 2020 the Group's equity amounts to € 379,814 thousand.

21. Staff leaving indemnity

	30 Sep 2020	31 Dec 2019	Change	% Change
Staff leaving indemnity	18,944	17,338	1,606	9.3%
Total	**18,944**	**17,338**	**1,606**	**9.3%**

At 30 September 2020 Staff leaving indemnity amounts to € 18,944 thousand, up by € 1,606 thousand compared to the balance at 31 December 2019 (€ 17,338 thousand). The balance is the aggregate of utilisations, accruals and any other movements.

22. Provisions for risks and charges

	30 Sep 2020	31 Dec 2019	Change	% Change
Provision for pension and similar obligation	1,689	1,476	213	14.4%
Provision for litigations	1,227	4,974	(3,747)	-75.3%
Other provision for risks and charges	1,333	2,144	(812)	-37.9%
Total	**4,249**	**8,595**	**(4,346)**	**-50.6%**

At 30 September 2020 Provisions for risks and charges amount to € 4,249 thousand, decreased by € 4,346 thousand compared to the balance at 31 December 2019 (€ 8,595 thousand).

The components thereof are the following:

- Provision for pensions and similar obligations of € 1,689 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 € 1,227 thousand, relating to liabilities deemed to be probable that could arise from legal disputes involving TeamSystem S.p.A., Aliaslab S.p.A. and Gruppo Euroconference

S.p.A.; Management is not able to estimate the date of the probable cash-out; the provision was utilized for € 3,747 due to the cash-out arising from legal disputes involving TeamSystem S.p.A.;

- Other provisions for risks and charges, which amount to € 1,333 thousand, decreased by € 812 thousand mainly due to the entire utilisation by the Group of the restructuring provision. Other provisions for risks and charges also include other residual liabilities deemed to be probable pertaining to TeamSystem S.p.A. and other Group companies.

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

23. Other current and non-current liabilities

	30 Sep 2020	31 Dec 2019	Change	% Change
VAT liabilities	3,748	3,231	517	16.0%
Withholdings liabilities	2,550	4,395	(1,845)	-42.0%
Employees payables and Social security liabilities	23,337	26,363	(3,025)	-11.5%
Advances	5,254	5,217	37	0.7%
Other liabilities	1,834	2,401	(567)	-23.6%
Accrued liabilities	273	866	(593)	-68.5%
Deferred revenues	100,690	57,988	42,702	73.6%
Other current liabilities	137,687	100,461	37,226	37.1%
Due to social securities—non-current	482	515	(33)	-6.4%
Other tax liabilities—non-current	8	8		
Other non-current liabilities	**490**	**523**	**(33)**	**-6.3%**
Total Other liabilities	**138,177**	**100,984**	**37,193**	**36.8%**

At 30 September 2020 Other current liabilities amount to € 137,687 thousand, up by € 37,226 thousand compared to the balance at 31 December 2019 (€ 100,461 thousand).

This increase is substantially due to the increase in deferred revenues (€ 42,702 thousand) caused by (i) the growth of the Group during the first nine months of 2020 (ii) the billing of subscription fees that characterises the business of the Group.

At 30 September 2020 Other non-current liabilities amount to € 490 thousand (€ 523 thousand at 31 December 2019) and relate primarily to balances pertaining to TeamSystem S.p.A..

24. Current tax liabilities

	30 Sep 2020	31 Dec 2019	Change	% Change
Income tax payables	14,101	3,656	10,445	285.6%
Other tax liabilities	10	0	10	49394.9%
Total	**14,110**	**3,656**	**10,455**	**286.0%**

At 30 September 2020 Current tax liabilities amount to € 14,110 thousand, up by € 10,455 thousand compared to the balance at 31 December 2019 (€ 3,656 thousand). The movement is attributable to the increase in income tax payables, mainly due to the income taxes charged in the first nine months of 2020 related to increase of the profit before taxes of the period, compared to the same period of the previous year.

Other significant information

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 material foreign exchange risks. The Group's foreign currency transactions are almost entirely limited to those entered into by the subsidiary Reviso International ApS, by its investees and by Vospeed Limited, which, as things now stand, consist of modest amounts.

Similarly, due to the insignificance of the amounts concerned, the risk arising from the translation of foreign currency financial statements for consolidation purposes is also insignificant.

Credit risk

Credit risk is the risk that a counterparty fails to meet its contractual commitments, giving rise to a financial loss being incurred by the Group.

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

In any case, the customer credit policy, by customer category (dealers 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 30 September 2020, the Group did not have any insurance cover for trade receivables.

The tool used most by the Group for the classification and control of trade receivables consists of an Ageing List, in which amounts of overdue receivables are summarised by ageing category, from the most recent (0-30 days) to the oldest (over 180 days).

With respect to trade receivables, the allowance recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts, plus a general allowance to take account of further expected credit losses on balances not yet overdue (in accordance with IFRS 9).

As a result of the financial and social difficulties generated by the COVID-19 pandemic, customers could be unable to continue to pay for our products and services, which could harm our liquidity. These risks are exacerbated with respect to certain customers who operate in the hospitality and wellness industries, which were particularly affected by the pandemic. The Directors are constantly monitoring the potential impact arising to the pandemic and, in accordance with IFRS 9, have adopted a forward-looking approach to account for current and future uncertainties.

Interest rate risk

TeamSystem Group's finance structure mainly consists of floating rate debt as a consequence of the debt refinancing transaction that TeamSystem Group completed in April 2018 and which consisted of the issue of Floating Rate Notes with a principal amount of € 750 million. The yield on these Notes is linked to the 3 month Euribor rate (subject to a floor of 0.00%), plus a spread established contractually. Conditions applied to the RCF (also renegotiated upon the issue of the Notes in April 2018) also provide for floating interest rates (based on

Euribor with a floor of 0.00%) plus a spread established contractually. With the aim of reducing the risk of market interest rate fluctuations associated with the Floating Rate Notes, TeamSystem Group has entered into interest rate swap contracts (with a total notional amount of € 500 million) and the termination date was 15 April 2020.

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 the Group level;
3. the obtainment of adequate borrowing facilities;
4. the control of prospective liquidity conditions, in relation to the corporate planning process.

As at 30 September 2020, TeamSystem Group did not draw-down the existing RCF facility, signalling that despite the challanges provided by the COVID-19 pandemic, the Group was able to generate more than sufficient cash-flows in order to provide for the corporate purposes.

Financial instruments by category

As required by IFRS 7 the Group's financial instruments have been identified by asset and liability category with respect to their classification in the statement of financial position.

	30 Sep 2020	FVTPL	FVTOCI	AC
Current and Non current Financial Assets				
Other financial assets—current and non current	108			108
Trade receivables	144.663			144.663
Cash and bank balances	49.974			
Total	**194.745**	**0**	**0**	**144.771**
Current and Non Current Financial Liabilities				
Financial liabilities with banks and other institutions—current and non current	775.773			775.773
Financing Fees—current and non current	(8.438)			(8.438)
Other financial liabilities—current and non current	149.140	148.904		235
Trade payables	30.100			30.100
Total	**946.575**	**148.904**	**0**	**797.671**

Key to financial instrument categories

FVTPL = Financial assets and liabilities measured at fair value through profit or loss
FVTOCI = Financial assets and liabilities measured at fair value through other comprehensive income
AC = Financial assets and liabilities measured at amortised cost

On account of the features of the financial assets and liabilities recorded in the financial statements and as shown by the above table, the fair value of many of these (current trade receivables and payables and current and non-current financial liabilities) do not differ from their related carrying amounts, with the exception of the Senior Secured Floating Rate Notes (€ 750 million) for which the market quotation at 30 September 2020 (approximately 99,5) corresponds to the best estimate of fair value at 30 September 2020.

Levels of fair value hierarchy

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

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

	Level 1	Level 2	Level 3	TOTALE
Financial Assets				
Other Investments				**0**
Total	**0**	**0**	**0**	**0**
Financial Liabilities				
Liabilities to non controlling shareholders of Subsidiaries			148.904	**148.904**
Total	**0**	**0**	**148.904**	**148.904**

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

Guarantees provided, commitments and other contingent assets and liabilities

Guarantees provided

At 30 September 2020, the Floating Rate Notes were secured by a senior guarantee provided by TeamSystem Holding S.p.A. and were also secured by the following first ranking collateral:

1) pledge over all of the shares of TeamSystem S.p.A.;

2) assignment by way of security of intercompany loans receivable by TeamSystem S.p.A. from certain subsidiaries;

3) pledge over certain of TeamSystem S.p.A.'s operational bank accounts.

The New Revolving Credit Facility has also been secured by a guarantee provided by TeamSystem Holding S.p.A. and has also been secured, with priority ranking on a super senior basis, by the same collateral provided for the Floating Rate Notes.

Other significant commitments and contractual rights

The Group companies are party to put and call option agreements in connection with shares/quotas held by non-controlling interest holders in the following companies and for the percentage interests as indicated below:

Put / Call Options Outstanding	30 Sept 2020	31 Dec 2019
TeamSystem Communication S.r.l.	35,00%	35,00%
Danea Soft S.r.l.	30,00%	30,00%
Madbit Entertainment S.r.l.	49,00%	49,00%
Aliaslab S.p.A.	30,00%	49,00%
Evols S.r.l.	49,00%	49,00%
Netlex S.r.l.		49,00%
Cassanova S.r.l.	49,00%	49,00%
Evolution Fit S.r.l.	29,00%	49,00%
Skylab S.r.l.	40,00%	40,00%
Techmass S.r.l.	49,00%	49,00%
TeamSystem Financial Value Chain S.r.l.	49,00%	49,00%
TeamSystem AM HoldCo S.r.l.	49,00%	49,00%
MBM Italia S.r.l.	39,00%	
AF Soluzioni S.r.l.	40,00%	
Beneficy 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 debt for the period in which the put options may be exercised.

Other commitments and contingent assets/liabilities

The Group companies, in the performance of their activities, are exposed to a series of legal 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 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.

Related party transactions

In the first nine months of 2020, transactions with subsidiaries and the parent company Barolo Lux 1 S.à.r.l. formed part of the Group's normal operations and were entered into at arm's length. TeamSystem Group has not been party to any transactions with related companies that merit disclosure, other than those commented.

Significant subsequent events

Covid-19 update

After the first nine months of 2020, the Italian government issued new decrees of the Presidency of the Council of Ministers. In this context, the Group continued to provide activities to customers in smart working.

The Company is actively monitoring this situation and the possible effects on its business, results of operations and financial condition, including expenses and employee-related amounts through temporary Government subsidy programs (so called "Cassa integrazione").

In the current complex market situation we are focused on supporting our clients in order to best meet their needs.

Acquisition of Ciaomanager S.r.l.

In order to amplify its portfolio of cloud solutions for the hospitality industry, in October 2020 TeamSystem S.p.A. acquired 15% stake in the share capital of Ciaomanager S.r.l.. The company has developed integrated SaaS cloud solutions for the hotel management and bookings, in addition to an innovative solution for predictive revenue management based on artificial intelligence algorithms.

Acquisition of 80% stake of Team4You S.r.l.

In October 2020, TeamSystem S.p.A. acquired a further 80% stake in Team4You S.r.l. (then increasing TeamSystem S.p.A.'s previous equity interest of 10% and therefore reaching a total control percentage of 90% after the transaction). Team4You S.r.l. is a TeamSystem S.p.A.'s products dealer which sells solutions for tax consultants and accountants.

Other Acquisitions

In the months of November and December 2020 TeamSystem S.p.A. also acquired:

(i) a majority stake in Habble S.r.l., a company that develops SaaS cloud software for planning and control of telecommunications and other costs in real time (a minority stake of which we acquired in the second quarter of 2020);

(ii) a 100% equity interest of SOFTWARE DEL SOL, S.A., a Spanish software house operating in the e-invoicing and cloud-based ERP markets in Spain.

In the period, TeamSystem S.p.A. also entered into acquisition agreements to acquire further companies/ business segments.

Restructuring and reorganization initiatives
During the last quarter of 2020, with the aim of gaining further efficiencies, we fully launched certain restructuring and reorganization initiatives related to several areas of our organization (i.e. administration and finance, facility expenses management, information and communications technology, procurement, R&D, customer service and delivery and sales). We estimate to conclude the described initiatives within the end of 2021 / first half of 2022.

Board of directors, statutory auditors and other information

Board of directors 30 Sep 2020	Title
VINCENZO MORELLI	CHAIRMAN
FEDERICO LEPROUX	CHIEF EXECUTIVE OFFICER
PATRICK JOHN HEALY	DIRECTOR
VINCENZO FERRARI	DIRECTOR
TOMMASO COHEN	DIRECTOR
BLAKE CHRISTOPHER KLEINMAN	DIRECTOR
GUILLAUME VANMOERBEKE	DIRECTOR
LUCA VELUSSI	DIRECTOR
JEAN BAPTISTE BRIAN	DIRECTOR

Board of statutory auditors 30 Sep 2020	Title
CLAUDIO SANCHIONI	CHAIRMAN
FABIO LANDUZZI	STATUTORY AUDITOR
NICOLE MAGNIFICO	STATUTORY AUDITOR
MARCO CECILIONI	ALTERNATIVE AUDITOR
CRISTINA AMADORI	ALTERNATIVE AUDITOR

Registered office and other information

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

Oversight and coordination activity

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

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

TeamSystem Holding S.p.A.
Consolidated financial statements for the year ended 31 December 2019

Euro thousands Consolidated statement of profit or loss	Notes	31 Dec 2019	31 Dec 2018
Revenue	1 /2	373,016	334,378
Other operating income	1 /2	3,434	2,026
TOTAL REVENUE	1 /2	**376,450**	**336,404**
Cost of raw and other materials	3	(29,143)	(28,339)
Cost of services	4	(90,454)	(88,366)
Personnel costs	5	(110,738)	(104,975)
Other operating costs	6	(5,323)	(4,043)
Depreciation and amortization of non current assets	11 /12 /13	(84,641)	(83,040)
Allowance for bad debts	20	(4,832)	(5,131)
Other provisions for risks and charges	25	(4,360)	(7,020)
OPERATING RESULT		**46,959**	**15,490**
Share of Profit (Loss) of associates		0	40
Finance income	7	1,421	16,285
Finance cost	8	(85,742)	(105,688)
PROFIT (LOSS) BEFORE INCOME TAXES		**(37,362)**	**(73,872)**
Current income tax	9	(12,481)	957
Deferred income tax	9	14,568	16,956
TOTAL INCOME TAX		**2,087**	**17,913**
PROFIT (LOSS) FOR THE YEAR		**(35,275)**	**(55,960)**
(Profit) Loss for the year—Non controlling interests		**(71)**	**(70)**
PROFIT (LOSS) FOR THE YEAR—OWNERS OF THE COMPANY		**(35,346)**	**(56,030)**

Euro thousands Consolidated statement of comprehensive income	Notes	31 Dec 2019	31 Dec 2018
PROFIT (LOSS) FOR THE YEAR		**(35,275)**	**(55,960)**
Actuarial evaluation of Staff leaving indemnity	**24**	(1,414)	901
Other movements		0	0
Tax effect	**24**	339	(216)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX		**(1,074)**	**685**
Exchange rate differences		8	(1)
ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF TAX		**8**	**(1)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(36,342)**	**(55,276)**
Total comprehensive (income) loss for the year attributable to Non controlling interests		(71)	(70)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR—OWNERS OF THE COMPANY		**(36,413)**	**(55,346)**

Euro thousands Consolidated statement of financial position	Notes	31 Dec 2019	31 Dec 2018
ASSETS			
Tangible assets	**11**	15,139	15,326
Intangible assets	**12**	641,985	681,539
Right of use	**13**	22,987	23,895
Goodwill	**14**	734,258	707,681
Other Investments	**16**	308	449
Investments in associates	**16**	129	133
Deferred tax assets	**17**	14,760	15,342
Financing fees prepayments—non current	**18**	701	1,112
Other financial assets—non current	**18**	0	50
TOTAL NON CURRENT ASSETS		**1,430,266**	**1,445,528**
Inventories	**19**	845	1,067
Trade receivables	**20**	122,474	128,941
Tax receivables	**21**	3,847	10,944
Other receivables—current	**22**	30,395	24,847
Financing Fees prepayments—current	**18**	413	413
Other financial assets—current	**18**	72	138
Cash and bank balances	**18**	36,412	24,574
TOTAL CURRENT ASSETS		**194,458**	**190,925**
TOTAL ASSETS		**1,624,724**	**1,636,452**
EQUITY AND LIABILITIES			
Share capital	**23**	5,450	5,450
Other reserves	**23**	395,194	500,291
Profit (Loss) attributable to Owners of the Company	**23**	(35,346)	(56,030)
TOTAL EQUITY attributable to OWNERS OF THE COMPANY		**365,298**	**449,711**
Non controlling interests—Capital and reserves	**23**	465	394
Non controlling interests—Profit (Loss)	**23**	71	70
TOTAL NON CONTROLLING INTERESTS		**536**	**464**
TOTAL EQUITY		**365,834**	**450,175**
Financial liabilities with banks and other institutions—non current	**18**	884,518	840,728
Staff leaving indemnity	**24**	17,338	14,892
Provisions for risks and charges	**25**	8,595	9,280
Deferred tax liabilities	**17**	168,958	182,018
Other liabilities—non current	**27**	523	574
TOTAL NON CURRENT LIABILITIES		**1,079,932**	**1,047,491**
Financial liabilities with banks and other institutions—current	**18**	27,150	11,307
Trade payables		47,692	38,928
Tax liabilities—current	**26**	3,656	2,315
Other liabilities—current	**27**	100,461	86,235
TOTAL CURRENT LIABILITIES		**178,958**	**138,786**
TOTAL LIABILITIES		**1,258,890**	**1,186,277**
TOTAL EQUITY AND LIABILITIES		**1,624,724**	**1,636,452**

Euro thousands Consolidated statement of cash flows	Notes	31 Dec 2019	31 Dec 2018
Operating Result		**46,959**	**15,490**
Depreciation and amortisation of non-current assets		84,641	83,040
Depreciation and amortisation of non-current assets		**84,641**	**83,040**
Trade receivables		11,874	(6,830)
Inventories		227	495
Other receivables		(6,969)	(7,104)
Trade payables		6,039	(819)
Other liabilities		10,057	21,028
Change in Working capital		**21,227**	**6,769**
Staff leaving indemnity		(448)	(1,804)
Provisions for risks and charges		(995)	(280)
Change in provisions		**(1,443)**	**(2,085)**
Income tax paid		**(3,894)**	**(3,395)**
CASH FLOWS FROM OPERATING ACTIVITIES		**147,490**	**99,819**
Investments in tangible assets		(3,005)	(3,177)
Investments in intangible assets		(12,307)	(12,081)
Capitalized development costs—personnel costs		(11,882)	(11,696)
Capitalized development costs—service costs		(2,447)	(2,190)
Capital Expenditure		**(29,642)**	**(29,144)**
Acquisition of investments	**10**	(19,785)	(4,150)
Cash and bank balances at the date of acquisition		7,957	13
Acquisition of investments		**(11,828)**	**(4,137)**
CASH FLOWS FROM INVESTING ACTIVITIES		**(41,470)**	**(33,281)**
Financial balance paid / cashed-in and change in financial assets / liabilities	**10**	**(40,136)**	**(28,919)**
Financing Fees paid	**10**	**0**	**(15,443)**
Liabilities to non controlling shareholders of subsidiaries paid	**10**	**(6,039)**	**(13,802)**
Dividends paid		**(48,000)**	**(58)**
CASH FLOWS FROM FINANCING ACTIVITIES		**(94,175)**	**(58,222)**
INCREASE (DECREASE) IN CASH AND BANK BALANCES DUE TO EXCHANGE RATE MOVEMENTS		**(7)**	**(2)**
INCREASE (DECREASE) IN CASH AND BANK BALANCES		**11,837**	**8,315**
CASH AND BANK BALANCES—BEGINNING OF THE YEAR		**24,574**	**16,259**
CASH AND BANK BALANCES—END OF THE YEAR		**36,412**	**24,574**

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 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,244**	**1,023**	**508,267**
IFRS 9 / 15 / 16—first adoption		(405)				(405)		(405)
Profit (Loss) allocation		(57,134)			57,134	0		0
Change in Non controlling interests IFRS 3		(1,782)				(1,782)	(570)	(2,352)
Dividends						0	(58)	(58)
Profit (Loss) for the year					(56,030)	(56,030)	70	(55,959)
Other Profit (Loss) on comprehensive income		684				684		684
31 Dec 2018	**5,450**	**501,117**	**(826)**	**0**	**(56,030)**	**449,711**	**464**	**450,175**

	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 2018	**5,450**	**501,117**	**(826)**	**0**	**(56,030)**	**449,711**	**464**	**450,175**
Profit (Loss) allocation		(56,030)			56,030	0		0
TeamSystem Holding S.p.A. distribution of reserves		(48,000)				(48,000)		(48,000)
Profit (Loss) for the year					(35,346)	(35,346)	71	(35,275)
Other Profit (Loss) on comprehensive income		(1,067)				(1,067)		(1,067)
31 Dec 2019	**5,450**	**396,020**	**(826)**	**0**	**(35,346)**	**365,298**	**536**	**365,835**

Notes to the consolidated financial statements

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). Effective 2019, via the incorporation and acquisition of financial companies, the Group has extended its range of services to encompass financial services.

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 3 March 2020.

Accounting standards adopted

TeamSystem Holding S.p.A. has adopted International Financial Reporting Standards as endorsed by the European Commission (hereinafter "IFRS") for the preparation of its consolidated financial statements pursuant to the provisions of articles 3 and 4 of Legislative Decree 38 of 28 February 2005, which governs in Italy the exercise of options provided for by article 5 of Community regulations 1606/2002 concerning IFRS.

IFRS is intended to mean all "International Financial Reporting Standards", all International Accounting Standards ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as Standing Interpretations Committee ("SIC") endorsed by the European Commission at the date of approval of the draft consolidated financial statements by the Parent Company's Board of Directors and covered by EU Regulations published at that date.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and liabilities arising from put options on non-controlling interests not yet exercised, which, if and when present, have been measured at fair value at the end of each reporting period.

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.

Content of the consolidated financial statements

The consolidated financial statements include:

1. <u>A consolidated statement of profit or loss</u> for the year ended 31 December 2019. 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 2019 or 2018, 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. <u>A consolidated statement of comprehensive income</u> for the year ended 31 December 2019. 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 2019. In particular, the statement of financial position has been prepared using a format, in accordance with IAS 1, classified on the basis of the operating cycle, with a distinction between current and non-current components. On the basis of this distinction, assets and liabilities are considered to be current, if it is expected that they will be realised or settled during the normal operating cycle.

4. **A consolidated statement of cash flows** for the year ended 31 December 2019. The statement of cash flows is presented using the indirect method starting with the operating result, as permitted by IAS 7, under which profit or loss for the year is adjusted for the effects of non-cash transactions, such as those arising from deferrals or allocations to provisions linked to previous or future costs and payments.

5. **A consolidated statement of changes in equity** for the year ended 31 December 2019.

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

Scope of consolidation

The consolidated financial statements of TeamSystem Group include the financial statements of the Parent Company, of the main subsidiary TeamSystem S.p.A. and of other companies in which TeamSystem Holding S.p.A. has a controlling interest in accordance with IFRS 10.

A listing of entities consolidated on a line-by-line basis is provided in the following table, whereby the percentage consolidated takes account of any put and call options entered into in connection with acquisitions (the "% held" column indicates the percentage held by the Group in the company in question at the reporting date without taking account of the put and call option agreements):

Amounts in Euro Consolidated companies line by line	Notes	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation
TeamSystem Holding S.p.A.		Pesaro	5,450,000	643,684,859	48,680,381	EUR		
TeamSystem S.p.A.		Pesaro	24,000,000	343,792,183	(28,432,210)	EUR	100.00	100.00
TeamSystem Service S.r.l.		Campobasso	200,000	16,631,137	9,910,059	EUR	100.00	100.00
TeamSystem Communication S.r.l.	1	Civitanova Marche (MC)	23,300	116,787	7,618	EUR	60.00	100.00
Danea Soft S.r.l.	1	Vigonza (PD)	100,000	17,495,035	9,290,311	EUR	70.00	100.00
Madbit Entertainment S.r.l.	1/2	Treviolo (BG)	10,000	10,081,679	8,000,481	EUR	51.00	100.00
MMDATA S.r.l.	2	Rome	10,000	10,081,679	8,000,481	EUR	100.00	100.00
Mondora S.r.l.		Milan	105,000	2,606,416	574,176	EUR	100.00	100.00
Voispeed Limited	3	Saint Albans—UK	1,000	100,682	886	GBP	85.00	85.00
Aliaslab S.p.A.	1	Milan	156,000	25,569,195	5,363,729	EUR	51.00	100.00
Reviso International ApS		Copenhagen	50,011	(7,146,999)	(9,415,489)	DKK	100.00	100.00
Reviso Cloud Accounting Limited	4	Reading	1	19,921	5,794	GBP	100.00	100.00
Reviso Soluciones Cloud S.L.	4	Madrid	3,000	16,822	6,416	EUR	100.00	100.00
Reviso Deutschland GmbH	4	Berlin	25,000	(35,494)	(33,677)	EUR	100.00	100.00
Evols S.r.l.	1	Catania	887,000	1,393,340	173,058	EUR	51.00	100.00
Netlex S.r.l.	1	Velletri (RM)	12,500	576,557	186,738	EUR	51.00	100.00
Cassanova S.r.l	1	Santarcangelo di Romagna (RN)	10,000	769,362	22,923	EUR	51.00	100.00
Evolution Fit S.r.l.	1	Turin	10,000	328,130	313,793	EUR	51.00	100.00
TeamSystem Active S.r.l.		Pesaro	15,000	91,043	19,083	EUR	100.00	100.00
Gruppo Euroconference S.p.A.	5	Verona	300,000	15,632,237	2,428,765	EUR	96.87	96.87
Nuovamacut Automazione S.p.A.		Bologna	108,000	18,543,505	4,864,426	EUR	100.00	100.00
TeamSystem 4 S.r.l.		Pesaro	50,000	91,405	30,953	EUR	100.00	100.00
Skylab Italia S.r.l.	1	Turin	143,600	6,181,342	1,338,020	EUR	60.00	100.00
Gi.Esse Macchine Utensili S.r.l.	6	Assago (MI)	100,000	1,327,552	133,110	EUR	100.00	100.00
Iperelle S.r.l.	6	Brescia	50,000	1,784,857	46,270	EUR	100.00	100.00
Iperelle Edist Torino S.r.l.	7	Grugliasco (TO)	100,000	322,963	11,544	EUR	100.00	100.00
Reway S.r.l.	7	Monza (MB)	10,000	143,756	8,105	EUR	100.00	100.00
Techmass S.r.l.	1	Bassano del Grappa (VI)	11,538	284,172	96,116	EUR	51.00	100.00
BK Service S.r.l.	8	Rome	1,010,000	5,510,000	0	EUR	80.00	100.00
TeamSystem Financial Value Chain S.r.l.	1	Milan	4,931,373	13,569,463	(156,028)	EUR	51.00	100.00
Whit-e S.r.l.	9	Milan	15,000	1,086,391	428,585	EUR	100.00	100.00
Factor@Work S.r.l.	9	Milan	65,000	188,985	(395,660)	EUR	100.00	100.00
TeamSystem AM Holdco S.r.l.	1/9	Milan	10,000	499,644	(10,356)	EUR	51.00	100.00
TeamSystem Capital at Work SGR S.p.A.	10	Milan	100,000	469,620	(130,380)	EUR	100.00	100.00
TeamSystem Payments Holdco S.r.l.		Milan	10,000	477,670	(7,330)	EUR	100.00	100.00
TeamSystem Payments S.r.l.	11	Milan	125,000	24,733	(450,267)	EUR	100.00	100.00

Amounts in Euro Consolidated Companies Equity Method	Notes	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation
Esaedro S.r.l.	12	Parma	20,800	245,740	111,078	EUR	40.00	40.00
INTIT S.r.l.	12	Frosinone	20,800	459,668	49,901	EUR	35.00	35.00
Cesaco S.r.l.	13	Vicenza	90,000	174,614	23,069	EUR	48.00	48.00

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 = investment held by Iperelle S.r.l.;

8 = investment held by TeamSystem Service S.r.l.;

9 = investment held by TeamSystem Financial Value Chain S.r.l.;

10 = investment held by TeamSystem AM Holdco S.r.l.;

11 = investment held by TeamSystem Payments Holdco S.r.l.;

12 = the amounts relate to the financial statements for the year ended 31 December 2018;

13 = the amounts relate to the financial statements for the year ended 31 December 2017.

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

Changes to the scope of consolidation during the course of 2019

The scope of consolidation changed during the course of 2019 due to the effect of the following transactions:

- At the end of February 2019, TeamSystem S.p.A. set up a subsidiary company called TeamSystem Financial Value Chain S.r.l. in which it has retained a controlling interest of 51% (put and call option agreements have been entered into with respect to the remaining 49% interest). TeamSystem Financial Value Chain S.r.l. will become TeamSystem Group’s centre of excellence for financial services, a new sector that the Group has targeted for future development.

- In March 2019, TeamSystem Group acquired Factor@Work S.r.l. and Whit-e S.r.l. The former offers portfolio management services to investors, while the latter is a leading provider of platforms and technological solutions for invoice trading. Both companies are fully held by TeamSystem Financial Value Chain S.r.l., a new company specifically incorporated by TeamSystem S.p.A. in 2019 (see above).

- In May 2019, TeamSystem Financial Value Chain S.r.l. set up a subsidiary company called TeamSystem AM Holdco S.r.l., in which it holds an interest of 51% (put and call option agreements have been entered into with respect to the remaining 49% interest). Then, in September 2019, TeamSystem AM Holdco S.r.l. set up a subsidiary company called TeamSystem Capital at Work SGR S.p.A.

- With the aim of optimising its organisational structure, in March 2019, TeamSystem S.p.A. set up a company called TeamSystem Payments Holdco S.r.l., in which it holds an interest of 100%. On 14 May 2019, TeamSystem Payments Holdco S.r.l. set up a company called TeamSystem Payments S.r.l., in which it holds an interest of 100%.

- In April 2019, TeamSystem S.p.A. acquired a 60% interest in Skylab Italia S.r.l., a company specialised in cloud solutions for personnel management. This acquisition will allow TeamSystem Group to expand its product portfolio, as well as to reinforce its competitive position in this target market.

- In July 2019, TeamSystem S.p.A. acquired a controlling interest (of 100%) in TeamSystem 4 S.r.l., which acts as a TeamSystem products dealer for its assigned territory.
- In September 2019, Nuovamacut S.p.A. acquired a 100% interest in Gi.esse Macchine Utensili S.r.l., a leading company in the purchase and sale of industrial machinery in the north of Italy, already synergically integrated with Nuovamacut Automazione S.p.A.
- At the end of September 2019, TeamSystem S.p.A. acquired a 51% controlling interest in TechMass S.r.l., a software house engaged in software development and the digitalisation of production processes. With this acquisition, the Group has further strengthened its product range dedicated to digital transformation (which facilitates a stronger link between manufacturing plants and management systems).
- At the end of October 2019, Nuovamacut Automazione S.p.A. acquired a 100% holding in Iperelle S.r.l., a company specialised in the configuration, customisation and distribution of PLM and CAD/CAM solutions. With this acquisition, Nuovamacut further strengthened its leadership in the PLM and CAD/CAM solutions market, enabling it to cover all product development processes for both small and large enterprises.
- In December 2019, TeamSystem Service S.r.l. acquired a 100% holding in a newly incorporated company called BK Service S.r.l., a company to which the sellers had transferred an HR services business that offers payroll and payroll processing and personnel administration and management services. The transaction has enabled TeamSystem Service to expand its market share and its presence in Italy.

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.

Basis of consolidation

The financial statements used for the consolidation are the financial statements of the individual entities, as approved by the respective administrative bodies. These financial statements are reclassified and adjusted in order to comply with IFRS and the accounting policies adopted by the Parent Company.

In the preparation of the consolidated financial statements, assets and liabilities, income and costs and components of other comprehensive income of consolidated entities are consolidated line-by-line. Receivables and payables, income and charges and gains and losses originating from transactions between and among consolidated entities are eliminated. The carrying amount of consolidated equity investments is eliminated against the corresponding portion of equity attributable to the Group (or to non-controlling interest holders). Associated companies are carried under the equity method.

Business combinations

Acquired subsidiaries are accounted for in accordance with the acquisition method as provided for by IFRS 3. The cost of the acquisition is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, liabilities incurred or assumed and equity interest issued by the Group in exchange for control of the acquiree.

All other costs associated with a transaction are expensed.

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

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

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

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

At the same time as the acquisition of majority / controlling stakes in an investee, TeamSystem Group normally enters into put and call option agreements for the residual stake held by the acquiree's non-controlling interest holders. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated, since the substance of the binding option agreement is that of the payment of deferred consideration for part of the investee's capital, as evidenced by a series of transactions completed in the past. Accordingly, the estimated value of the exercise price of the put / call is included in the cost of acquisition and contributes to the overall determination of goodwill. This accounting method applies only where the Group has acquired majority control of the voting rights of the companies acquired. Concerning the recognition of goodwill related to these options, TeamSystem Group recognises as a financial liability the payable (so-called Liabilities to non-controlling shareholders of subsidiaries) related to the estimated actual consideration for the exercise of the options. In accordance with this principle, subsequent changes in the fair value of the payable, due to amendments made to the initial assessment of the exercise consideration, are recognised in the consolidated income statement, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. In the absence of clear accounting rules for the recognition of non-controlling interests where put and call agreements exist, as well as on account of ongoing issues being debated by IFRIC and IASB, the Group has decided to use the accounting method described above that complies with the regulatory framework and current doctrine.

Any acquisitions of non-controlling interests subsequent to control having been achieved are accounted for as transactions between shareholders/quotaholders, with recognition of any difference between the amount paid and the carrying value of the non-controlling interest recorded in equity.

Translation of foreign currency financial statements

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

The foreign companies included in the scope of consolidation at 31 December 2019 that use a currency other than the Euro are Voispeed Limited and Reviso Cloud Accounting Limited, which use the British Pound (GBP) and Reviso International ApS, which uses the Danish Krone (DKK) as their functional currencies.
The exchange rates applied for the translation are set out in the following table:

Exchange Rates	Average 2019	Average 2018	%	31 Dec 2019	31 Dec 2018	%
GBP	0.87770	0.88471	-0.8%	0.85080	0.89453	-4.9%
DKK	7.46610	7.45320	0.2%	7.47150	7.46730	0.1%

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 2019.

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 represents the sum total of contractual (supply contracts and service contracts etc.) and non-contractual customer relationships and has been valued based on discounted income flows (Income Approach). Amortisation is recognised over the useful life of the asset, which is estimated to be twenty years (TeamSystem), fifteen years (Aliaslab) and ten years (TSS and ACG, companies that have been merged into TeamSystem and BK Service S.r.l.).

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 and Whit-e S.r.l., is stated at its reproduction cost and is amortised over the length of its expected useful life of five years.

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

Third party software licenced for internal use

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

Brands

The TeamSystem, Euroconference, ESA and Nuovamacut brands, which arose on recognition of the acquisition of TeamSystem Group that took place on 1 March 2016, have been measured in accordance with the relief from royalties method and are amortised over the length of their residual estimated useful life of twenty years (TeamSystem, Euroconference and Nuovamacut) or ten years (ESA).

Goodwill

Goodwill is initially recognised at cost, represented by the excess value of the consideration transferred for the business combination over the fair value of the assets and liabilities acquired.
In accordance with applicable IFRSs, goodwill is not amortised, but is allocated to its respective Cash Generating Unit (hereinafter “CGU”) or groups of CGUs and subjected annually (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to impairment testing in accordance with IAS 36 “Impairment of Assets”.

Subsequent costs

Costs incurred subsequently on intangible assets are capitalised if they increase the future economic benefit of the specific capitalised asset.

Amortisation

Amortisation is charged systematically on a straight line basis over the asset's estimated useful life, except for intangible assets with an indefinite life (being solely goodwill) that are not amortised and are systematically assessed to verify the absence of impairment. Other intangible assets are amortised as from the time they become usable.

The estimated useful life of each main category is shown in the following table:

Goodwill	Indefinite useful life
Brands	10–20 years
Customer relationship	10–20 years
Proprietary software	5 years
Development costs	3–5 years

Tangible fixed assets

Tangible fixed assets, consisting mainly of land, buildings, electronic machines, furniture and fittings and general and specific plant are stated at purchase cost, net of accumulated depreciation and writedowns. Costs incurred subsequent to acquisition (repairs and maintenance costs and replacement costs) are recorded as part of the carrying value of an asset, or recognised as a separate asset, only when it is believed that it is probable that associated future economic benefits will be generated and that the cost of the asset can be measured in a reliable manner. Repairs and maintenance costs (or costs of replacements that do not have the above characteristics) are expensed in the year in which they are incurred. Tangible fixed assets are systematically depreciated each year at rates determined on the basis of the residual useful life of the asset.

Regardless of the depreciation already accounted for, in the event of impairment, an asset is written down accordingly. Gains and losses arising on disposal are determined by comparing the sales consideration to the net book value. The amount determined is recognised in profit or loss in the pertinent year.

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

Leases

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

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

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

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives received.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for early termination of the lease, if the lease term reflects the lessee exercising an option to terminate the lease and the exercise thereof is reasonably certain.

Subsequent to initial recognition, the lease liability is measured on an amortised cost basis, while the carrying amount of the liability is increased to reflect interest thereon (using an effective interest method) and is reduced to reflect the lease payments made under the lease contract.

The Group remeasures its lease liability (and recognises an adjustment to the right-of-use asset) if:

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

A right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the contract's commencement date and any other initial direct costs. A right-of-use asset is recognised net of depreciation and any impairment losses.

A provision is recognised and measured in accordance with IAS 37 in the event that the Group incurs an obligation for the costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are included as part of the cost of the right-of-use asset.

Right-of-use assets are depreciated on a systematic basis from the commencement date to the earlier of the end of the useful life of the underlying asset and the end of the lease term. If the lease contract transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Group's desire to exercise a purchase option, the right-of-use is depreciated by reference to its useful life. Depreciation starts on the lease's commencement date.

Right-of-use is presented in a separate line item in the consolidated statement of financial position.

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

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

For short-term leases with a lease term of 12 months or less and low-value assets, for which the value of underlying assets does not exceed approximately € 5 thousand, the Group has opted for the recognition of lease payments in profit or loss as permitted by IFRS 16. These costs are included in the consolidated statement of profit or loss within Other operating costs.

The main difference between IFRS 16 and IAS 17 regarding assets previously recognised as held under finance lease is the measurement of the residual value of guarantees made by the lessee to the lessor. IFRS 16 requires the Group to recognise in the measurement of its lease liability only the estimated residual value, rather than the maximum amount guaranteed as required by IAS 17.

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, which is the cash generating unit ("CGU"). The cash generating units are identified in a manner consistent with the Group's organisational and business structure, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If the recoverable amount of the asset or cash generating unit is lower than the net carrying amount, the asset is adjusted to take account of the impairment loss, which is recognised in the consolidated statement of profit as "Depreciation, amortisation and impairment". An impairment loss relating to a CGU is firstly allocated to goodwill and any residual amount is allocated to other assets.

Investments in other companies

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

Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control, by means of which it participates in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale.

Under the equity method, investments in associates are recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the changes subsequent to acquisition in the net worth of the associate, net of any impairment of individual equity interests. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses, unless the Group has incurred an obligation to cover them.

Inventories

Inventories, which mainly include hardware and software licences purchased for resale, are stated at the lower of specific purchase cost, inclusive of ancillary charges, and estimated realisable value, which can be derived from market prices. Inventories of obsolete or slow moving items are written down by taking account of their potential use or realisation.

Financial instruments

These are the requirements under IFRS 9 for Financial instruments:

1) The classification and measurement of financial assets;

2) The classification and measurement of financial liabilities;

3) Impairment of financial assets, and;

4) Hedge accounting.

1) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at the date of initial application.

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

Specifically the debt instruments that are held within a business model whose objective is to hold financial assets to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost.

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

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

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

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

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

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

2) Classification and measurement of financial liabilities

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

3) Impairment of financial assets

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

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

4) Accounting for hedging transactions.

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

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

Trade receivables

Receivables are recorded at transaction price as defined by IFRS 15, net of an allowance recognised to take account of their expected realisable value and that takes account of forecast expected credit losses as required by IFRS 9.

Cash and bank balances

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

Interest bearing financial liabilities

Interest bearing financial liabilities are initially recorded at fair value, net of ancillary charges. Subsequent to their initial recognition, interest bearing financial liabilities are measured at amortised cost.

Trade and other payables

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

Foreign currency transactions

The functional and presentation currency of the Group companies is the Euro. As required by IAS 21, amounts originally denominated in foreign currency are translated at exchange rates ruling at the year end. Exchange differences realised on the collection of foreign currency receivables and on the payment of foreign currency payables are recognised in the consolidated statement of profit or loss.

Employee benefit plans

1. Defined contribution plans

A defined contribution plan is a pension plan for which the Group pays fixed contributions to a separate entity. The Group does not have any obligation, legal or otherwise, to make additional contributions if the fund has insufficient assets to meet the payment of all employee benefits relating to the period of service. The obligations related to contributions for employees' pensions and other benefits are expensed as incurred.

2. Defined benefit plans

Net obligations related to defined benefit plans consist mainly of employee termination indemnities and are calculated by estimating, with actuarial techniques, the amount of the future benefit accrued to employees in the current and prior financial years. The benefit thus determined is discounted and recognised net of the fair value of any related assets. The computation is performed by an independent actuary using the projected unit credit method. Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they arise.

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

Provisions for risks and charges

Where the Group has an obligation, legal or otherwise, resulting from a prior event and it is probable that this will lead to the loss of economic benefits to meet the obligation, an appropriate provision for risks and charges is recorded. No provision is made for future operating losses. Provisions are measured at the present value of Management's best estimate of the cost of satisfying the obligation existing at the reporting date. With respect to legal cases, the amount of the provision is determined on the basis of estimates made by the relevant consolidated company, together with its legal advisors, in order to determine the probability, the timing and the amounts involved.

Revenue

Revenue recognition methods vary on account of the diverse nature of sales and the different revenue streams. Specifically:

ERP and Business Management Software Solutions—Direct Channel

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

With respect to "subscription" sales, the revenue, relating to the various fee instalment components, is recognised over the duration of the contract (usually twelve months), starting from when the control is transferred to the customer.

Maintenance and support: maintenance and support agreements, which include direct support, technical support and software updates, generally cover a twelve-month period and related revenue is recognised on a straight line basis over the contract term, with recognition of the revenue component pertaining to future years as deferred income. In the event that a maintenance holiday is provided for by the agreement, revenue for the twelve months is recognised over a period that takes account thereof.

Other services: revenue related to training, implementation and software customisation, whether covered by the main agreement or by subsequent agreements, is recognised based on the stage of completion of the services at the reporting date. Revenue related to ERP (Enterprise Resource Planning) implementation services still ongoing at the reporting date is recognised based on the percentage of completion of the services at that date, on the basis of the worked hours compared to the total estimated working hours.

ERP and Business Management Software Solutions—Indirect Channel

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

Other services: revenue from additional services and products offered to dealers, including training, marketing and manuals; revenue is normally recognised when the control is transferred to the customer, usually coinciding with when the service is performed or when the product has been delivered.

Vertical Solutions

Sales revenue from Vertical Solutions products and services is recognised based on the same criteria described previously for the *ERP and Business Management Software Solutions* and on whether the sales are made through the direct or indirect channel. Moreover, Vertical Solutions revenue includes sales related to:

—Publishing: revenue from the sale of books and electronic manuals is recognised when the control is transferred to the customer, usually corresponding to 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 (on the basis of the worked hours compared to the total estimated working hours) in compliance with IFRS 15.

Micro & New Business Solutions

Sales revenue from Micro Solutions products and services is recognised based on the same criteria described previously for the *ERP and Business Management Software Solutions.*

Sales revenues from New Business Solutions products and services refers to recently established and acquired financial companies. Income and commissions are recognized when the service is performed.

Hardware

Revenue from the sale of hardware to third parties is recognised when the control is transferred to the customer, usually corresponding to 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. Income pertaining to TeamSystem S.p.A., which arises from the outsourcing of this business, is recognised when the company is entitled thereto.

Grants

Government grants are recognised when there is reasonable certainty that they will be received and that all related conditions will be met. Government grants towards cost components are recognised as income, but are systematically allocated to the financial year, in order to match the costs they are intended to offset. For grants towards the cost of an asset, the asset and the grant are recognised at their nominal value and the release to income takes place gradually, on a straight line basis, over the expected useful life of the asset.

Where a non cash grant is received, the asset and the contribution are recognised at their nominal value and are released to income on a straight line basis over the expected useful life of the asset.

Dividends

The distribution of dividends to shareholders / quotaholders of the Group companies is recognised as a liability in the period in which they are approved by the general meeting of shareholders / quotaholders.

Finance income and costs

Finance income and costs are recognised in profit or loss on an accrual basis.

Current and deferred taxation

The tax charge for the year comprises current and deferred taxation. Current tax is recognised in the consolidated statement of profit or loss, except for cases where the tax relates to items accounted for as an equity component. Current tax is calculated by applying the tax rate in force at the reporting date to taxable income. Concerning IRES, it should be noted that the Parent Company and its subsidiaries have elected for a consolidated tax regime, with the Parent Company as tax consolidator.

Deferred tax is calculated, using the liability method, on temporary differences between the book and tax bases of assets and liabilities. Deferred tax is calculated as a function of the expected timing of the reversal of the temporary differences, using the tax rate in force at the date of the expected reversal. A deferred tax asset is recognised only where it is probable that sufficient taxable income will be generated in subsequent years for the recovery thereof.

Lease of businesses

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

Hardware/Delivery

Specifically, with regards to the Hardware and Delivery business, TeamSystem S.p.A. has entered into with various third party specialist operators (for both Hardware and Delivery—a further Delivery business agreement has also been executed by Esa Napoli S.r.l. with the same counterparty as TeamSystem S.p.A.) a series of outsourcing transactions, which have common features.

The common features of these transactions were: a) the identification of a business segment, consisting mainly of personnel with appropriate professional qualities, that has been outsourced; b) the lease of the aforementioned business to a third party specialist, via the execution of a two-year business lease agreement, c) the purchase of a put option with an agreed exercise price (except for one outsourcing transaction with a potential decrease in the exercise price in the event of the failure to achieve a revenue target). For the option, TeamSystem S.p.A. has to pay a deferred consideration essentially equating to the sum of the business lease instalments plus the exercise price for the option; d) a commitment to assume liability for amounts due to employees of the business segments that arose prior to the lease of the businesses in question; e) the simultaneous execution of a service agreement / commercial partnership agreements (with a duration in excess of the business lease agreement associated therewith) between TeamSystem S.p.A. and the lessee, concerning services related to the outsourced businesses.

Having analysed the contracts and the key aspects of the transactions entered into, these have been accounted for as follows:

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

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

Customer Service

As the result of the execution of a framework agreement with a customer service operator, effective 1 January 2018, TeamSystem S.p.A. transferred part of the customer service business, consisting mainly of specialised personnel, to a newly incorporated company (Comsyst S.r.l.), the controlling interest in which is held by the aforementioned customer service operator. As part of this transaction, TeamSystem S.p.A. entered into a ten-year service agreement with the above operator for the provision of customer care services. The agreement provides for incremental guaranteed minimums and requires the services to be performed by Comsyst. Moreover, for the reciprocal protection of the counterparties, the framework agreement has provided for the following options over the equity interests held thereby and an exercise price equating to the pro-rata share of Comsyst's equity: call option in favour of TeamSystem S.p.A. due to expire on 31 December 2018; call option in favour of TeamSystem S.p.A. exercisable between 1 January 2019 and 1 December 2028 in the event of termination of the service agreement; call option in favour of the counterparty exercisable in the period July-October 2019 and a put option in favour of TeamSystem S.p.A. exercisable in the period November-December 2019. This put option was exercised by TeamSystem at the end of 2019, while the service contract continues to be executive.

The Group has analysed the contracts underlying the above relationships and has concluded that for the 2018 financial year the investment in Comsyst is an investment in an associate, given that control thereover is held by the counterparty, which, in addition to holding an interest of 51%, is responsible for the organisation and development thereof. At the end of the 2019 financial year, with the exercise of the put by TeamSystem S.p.A., the connecting stake in Comsyst was therefore purchased by the Comsyst majority quotaholder.

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.

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.

During the course of 2019, TeamSystem Group completed its revision of its corporate reporting system that led to substantial changes to the format of internal reports reviewed periodically by Management with the definitive elimination of the breakdown at the level of the previously identified three operating segments: **Software Solutions, Cloud Software Solutions and Hardware.**

In fact, Group Management deemed it appropriate and necessary (in a technological context of a market characterised by continuous evolution) to review its reporting activities that, effective 2019, envisage one sole operating segment for reporting purposes, the **Software Business Unit**, in line with the new organisational and internal responsibility structure.

In fact, consistent with the Group's new strategic vision and on account of changed market conditions, whereby it is critical to continuously adjust to available technologies, TeamSystem Group has identified a new business direction and new organisational and reporting responsibilities that render the 3 historical operating segments (Software Solutions, Cloud Software Solutions and Hardware) increasingly less independent and significant for a presentation of the manner in which the Group's business is evolving.

Technological developments that are inevitably of interest to TeamSystem Group (on account of the industrial sector it pertains to) offer the Group's customers software solutions that may increasingly be accessed via Cloud technology and, thus, the previous presentation of the Group's business has become less significant on account of continuous migration to new technology. Moreover, following the outsourcing of hardware, which commenced in 2018 and was completed in the year just ended, responsibility for the former Hardware division has been reallocated within the sole segment, partly due to the ancillary and supportive nature that hardware products have in relation to the main software business in the new competitive and market environment.

For the above reasons, during the course of 2019, it became necessary to establish a new reporting model based on one sole operating segment for reporting purposes, namely the **Software Business Unit** as a whole, aligned and perfectly conforming to the current organisational and business structure, which better reflects the Group's operations today.

Note that, at 31 December 2019, the financial sector companies that were newly incorporated and newly acquired in 2019 do not meet the quantitative thresholds set out in the applicable accounting standard (IFRS 8.13) and, given their immateriality within the Group, no specific disclosures have been made at Group level. Related disclosures have thus been presented in the "**Other sectors**" category, separately from the other reconciling items within the reconciliations required by IFRS 8.23.

Use of estimates

The preparation of consolidated financial statements requires the Group to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss and consolidated statement of cash flows, as well as the disclosures provided. The actual amounts of the financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.

Set out below is a listing of consolidated financial statement components that, more than others, require greater subjectivity, on the part of the Group, in the application of estimates and, for which, a change in the conditions of underlying assumptions used may give rise to a significant risk in relation to the determination of adjustments to the carrying amounts of current assets and liabilities that may have a significant impact on the financial statements of the consolidated companies:

- Business combinations (IFRS 3) and measurement of assets acquired and liabilities assumed: the process of allocation of the cost of a transaction to the assets of TeamSystem Group following a business combination is based on estimates and assumptions derived from Management's professional judgement. Professional judgement is also used to determine the most appropriate methodologies for the measurement of assets acquired and liabilities assumed (including contingent assets and liabilities) and in certain cases provisional initial recognition has been opted for, as permitted by the applicable accounting standard.

- Goodwill and other intangible assets: goodwill and other intangible assets with an indefinite useful life (none of the latter existed as at the reporting date) are tested annually for impairment and during the course of the year if there is any indication thereof. Other intangible assets are tested annually for impairment when there are indications that the carrying amount may not be recovered. When value in use needs to be computed, the Directors estimate the cash flows expected from an asset or from the cash generating unit and choose a discount rate in order to calculate the present value of the cash flows. Accordingly, the impairment test for fixed assets is performed using forecasts, which are naturally subject to uncertainty, of cash flow included in business plans approved by the relevant Boards of Directors or in projections prepared by management of the Group companies in periods in which the business plan has not been updated for the insights needed to make strategic choices.

- Allowance for bad debts: the allowance for bad debts reflects Management's estimate of the losses pertaining to receivables due from end customers and the sales network. The estimate of the allowance for bad debts is based on losses expected to be incurred by the company (taking account of the requirements of the new IFRS 9), determined on the basis of past experience with similar receivables, on current and historical past due, on losses and payment collection and on careful monitoring of asset quality and forecasts of economic and market conditions.

- Provisions for risks and charges: these provisions relate to liabilities that are certain or probable, the amount of which has not been determined at the reporting date, but the cost of which, as required to meet the obligation, is capable of being reliably estimated by Management. They are recognised in the financial statements in the event of an existing legal or implicit obligation resulting from a prior event and it is probable that the Group will be required to meet the obligation. If the impact is significant, the provisions are measured at discounted present value.
- Employee benefits: the cost of employee benefit plans is determined using actuarial assessments. An actuarial assessment requires the application of assumptions with respect to discount rates, the expected yield from investments, future wage increases, mortality rates and future increases in pensions. Due to the long term nature of these plans, the estimates are subject to a significant degree of uncertainty.
- Liability to non-controlling shareholders of subsidiaries: this represents the estimated liability with respect to put and call options or earn-out agreements relating to non-controlling interests in Group companies. This is accounted for at its estimated fair value, having applied various assumptions regarding the estimated indicators that form the basis for its computation and the expected timing of disbursements. The nominal value of the exercise price of the liability to non-controlling shareholders of subsidiaries 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.

Accounting standards, amendments and IFRS interpretations applicable as from 1 January 2019

The following accounting standards, amendments and IFRS interpretations are applicable to the Group for the first time as from 1 January 2019:

- On 12 December 2017, the IASB issued “Annual Improvements to IFRSs: 2015-2017 Cycle”, a collection of amendments to standards as part of the annual process of improvements thereto. The major amendments relate to:
    - Business Combinations and IFRS 11 Joint Arrangements: the amendments clarify that, when an entity obtains control of a business that is a joint operation, it should remeasure previously held interests in that business. This is not required, however, when an entity obtains joint control.
    - IAS 12 Income Taxes: the amendments clarify that the income tax consequences of dividends (including payments on financial instruments classified as equity) should be recognised consistently with the transactions that generated the distributable profits (in profit or loss, OCI or equity).
    - IAS 23 Borrowing costs: the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

- On 7 February 2018, the IASB issued “Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)”. The document clarifies how an entity should recognise an amendment (i.e a curtailment or settlement) to a defined benefit plan. The amendments require an entity to update its assumptions and to remeasure the net liability or asset pertaining to the plan. The amendments clarify that, subsequent to the occurrence of such an event, an entity should use updated assumptions to measure current service cost and the net interest for the period after the remeasurement. The adoption of these amendments has had no material effect on the Group's consolidated financial statements.

- On 12 October 2017, the IASB issued "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". The amendments clarify the need to apply IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied. The adoption of these amendments has had no effect on the Group's consolidated financial statements.

- On 7 June 2017, the IASB issued "Uncertainty over Income tax Treatments (IFRIC Interpretation 23)". The interpretation addresses uncertainty over income tax treatments. Specifically, the interpretation requires an entity to analyse uncertain tax treatments (separately or together, depending on the characteristics thereof), assuming in all cases that a taxation authority will examine those amounts and will have full knowledge of all relevant information. If the entity concludes that it is not probable that the taxation authority will accept the tax treatment followed, the entity has to reflect the impact of the uncertainty in the measurement of its current and deferred taxation. 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 has been applied as from 1 January 2019. The adoption of these amendments has had no material effect on the Group's consolidated financial statements.

- On 12 October 2017, the IASB issued amendments to IFRS 9 "Prepayment Features with Negative Compensation". The document clarifies that instruments that provide for early repayment may meet the solely payments of principal and interest (SPPI) test even in the event that the reasonable additional compensation payable upon early repayment would constitute negative compensation for the lender. 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 2019

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:

- On 31 October 2018, the IASB issued "Definition of Material (Amendments to IAS 1 and IAS 8)". The amendments introduced a change to the definition of "material" contained in IAS 1—Presentation of Financial Statements and IAS 8—Accounting Policies, Changes in Accounting Estimates and Errors. The objective of the amendments is to make the definition of "material" more specific and they have introduced the concept of obscured information to stand alongside the concepts of omitted or misstated information included in both amended accounting standards. The amendments clarify that information is obscured if it is disclosed in a manner that would have a similar effect on the primary users of financial statements as omitted or misstated information. The amendments were endorsed on 29 November 2019 and are effective for all transactions subsequent to 1 January 2020. The directors do not believe that there will be any significant impact on the Group's consolidated financial statements as a result of the adoption of these amendments.

- On 29 March 2018, the IASB issued "Amendments to References to the Conceptual Framework in IFRS Standards". The amendments are effective for annual periods beginning on or after January 1, 2020, although early application is permitted.

The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors.

The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.

- On 26 September 2019, the IASB published "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The amendments are to IFRS 9—Financial Instruments, IAS 39—Financial Instruments: Recognition and Measurement and IFRS 7—Financial Instruments: Disclosures. In particular, the amendments modify some specific hedge accounting requirements to provide temporary relief therefrom, in order to mitigate the potential effects of the uncertainty caused by the IBOR reform (that is still ongoing) on future cash flows in the period prior to its completion. The amendments require companies to disclose additional information in their financial statements regarding their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the aforementioned relief has been applied.

The amendments are effective as from 1 January 2020, although early application is permitted. The directors do not believe that there will be any impact on the Group's consolidated financial statements as a result of the adoption of these amendments, on account of the fact that the Group does not apply hedge accounting to its exposure to interest rate fluctuations.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the european union

At the reference date of these consolidated financial statements, some amendments to IFRS 3 are still pending for approval (definition of "business" and introduction of an "concentration test", optional, which allows to exclude the presence of a business if the price paid is substantially referable to a single asset or group of assets) and to IFRS 10 and IAS 28 (in order to resolve the current conflict between IAS 28 and IFRS 10).

In addition, on May 18, 2017, the IASB published IFRS 17—Insurance Contracts which is intended to replace IFRS 4—Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued.

Based on the information currently available, no significant impacts are expected for the Group.

Notes to the consolidated financial statements

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

1. Total revenue

	31 Dec 2019	31 Dec 2018	Change	% Change
Hardware	7,676	6,683	993	14.9%
Software	49,037	54,507	(5,469)	-10.0%
Hardware subscriptions	2,305	2,338	(33)	-1.4%
Software subscriptions	257,571	198,202	59,369	30.0%
Other products	1,711	1,642	68	4.2%
Other services	42,308	58,365	(16,056)	-27.5%
Education	12,549	12,736	(187)	-1.5%
Discount Paid	(141)	(95)	(46)	48.7%
Revenue	**373,016**	**334,378**	**38,638**	**11.6%**
Other income	3,080	1,705	1,375	80.7%
Operating grants	353	321	32	9.9%
Other operating income	**3,434**	**2,026**	**1,407**	**69.4%**
Total Revenue	**376,450**	**336,404**	**40,046**	**11.9%**

Total revenue for the year ended 31 December 2019 came to € 376,450 thousand and increased in the year due, specifically, to the Group's organic growth, as well to a sharp increase in sales of products linked to electronic invoicing which became mandatory as of 1 January 2019 for all businesses and professionals with a VAT number.

The main components are the following:

- Hardware (€ 7,676 thousand), relating to sales of hardware products. The increase in the year is mainly attributable to sales of cash registers following the introduction of the requirement (effective July 2019 for retailers with a certain turnover) to issue electronic receipts;
- Software (€ 49,037 thousand), relating to sales of licences. The decrease in the year is related to an increase in subscription sales;
- Software subscriptions (€ 257,571 thousand), relating to the provision of maintenance and support, which include software updates, helplines, direct support and the use of the licence in the case of subscription sales. The increase is closely linked to the sale of licences via subscriptions, as well as an increase in cloud sales;
- Other services (€ 42,308 thousand), relating to training, implementation and software customisation, as well as payroll processing services and electronic invoicing.;
- Education (€ 12,549 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.

The table below shows the breakdown of total revenues for the 2018 and 2019 financial years according to whether the control was transferred over a period of time ("over time") or at a specific point in time ("at a point in time"):

Euro Millions	31 Dec 2019	31 Dec 2018
Point in time	**85.7**	**99.8**
Over time	**290.8**	**236.6**
TOTAL REVENUE	**376.5**	**336.4**

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.

During the course of 2019, TeamSystem Group completed its revision of its corporate reporting system that led to substantial changes to the format of internal reports reviewed periodically by Management with the definitive elimination of the breakdown at the level of the previously identified three operating segments: **Software Solutions, Cloud Software Solutions and Hardware.**

In fact, Group Management deemed it appropriate and necessary (in a technological context of a market characterised by continuous evolution) to review its reporting activities that, effective 2019, envisage one sole operating segment for reporting purposes, the **Software Business Unit**, in line with the new organisational and internal responsibility structure.

In fact, consistent with the Group's new strategic vision and on account of changed market conditions, whereby it is critical to continuously adjust to available technologies, TeamSystem Group has identified a new business direction and new organisational and reporting responsibilities that render the 3 historical operating segments (Software Solutions, Cloud Software Solutions and Hardware) increasingly less independent and significant for a presentation of the manner in which the Group's business is evolving.

Technological developments that are inevitably of interest to TeamSystem Group (on account of the industrial sector it pertains to) offer the Group's customers software solutions that may increasingly be accessed via Cloud technology and, thus, the previous presentation of the Group's business has become less significant on account of continuous migration to new technology. Moreover, following the outsourcing of hardware, which commenced in 2018 and was completed in the year just ended, responsibility for the former Hardware division has been reallocated within the sole segment, partly due to the ancillary and supportive nature that hardware products have in relation to the main software business in the new competitive and market environment.

For the above reasons, during the course of 2019, it became necessary to establish a new reporting model based on one sole operating segment for reporting purposes, namely the **Software Business Unit** as a whole, aligned and perfectly conforming to the current organisational and business structure, which better reflects the Group's operations today.

Note that, at 31 December 2019, the financial sector companies that were newly incorporated and newly acquired in 2019 do not meet the quantitative thresholds set out in the applicable accounting standard (IFRS 8.13) and, given their immateriality within the Group, no specific disclosures have been made at Group level. Related disclosures have thus been presented in the "**Other sectors**" category, separately from the other reconciling items within the reconciliations required by IFRS 8.23.

Set out below is the Group's segment information for the year just ended and for the previous year, which has been restated to reflect the new operating segment structure.

Euro Millions **Operating Segments**	**31 Dec 2019**	**31 Dec 2018**	**Change**	**% Change**
Business unit—Software	375.8	336.4	39.4	12%
Other	0.7		0.7	100%
TOTAL REVENUE	**376.4**	**336.4**	**40.0**	**12%**
Business unit—Software	146.4	125.7	20.7	16%
Other	(0.3)		(0.3)	100%
ADJUSTED EBITDA	**146.1**	**125.7**	**20.4**	**16%**

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 based on various indicators, the pre-eminent and most significant of which are Adjusted EBITDA, defined as profit (loss) for the year plus (i) income tax, (ii) finance income and costs, (iii) impairment of non-current assets, (iv) other provisions for risks and charges, (v) depreciation and amortisation of non-current assets, (vi) allocations to the allowance for bad debts and (vii) certain costs deemed by Management to be non-core for the measurement of the Group's performance.

Details are set out below of the Adjusted EBITDA reconciliation for 2019 and 2018:

Euro Thousand	31 Dec 2019	31 Dec 2018	Change	% Change
PROFIT (LOSS) FOR THE YEAR	(35,275)	(55,960)	20,685	-37.0%
Income tax	(2,087)	(17,913)	15,825	-88.3%
Financial income and expenses	84,321	89,363	(5,042)	-5.6%
Other provisions for risks and charges	4,360	7,020	(2,660)	-37.9%
Depreciation and amortization of non current assets	84,641	83,040	1,601	1.9%
Allowance for bad debts	4,832	5,131	(299)	-5.8%
Costs for changing and closing locations		980	(980)	-100.0%
Advisory expenses related to reorganization and cost saving projects	2,249	7,574	(5,325)	-70.3%
Personnel redundancy	1,346	706	640	90.7%
Acquisitions and mergers costs	517	1,293	(776)	-60.0%
Cost for change management program		2,111	(2,111)	-100.0%
Cost for credit collection project		364	(364)	-100.0%
Tax optimization costs		395	(395)	-100.0%
Settlements with clients and agents	1,121	1,112	9	0.8%
Other items	105	465	(360)	-77.5%
ADJUSTED EBITDA	**146,129**	**125,681**	**20,449**	**16.3%**

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 2019 and 2018, were almost exclusively realised in Italy.

3. Cost of raw and other materials

	31 Dec 2019	31 Dec 2018	Change	% Change
Hardware purchases	5,559	4,946	613	12.4%
Third parties' software	20,449	19,799	649	3.3%
Handbooks and forms	53	60	(8)	-12.6%
Materials for education	149	186	(37)	-19.9%
Fuel	2,072	2,299	(227)	-9.9%
Other materials	656	693	(37)	-5.3%
Change in inventory of raw materials	205	356	(150)	-42.2%
Total	**29,143**	**28,339**	**804**	**2.8%**

The cost of raw and other materials for the year ended 31 December 2019 came to € 29,143 thousand. This mainly relates to the cost of sales of hardware and third party software. The increase in the year of approximately 2.8% is attributable to the Group's organic growth and to higher purchases of hardware that rose in the year by 12.4%.

4. Cost of services

	31 Dec 2019	31 Dec 2018	Change	% Change
Agent commissions and other costs	15,619	14,016	1,603	11.4%
Consulting and third parties services	10,756	13,898	(3,143)	-22.6%
Software and Hardware maintenance costs	13,418	8,780	4,639	52.8%
Customer support service costs	5,842	1,651	4,191	n.s.
Administrative tax and legal	4,487	2,434	2,054	84.4%
Financial interest costs				
Education—consulting and copyrights	3,781	3,970	(189)	-4.8%
Magazines—consulting and copyrights	1,595	1,501	94	6.3%
Other costs for education services	1,177	1,440	(263)	-18.3%
Advertising and marketing	11,419	10,212	1,207	11.8%
Management Fees				
Car rentals	2,944	3,229	(285)	-8.8%
Utilities	4,100	4,049	51	1.3%
Costs for mergers and acquisitions	517	1,293	(776)	-60.0%
Tax optimization costs		395	(395)	-100.0%
Strategic marketing expenses				
Other items	179	521	(342)	-65.6%
Costs for strategic projects and reorganizations	2,563	10,757	(8,194)	-76.2%
Other service expenses	14,503	12,410	2,093	16.9%
Cost of services—Gross of capitalization	**92,901**	**90,555**	**2,346**	**2.6%**
Services capitalised development costs	(2,447)	(2,190)	(257)	11.7%
Total	**90,454**	**88,366**	**2,089**	**2.4%**

Cost of services came to € 90,454 thousand for the year ended 31 December 2019, net of an amount capitalised in the year pertaining to software projects of € 2,447 thousand, details of which are provided in Note 12 on intangible assets.

The main components are the following:

- Agent commissions and other costs (€ 15,619 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 (€ 10,756 thousand) mainly relating to the outsourcing to third parties of on-site customer maintenance and support;
- Hardware and Software subscription charges (€ 13,418 thousand) relating to periodic fees for support services and subscriptions for third party products;
- Cost of customer support services (€ 5,842 thousand) that increased sharply in the year due to a rise in requests for assistance concerning electronic invoicing products;
- Acquisition and merger costs (€ 517 thousand) relating to costs incurred for services in connection with M&A transactions that occurred in 2019. Prior year costs amounted to € 1,293 thousand.
- Strategic project and reorganization costs (€ 2,563 thousand) that include the following categories:
  - costs incurred for services related to reorganization and cost saving projects of € 2,249 thousand (€ 7,574 thousand in 2018);
  - fees for legal advice concerning personnel reorganisation of € 314 thousand (€ 82 thousand in 2018);

  The sharp decrease in the year is due to the fact that costs had been incurred in the previous year for the closure and relocation of certain corporate premises (€ 980 thousand in 2018), for the change management program (€ 2,111 thousand in 2018) and for the credit collection project (€ 364 thousand in 2018);

- No tax optmization costs were incurred in 2019, whereas in 2018 they amounted to € 395 thousand;
- Other service costs (€ 14,503 thousand), mainly consisting of:
  - Costs for shipping and transport of € 231 thousand;
  - Costs for reimbursement of expenses of € 5,561 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 € 604 thousand;
  - Insurance costs of € 816 thousand;
  - Training and other HR costs of € 3,827 thousand.

Regarding the capitalisation of cost of services recognised in 2019 (€ 2,447 thousand) reference should be made to Note 12 on Intangible Assets.

5. Personnel costs

	31 Dec 2019	31 Dec 2018	Change	% Change
Wages, salaries and social contributions	112,337	107,068	5,269	4.9%
Staff leaving indemnities	5,039	4,980	58	1.2%
Other personnel costs	523	260	263	n.s.
Stock options costs				
Personnel costs for redundancy and reorganizations	1,032	978	54	5.5%
Employees costs	**118,931**	**113,286**	**5,645**	**5.0%**
Freelancers and collaborators fees	481	648	(167)	-25.7%
Directors' fees and related costs	3,208	2,737	471	17.2%
Directors and Collaborators	**3,689**	**3,385**	**304**	**9.0%**
Personnel—Gross of capitalization	**122,620**	**116,671**	**5,949**	**5.10%**
Personnel capitalised development costs	**(11,882)**	**(11,696)**	**(187)**	**1.6%**
Total	**110,738**	**104,975**	**5,763**	**5.5%**

Personnel costs came to € 110,738 thousand for the year ended 31 December 2019. The 4.9% increase in the year in "Wages, salaries and social contributions" is due, on one hand, to an increase in the average workforce and, on the other hand, to an increase in average cost triggered by contractual obligations.

Total Personnel redundancy costs amounted to € 1,346 thousand (€ 706 thousand in 2018), being the above "Personnel costs for redundancy and reorganisations" (€ 1,032 thousand in 2019), plus "Fees for legal advice concerning personnel reorganisation" (€ 314 thousand in 2019—see Note 4).

Regarding the capitalisation of personnel costs recognised in 2019 (€ 11,882 thousand) reference should be made to Note 12 on Intangible Assets.

The following table provides details of employee numbers at 31 December 2019.

	Average 2019	Average 2018	Change	31 Dec 2019	31 Dec 2018	Change
Managers	70	63	7	71	69	2
Middle managers / white collars / workers	1,940	1,884	56	2,068	1,811	257
Total	**2,010**	**1,947**	**63**	**2,139**	**1,880**	**259**

6. Other operating costs

	31 Dec 2019	31 Dec 2018	Change	% Change
Condominium expenses and other rents	1,250	673	576	85.6%
Rentals	331	419	(89)	-21.2%
Other expenses for use of third parties assets	316	394	(77)	-19.6%
Other taxes	400	318	83	26.0%
Losses from assets disposals	32	69	(37)	-53.4%
Other expenses and settlement costs	2,993	2,169	824	38.0%
Total	**5,323**	**4,043**	**1,280**	**31.7%**

Other operating costs came to € 5,323 thousand for the year ended 31 December 2019. The main components are the following:

- Condominium expenses and other rents (€ 1,250 thousand), with the increase being mainly due to condominium expenses related to new rental arrangements entered into in the year;
- Other expenses and settlement costs (€ 2,993 thousand), which mainly relate to the cost of settlement agreements with customers and agents (€ 1,121 thousand in 2019 versus € 1,112 in 2018) and other minor costs of € 105 thousand (versus € 465 thousand in 2018), which include costs relating to management fees.

7. Finance income

	31 Dec 2019	31 Dec 2018	Change	% Change
Interest and other finance income	209	33	177	n.s.
Gains on foreign exchange	5	3	2	46.1%
Interest from cash pooling and other loans	(5)	(0)	(5)	n.s.
Interest from banks	6	1	5	n.s.
Depreciation—Liabilities to non-controlling shareholders of subsidiaries	960	16,242	(15,282)	-94.1%
Gain on valuation of derivative instruments	227		227	
Dividends	20	7	13	n.s.
Total	**1,421**	**16,285**	**(14,864)**	**-91.3%**

Finance income came to € 1,421 thousand for the year ended 31 December 2019 and was mainly attributable to the remeasurement of the fair value of the liability to non-controlling shareholders of subsidiaries at 31 December 2019.

8. Finance costs

	31 Dec 2019	31 Dec 2018	Change	% Change
Interest on bank overdrafts and loans	13	89	(75)	-85.2%
Interest on Notes	30,417	51,641	(21,224)	-41.1%
Interest on derivative instruments	308	169	139	82.5%
Interest on financing fees	2,807	32,604	(29,797)	-91.4%
Revaluation—Liabilities to non-controlling shareholders of subsidiaries	39,862	10,604	29,257	n.s.
Bank commissions	2,148	1,862	286	15.4%
Loss on valuation of derivative instruments		316	(316)	-100.0%
Interest on actuarial valuation of employee benefits	212	752	(540)	-71.8%
Interest on lease contracts - IFRS 16	1,028	718	310	43.2%
Other IFRS financial charges	6,080	5,513	567	10.3%
Interest on cash pooling and other loans	48	9	38	n.s.
Other financial charges	1,793	1,392	401	28.8%
Losses on foreign exchange	24	19	5	28.0%
Write-downs of investment	1,002		1,002	
Total	**85,742**	**105,688**	**(19,945)**	**-18.9%**

Finance costs for the year ended 31 December 2019 came to € 85,742 thousand. The main components are the following:

- Interest on Notes (€ 30,417 thousand), which includes interest payable on Floating Rate Notes of € 750,000 thousand issued by TeamSystem S.p.A. on 4 April 2018;
- Interest on financing fees (€ 2,807 thousand) includes:
  - € 2,396 thousand relating to financing fees for Floating Rate Notes of € 750,000 thousand;
  - € 411 thousand relating to financing fees for the RCF of € 90 million arranged on 4 April 2018 by TeamSystem S.p.A.;
- Revaluation of liabilities to non-controlling shareholders of subsidiaries (€ 39,862 thousand) arising from a change in the fair value thereof due to the remeasurement of the initial exercise price of the options;
- IFRS 16 finance costs and other IFRS finance costs (totalling € 7,108 thousand), which include finance costs recognised by the Group on having discounted the liability to non-controlling shareholders of subsidiaries based on the new discount rate for the period (€ 6,080) and interest cost arising from the application of IFRS 16 (€ 1,028 thousand).

9. Total income tax

Current income tax

Current tax expense for the 2019 financial year amounted to € 12,481 thousand and mainly consists of the following:

- IRES expense of € 7,873 thousand;
- IRAP expense of € 4,400 thousand;
- Tax expense relating to prior years of € 157 thousand.

There has been a sharp increase in current tax expense in the year due to certain factors that impacted the previous year's current tax and that were not repeated in the year just ended. Specifically, the positive impact of current tax in 2018 was attributable to:

(a) the impact arising, in relation to the 2016 financial year, from the option for the patent box regime exercised by TeamSystem S.p.A. (and by the assignors TSS and ACG) as well as by Metodo S.p.A. for specific software, which is subjected to indirect use. The impact of the above option (€ 3,346 thousand for 2018) was computed autonomously by TeamSystem S.p.A. based on clarifications provided by the Revenue Agency under Resolution No. 28 of 9 March 2017;

(b) the impact of ACE relief under Ministerial Decree of 3 August 2017, entitlement to which was confirmed by the Revenue Agency in its response to the advance ruling request No. 954-927/2017 (the Agency has specifically confirmed the possibility to take account, for the purpose of the computation of the company's ACE base, of the entire amount of the contribution of € 565,530,750 received from the assignor, Barolo BidCo, in 2016).

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

10. Consolidated statement of cash flows

With regards to 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 2019:

Liabilities to non-controlling shareholders of subsidiaries = the amount of liabilities to non-controlling shareholders of subsidiaries paid in 2019 amounts to € 6,039 million and relates to the acquisition of further interests in TeamSystem Communication S.r.l. and the payment of earn-outs primarily relating to investments in Aliaslab S.p.A., Evols S.r.l. and Reviso International Aps (see also Note 19).

Finance costs/income paid/received and change in Financial Assets/Liabilities = regarding the amount of € 40,136 thousand reported for the year ended 31 December 2019:

- € 32,783 thousand relates to finance costs paid by the Group in the course of 2019. Specifically, this amount includes:

  1) € 30,333 thousand relating to interest paid on Floating Rate Notes of € 750 million;
  2) € 2,157 thousand relating mainly to the payment of interest and bank charges.
  3) € 293 thousand relating to interest paid on derivatives.

- € 550 thousand relating to the amount received from the sale of securities held by Skylab S.r.l.

- € 7,037 thousand relating to the total amount of lease payments made in the year consisting of principal (€ 6,009 thousand) and interest (€ 1,028 thousand) following the adoption of IFRS 16.

- € 750 thousand relating to the repayment of loans and borrowings by Whit-e S.r.l.

Acquisition of investments = the amount of € 19,785 thousand relates mainly to:

- 2) Cash-out paid by TeamSystem S.p.A. for the acquisition of Skylab S.r.l., TeamSystem 4 S.r.l. and TechMass S.r.l.

- Cash-put paid by the Group for equity interests in Factor@Work S.r.l. and Whit-e S.r.l.;

- Cash-out paid by Nuovamacut Automazione S.p.A. for the acquisition of Gi.Esse Macchine Utensili S.r.l. and Iperelle S.r.l.;

- Cash-out paid by TeamSystem Service S.r.l. for the acquisition of BK Service S.r.l.

The table below provides details of the change in the year in financial liabilities, with separate disclosure of those that have generated cash flows as opposed to other changes of a non-cash nature.

		Cash flows				Other non-cash movements			
	31 Dec 2018	Repayments and other financial flows	New financing	Change in cons. area	Other movements	Accruals and other financial income /cost	Change in cons. area	Other movements	31 Dec 2019
Loans with banks	**101**	(69)							**32**
Finance leases liabilities	**24,340**	(7,037)				1,028	608	5,012	**23,952**
Notes	**751,250**	(30,333)				30,417			**751,334**
Liabilities to non-controlling shareholders of subsidiaries	**87,524**	(5,050)				43,992	18,921		**145,387**
Cash pooling liabilities	**(0)**								**(0)**
Other financial liabilities	**(0)**	11							**11**

11. Tangible fixed assets

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

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

Net book value	31 Dec 2017	Change in cons. area	Additions	(Depreciation)	Other movements and disposals	31 Dec 2018
Land	948					948
Buildings	3,606			(267)		3,339
Plant and machinery	3,049	(0)	1,319	(687)	(219)	3,462
Equipment	972	1	248	(233)	(16)	973
Other assets	6,795	20	2,083	(2,043)	(250)	6,605
Tangible assets under construction						
Total	**15,370**	**21**	**3,650**	**(3,230)**	**(485)**	**15,326**

Cost	31 Dec 2018	Change in cons. area	Additions	Other movements and disposals	31 Dec 2019
Land	948				948
Buildings	6,063			(1)	6,062
Plant and machinery	7,432	24	1,492	50	8,997
Equipment	2,725	65	100	2	2,892
Other assets	23,090	260	1,401	71	24,822
Tangible assets under construction				7	7
Total	**40,258**	**349**	**2,993**	**129**	**43,728**

Accumulated depreciation	31 Dec 2018	Change in cons. area	Depreciation	Other movements and disposals	31 Dec 2019
Land					
Buildings	2,724		267		2,991
Plant and machinery	3,970		908	56	4,934
Equipment	1,753		233	0	1,986
Other assets	16,485		2,133	60	18,678
Tangible assets under construction					
Total	**24,932**		**3,541**	**116**	**28,589**

Net book value	31 Dec 2018	Change in cons. area	Additions	(Depreciation)	Other movements and disposals	31 Dec 2019
Land	948					948
Buildings	3,339			(267)	(1)	3,071
Plant and machinery	3,462	24	1,492	(908)	(6)	4,064
Equipment	973	65	100	(233)	2	907
Other assets	6,605	260	1,401	(2,133)	10	6,144
Tangible assets under construction					7	7
Total	**15,326**	**349**	**2,993**	**(3,541)**	**12**	**15,139**

Tangible fixed assets amount to € 15,139 thousand at 31 December 2019, having decreased in the year by a net amount of € 187 thousand. The decrease is due to the net impact of:

- Additions of € 3,342 thousand, of which € 349 thousand is due to a change in the scope of consolidation;
- Depreciation of € 3,541 thousand.

12. Intangible assets

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

Net book value	31 Dec 2018	Change in cons. area	Other movements and disposals	Capitalization	Additions	(Amortization)	31 Dec 2019
Capitalized development costs	**28,186**		**(675)**	**13,972**		**(12,632)**	**28,852**
Brand IFRS	115,054					(6,791)	108,263
Software IFRS	36,766	2,670				(15,431)	24,005
Customer relationship IFRS	467,680	6,000				(30,036)	443,645
Other IFRS assets	15,286					(1,008)	14,278
Asset IFRS	**634,786**	**8,670**				**(53,266)**	**590,191**
Software, trademarks, patents	14,628	115	876	357	10,670	(7,350)	19,297
Other intangible assets	3,819	645	9		494	(1,373)	3,595
Intangible assets under construction	118	51	(128)		11		51
Other intangible assets	**18,565**	**811**	**756**	**357**	**11,175**	**(8,723)**	**22,942**
Total	**681,539**	**9,481**	**82**	**14,329**	**11,175**	**(74,621)**	**641,985**

Intangible assets amount to € 641,985 thousand at 31 December 2019.

Internally generated development costs relate to costs capitalised for new products and new software modules, which, at 31 December 2019, had not yet been completed or for which the marketing and sales phase had not yet started.

Regarding capitalised development costs recognised in 2018 of € 13,972 thousand, the main components relate to development costs capitalised by the subsidiary TeamSystem S.p.A. during the course of 2019.

The increases in Software IFRS and Customer relationship IFRS (of € 2,670 thousand and € 6,000 thousand, respectively) are due to a change in the scope of consolidation. See Note 15 – Allocation of provisional goodwill.

13. Right-of-use

This comprises the present value of future payments for the right of use of leased assets arising from the application of IFRS 16 as follows:

Net book value	31 Dec 2017	IFRS 16 first adoption	Change in cons. area	Additions and other movements	(Amortization)	(Disposals)	31 Dec 2018
Buildings—Right of use		22,897		1,262	(4,138)		20,021
Other assets—Right of use		3,480		2,170	(1,776)		3,874
Right of use—Total		**26,377**		**3,432**	**(5,914)**		**23,895**
Total		**26,377**		**3,432**	**(5,914)**		**23,895**

Net book value	31 Dec 2018	Change in cons. area	Additions and other movements	(Amortization)	(Disposals)	31 Dec 2019
Buildings—Right of use	20,021	582	2,694	(4,352)	(205)	18,740
Other assets—Right of use	3,874	26	2,641	(2,127)	(167)	4,247
Right of use—Total	**23,895**	**608**	**5,335**	**(6,479)**	**(373)**	**22,987**
Total	**23,895**	**608**	**5,335**	**(6,479)**	**(373)**	**22,987**

Right-of-use assets amount to € 22,987 at 31 December 2019 thousand, having decreased by € 908 thousand with respect to last year, which was the year of initial application of IFRS 16.

Assets held under lease consist of:

- Buildings of € 18,740 thousand, relating to the operational premises of the Group companies, the balance of which decreased in the year due to the combined impact of new additions of € 2,694 thousand, of depreciation and disposals in the period of € 4,557 thousand and of a change in the scope of consolidation of € 582 thousand.
- Other assets of € 4,274 thousand relating mainly to company cars, the balance of which increased in the year by 9.6%.

14. Goodwill

Of the Goodwill balance of € 734,258 thousand, € 631,292 relates to the amount recognised upon the acquisition of TeamSystem Group by H&F in March 2016, while the remainder relates to goodwill that arose on acquisitions completed in subsequent years, including 2019. 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 by the Group.

As disclosed in Note 2—Operating Segments, during the course of 2019, TeamSystem Group completed its revision of its corporate reporting system (that led to substantial changes to the format of internal reports reviewed periodically by Management) with the definitive elimination of the breakdown at the level of the previously identified three operating segments: **Software Solutions, Cloud Software Solutions and Hardware.**

Consistent with the Group's new strategic vision and on account of changed market conditions, whereby it is critical to continuously adjust to available technologies, TeamSystem Group has identified a new business direction and new organisational and reporting responsibilities that render the three historical cash generating units (Software Solutions, Cloud Software Solutions and Hardware) increasingly less independent and significant for a presentation of the manner in which the Group's business is evolving.

For the above reasons, during the course of 2019, it became necessary to establish a new model based on a cash generating unit (CGU)—**Software**—consisting of a reporting operating segment, namely the "Software Business Unit" and a CGU—**Financial** Services—consisting of a non-reporting operating segment, namely "Other sectors".

As a consequence of the foregoing, the Group has reallocated the goodwill recognised in the financial statements based on the new CGUs identified. At 31 December 2019, the Group's total goodwill has been allocated as set out below:

	31 Dec 2018	Other movements	Additions	(Impairment)	31 Dec 2019
CGU—Software	707,681		17,721		725,402
CGU—Financial Services			8,855		8,855
Total	**707,681**		**26,576**		**734,258**

The increase in goodwill recorded in the 2019 financial year of € 26,576 thousand relates to the companies acquired by the Group during the year (see Note 15 – Allocation of provisional goodwill), being:

- Factor@Work S.r.l. (€ 2,433 thousand).
- Whit-e S.r.l. (€ 6,422 thousand).
- Skylab Italia S.r.l. (€ 7,974 thousand);
- TeamSystem 4 S.r.l. (€ 2,393 thousand);
- Gi.Esse Macchine Utensili S.r.l. (€ 2,221 thousand);
- TechMass S.r.l. (€ 1,691 thousand).
- Iperelle S.r.l. (€ 1,712 thousand).
- BK Service S.r.l. (€ 1,731 thousand).

The purchase price allocations recognised for the acquisitions of these companies was still provisional at 31 December 2019 and, accordingly, the related goodwill was also provisional. Further details are provided in the paragraph on "Provisional allocation of goodwill".

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 CGU 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 2020-2023 based on amounts included in the 2020-2023 Group Business Plan approved by TeamSystem Holding S.p.A's Board of Directors on 3 March 2020.

A terminal value was determined beyond the explicit forecast horizon based on operating cash flows (net operating profit less adjusted taxes—NOPLAT) appropriately normalised to reflect normal business operations. In the choice of the growth rate to apply to NOPLAT, it was established that, consistent with the development foreseen by the Business Plan and with historical growth, there was a reasonable expectation of growth of 1.90% (so-called g rate).

In addition to the g rate assumption, the main assumptions adopted regarded an estimate of the post-tax weighted average cost of capital ("WACC") of 7.0 % (Software CGU) and 6.2 % (Financial Services CGU).

The results of the impairment tests conducted did not provide any indication of impairment at 31 December 2019.

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:

CGU—Software Cover impairment sensitivity				**WACC**		
Euro million		**6,0%**	**6,5%**	**7,0%**	**7,5%**	**8,0%**
	0,9%	1.560,6	1.312,1	1.104,3	928,1	776,7
	1,4%	1.828,2	1.529,3	1.283,9	1.078,7	904,6
G RATE	**1,9%**	2.161,1	1.793,8	**1.498,6**	1.256,1	1.053,4
	2,4%	2.586,5	2.122,9	1.760,0	1.468,4	1.228,9
	2,9%	3.149,1	2.543,3	2.085,2	1.726,8	1.438,7

CGU—Financial services Cover impairment sensitivity		WACC				
Euro million		**5,2%**	**5,7%**	**6,2%**	**6,7%**	**7,2%**
	0,9%	43,7	37,6	32,6	28,5	25,1
	1,4%	50,7	43,1	37,0	32,1	28,1
G RATE	**1,9%**	59,9	50,0	**42,4**	36,5	31,6
	2,4%	72,4	59,1	49,3	41,8	35,9
	2,9%	90,3	71,4	58,3	48,6	41,2

The impairment test models and related results were approved by the Board of Directors of TeamSystem Holding S.p.A. on 3 March 2020, in accordance with the guidelines contained in joint document No. 4 of March 2010 issued by ISVAP, Bank of Italy and Consob.

It should also be noted that, starting from January 2020, the national and international scenario has been characterized by the spread of Coronavirus and the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, are producing direct and indirect repercussions on the activity of the international economic system and have created a context of general uncertainty, the evolution of which and the related effects are not currently foreseeable. As a result of the foregoing, the Group believes that some effects could occur on the estimates used by management for the preparation of the impairment test as at 31 December 2019 (such as, for example, those relating to expected cash flows, the discount rates applied, the growth rate "G rate" used, etc.), which, at present, are difficult to determine, considering the climate of extreme uncertainty and the changing scenario. However, the directors believe that there would be no need for impairment given the current large "covers" emerging from the impairment tests.
It should be noted that the directors are constantly monitoring the situation also to identify possible effects, also accounting effects, that could occur in 2020 following the ongoing epidemic.

15. Allocation of provisional goodwill

Factor@Work S.r.l.

The company was acquired in March 2019 and is fully held by TeamSystem Financial Value Chain S.r.l. This transaction has facilitated TeamSystem Group's entry into the financial services sector, which is new for the Group.

Factor@Work S.r.l.'s results have been consolidated in 2019 as from April 2019, which was close to the date of acquisition. The company reported total revenue for 2019 of € 240 thousand and a loss of € 396 thousand.

The purchase price allocation recognised for the acquisition of Factor@Work S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Factor @ Work	Notes	Mar 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		11
Intangible assets		93
TOTAL NON CURRENT ASSETS		**105**
Trade receivables		118
Tax receivables		7
Other receivables—current		23
Cash and bank balances		116
TOTAL CURRENT ASSETS		**264**
TOTAL ASSETS	A	**369**

Euro thousands Statement of financial position Factor @ Work		Notes	Mar 2019 After PPA provisional adjustments
LIABILITIES			
Staff leaving indemnity			11
TOTAL NON CURRENT LIABILITIES			**11**
Financial liabilities with banks and other institutions—current			10
Trade payables			166
Other liabilities—current			98
TOTAL CURRENT LIABILITIES			**274**
TOTAL LIABILITIES		B	**285**
Fair Value of acquired net assets	**C = A—B**		**84**
Cost of the investment—net of transaction costs	**D**		**2,518**
Provisional Goodwill IFRS 3	**E = D—C**	.	**2,433**

Whit-e S.r.l.

The company was acquired in March 2019 and is fully held by TeamSystem Financial Value Chain S.r.l. This transaction has facilitated TeamSystem Group's entry into the financial services sector, which is new for the Group.

Whit-e S.r.l.'s results have been consolidated in 2019 as from April 2019, which was close to the date of acquisition. The company reported total revenue for 2019 of € 1,282 thousand and a profit of € 428 thousand.

The purchase price allocation recognised for the acquisition of Whit-e S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Whit-e	Notes	Mar 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		10
Intangible assets		2,790
TOTAL NON CURRENT ASSETS		**2,800**
Trade receivables		169
Other receivables—current		32
Cash and bank balances		753
TOTAL CURRENT ASSETS		**954**
TOTAL ASSETS	A	**3,754**

Euro thousands Statement of financial position Whit-e		Notes	Mar 2019 After PPA provisional adjustments
LIABILITIES			
Staff leaving indemnity			5
Deferred tax liabilities			745
TOTAL NON CURRENT LIABILITIES			**750**
Financial liabilities with banks and other institutions—current			750
Trade payables			44
Tax liabilities—current			21
Other liabilities—current			107
TOTAL CURRENT LIABILITIES			**922**
TOTAL LIABILITIES		**B**	**1,672**
Fair Value of acquired net assets	**C = A—B**		**2,083**
Cost of the investment—net of transaction costs	**D**		**8,504**
Provisional Goodwill IFRS 3	**E = D—C**		**6,422**

Skylab Italia S.r.l.

In April 2019, TeamSystem S.p.A. acquired a 60% interest in Skylab Italia S.r.l., a company specialised in cloud solutions for personnel management. A put and call option agreement was entered into with respect to the remaining 40% interest. This transaction will allow TeamSystem Group to expand its product portfolio, as well as to reinforce its competitive position in this target market.

Skylab Italia S.r.l.'s results have been consolidated in 2019 as from May 2019, which was close to the date of acquisition. The company reported total revenue for 2019 of € 4,990 thousand and a profit of € 1,338 thousand.

The purchase price allocation recognised for the acquisition of Skylab Italia S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Skylab Italia	Notes	Apr 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		78
Intangible assets		56
Right of use		331
Other Investments		142
Deferred tax assets		17
TOTAL NON CURRENT ASSETS		**624**
Trade receivables		1,146
Tax receivables		127
Other receivables—current		383
Other financial assets—current		550
Cash and bank balances		5,451
TOTAL CURRENT ASSETS		**7,657**
TOTAL ASSETS	**A**	**8,281**

Euro thousands Statement of financial position Skylab Italia	Notes	Apr 2019 After PPA provisional adjustments
LIABILITIES		
Financial liabilities with banks and other institutions—non current		305
Staff leaving indemnity		617
TOTAL NON CURRENT LIABILITIES		**922**
Financial liabilities with banks and other institutions—current		27
Trade payables		643
Tax liabilities—current		123
Other liabilities—current		1,673
TOTAL CURRENT LIABILITIES		**2,466**
TOTAL LIABILITIES	**B**	**3,388**
Fair Value of acquired net assets	**C = A—B**	**4,893**
Cost of the investment—net of transaction costs	**D**	**12,867**
Provisional Goodwill IFRS 3	**E = D—C**	**7,974**

TeamSystem 4 S.r.l.

In July 2019, TeamSystem S.p.A. acquired a controlling interest (of 100%) in TeamSystem 4 S.r.l., which acts as a TeamSystem products dealer for its assigned territory.

TeamSystem 4 S.r.l.'s results have been consolidated in 2019 as from August 2019, which was close to the date of acquisition. The company reported total revenue for 2019 of € 589 thousand and a profit of € 31 thousand.

The purchase price allocation recognised for the acquisition of TeamSystem 4 S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Teamsystem 4	Notes	July 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		97
Intangible assets		429
Right of use		210
Deferred tax assets		1
TOTAL NON CURRENT ASSETS		**737**
Trade receivables		445
Cash and bank balances		218
TOTAL CURRENT ASSETS		**664**
TOTAL ASSETS	**A**	**1,401**

Euro thousands Statement of financial position Teamsystem 4		Notes	July 2019 After PPA provisional adjustments
LIABILITIES			
Financial liabilities with banks and other institutions—non current			210
Staff leaving indemnity			26
Deferred tax liabilities			85
TOTAL NON CURRENT LIABILITIES			**321**
Other financial liabilities—current			200
Trade payables			14
Tax liabilities—current			30
Other liabilities—current			778
TOTAL CURRENT LIABILITIES			**1,022**
TOTAL LIABILITIES		**B**	**1,343**
Fair Value of acquired net assets	**C = A—B**		**58**
Cost of the investment—net of transaction costs	**D**		**2,451**
Provisional Goodwill IFRS 3	**E = D—C**		**2,393**

Gi.esse Macchine Utensili S.r.l.

In September 2019, Nuovamacut S.p.A. acquired a 100% interest in Gi.esse Macchine Utensili S.r.l., a leading company in the purchase and sale of industrial machinery in the north of Italy, already synergically integrated with Nuovamacut Automazione S.p.A.

Gi.Esse Macchine Utensili S.r.l.'s results have been consolidated in 2019 as from December 2019, which was close to the date of acquisition. The company reported total revenue for 2019 of € 11,330 thousand and a profit of € 133 thousand.

The purchase price allocation recognised for the acquisition of Gi.esse Macchine Utensili S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Giesse	Notes	Dec 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		83
Deferred tax assets		22
TOTAL NON CURRENT ASSETS		**105**
Trade receivables		2,087
Tax receivables		240
Other receivables—current		415
Cash and bank balances		965
TOTAL CURRENT ASSETS		**3,707**
TOTAL ASSETS	**A**	**3,812**

Euro thousands Statement of financial position Giesse	Notes	Dec 2019 After PPA provisional adjustments
LIABILITIES		
Staff leaving indemnity		45
TOTAL NON CURRENT LIABILITIES		**45**
Trade payables		2,047
Tax liabilities—current		194
Other liabilities—current		204
TOTAL CURRENT LIABILITIES		**2,445**
TOTAL LIABILITIES	**B**	**2,490**
Fair Value of acquired net assets	**C = A—B**	**1,322**
Cost of the investment—net of transaction costs	**D**	**3,542**
Provisional Goodwill IFRS 3	**E = D—C**	**2,221**

TechMass S.r.l.

At the end of September 2019, TeamSystem S.p.A. acquired a 51% controlling interest in TechMass S.r.l., a software house engaged in software development and the digitalisation of production processes. A put and call option agreement was entered into with respect to the remaining 49% interest. With this acquisition, the Group has further strengthened its product range dedicated to digital transformation, which facilitates a stronger link between manufacturing plants and management systems.

TechMass S.r.l.'s results have been consolidated in 2019 as from October 2019, which was close to the date of acquisition. The company reported total revenue for 2019 of € 240 thousand and a profit of € 96 thousand.

The purchase price allocation recognised for the acquisition of TechMass S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position TechMass	Notes	Sept 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		8
Intangible assets		56
Deferred tax assets		2
TOTAL NON CURRENT ASSETS		**66**
Trade receivables		56
Tax receivables		1
Other receivables—current		5
Cash and bank balances		242
TOTAL CURRENT ASSETS		**304**
TOTAL ASSETS	**A**	**370**

Euro thousands Statement of financial position TechMass	Notes	Sept 2019 After PPA provisional adjustments
LIABILITIES		
Staff leaving indemnity		3
TOTAL NON CURRENT LIABILITIES		**3**
Financial liabilities with banks and other institutions—current		15
Trade payables		36
Tax liabilities—current		3
Other liabilities—current		29
TOTAL CURRENT LIABILITIES		**83**
TOTAL LIABILITIES	**B**	**86**
Fair Value of acquired net assets	**C = A—B**	**284**
Cost of the investment—net of transaction costs	**D**	**1,975**
Provisional Goodwill IFRS 3	**E = D—C**	**1,691**

Iperelle S.r.l.

At the end of October 2019, Nuovamacut Automazione S.p.A. acquired a 100% holding in Iperelle S.r.l., a company specialised in the configuration, customisation and distribution of PLM and CAD/CAM solutions. With this acquisition, Nuovamacut further strengthened its leadership in the PLM and CAD/CAM solutions market, enabling it to cover all product development processes for both small and large enterprises.

Iperelle Group's results have been consolidated in 2019 as from December 2019, which was close to the date of acquisition. Iperelle Group reported total revenue for 2019 of € 9,289 thousand and a profit of € 66 thousand.

The purchase price allocation recognised for the acquisition of Iperelle S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position Iperelle Group	Notes	Dec 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		48
Intangible assets		5
Right of use		67
Deferred tax assets		28
TOTAL NON CURRENT ASSETS		**147**
Inventories		4
Trade receivables		2,916
Tax receivables		146
Other receivables—current		256
Cash and bank balances		212
TOTAL CURRENT ASSETS		**3,534**
TOTAL ASSETS	**A**	**3,681**

Euro thousands Statement of financial position Iperelle Group	Notes	Dec 2019 After PPA provisional adjustments
LIABILITIES		
Financial liabilities with banks and other institutions—non current		67
Staff leaving indemnity		315
Provisions for risks and charges		1
TOTAL NON CURRENT LIABILITIES		**382**
Financial liabilities with banks and other institutions—current		16
Trade payables		775
Other liabilities—current		790
TOTAL CURRENT LIABILITIES		**1,582**
TOTAL LIABILITIES	**B**	**1,964**
Fair Value of acquired net assets	**C = A—B**	**1,717**
Cost of the investment—net of transaction costs	**D**	**3,429**
Provisional Goodwill IFRS 3	**E = D—C**	**1,712**

BK Service S.r.l.

In December 2019, TeamSystem Service S.r.l. acquired a 100% holding in a newly incorporated company called BK Service S.r.l., a company operating in the HR services industry (payroll and payroll processing and personnel administration and management). The transaction has enabled TeamSystem Service to expand its market share and its presence in Italy.

The company was set up at the end of 2019 and will become operative in 2020.

The purchase price allocation recognised for the acquisition of BK Service S.r.l. was still provisional at 31 December 2019 and, consequently, the related goodwill was also provisional at the reporting date; the resulting goodwill is not tax deductible.

Euro thousands Statement of financial position BK Service	Notes	Dec 2019 After PPA provisional adjustments
ASSETS		
Tangible assets		14
Intangible assets		6,000
TOTAL NON CURRENT ASSETS		**6,014**
TOTAL ASSETS	**A**	**6,014**

Euro thousands Statement of financial position BK Service	Notes	Dec 2019 After PPA provisional adjustments
LIABILITIES		
Staff leaving indemnity		437
Deferred tax liabilities		1,674
TOTAL NON CURRENT LIABILITIES		**2,111**
Other liabilities—current		565
TOTAL CURRENT LIABILITIES		**565**
TOTAL LIABILITIES	**B**	**2,677**
Fair Value of acquired net assets	**C = A—B**	**3,337**
Cost of the investment—net of transaction costs		**5,068**
Provisional Goodwill IFRS 3	**E = D—C**	**1,731**

16. Investments in other companies and investments in associates

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

	31 Dec 2018	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	(Disposals)	31 Dec 2019
Investments in Associates	133						(5)	129
Other Investments	449	142			(82)		(201)	308
Total	**582**	**142**			**(82)**		**(206)**	**436**

17. Deferred tax assets and liabilities

Deferred tax assets

Deferred tax assets at 31 December 2019 amounted to € 14,760 thousand. Details of movements in deferred tax assets in 2019 are shown in the following table.

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

Deferred tax assets	31 Dec 2018	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2019
Provision for slow-moving inventories	69				(47)	21
Provision for pension and similar obligation	140		22	148		310
Staff leaving indemnity—actuarial valuation	76					76
Provision for litigations and other provisions	843			1,205	(528)	1,521
Other items	0		2		(2)	0
Provision for bonus schemes				161		161
Provision for bad-debts	3,845		256	869	(947)	4,023
Provision for Restructuring	1,032				(895)	137
Tax step-up of Goodwill	7,716				(820)	6,896
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**13,722**		**280**	**2,383**	**(3,239)**	**13,145**
Deferred tax asset of other Subsidiaries	1,357	28	(256)		(2)	1,127
Other Subsidiaries	**1,357**	**28**	**(256)**		**(2)**	**1,127**
Provision for slow-moving inventories	56					56
Write-off tangible / intangible assets	7			9	(4)	12
Provision for litigations and other provisions	(0)					(0)
Staff leaving indemnity—actuarial valuation	188	41	(22)	215	(21)	400
Right of use—lease contracts	14		(2)	8		20
Consolidation entries	**264**	**41**	**(24)**	**232**	**(25)**	**488**
Total	**15,342**	**69**		**2,615**	**(3,266)**	**14,760**

Deferred tax assets at 31 December 2019 include approximately € 6,896 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 and to 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 2019 amounted to € 168,958 thousand. Movements in deferred tax liabilities in 2019 are summarised in the following table.

Deferred tax liabilities	31 Dec 2017	IFRS 15 /16 /9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2018
Financing Fees	6,365				2,838	(6,365)	2,838
Fair value valuation of lands and buildings	1,164					(71)	1,093
TeamSystem—Intangibles	173,921					(13,532)	160,389
Capitalized development costs	198			25		(77)	147
Staff leaving indemnity—actuarial valuation							
Investments revaluation	730					(383)	347
Other		338			6	(338)	6
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**182,378**	**338**		**25**	**2,844**	**(20,766)**	**164,819**

Deferred tax liabilities	31 Dec 2017	IFRS 15 /16 /9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2018
Deferred tax liabilities of other Subsidiaries	88					(24)	64
Other Subsidiaries	**88**					**(24)**	**64**
Staff leaving indemnity—actuarial valuation							
Euroconference—Intangibles	1,012					(56)	957
Euroconference—Services in progress					10		10
Finance lease and valuation of asset at fair value							
Investments revaluation	(730)					383	(347)
Nuovamacut—Intangibles	7,217					(479)	6,737
Capitalized development costs	401			(25)	299	(148)	526
Aliaslab—Intangibles	10,235					(983)	9,251
Other	3					(3)	
Consolidation entries	**18,137**			**(25)**	**309**	**(1,286)**	**17,135**
Total	**200,604**	**338**			**3,153**	**(22,076)**	**182,018**

Deferred tax liabilities	31 Dec 2018	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2019
Financing Fees	2,838				(575)	2,263
Fair value valuation of land and buildings	1,093				(71)	1,022
TeamSystem—Intangibles	160,389				(13,237)	147,152
Capitalized development costs	147		151		(145)	153
Staff leaving indemnity—actuarial valuation						
Investments revaluation	347				(59)	288
Other	6				(6)	(0)
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**164,819**		**151**		**(14,093)**	**150,878**
Deferred tax liabilities of other Subsidiaries	64	85			(52)	97
Other Subsidiaries	**64**	**85**			**(52)**	**97**
Staff leaving indemnity—actuarial valuation						
Euroconference—Intangibles	957				(56)	901
Euroconference—Services in progress	10					10
Investments revaluation	(347)				59	(288)
Nuovamacut—Intangibles	6,737				(479)	6,258
BK Serive and Whit-e—Intangibles		2,419			(148)	2,271
Capitalized development costs	526		(151)	282	(95)	562
Aliaslab—Intangibles	9,251				(983)	8,268
Other						
Consolidation entries	**17,135**	**2,419**	**(151)**	**282**	**(1,702)**	**17,982**
Total	**182,018**	**2,504**		**282**	**(15,847)**	**168,958**

The main decrease in 2019 of € 13,237 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.

Given that almost all the Group companies are domiciled in Italy, one of the significant recurring differences 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 2019). In any case, the potential deferred tax asset relating to the foregoing amounts to approximately € 42,200 million at 31 December 2019.

18. Net cash/debt

	31 Dec 2019			31 Dec 2018		
	Current	Non current	Total	Current	Non current	Total
Bank accounts and post office	36,375		36,375	24,508		24,508
Cash and bank balances	38		38	67		67
Total Cash and bank balances	**36,412**		**36,412**	**24,574**		**24,574**
Cash Pooling receivables	(0)		(0)	0		0
Other financial assets	72		72	138	50	188
Total Other financial assets	**72**		**72**	**138**	**50**	**188**
Loans with banks	(32)		(32)	(101)		(101)
Finance leases liabilities	(5,610)	(18,342)	(23,952)	(5,514)	(18,827)	(24,340)
Notes	(1,333)	(750,000)	(751,333)	(1,250)	(750,000)	(751,250)
Financial liabilities with other institutions	(3)		(3)			
Dividends to be paid	(40)		(40)	(40)		(40)
Total Financial liabilities	**(7,019)**	**(768,342)**	**(775,361)**	**(6,905)**	**(768,827)**	**(775,731)**
Financing Fees—notes		9,431	9,431		11,827	11,827
Financing Fees—prepayments	413	701	1,114	413	1,112	1,525
Total Financing Fees	**413**	**10,132**	**10,545**	**413**	**12,939**	**13,352**
Liabilities to non-controlling shareholders of subsidiaries	(19,781)	(125,607)	(145,387)	(4,112)	(83,412)	(87,524)
Derivative instruments—liabilities	(103)		(103)	(14)	(316)	(330)
Commissions financial liabilities	(237)		(237)	(276)		(276)
Other financial liabilities	(11)		(11)	(0)		(0)
Total Other financial liabilities	**(20,131)**	**(125,607)**	**(145,738)**	**(4,402)**	**(83,728)**	**(88,130)**
Total	**9,747**	**(883,817)**	**(874,070)**	**13,818**	**(839,566)**	**(825,747)**

Net debt as of 31 December 2019 amounted to € 874,070 thousand.

Lease liabilities

Lease liabilities at 31 December 2019 amounted to € 23,952 thousand. In 2018, the Group was an early adopter of IFRS 16—*Leases*: following its early adoption, a financial liability of € 24,340 thousand was recognised at 31 December 2018, consisting of the present value of future lease payments.

As required by this standard, disclosure is hereby given that the weighted average incremental borrowing rate (IBR) applied to lease liabilities recognised in the financial statements at the date of initial application was approximately 4%, whereas the weighted average IBR applied in 2019 was approximately 4.3%.

Floating Rate Notes

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

- € 550 million equating to the principal amount of senior secured floating rate notes due 15 April 2023 **("2023 Floating Rate Notes")** at an interest rate equating to the three-month Euribor rate (with a floor of 0%) plus an annual spread of 4.00% (ISIN XS1799538464 and ISIN XS1799537904);

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

At 31 December 2019, the Floating Rate Notes were secured by a senior guarantee provided by TeamSystem Holding S.p.A. and were also secured by the following first ranking collateral:

1) pledge over all of the shares of TeamSystem S.p.A.;

2) assignment by way of security of intercompany loans receivable by TeamSystem S.p.A. from certain subsidiaries;

3) pledge over certain of TeamSystem S.p.A.'s operational bank accounts.

The Floating Rate Notes are listed on the Luxembourg Stock Exchange and have been admitted for trading on the Euro MTF Market. Furthermore, the Floating Rate Notes are listed on the Vienna Stock Exchange and have been admitted for trading on the Third Market.

The costs incurred for the issue of the Floating Rate Notes have been accounted for as Financing Fees and have been amortised on a straight line basis over the contractual term of the Floating Rate Notes, which, as indicated above, are due on 15 April 2023 (2023 Floating Rate Notes) and on 15 April 2025 (2025 Floating Rate Notes).

Interest Rate Swaps—Financial derivative liabilities

With the aim of reducing the risk of market interest rate fluctuations associated with the Floating Rate Notes, in April 2018, TeamSystem S.p.A. entered into two interest rate swap contracts with a total notional amount of € 500 million and with a termination date of 15 April 2020. The fair value changes in measurement of the interest rate swaps have been recognised in profit or loss for the year ended 31 December 2019.

Bank loans and borrowings—Revolving Credit Facility (RCF)

Concurrently with the issue of the Floating Rate Notes, on 22 March 2018, TeamSystem S.p.A. and TeamSystem Holding S.p.A. entered into a new revolving credit facility agreement for a principal amount of € 90 million with a maturity date of 15 October 2022 and then proceeded with the full redemption of the previous RCF of € 65 million that had been arranged on 13 February 2016. The interest rate payable on the new line of credit is based on Euribor / LIBOR, with a floor of 0.00%, plus a spread, calculated quarterly based on certain contractual parameters ("Senior Secured Net Leverage Ratio").

The New Revolving Credit Facility has also been secured by the same collateral provided for the Floating Rate Notes (see above paragraph).

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.

Liabilities to non-controlling shareholders of subsidiaries

Liabilities to non-controlling shareholders of subsidiaries (€ 145,387 thousand at 31 December 2019) relate to put and call options and/or earn-outs due to non-controlling interest holders of certain consolidated subsidiaries, being mainly: Danea Soft S.r.l., Madbit Entertainment S.r.l., Aliaslab S.p.A., Evols S.r.l., Netlex S.r.l., Cassanova S.r.l. as well as the change in the scope of consolidation attributable to Skylab S.r.l., TeamSystem Financial Value Chain S.r.l., TeamSystem AM Holdco S.r.l. and TechMass S.r.l.

Changes in the balance of Liabilities to non-controlling shareholders of subsidiaries in 2019 and 2018 are summarised below.

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

	31 Dec 2018	Change in cons. area	Interest	Revaluations	Write-downs	Payments	Dividends paid	31 Dec 2019
Liabilities to non controlling shareholders of Subsidiaries ...	87,524	18,921	6,080	38,872	(960)	(5,050)		145,387
Total	**87,524**	**18,921**	**6,080**	**38,872**	**(960)**	**(5,050)**		**145,387**

Payments were made of liabilities to non-controlling shareholders of subsidiaries in 2019 of € 5,050 thousand due to the exercise of earn-out clauses primarily relating to investments in Aliaslab S.p.A., Evols S.r.l. and Reviso International ApS.

As a consequence of the uncertainty conditions generated by the Coronavirus emergency, the evolution of which and the related effects are not currently foreseeable, the Group believes that some effects may occur on the estimates used by management for determining the value of the put / call options and earn-outs due to non-controlling shareholders as at 31 December 2019 (such as, for example, the forecast plans used), which, at present, are difficult to determine, considering the climate of extreme uncertainty and the changing scenario.

19. Inventories

	31 Dec 2019	31 Dec 2018	Change	% Change
Raw and ancillary materials	437	608	(172)	-28.2%
Finished products and goods	930	943	(13)	-1.4%
Advances		4	(4)	-100.0%
(Allowance for slow-moving inventory)	(522)	(488)	(34)	6.9%
Total	**845**	**1,067**	**(222)**	**-20.9%**

Inventories amounted to € 845 thousand at 31 December 2019 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.

20. Trade receivables

	31 Dec 2019	31 Dec 2018	Change	% Change
Trade receivables	141,296	147,843	(6,546)	-4.4%
(Allowance for bad debts)	(18,823)	(18,901)	78	-0.4%
Total	**122,474**	**128,941**	**(6,468)**	**-5.0%**

Trade receivables at 31 December 2019 amounted to € 122,474 thousand, net of the allowance for bad debts of € 18,823 thousand.

The decrease in trade receivables is mainly attributable to the effective credit recovery policy implemented by the Group: in fact, despite an increase in revenue of approximately 11.9%, trade receivables have decreased by 5%.

Movements in the allowance for bad debts in 2019 are summarised below.

	31 Dec 2017	IFRS 15 / 16 / 9 first adoption	(*) Additions	(*) (Utilisations)	31 Dec 2018
Allowance for bad debts	16,561	647	5,131	(3,438)	18,901
Total	**16,561**	**647**	**5,131**	**(3,438)**	**18,901**

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

	31 Dec 2018		(*) Additions	(*) (Utilisations)	31 Dec 2019
Allowance for bad debts	18,901		4,832	(4,911)	18,823
Total	**18,901**		**4,832**	**(4,911)**	**18,823**

(*) = Losses on bad debts included both in Addition and Utilisation figures

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

Effective 2018, the Group has implemented a new system for the management and monitoring of receivables that introduced a revision of the procedure for the computation of the allowance for bad debts.

In designing this procedure, account was taken of the requirements of IFRS 9 concerning the application of an expected credit loss model that requires the analysis and writedown, if necessary, of receivables not yet past due. The expected credit loss rates are based on the historical collection times and on the corresponding losses on historical credits. Historical loss rates are then adjusted to reflect the current and future macroeconomic condition influencing customers' ability to repay payables. On this basis, the allowance for doubtful accounts to be subjected to collective writedown at 31 December 2019 is equal to € 484 thousand.

During the course of 2019, the Group consolidated its use of the receivables impairment policy that led to the recognition in profit or loss of a total impairment loss of € 4,832 thousand.

As a consequence of the uncertain conditions generated by the Coronavirus emergency, the evolution of which and the related effects are not foreseeable at present, the Group believes that negative effects on the timing and methods of collection of the trade receivables may occur, which, at present, are difficult to determine, considering the climate of extreme uncertainty and the changing scenario. The management constantly monitors the evolution of the situation.

21. Tax receivables

	31 Dec 2019	31 Dec 2018	Change	% Change
Tax credits	148	101	46	45.6%
Other tax receivables	86	2	84	n.s.
Withholding tax credit	43	0	43	n.s.
Tax consolidation receivables	4	29	(25)	-87.4%
Advances and credit on income taxes	3,567	10,812	(7,244)	-67.0%
Total	**3,847**	**10,944**	**(7,096)**	**-64.8%**

Tax receivables at 31 December 2019 amounted to € 3,847 thousand.

Advances and tax credits mainly relate to an IRES tax credit pertaining to TeamSystem S.p.A. resulting from the response to the advance ruling request concerning ACE as well as resulting from the submission of supplementary tax returns under the patent box regime (see also Note 9.—Total income tax).

22. Other current receivables

	31 Dec 2019	31 Dec 2018	Change	% Change
VAT receivables	607	516	91	17.6%
Deposits	493	472	21	4.4%
Receivables from employees	691	284	407	n.s.
Other receivables—current	6,355	4,820	1,535	31.8%
Accrued income	133	38	95	n.s.
Prepayments	22,116	18,717	3,399	18.2%
Other current receivables	**30,395**	**24,847**	**5,548**	**22.33%**

Other current receivables came to € 30,395 thousand at 31 December 2019. The main components are the following:

- Other sundry current receivables (€ 6,355 thousand), which mainly consist of advances to suppliers paid by various Group companies;
- Prepaid expenses (€ 22,116 thousand), which mainly consist of fees for maintenance and support provided by third parties. The significant increase in the year is attributable, in particular, to the increase in cloud business and in costs incurred for support provided to third parties;
- Deposits (€ 493 thousand) mainly relating to cautionary deposits required by rental arrangements.

23. Total equity attributable to owners of the parent company and to non-controlling interests

	Share capital	Other reserves	Other profit (loss) net of income taxes	Retained earnings (accumulated losses)	Profit (loss) attributable to owners of the company	Equity attributable to owners of the company	Non controlling interests	Total
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,244**	**1,023**	**508,267**
IFRS 9 / 15 / 16—first adoption		(405)				**(405)**		**(405)**
Profit (Loss) allocation		(57,134)			57,134	**0**		**0**
Change in Non controlling interests IFRS 3		(1,782)				**(1,782)**	(570)	**(2,352)**
Dividends						**0**	(58)	**(58)**
Profit (Loss) for the year					(56,030)	**(56,030)**	70	**(55,959)**
Other Profit (Loss) on comprehensive income		684				**684**		**684**
31 Dec 2018	**5,450**	**501,117**	**(826)**	**0**	**(56,030)**	**449,711**	**464**	**450,175**

	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 2018	**5,450**	**501,117**	**(826)**	**0**	**(56,030)**	**449,711**	**464**	**450,175**
Profit (Loss) allocation		(56,030)			56,030	**0**		**0**
TeamSystem Holding S.p.A. distribution of reserves		(48,000)				**(48,000)**		**(48,000)**
Profit (Loss) for the year					(35,346)	**(35,346)**	71	**(35,275)**
Other Profit (Loss) on comprehensive income		(1,067)				**(1,067)**		**(1,067)**
31 Dec 2019	**5,450**	**396,020**	**(826)**	**0**	**(35,346)**	**365,298**	**536**	**365,835**

Equity attributable to owners of the Parent Company at 31 December 2019 amounted to € 365,834 thousand.

The decrease in Other reserves (€ 105,097 thousand) mainly relates to the coverage of the loss reported by the Group for the year ended 31 December 2018 of € 56,030 thousand and the distribution of reserves of TeamSystem Holding S.p.A.

Equity attributable to non-controlling interests (€ 536 thousand) relates to equity interests held by third parties in Gruppo Euroconference S.p.A. and Voispeed Limited.

24. Staff leaving indemnity

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

	31 Dec 2018	Outsourcing	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain) / loss	(Utilisations)	31 Dec 2019
Staff leaving indemnity	14,892		1,459	178	740	280	1,414	(1,625)	17,338
Total	**14,892**		**1,459**	**178**	**740**	**280**	**1,414**	**(1,625)**	**17,338**

The liability associated with the staff leaving indemnity at 31 December 2019 amounted to € 17,338 thousand. The increase in staff leaving indemnity is mainly due to the combined impact of IAS remeasurements (see comment below) and to utilisations in 2019 of € 1,625 thousand.

In accordance with IAS 19, the staff leaving indemnity is considered to be a defined benefit plan to be accounted for by applying the "Projected Unit Credit Method," which consists of discounting an estimate of the amount to be paid to each employee on termination of their employment and the consequent determination of:

- **initial DBO**, that is, the present value of employee service payments expected to be made in the future, already available at the beginning of the period;
- **service cost**, that is, the present value of expected future employee service relating to services provided in the current period;
- **interest cost**, namely, interest on the provision at the beginning of the period and on corresponding movements in the period being considered;

- **benefits paid and transfers in/out** represent all payments and transfers in and out relating to the period being considered, being elements that lead to the utilisation of the provision

- **the actuarial gain / loss,** namely, the actuarial gain/loss relating to the valuation period.

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

	2019 financial year	2018 financial year
Turnover	4.00%	4.00%
Discount rate	0.97%	1.95%
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 2019 and 2018 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 2019 would amount to approximately € 15.9 million and € 16.9 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 amount included in the consolidated statement of comprehensive income for the year ended 31 December 2019 (€ 1,414 thousand) corresponds to the actuarial gains/losses, as stated above, net of the tax effect of € 400 thousand.

25. Provisions for risks and charges

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

	31 Dec 2018	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2019
Provision for pension and similar obligation	1,269		21	273	(87)	1,476
Provision for litigations	2,187		8	4,360	(1,580)	4,974
Other Provision for risks and charges	5,824		309	360	(4,349)	2,144
Total	**9,280**		**338**	**4,993**	**(6,016)**	**8,595**

Provisions for risks and charges amounted to € 8,595 thousand at 31 December 2019. The components thereof are the following:

- Provision for pensions and similar obligations of € 1,476 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 € 4,974 thousand, relating to liabilities deemed to be probable that could arise from legal disputes involving TeamSystem S.p.A., Aliaslab S.p.A. and Gruppo Euroconference S.p.A.; Management is not able to estimate the date of the probable cash-out;

- Other provisions for risks and charges, which amount to € 2,144 thousand, decreased by € 4,349 thousand mainly due to the utilisation by the Group of the restructuring provision.

Of the amount provided in 2018 of € 4,295 thousand, the Group has not yet utilised an amount of € 571 thousand in connection with external costs relating to the reorganisation of business operations that the Group will incur in 2020.

Other provisions for risks and charges also include other residual liabilities deemed to be probable pertaining to TeamSystem S.p.A. and other Group companies.

26. Current tax liabilities

	31 Dec 2019	31 Dec 2018	Change	% Change
Income tax payables	3,657	2,305	1,351	58.62%
Liabilities from tax consolidation	(1)	(1)	0	-19.71%
Other tax liabilities	0	11	(11)	-99.82%
Total	**3,656**	**2,315**	**1,340**	**57.9%**

Current tax liabilities came to € 3,656 at 31 December 2019. The balance almost entirely consists of current IRES and IRAP liabilities.

27. Other current and non-current liabilities

	31 Dec 2019	31 Dec 2018	Change	% Change
VAT liabilities	3,231	3,857	(625)	-16.21%
Withholdings liabilities	4,395	4,194	201	4.8%
Employees payables and Social security liabilities—current	26,363	24,904	1,458	5.9%
Advances	5,217	5,697	(480)	-8.4%
Other liabilities	2,401	2,358	44	1.9%
Accrued liabilities	866	527	338	64.2%
Deferred revenues	57,988	44,699	13,289	29.7%
Other current liabilities	**100,461**	**86,235**	**14,225**	**16.50%**
Social security liabilities—non current	515	561	(46)	-8.1%
Other tax liabilities—non current	8	13	(6)	-42.7%
Other non current liabilities	**523**	**574**	**(51)**	**-8.93%**
Total Other liabilities	**100,984**	**86,810**	**14,174**	**16.33%**

Other current and non-current liabilities amounted to a total of € 100,984 thousand at 31 December 2019.

Employee payables and social security liabilities of € 26,363 thousand relate to salaries and 2019 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 2019 amounted to € 5,217 thousand and mainly relate to advances received for ongoing training services being provided at the reporting date.

Deferred revenue (€ 57,988 thousand) mainly relates to the portion of revenue for software subscriptions (pertaining essentially to Nuovamacut Group companies, TeamSystem S.p.A., Madbit Entertainment S.r.l. and Danea Soft S.r.l.) attributable to future financial years, based upon the duration of the underlying contracts.

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. The Group's foreign currency transactions are almost entirely limited to those entered into by the subsidiary Reviso International ApS, by its investees and by Vospeed Limited, which, as things now stand, consist of modest amounts.

Similarly, due to the insignificance of the amounts concerned, the risk arising from the translation of foreign currency financial statements for consolidation purposes is also insignificant.

Credit risk

Credit risk is the risk that a counterparty fails to meet its contractual commitments, giving rise to a financial loss being incurred by the Group.

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

In any case, the customer credit policy, by customer category (dealers 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 2019, the Group did not have any insurance cover for trade receivables.

The tool used most by the Group for the classification and control of trade receivables consists of an Ageing List, in which amounts of overdue receivables are summarised by ageing category, from the most recent (0-30 days) to the oldest (over 180 days).

With respect to trade receivables, the allowance recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts, plus a general allowance to take account of further expected losses on balances not yet overdue (in accordance with IFRS 9), based on historical data and past experience of losses recorded by the Group.

Interest rate risk

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

If interest rates payable on the Notes had been 0.5% higher during the course of 2019 (with respect to the interest rate actually paid during the course of 2019), finance costs pertaining to the Notes would have been € 1.3 million higher; if, however, interest rates payable on the Notes had been 1.00% higher (with respect to those actually paid during the course of 2019), TeamSystem Group would have been faced with approximately € 2.5 million of higher finance costs.

No sensitivity analysis has been performed on interest rates payable on the RCF, since no significant average amounts relating to the RCF were recognised during the course of 2019 and there was a nil balance at 31 December 2019.

Liquidity risk

The two main factors that determine the dynamics of the Group's liquidity are, on one hand, the resources generated/absorbed by operating and investment activities and, on the other hand, the maturity and renewal of financial liabilities. Management of these risks is entrusted to TeamSystem Group's Finance Department.

Of the procedures adopted with the intention of optimising cash flow management and of reducing the liquidity risk, the following should be noted:

1. the maintenance of an adequate level of available liquidity;
2. the adoption of Cash-pooling at Group level;
3. the obtainment of adequate borrowing facilities;
4. the control of prospective liquidity conditions, in relation to the corporate planning process.

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

Position at 31 December 2019	31 Dec 2019	within 1 year	within 2 – 4 years	over 4 years	Total cash flows
FINANCIAL ASSETS					
Other financial assets	72	72			**72**
Crediti per Cash Pooling	(0)	(0)			**(0)**
FINANCIAL LIABILITIES					
Loans with banks	(32)	(32)			**(32)**
Finance leases liabilities	(23,952)	(8,074)	(15,939)	(6,298)	**(30,311)**
Notes	(751,333)	(30,500)	(626,694)	(210,467)	**(867,661)**
Financial liabilities with other institutions	(3)	(3)			**(3)**
Dividends to be paid	(40)	(40)			**(40)**
Liabilities to non controlling shareholders of Subsidiaries	(145,387)	(20,357)	(133,900)	(7,331)	**(161,588)**
Derivative instruments—liabilities	(103)	(103)			**(103)**
Commissions financial liabilities	(237)	(237)			**(237)**
Other financial liabilities	(11)	(11)			**(11)**
Total	**(921,027)**	**(59,284)**	**(776,533)**	**(224,096)**	**(1,059,913)**

The difference between the amounts reported in the consolidated financial statements and total cash flow is mainly attributable to the computation of interest over the contractual duration on amounts due to banks, to noteholders and to liabilities to non-controlling shareholders of subsidiaries.

Financial instruments by category (IFRS 7 paragraph 8)

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

	31 Dec 2019	FVTPL	FVTOCI	AC
Current and Non current Financial Assets				
Financing fees prepayments—current and non-current	1,114			1,114
Other financial assets—current and non current	72			72
Trade receivables	122,474			122,474
Cash and bank balances	36,412			
Total	**160,072**	**0**	**0**	**123,659**
Current and Non Current Financial Liabilities				
Financial liabilities with banks and other institutions—current and non current	775,361	0	0	775,361
Financing Fees—current and non current	(9,431)	0	0	(9,431)
Other financial liabilities—current and non current	145,738	145,490	0	248
Trade payables	47,692			47,692
Total	**959,360**	**145,490**	**0**	**813,869**

KEY TO FINANCIAL INSTRUMENT CATEGORIES

FVTPL = Financial assets and liabilities measured at fair value through profit or loss
FVTOCI = Financial assets and liabilities measured at fair value through other comprehensive income
AC = Financial assets and liabilities measured at amortised cost

On account of the features of the financial assets and liabilities recorded in the financial statements and as shown by the above table, the fair value of many of these (current trade receivables and payables and current and non-current financial liabilities) do not differ from their related carrying amounts, with the exception of the Senior Secured Floating Rate Notes (€ 750 million) for which the market quotation at 31 December 2019 (approximately 100.75) corresponds to the best estimate of fair value at 31 December 2019.

Levels of fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Totale
Financial Assets				
Other Investments			308	**308**
Total	**0**	**0**	**308**	**308**
Financial Liabilities				
Liabilities to non controlling shareholders of Subsidiaries			145,387	**145,387**
Derivative instruments—liabilities		103		**103**
Total	**0**	**103**	**145,387**	**145,490**

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

The financial liability component Liabilities to non-controlling shareholders of subsidiaries 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 2019 consolidated statement of profit or loss arising from the change in the fair value measurement of the liabilities to non-controlling shareholders of subsidiaries amounts to a decrease in their measurement of approximately € 960 thousand and an increase in their measurement of approximately € 39,862, whereas an amount of € 6,080 thousand was recognised as Other IFRS financial charges (see Note 7 Finance Income, Note 8 Finance Costs and Note 18 Net Cash/Debt).

Note that the discount rate applied for the measurement of the liabilities to non-controlling shareholders of subsidiaries at 31 December 2019 is that adopted for the performance of Group impairment tests at 31 December 2019, that is, the rate that equates to the cost of debt (gross of the tax effect) of 5.81% at 31 December 2019. This cost of debt is deemed representative of TeamSystem Group's specific credit risk at the balance sheet date. The Group has also performed an analysis of the sensitivity of the carrying amount of the liabilities to non-controlling shareholders of subsidiaries to interest rates applied. The results of this analysis are set out in the table below.

Cost of debt—gross of tax	**4,81%**	**5,31%**	**5.81%**	**6,31%**	**6,81%**
Liabilities to non controlling shareholders of Subsidiaries	147,549	147,013	**145,387**	144,319	143,024

As a consequence of the uncertainty conditions generated by the Coronavirus emergency, the evolution of which and the related effects are not currently foreseeable, the Group believes that some effects may occur on the estimates used by management for determining the value of the put / call options and earn-outs due to non-controlling shareholders as at 31 December 2019 (such as, for example, the forecast plans used), which, at present, are difficult to determine, considering the climate of extreme uncertainty and the changing scenario.

29. Guarantees provided, commitments and other contingent assets and liabilities

Guarantees provided

At 31 December 2019, the Floating Rate Notes were secured by a senior guarantee provided by TeamSystem Holding S.p.A. and were also secured by the following first ranking collateral:

1) pledge over all of the shares of TeamSystem S.p.A.;

2) assignment by way of security of intercompany loans receivable by TeamSystem S.p.A. from certain subsidiaries;

3) pledge over certain of TeamSystem S.p.A.'s operational bank accounts.

The New Revolving Credit Facility has also been secured by a guarantee provided by TeamSystem Holding S.p.A. and has also been secured, with priority ranking on a super senior basis, by the same collateral provided for the Floating Rate Notes.

Other significant commitments and contractual rights

The Group companies are party to put and call option agreements in connection with shares/quotas held by non-controlling interest holders in the following companies and for the percentage interests as indicated below:

Put / Call options outstanding	**31 Dec 2019**	**31 Dec 2018**
TeamSystem Communication S.r.l.	35.00%	40.00%
Danea Soft S.r.l.	30.00%	30.00%
Madbit Entertainment S.r.l.	49.00%	49.00%
Aliaslab S.p.A.	49.00%	49.00%
Evols S.r.l.	49.00%	49.00%
Netlex S.r.l.	49.00%	49.00%
Cassanova S.r.l.	49.00%	49.00%
Evolution Fit S.r.l.	49.00%	49.00%
Skylab S.r.l.	40.00%	
Techmass S.r.l.	49.00%	
TeamSystem Financial Value Chain S.r.l.	49.00%	
TeamSystem AM HoldCo 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 28—Liquidity risk—analysis of financial liabilities by due date of cash outflows.

Lease disclosures

Euro million Position at 31 December 2019	within 1 year	within 2 – 4 years	over 4 years	Total
Leases for operational premises	4.5	11.6	6.2	**22.3**
Leases for motor cars	3.3	3.8	0.0	**7.2**
Total	**7.8**	**15.5**	**6.2**	**29.5**

Other commitments and contingent assets/liabilities

The Group companies, in the performance of their activities, are exposed to a series of legal and other risks. These risks relate to ongoing legal disputes (the outcome of which cannot be forecast with certainty) or claims made against Group companies for the recovery of damages suffered by third parties. An adverse outcome of these proceedings could lead to the payment of costs not covered (or not fully covered) by insurance with a consequent impact on the financial position.

The Group, in accordance with opinions provided by its legal advisers, has made specific provision as part of the provision for risks and charges (Note 25) for litigation for which it is believed that a disbursement of resources is probable and for which the amount is capable of being reliably estimated. Based on the information available, there are no further potentially significant contingent liabilities that could lead to significant disbursements for the Group.

30. Summary of IFRS 12 disclosure requirements concerning investments in subsidiaries and associates with material non-controlling interests

Investments in associates

As required by IFRS 12, additional information concerning Investments in associates is provided in the table set out below.

Investments in associates	Registered office	% held	Assets	Liabilities	Equity	Revenue	Profit (loss) for the year
Esaedro S.r.l. (*)	Parma	40.00	3,189	2,943	246	4,729	111
INTIT S.r.l. (*)	Frosinone	35.00	1,728	1,268	460	2,761	50
Cesaco S.r.l. (**)	Vicenza	48.00	415	240	175	548	23

Investments in subsidiaries with material non-controlling interests

As required by IFRS 12, a summary is provided below of information concerning the Group's principal subsidiaries with material non-controlling interests. The amounts shown in the following tables are before intercompany eliminations and consolidation entries.

Note that the percentage holding in the subsidiaries is the actual percentage held by the Group at the reporting date, without taking account of the impact of agreements entered into by the Group for the acquisition of non-controlling interests (further details are provided in the paragraphs on "Scope of consolidation" and on "Basis of consolidation").

Euro thousands DANEA SOFT	DANEA SOFT 31 Dec 2019	DANEA SOFT 31 Dec 2018	Change
% Held by Non Controlling Interests	30.0	30.0	0.00
Total Current Assets	24,196	13,383	10,813
Total Non Current Assets	5,863	7,118	(1,255)
Total Current Liabilities	12,208	10,156	2,052
Total Non Current Liabilities	356	474	(118)
Total Equity	17,495	9,871	7,624
Total Equity attributable to non controlling interests	5,249	2,961	2,287
Total Revenue	17,988	7,761	10,227
Operating Result	13,435	4,601	8,834
Profit (Loss) for the year	9,290	3,250	6,041
Profit (Loss) for the year—Non controlling Interests	2,787	975	1,812

Euro thousands MADBIT	MADBIT 31 Dec 2019	MADBIT 31 Dec 2018	Change
% Held by Non Controlling Interests	49.0	49.0	0.00
Total Current Assets	34,955	12,959	21,997
Total Non Current Assets	146	28	118
Total Current Liabilities	24,956	9,865	15,091
Total Non Current Liabilities	64	41	23
Total Equity	10,082	3,081	7,000
Total Equity attributable to non controlling interests	4,940	1,510	3,430
Total Revenue	17,614	7,539	10,075
Operating Result	9,981	3,774	6,206
Profit (Loss) for the year	8,000	2,673	5,328
Profit (Loss) for the year—Non controlling Interests	3,920	1,310	2,611

Euro thousands GRUPPO EUROCONFERENCE	GRUPPO EUROCONFERENCE 31 Dec 2019	GRUPPO EUROCONFERENCE 31 Dec 2018	Change
% Held by Non Controlling Interests	3.1	3.1	0.00
Total Current Assets	23,516	22,199	1,317
Total Non Current Assets	675	976	(301)
Total Current Liabilities	8,174	9,495	(1,321)
Total Non Current Liabilities	384	489	(104)
Total Equity	15,632	13,191	2,441
Total Equity attributable to non controlling interests	489	413	76
Total Revenue	13,662	13,695	(32)
Operating Result	3,083	3,117	(34)
Profit (Loss) for the year	2,429	2,338	91
Profit (Loss) for the year—Non controlling Interests	76	73	3

Euro thousands ALIASLAB	ALIASLAB 31 Dec 2019	ALIASLAB 31 Dec 2018	Change
% Held by Non Controlling Interests	49.0	49.0	0.00
Total Current Assets	27,557	22,326	5,231
Total Non Current Assets	1,176	1,214	(39)
Total Current Liabilities	2,485	2,653	(167)
Total Non Current Liabilities	679	633	46
Total Equity	25,569	20,255	5,314
Total Equity attributable to non controlling interests	12,529	9,925	2,604
Total Revenue	13,868	14,010	(142)
Operating Result	8,246	9,220	(973)
Profit (Loss) for the year	5,364	6,989	(1,625)
Profit (Loss) for the year—Non controlling Interests	2,628	3,425	(796)

Euro thousands SKYLAB ITALIA	SKYLAB ITALIA 31 Dec 2019	SKYLAB ITALIA 31 Dec 2018	Change
% Held by Non Controlling Interests	40.0	n.a.	n.a.
Total Current Assets	8,067		8,067
Total Non Current Assets	459		459
Total Current Liabilities	1,772		1,772
Total Non Current Liabilities	572		572
Total Equity	6,181		6,181
Total Equity attributable to non controlling interests	2,473	n.a.	n.a.
Total Revenue	4,650		4,650
Operating Result	1,565		1,565
Profit (Loss) for the year	1,235		1,235
Profit (Loss) for the year—Non controlling Interests	494	n.a.	n.a.

31. Related party transactions, directors, statutory auditors and top management

Emoluments

As required by IAS 24, the table below shows the emoluments payable for the year ended 31 December 2019 to the members of the Board of Directors, to the members of the Board of Statutory Auditors and to the Group's Top Management.

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

There were no transactions with nor balances due from/to the parent Barolo Lux 1 S.à.r.l. during the course of 2019.

Associates

A summary is provided below of balances at 31 December 2019 with associated companies and transactions therewith in the year then ended.

	Trade and other receivables	Financial receivables	31 Dec 2019	Trade and other payables	Financial liabilities	31 Dec 2019
INVESTMENTS IN ASSOCIATES						
Esaedro S.r.l.	330		**330**	4		**4**
INTIT S.r.l.	127		**127**	1		**1**
Cesaco S.r.l.			**0**	7		**7**
Total	**457**	**0**	**457**	**11**	**0**	**11**

	Total revenues	Finance income	31 Dec 2019
INVESTMENTS IN ASSOCIATES			
Esaedro S.r.l.	1,079		**1,079**
INTIT S.r.l.	0		**0**
Cesaco S.r.l.			**0**
Total	**1,079**	**0**	**1,079**

	Operating costs	Other provisions	Finance cost	Income taxes	31 Dec 2019
INVESTMENTS IN ASSOCIATES					
Esaedro S.r.l.	164				**164**
INTIT S.r.l.	93				**93**
Cesaco S.r.l.	6				**6**
Total	**262**	**0**	**0**	**0**	**262**

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 2019 for the audit of the financial statements, amounted to approximately € 235 thousand.

33. Management and coordination

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

The financial statements of Barolo Lux 1 S.à.r.l. for the year ended 31 December 2018 are set out below.

Barolo Lux 1 S.à.r.l.
Bilancio di esercizio al 31 Dicembre 2018

(Valori in Euro) ASSETS	31 Dic 2018	31 Dic 2017
Fixed assets	641.471.030	641.471.030
Current assets	1.816.784	212.156
Prepayments	3.008	422
Total Assets	**643.290.822**	**641.683.608**

Valori in Euro LIABILITIES	31 Dic 2018	31 Dic 2018
Capital and Reserves	643.851.307	641.992.795
Profit (Loss) for the financial year	(670.308)	(389.488)
Creditors	109.823	80.301
Total liabilities	**643.290.822**	**641.683.608**

Valori in Euro PROFIT AND LOSS ACCOUNT	31 Dic 2018	31 Dic 2018
Net Turnover	45.312	36.519
Other operating income		
Raw material and consumables	(505.148)	(209.097)
Staff cost	(140.786)	(181.264)
Other operating expense	(75.478)	(29.250)
Income from other investments		280.000
Other interest receivable and similar	8.212	97
Interest payables and similar	(280)	(284.355)
Tax on profit or loss	2.675	
Other taxes	(4.815)	(2.138)
PROFIT OR LOSS	**(670.308)**	**(389.488)**

34. Disclosure required by Law 127/2017

With regards to the disclosure requirements introduced by Law 127/2017, during the course of 2019, TeamSystem Group did not benefit from any subsidies, economic advantages, grants or aid paid in cash or in kind that was not of a general nature and that did not take the form of consideration, remuneration or compensation.

35. Subsequent events

Acquisition of Prosystem S.r.l. business segment

With the aim of strengthening its presence in the management software market for tax consultants, in January 2020, TeamSystem S.p.A. acquired a business segment from Prosystem S.r.l., consisting, inter alia, of rights relating to management software for tax consultants and existing contractual relationships.

TeamSystem 5 S.r.l.

To increase its direct presence in Italy, in January 2020, TeamSystem S.p.A. acquired a controlling interest in TeamSystem 5 S.r.l., a newco to which Aldebra S.p.A. (a TeamSystem products dealer that markets and sells “Metodo”, “TeamSystem Digital”, “ESA”, “Alyante”, “Lynfa” and “STR” software solutions) had previously transferred a business segment.

Coronavirus emergency

As previously indicated in the document, starting from January 2020, the national and international scenario has been characterized by the spread of Coronavirus and the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created a context of general uncertainty, the evolution of which and the related effects are not currently foreseeable. The potential effects of this phenomenon on the financial statements cannot be determined to date and will be subject to constant monitoring throughout the year. The Group, on the basis of these recent developments, is evaluating and implementing actions aimed at containing the possible negative effects that could arise from the further propagation of the national and international emergency.

Milan, 3 March 2020

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 ("TeamSystem Group" or the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TeamSystem Holding S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and the board of statutory auditors for the consolidated financial statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of TeamSystem Holding S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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.

Deloitte.

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, 2019, 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, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of TeamSystem Group as at December 31, 2019 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
April 3, 2020

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 31 December 2018

Euro thousands

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

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

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

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

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

Statement of changes in equity

	Share capital	Other reserves	Other profit (loss) net of income taxes	Retained earnings (accumulated losses)	Profit (loss) attributable to owners of the company	Equity attributable to owners of the company	Non controlling interests	Total
31 Dec 2016—Restated	**5,450**	**636,720**	**(3)**		**(75,771)**	**566,396**	**1,060**	**567,456**
Profit (Loss) allocation		(75,771)			75,771	**0**		**0**
TeamSystem Holding S.p.A. distribution of reserves		(1,279)				**(1,279)**		**(1,279)**
Change in Non controlling interests IFRS 3			(823)			**(823)**	(157)	**(980)**
Dividends						**0**	(227)	**(227)**
Profit (Loss) on comprehensive income		84			(57,134)	**(57,050)**	347	**(56,702)**
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**

	Share capital	Other reserves	Other profit (loss) net of income taxes	Retained earnings (accumulated losses)	Profit (loss) attributable to owners of the company	Equity attributable to owners of the company	Non controlling interests	Total
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**
IFRS 9 / 15 / 16—first adoption		(405)				**(405)**		**(405)**
Profit (Loss) allocation		(57,134)			57,134	**0**		**0**
Change in Non controlling interests IFRS 3		(1,782)				**(1,782)**	(570)	**(2,352)**
Dividends						**(0)**	(58)	**(58)**
Profit (Loss) on comprehensive income		684			(56,030)	**(55,346)**	70	**(55,276)**
31 Dec 2018	**5,450**	**501,117**	**(826)**	**0**	**(56,030)**	**449,711**	**464**	**450,175**

TeamSystem Group
Notes to the consolidated financial statements

Introduction

On 1 March 2016, private equity funds advised by Hellman & Friedman (“H&F”) acquired a controlling interest in TeamSystem Group (inclusive of HG Capital, the majority shareholder) from the previous shareholders (the “Acquisition”).

More specifically, on that date, 100% of the share capital of TeamSystem Holding S.p.A., TeamSystem Group’s holding company, was acquired by Barolo Bidco S.p.A., a special purpose vehicle and an indirect subsidiary of equity funds advised by H&F. Subsequent to the Acquisition, on 6 October 2016, a reverse merger took place involving TeamSystem S.p.A. (surviving company), TeamSystem Holding S.p.A. and Barolo Bidco S.p.A. (the latter two being absorbed companies, which were extinguished as of the merger’s effective date for legal purposes). The effective date for accounting purposes was backdated to 1 March 2016, the date on which Barolo Bidco S.p.A. effectively acquired ownership of TeamSystem Group. After the transactions described above, Barolo Midco S.p.A., the new parent and holding company of TeamSystem Group, was renamed TeamSystem Holding S.p.A.

Company background

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

The company is a 100% directly held subsidiary of Barolo Lux 1 S.à.r.l., it is an approximately 87.89% indirectly held subsidiary of the private equity firm Hellman & Friedman (“H&F”) and is approximately 8.54% held by the private equity firm HG Capital, with the remainder held by TeamSystem’s senior and middle managers (3.57%).

The consolidated financial statements were approved by the Board of Directors on 14 February 2019.

Accounting standards adopted

TeamSystem Holding S.p.A. has adopted International Financial Reporting Standards as endorsed by the European Commission (hereinafter “IFRS”) for the preparation of its consolidated financial statements pursuant to the provisions of articles 3 and 4 of Legislative Decree 38 of 28 February 2005, which governs in Italy the exercise of options provided for by article 5 of Community regulations 1606/2002 concerning IFRS.

IFRS is intended to mean all “International Financial Reporting Standards”, all International Accounting Standards (“IAS”), all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as Standing Interpretations Committee (“SIC”) endorsed by the European Commission at the date of approval of the draft consolidated financial statements by the Parent Company’s Board of Directors and covered by EU Regulations published at that date.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and liabilities arising from put options on non-controlling interests not yet exercised, which, if and when present, have been measured at fair value at the end of each reporting period.

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.

Content of the consolidated financial statements

The consolidated financial statements include:

1. A consolidated statement of profit or loss for the year ended 31 December 2018. In particular, it should be noted that the consolidated statement of profit or loss format presents an analysis of costs aggregated by nature, since this classification is considered to be more relevant for the purposes of an understanding of TeamSystem Group's results. Moreover, since no discontinued or similar operations occurred in 2018 or 2017, profit (loss) for the year is derived solely from continuing operations; consequently, the Group has not presented profit (loss) for the year from continuing operations since, as indicated, this coincides with profit (loss) for the year.

2. A consolidated statement of comprehensive income for the year ended 31 December 2018. In fact, IAS 1 requires that the statement of changes in equity has to evidence only changes generated by transactions with shareholders along with comprehensive income as defined below. The statement of comprehensive income begins with the profit or loss for the year followed by a section on other components of comprehensive income recognised directly in equity and then comprehensive income for the year, being the total profit (loss) for the year and other components of comprehensive income. The other comprehensive income section presents revenue and expense line items grouped between those items that will not be reclassified to profit and loss in subsequent periods and those that, on the fulfilment of certain predetermined conditions envisaged by the pertinent IAS/IFRS, will be reclassified to profit and loss.

3. A consolidated statement of financial position at 31 December 2018. In particular, the statement of financial position has been prepared using a format, in accordance with IAS 1, classified on the basis of the operating cycle, with a distinction between current and non-current components. On the basis of this distinction, assets and liabilities are considered to be current, if it is expected that they will be realised or settled during the normal operating cycle.

4. A consolidated statement of cash flows for the year ended 31 December 2018. The statement of cash flows is presented using the indirect method starting with the operating result, as permitted by IAS 7, under which profit or loss for the year is adjusted for the effects of non-cash transactions, such as those arising from deferrals or allocations to provisions linked to previous or future costs and payments.

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

6. Notes to the consolidated financial statements.

New accounting standards adopted by the group effective 1 January 2018

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

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

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

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

Furthermore, the Group has applied for the first time, having opted for early adoption with respect to the mandatory date (1 January 2019), IFRS 16 " Leases", as permitted by the standard in question for companies that have already adopted IFRS 15.

As regards the adoption of IFRS 16 "Leases", having opted for the modified retrospective method, the Group has recognised the cumulative effect of the transition at the date of initial application (1 January 2018) without restating the comparative figures.

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

Scope of consolidation

The consolidated financial statements of TeamSystem Group include the financial statements of the Parent Company, of the main subsidiary TeamSystem S.p.A. and of other companies in which TeamSystem Holding S.p.A. has a controlling interest in accordance with IFRS 10.

A listing of entities consolidated on a line-by-line basis is provided in the following table, whereby the percentage consolidated takes account of any put and call options entered into in connection with acquisitions (the "% held" column indicates the percentage held by the Group in the company in question at the reporting date without taking account of the put and call option agreements):

Amounts in Euro

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

Amounts in Euro

Consolidated companies equity method	Registered office	Share capital	Equity	Profit (loss)	Currency	% held	% consolidation	Notes
Mondoesa Emilia S.r.l.	Parma	20,800	134,662	26,060	EUR	40.00	40.00	7
INTIT S.r.l.	Frosinone	20,800	409,767	40,650	EUR	35.00	35.00	7
Cesaco S.r.l.	Vicenza	90,000	174,614	23,069	EUR	48.00	48.00	7
Comsyst S.r.l.	Pesaro	10,000	10,000		EUR	49.00	49.00	8

1 = equity interest would be 100% should PUT/CALL option be exercised;

2 = investment held by Danea Soft S.r.l.;

3 = investment held by TeamSystem Communication S.r.l.;

4 = investment held by Reviso International ApS;

5 = takes account of treasury shares held by Gruppo Euroconference;

6 = investment held by Nuovamacut Automazione S.p.A.;

7 = the amounts relate to the financial statements for the year ended 31 December 2017;

8 = the company was incorporated in 2017;

9 = investment held by Inforyou S.r.l..

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

Changes to the scope of consolidation during the course of 2018

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

- In February 2018, TeamSystem Group, through the subsidiary Danea Soft S.r.l., completed the acquisition of 100% of the capital of MMData S.r.l., a leading company in Italy in the provision of services and the distribution of software for condominium and property managers.
- On 27 March 2018, TeamSystem S.p.A. incorporated Betoo S.r.l., which was then renamed TeamSystem Active S.r.l. The quota capital of TeamSystem Active S.r.l. is 80% held by TeamSystem S.p.A. and 20% held by Metodo S.p.A.

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.

Basis of consolidation

The financial statements used for the consolidation are the financial statements of the individual entities, as approved by the respective administrative bodies. These financial statements are reclassified and adjusted in order to comply with IFRS and the accounting policies adopted by the Parent Company.

In the preparation of the consolidated financial statements, assets and liabilities, income and costs and components of other comprehensive income of consolidated entities are consolidated line-by-line. Receivables and payables, income and charges and gains and losses originating from transactions between and among consolidated entities are eliminated. The carrying amount of consolidated equity investments is eliminated against the corresponding portion of equity attributable to the Group (or to non-controlling interest holders). Associated companies are carried under the equity method.

Business combinations

Acquired subsidiaries are accounted for in accordance with the acquisition method as provided for by IFRS 3. The cost of the acquisition is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, liabilities incurred or assumed and equity interest issued by the Group in exchange for control of the acquiree.

All other costs associated with a transaction are expensed.

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

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

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

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

At the same time as the acquisition of majority / controlling stakes in an investee, TeamSystem Group normally enters into put and call option agreements for the residual stake held by the acquiree's non-controlling interest holders. For those cases where part of the acquisition takes place through the execution of a binding option agreement, with the simultaneous presence of put and call clauses, the investee is consolidated, since the substance of the binding option agreement is that of the payment of deferred consideration for part of the investee's capital, as evidenced by a series of transactions completed in the past. Accordingly, the estimated value of the exercise price of the put / call is included in the cost of acquisition and contributes to the overall determination of goodwill. This accounting method applies only where the Group has acquired majority control of the voting rights of the companies acquired. Concerning the recognition of goodwill related to these options, TeamSystem Group recognises as a financial liability the payable (so-called Liabilities to non controlling shareholders of subsidiaries) related to the estimated actual consideration for the exercise of the options. In accordance with this principle, subsequent changes in the fair value of the payable, due to amendments made to the initial assessment of the exercise consideration, are recognised in the consolidated income statement, as is the case for the notional charges deriving from the gradual decrease of the effect of discounting. In the absence of clear accounting rules for the recognition of non-controlling interests where put and call agreements exist, as well as on account of ongoing issues being debated by IFRIC and IASB, the Group has decided to use the accounting method described above that complies with the regulatory framework and current doctrine.

Any acquisitions of non-controlling interests subsequent to control having been achieved are accounted for as transactions between shareholders/quotaholders, with recognition of any difference between the amount paid and the carrying value of the non-controlling interest recorded in equity.

Translation of foreign currency financial statements

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

The foreign companies included in the scope of consolidation at 31 December 2018 that use a currency other than the Euro are Voispeed Limited and Reviso Cloud Accounting Limited, which use the British Pound (GBP) and Reviso International ApS, which uses the Danish Krone (DKK) as their functional currencies.

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

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

Accounting policies

Set out below are the accounting policies adopted by the Group for the measurement of the components of the financial statements for the year ended 31 December 2018.

Research and development expenses

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

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

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

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

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

Customer relationship

Customer relationship (which arose on accounting for the acquisition of TeamSystem Group that took place on 1 March 2016 by H&F and following the acquisition of Aliaslab in December 2016) represents the sum total of contractual (supply contracts and service contracts etc.) and non contractual customer relationships and has been valued based on discounted income flows (Income Approach). Amortisation is recognised over the useful life of the asset, which is estimated to be twenty years (TeamSystem), fifteen years (Aliaslab) and ten years (TSS and ACG, companies that have been merged into TeamSystem).

Proprietary software

Proprietary software, which arose on recognition of the acquisition of TeamSystem Group that took place on 1 March 2016 and of the acquisition of Aliaslab, is stated at its reproduction cost and is amortised over the length of its expected useful life of five years.

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

Third party software licenced for internal use

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

Brands

The TeamSystem, Euroconference, ESA and Nuovamacut brands, which arose on recognition of the acquisition of TeamSystem Group that took place on 1 March 2016, have been measured in accordance with the relief from royalties method and are amortised over the length of their residual estimated useful life of twenty years (TeamSystem, Euroconference and Nuovamacut) or ten years (ESA).

Goodwill

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

In accordance with applicable IFRSs, goodwill is not amortised, but is allocated to its respective Cash Generating Unit (hereinafter "CGU") or groups of CGUs and subjected annually (or more frequently if determined events or changes in circumstances indicate the possibility that value has been impaired) to impairment testing in accordance with IAS 36 "Impairment of Assets".

Subsequent costs

Costs incurred subsequently on intangible assets are capitalised if they increase the future economic benefit of the specific capitalised asset.

Amortisation

Amortisation is charged systematically on a straight line basis over the asset's estimated useful life, except for intangible assets with an indefinite life (being solely goodwill) that are not amortised and are systematically assessed to verify the absence of impairment. Other intangible assets are amortised as from the time they become usable.

The estimated useful life of each main category is shown in the following table:

GOODWILL	Indefinite useful life
Brands	10–20 years
Customer relationship	10–20 years
Proprietary software	5 years
Development costs	3–5 years

Tangible fixed assets

Tangible fixed assets, consisting mainly of land, buildings, electronic machines, furniture and fittings and general and specific plant are stated at purchase cost, net of accumulated depreciation and writedowns. Costs incurred subsequent to acquisition (repairs and maintenance costs and replacement costs) are recorded as part of the carrying value of an asset, or recognised as a separate asset, only when it is believed that it is probable that associated future economic benefits will be generated and that the cost of the asset can be measured in a reliable manner. Repairs and maintenance costs (or costs of replacements that do not have the above characteristics) are expensed in the year in which they are incurred. Tangible fixed assets are systematically depreciated each year at rates determined on the basis of the residual useful life of the asset.

Regardless of the depreciation already accounted for, in the event of impairment, an asset is written down accordingly. Gains and losses arising on disposal are determined by comparing the sales consideration to the net book value. The amount determined is recognised in profit or loss in the pertinent year.

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

Leases

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

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. Right-of-use is presented in a separate line item in the consolidated statement of financial position known as "Right-of-use", whereas the lease liability is recognised in the line item "Financial liabilities with banks and other institutions";

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.

c) recognises the total amount paid as principal and interest arising from cash flows from financing activities in the consolidated statement of cash flows.

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

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

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

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

The lease liability is recognised in the consolidated statement of financial position within the line item "Financial liabilities with banks and other institutions".

Subsequent to initial recognition, the lease liability is measured on an amortised cost basis, while the carrying amount of the liability is increased to reflect interest thereon (using an effective interest method) and is reduced to reflect the lease payments made under the lease contract.

The Group remeasures its lease liability (and recognises an adjustment to the right-of-use asset) if:

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

A right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the contract's commencement date and any other initial direct costs. A right-of-use asset is recognised net of depreciation and any impairment losses.

A provision is recognised and measured in accordance with IAS 37 in the event that the Group incurs an obligation for the costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are included as part of the cost of the right-of-use asset.

Right-of-use assets are depreciated on a systematic basis from the commencement date to the earlier of the end of the useful life of the underlying asset and the end of the lease term. If the lease contract transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Group's desire to exercise a purchase option, the right-of-use is depreciated by reference to its useful life. Depreciation starts on the lease's commencement date.

Right-of-use is presented in a separate line item in the consolidated statement of financial position.

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

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

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

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

The main difference between l'IFRS 16 and IAS 17 regarding assets previously recognised as held under finance lease is the measurement of the residual value of guarantees made by the lessee to the lessor. IFRS 16 requires the Group to recognise in the measurement of its lease liability only the estimated residual value, rather than the maximum amount guaranteed as required by IAS 17. This change has not generated any significant impact on the Group's consolidated financial statements.

Writedowns (Impairment)

At each reporting date, the Group verifies the existence of events or circumstances that call into question the recoverability of the carrying amount of tangible assets and intangible assets with a finite useful life and, in the presence of indicators of impairment, estimates the recoverable amount of the assets to determine whether any impairment exists. Intangible assets with an indefinite useful life, such as goodwill and intangible assets in process of formation, are not subject to amortisation, but are assessed annually to determine whether an asset may be impaired.

In accordance with applicable accounting standards, the assessment is performed by comparing the carrying amount to the estimated recoverable amount, represented by the higher of value in use or fair value less costs to sell. For the purposes of the above assessment, assets are grouped into the smallest identifiable unit for which Management is capable of separating the related cash inflows (CGU).

If the recoverable amount of the asset or cash generating unit (CGU) is lower than the net carrying amount, the asset is adjusted to take account of the impairment loss, which is recognised in the consolidated statement of profit as "Depreciation, amortisation and impairment". An impairment loss relating to a CGU is firstly allocated to goodwill and any residual amount is allocated to other assets.

Investments in other companies

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

Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control, by means of which it participates in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale.

Under the equity method, investments in associates are recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the changes subsequent to acquisition in the net worth of the associate, net of any impairment of individual equity interests. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses, unless the Group has incurred an obligation to cover them.

Inventories

Inventories, which mainly include hardware and software licences purchased for resale, are stated at the lower of specific purchase cost, inclusive of ancillary charges, and estimated realisable value, which can be derived from market prices. Inventories of obsolete or slow moving items are written down by taking account of their potential use or realisation.

Financial instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

The transition provisions of IFRS 9 allow an entity not to restate comparatives.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets;

2) The classification and measurement of financial liabilities;

3) Impairment of financial assets, and;

4) Hedge accounting.

1) <u>Classification and measurement of financial assets</u>

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at the date of initial application.

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

Specifically:

- Debt instruments that are held within a business model whose objective is to hold financial assets to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

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

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- The Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

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

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

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

2) Classification and measurement of financial liabilities

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

3) Impairment of financial assets

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

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

4) Accounting for hedging transactions.

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

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

Trade receivables

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

Cash and bank balances

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

Interest bearing financial liabilities

Interest bearing financial liabilities are initially recorded at fair value, net of ancillary charges. Subsequent to their initial recognition, interest bearing financial liabilities are measured at amortised cost.

Trade and other payables

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

Foreign currency transactions

The functional and presentation currency of the Group companies is the Euro. As required by IAS 21, amounts originally denominated in foreign currency are translated at exchange rates ruling at the year end. Exchange differences realised on the collection of foreign currency receivables and on the payment of foreign currency payables are recognised in the consolidated statement of profit or loss.

Employee benefit plans

1. Defined contribution plans

A defined contribution plan is a pension plan for which the Group pays fixed contributions to a separate entity. The Group does not have any obligation, legal or otherwise, to make additional contributions if the fund has insufficient assets to meet the payment of all employee benefits relating to the period of service. The obligations related to contributions for employees' pensions and other benefits are expensed as incurred.

2. Defined benefit plans

Net obligations related to defined benefit plans consist mainly of employee termination indemnities and are calculated by estimating, with actuarial techniques, the amount of the future benefit accrued to employees in the current and prior financial years. The benefit thus determined is discounted and recognised net of the fair value of any related assets. The computation is performed by an independent actuary using the projected unit credit method. Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they arise.

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

Provisions for risks and charges

Where the Group has an obligation, legal or otherwise, resulting from a prior event and it is probable that this will lead to the loss of economic benefits to meet the obligation, an appropriate provision for risks and charges is recorded. No provision is made for future operating losses. Provisions are measured at the present value of Management's best estimate of the cost of satisfying the obligation existing at the reporting date. With respect to legal cases, the amount of the provision is determined on the basis of estimates made by the relevant consolidated company, together with its legal advisors, in order to determine the probability, the timing and the amounts involved.

Revenue

Revenue recognition methods vary on account of the diverse nature of sales (software licences, maintenance and support, other services and hardware) and the different revenue streams generated by our three operating segments. Specifically:

Software Solutions operating segment

ERP and Business Management Software Solutions—Direct Channel

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

With respect to "subscription" sales, the revenue, relating to the various fee instalment components, is recognised over a period of twelve months, as from the delivery date, thus generally reflecting the contract term.

Maintenance and support: maintenance and support agreements, which include direct support, technical support and software updates, generally cover a twelve-month period and related revenue is recognised on a straight line basis over the contract term, with recognition of the revenue component pertaining to future years as deferred income. In the event that a maintenance holiday is provided for by the agreement, revenue for the twelve months is recognised over a period that takes account thereof.

Other services: revenue related to training, implementation and software customisation, whether covered by the main agreement or by subsequent agreements, is recognised based on the stage of completion of the services at the reporting date. Revenue related to ERP (Enterprise Resource Planning) implementation services still ongoing at the reporting date is recognised based on the percentage of completion of the services at that date.

ERP and Business Management Software Solutions—Indirect Channel

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

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

Vertical Solutions

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

Publishing: revenue from the sale of books and electronic manuals is recognised on the delivery date.

Training: revenue includes that generated by large conferences, masters and specialist training courses. Revenue is recognised based on services rendered in any given period; revenue from training that is ongoing at the reporting date is recognised based on the percentage of completion of the training services in compliance with IFRS 15.

Cloud Software Solutions operating segment

Cloud business unit products and services are sold by means of subscription contracts that include the use of and updates to software, support and maintenance. These contracts are generally for twelve months and related revenue is recognised on a straight line basis over the contract term, with recognition of the revenue component pertaining to future years as deferred income.

Hardware operating segment

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

Grants

Government grants are recognised when there is reasonable certainty that they will be received and that all related conditions will be met. Government grants towards cost components are recognised as income, but are systematically allocated to the financial year, in order to match the costs they are intended to offset. For grants towards the cost of an asset, the asset and the grant are recognised at their nominal value and the release to income takes place gradually, on a straight line basis, over the expected useful life of the asset.
Where a non cash grant is received, the asset and the contribution are recognised at their nominal value and are released to income on a straight line basis over the expected useful life of the asset.

Dividends

The distribution of dividends to shareholders / quotaholders of the Group companies is recognised as a liability in the period in which they are approved by the general meeting of shareholders / quotaholders.

Finance income and costs

Finance income and costs are recognised in profit or loss on an accrual basis.

Current and deferred taxation

The tax charge for the year comprises current and deferred taxation. Current tax is recognised in the consolidated statement of profit or loss, except for cases where the tax relates to items accounted for as an equity component. Current tax is calculated by applying the tax rate in force at the reporting date to taxable income. Concerning IRES, it should be noted that the Parent Company and its subsidiaries have elected for a consolidated tax regime, with the Parent Company as tax consolidator.

Deferred tax is calculated, using the liability method, on temporary differences between the book and tax bases of assets and liabilities. Deferred tax is calculated as a function of the expected timing of the reversal of the temporary differences, using the tax rate in force at the date of the expected reversal. A deferred tax asset is recognised only where it is probable that sufficient taxable income will be generated in subsequent years for the recovery thereof.

Outsourcing of businesses division

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

Hardware/Delivery

Specifically, as regards the Hardware and Delivery business, TeamSystem S.p.A. has entered into with some third party specialist operators (both with reference to Hardware and Delivery division—an other contract of delibery division has been signed also by ESA Napoli S.r.l. with the same specialist operator), a series of outsourcing transactions, which have common features.

The common features of these transactions were: a) the identification of a business segment, consisting mainly of personnel with appropriate professional qualities, to be outsourced; b) the lease of the aforementioned business to a third party specialist, via the execution of a two-year business lease agreement, c) the purchase of a put option with an agreed exercise price (except for one outsourcing transaction with a potential decrease in the exercise price in the event of the failure to achieve a revenue target). For the option, TeamSystem S.p.A. has to pay a deferred consideration essentially equating to the sum of the business lease instalments plus the exercise price for the option; d) a commitment to assume liability for amounts due to employees of the business segments that arose prior to the lease of the businesses in question; e) the simultaneous execution of a service agreement / commercial partnership agreements (with a duration in excess of the business lease agreement associated therewith) between TeamSystem S.p.A. and the lessee, concerning services related to the outsourced businesses.

Having analysed the contracts and the key aspects of the transactions entered into, these have been accounted for as follows:

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

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

Customer Service

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

The Group has analysed the contracts underlying the above relationships and has concluded that the investment in Comsyst is an investment in an associate, given that control thereover is held by the counterparty, which, in addition to holding an interest of 51%, is responsible for the organisation and development thereof. Management has analysed the structure of the above transaction and, on account of the peculiarity thereof, has concluded that the exercise price of the options equates to market value and, accordingly, the value of the options is close to zero.

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.

Segment information

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which discrete financial information is available.

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

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

Use of estimates

The preparation of consolidated financial statements requires the Group to apply accounting policies and methods, which, in certain circumstances, depend on difficult and subjective assessments that may be based on past experience and on assumptions that, from time to time, are considered reasonable and realistic based on relevant circumstances. The application of these estimates and assumptions affects the amounts presented in the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss and consolidated statement of cash flows, as well as the disclosures provided. The actual amounts of the financial statement components, for which estimates and assumptions have been used, may differ from those reported, due to the uncertainty of assumptions and the conditions on which estimates are based. In particular, the uncertainty caused by the current economic and financial crisis has led to the need to make difficult assumptions regarding future business performance as reflected in the Business Plan.

Set out below is a listing of consolidated financial statement components that, more than others, require greater subjectivity, on the part of the Group, in the application of estimates and, for which, a change in the conditions of underlying assumptions used may give rise to a significant risk in relation to the determination of adjustments to the carrying amounts of current assets and liabilities that may have a significant impact on the financial statements of the consolidated companies:

- Business combinations (IFRS 3) and measurement of assets acquired and liabilities assumed: the process of allocation of the cost of a transaction to the assets of TeamSystem Group following a business combination is based on estimates and assumptions derived from Management's professional judgement. Professional judgement is also used to determine the most appropriate methodologies for the measurement of assets acquired and liabilities assumed (including contingent assets and liabilities) and in certain cases provisional initial recognition has been opted for, as permitted by the applicable accounting standard.
- Goodwill and other intangible assets: goodwill and other intangible assets with an indefinite useful life (none of the latter existed as at the reporting date) are tested annually for impairment and during the course of the year if there is any indication thereof. Other intangible assets are tested annually for impairment when there are indications that the carrying amount may not be recovered. When value in use needs to be computed, the Directors estimate the cash flows expected from an asset or from the cash generating unit and choose a discount rate in order to calculate the present value of the cash flows. Accordingly, the impairment test for

fixed assets is performed using forecasts, which are naturally subject to uncertainty, of cash flow included in business plans approved by the relevant Boards of Directors or in projections prepared by management of the Group companies in periods in which the business plan has not been updated for the insights needed to make strategic choices.

- Allowance for bad debts: the allowance for bad debts reflects Management's estimate of the losses pertaining to receivables due from end customers and the sales network. The estimate of the allowance for bad debts is based on losses expected to be incurred by the company (taking account of the requirements of the new IFRS 9), determined on the basis of past experience with similar receivables, on current and historical past due, on losses and payment collection and on careful monitoring of asset quality and forecasts of economic and market conditions.

- Provisions for risks and charges: these provisions relate to liabilities that are certain or probable, the amount of which has not been determined at the reporting date, but the cost of which, as required to meet the obligation, is capable of being reliably estimated by Management. They are recognised in the financial statements in the event of an existing legal or implicit obligation resulting from a prior event and it is probable that the Group will be required to meet the obligation. If the impact is significant, the provisions are measured at discounted present value.

- Employee benefits: the cost of employee benefit plans is determined using actuarial assessments. An actuarial assessment requires the application of assumptions with respect to discount rates, the expected yield from investments, future wage increases, mortality rates and future increases in pensions. Due to the long term nature of these plans, the estimates are subject to a significant degree of uncertainty.

- Liabilities to non controlling shareholders of subsidiaries: this represents the estimated liability with respect to put and call options or earn-out agreements relating to non-controlling interests in Group companies. This is accounted for at its estimated fair value, having applied various assumptions regarding the estimated indicators that form the basis for its computation and the expected timing of disbursements. The nominal value of the exercise price of the liabilities to non controlling shareholders of subsidiaries is then discounted at the reporting date by applying the relevant discount rate which is the same as that adopted for the cost of debt component in impairment tests.

- IFRS 16: with respect to the lease term considered for the purpose of the application of IFRS 16, Management, in addition to taking account of the non-cancellable period of the lease, has assessed whether it is reasonably certain that the extension option will be exercised or that the lease termination option will not be exercised. For this assessment, Management has taken account of all the pertinent facts and circumstances that may create an economic incentive to exercise or not exercise an option. These assessments are revised upon the occurrence of a significant event or a significant change in the circumstances that led to their determination.

Rounding

The figures included in the consolidated financial statements and in the notes to the consolidated financial statements are expressed in thousands of Euros (except where otherwise indicated) since this is the currency used in the conduct of TeamSystem Group's operations.

Certain amounts reported in these consolidated financial statements, including financial information and certain operating data, have been subject to rounding adjustments due to the presentation of figures in thousands of Euros. Accordingly, in certain cases, the sum of the numbers in a column or a row in tables may not correspond exactly to the total figure given for that column or row.

Accounting standards, amendments and IFRS Interpretations applicable as from 1 January 2018

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

- On 28 May 2014, the IASB issued IFRS 15—Revenue from Contracts with Customers, which, together with further clarifications issued on 12 April 2016, replaces IAS 18—Revenue and IAS 11—Construction Contracts, as well as the interpretations IFRIC 13—Customer Loyalty Programmes, IFRIC 15—Agreements for the Construction of Real Estate, IFRIC 18—Transfers of Assets from Customers and SIC 31—Revenue—Barter Transactions Involving Advertising Services. The standard provides a new revenue recognition model to be applied to all contracts with customers except for those that fall within the scope of application of other IAS/IFRS, such as leasing, insurance contracts and financial instruments. The fundamental steps for revenue recognition according to the model are as follows:

- identification of the contract with the customer;
- identification of the performance obligations contained in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations contained in the contract;
- revenue recognition criteria when the entity satisfies a performance obligation.

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

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

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

- On 24 July 2014, the IASB issued a final version of IFRS 9—Financial instruments. The document contains the results of the IAS 39 replacement project. The new standard is effective for annual periods beginning on or after 1 January 2018.

  The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on the means of management of financial instruments and on the features of contractual cash flows from financial assets for the determination of the assessment criterion, replacing various provisions of IAS 39. Regarding financial liabilities, the main amendments relate to the accounting treatment of changes in fair value of a financial liability designated at fair value through profit or loss, in the event that these changes are due to a change in the credit risk of the issuer of the liability in question. In accordance with the new standard, these changes are to be presented in other comprehensive income and shall no longer be presented in the statement of profit or loss. Moreover, for non-substantial modifications of financial liabilities, it is no longer permitted to recognise the gain or loss arising from the modification over the remaining life of the modified liability by modifying the effective interest rate at that date, but it should be recognised immediately in profit or loss.

  With reference to the impairment model, the new standard requires credit losses to be estimated based on an expected loss model (and not on an incurred loss model used by IAS 39) using supportable information, which is available without undue cost or effort that includes historical, current and prospective figures. The standard envisages that the impairment model shall be applied to all financial instruments, that is, financial assets measured at amortised cost, those measured at fair value through other comprehensive income, lease receivables and trade receivables.

  Finally, the standard introduces a new hedge accounting model with the aim of amending the requirements of the current version of IAS 39 that at times have been considered too stringent and not suitable as a reflection of the risk management policies of companies. The major amendments introduced by the document concern:

  - an increase in the types of transactions eligible for hedge accounting, including the risk components of nonfinancial assets and liabilities that are eligible for hedge accounting;

- a change in accounting for forwards and options included in a hedging relationship in order to reduce income statement volatility;
- replacement of an effectiveness test based on a level of offset of between 80% and 125% with the principle of an economic relationship between the hedged item and the hedging instrument; furthermore, there will no longer be a requirement for a retrospective assessment of the effectiveness of the hedging relationship.

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

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

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

- Annual Improvements to IFRSs: 2014-2016 Cycle, issued on 8 December 2016 and which amend existing IFRSs as part of the annual process of improvements thereto. The major amendments relate to:
  - IFRS 1 First-Time Adoption of International Financial Reporting Standards—Deletion of short-term exemptions for first-time adopters. These amendments are applicable as from 1 January 2018 and address the deletion of certain short-term exemptions permitted by paragraphs E3-E7 of Appendix E to IFRS 1, given that the benefit of these exemptions is believed to have been superseded.
  - IAS 28 Investments in Associates and Joint Ventures—Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendments clarified that the option available to a venture capital organisation or a mutual fund, unit trust and similar entities to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method) should be exercised separately for each associate or joint venture on initial recognition.
    - IFRS 12 Disclosure of interests in other entities—Clarification of the scope of the Standard. The amendments clarified the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5.

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

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, but not yet mandatorily applicable and adopted early by the group at 31 December 2018

- On 13 January 2016, the IASB issued IFRS 16—Leases, which replaces IAS 17—Leases, as well as the interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The new standard provides a new definition of a lease and introduces a criterion based on control (right of use) over an asset in order to differentiate lease contracts from contracts for the supply of services, identifying the following features: identification of the asset, the right to replacement thereof, the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the underlying asset.

  The standard sets out a single model for the recognition and measurement of lease contracts for a lessee that requires the recognition of assets held under leases, inclusive of operating leases, as balance sheet assets with an opposite entry to financial liabilities and it also makes it possible not to recognise as leases contracts for low-value assets (leases for which the value of underlying assets does not exceed € 5 thousand) and leases with a contractual duration equal to or less than 12 months. On the other hand, the standard does not include any significant amendments for lessors.

IFRS 16 is applicable for financial statements relating to annual periods beginning on or after 1 January 2019.

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

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

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, but not yet mandatorily applicable and not adopted early by the group at 31 December 2018

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

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (published on 12 October 2017). The document clarifies that instruments that provide for early repayment may meet the SPPI test even in the event that the reasonable additional compensation payable upon early repayment would constitute negative compensation for the lender. The amendments are applicable as from 1 January 2019, although early application is permitted. The directors do not believe that there will be any significant impact on the Group's consolidated financial statements as a result of the adoption of these amendments.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

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

- On 7 June 2017, the IASB issued the interpretation document IFRIC 23—Uncertainty over Income tax Treatments. The interpretation addresses uncertainty over income tax treatments.

  The interpretation envisages that uncertainties in the determination of tax liabilities or assets should be reflected in the financial statements only when it is probable that the entity will settle or recover the amount in question. Moreover, the interpretation does not contain any new disclosure obligation, but it emphasises that the entity must establish if there will be a need to provide information on considerations made by management and relating to the inherent uncertainty in accounting for taxation, in accordance with the requirements of IAS 1.

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

- On 12 October 2017, the IASB issued Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments clarify the need to apply IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied. The amendments are applicable as from 1 January 2019, although early application is permitted.

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

- On 12 December 2017, the IASB issued Annual Improvements to IFRSs: 2015-2017 Cycle, a collection of amendments to standards as part of the annual process of improvements thereto. The major amendments relate to:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendments clarify that, when an entity obtains control of a business that is a joint operation, it should remeasure previously held interests in that business. This is not required, however, when an entity obtains joint control.
  - IAS 12 Income Taxes: the amendments clarify that the income tax consequences of dividends (including payments on financial instruments classified as equity) should be recognised consistently with the transactions that generated the distributable profits (in profit or loss, OCI or equity).
  - IAS 23 Borrowing costs: the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

- On 11 September 2014, the IASB issued Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments were proposed due to the conflict between the requirements of IAS 28 and IFRS 10.

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

Impact arising from the adoption of the new standards IFRS 9, IFRS 15 and IFRS 16

Euro thousands

Consolidated statement of financial position	31 Dec 2017	IFRS 9	IFRS 15	IFRS 16	1 Jan 2018
ASSETS					
Tangible assets	15,371				15,371
Intangible assets	728,699				728,699
Right of use	0			26,377	26,377
Goodwill	705,849				705,849
Other Investments	447				447
Investments in associates	147				147
Deferred tax assets	17,066	155	304		17,526
Financing fees prepayments—non current	2,904				2,904

Euro thousands Consolidated statement of financial position	31 Dec 2017	IFRS 9	IFRS 15	IFRS 16	1 Jan 2018
Other financial assets—non current	493				493
TOTAL NON CURRENT ASSETS	**1,470,975**	**155**	**304**	**26,377**	**1,497,812**
Inventories	1,552				1,552
Trade receivables	122,755	(647)			122,108
Tax receivables	5,330				5,330
Other receivables—current	17,464		1,212		18,676
Financing Fees prepayments—current	1,089				1,089
Other financial assets—current	386				386
Cash and bank balances	16,259				16,259
TOTAL CURRENT ASSETS	**164,837**	**(647)**	**1,212**	**0**	**165,401**
TOTAL ASSETS	**1,635,812**	**(492)**	**1,516**	**26,377**	**1,663,213**

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

Notes to the consolidated financial statements
(All amounts are expressed in thousands of Euro, except where otherwise indicated)

1. Total revenue

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

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

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

Details of total revenue by operating segment are provided in Note 2 below.

2. Operating segments

In accordance with IFRS 8, an operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which separate financial information is available.

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

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

All costs have been properly allocated to the corresponding operating segments (there are no "unallocated costs") based on the nature of such costs and their relationship to corresponding revenue.

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

Each of the above operating segments operates based on its own market strategy and related objectives, which are aligned to the guidelines established by the Group. In particular, the Executive Committee (or the Chief Operating Decision Maker -"CODM"-), composed of a limited number of frontline managers who report to the CEO, measures the Group's performance and allocates resources and capital expenditure based on various indicators, the pre-eminent and most significant of which are Adjusted EBITDA (defined as profit (loss) for the year plus (i) income tax (ii) finance income and costs (iii) impairment of non-current assets (iv) other provisions for risks and charges (v) depreciation and amortisation of non-current assets (vi) allocations to the allowance for bad debts and (vii) certain costs deemed by Management to be non-core for the measurement of the Group's performance.

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

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

Lastly, note that there is no concentration of revenue with any specific customer, given the notable segmentation of Group sales, which in the years ended 31 December 2018 and 2017, were almost exclusively realised in Italy.

3. Cost of raw and other materials

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

The cost of raw and other materials for the year ended 31 December 2018 came to € 28,339 thousand.

This mainly relates to the cost of sales of hardware and third party software. The change relating to hardware purchases is attributable to the fact that, effective 1 January 2018 TeamSystem S.p.A. has outsourced the management of this business.

4. Cost of services

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

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

The main components are the following:

- Agent commissions and other costs (€ 14,016 thousand) relating to compensation payable to agents, an allocation to the provision for agents' indemnity and other costs attributable to commercial consulting services;
- Consulting and third party services (€ 13,898 thousand) mainly relating to the outsourcing to third parties of on-site customer maintenance and support; The increase in the year is specifically attributable to outsourcing contracts executed in 2018.
- Hardware and Software subscription charges (€ 8,780 thousand) relating to periodic fees for support services and subscriptions for third party products;
- Strategic project and reorganization costs (totalling € 10,757 thousand) that mainly include the following categories:
    - Advisory expenses related to reorganization and cost saving projects (€ 7,574 thousand) with particular reference to costs attributable to the implementation of the Group's new operating model.
    - Office closure and relocation costs (€ 980 thousand);
    - The cost of services relating to change management (€ 1,758 thousand) and relating to H&R advisory costs and special training events that took place in 2018 in connection with the broader Group reorganisation process;
    - Credit collection project costs (€ 364 thousand).
- Other minor items of € 521 thousand that include management costs for bonds issued by the Group and charged by various parties (banks and lawyers).
- Other service costs (€ 12,410 thousand), mainly consisting of:
    - Costs for shipping and transport of € 344 thousand;

- Costs for reimbursement of expenses of € 5,643 thousand, relating to travel costs and daily allowances for technicians and commercial staff who are involved in installation, support and training at customers' premises;
- Maintenance costs of € 702 thousand;
- Insurance costs of € 742 thousand.

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

5. Personnel costs

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

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

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

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

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

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

The trend is largely attributable to the foregoing.

6. Other operating costs

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

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

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

7. Finance income

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

Finance income came to € 16,285 thousand for the year ended 31 December 2018 and was mainly attributable to the measurement of the liabilities to non controlling shareholders of subsidiaries arising from a change in the fair value thereof due to the remeasurement of the initial exercise price of the options.

8. Finance costs

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

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

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

9. Total income tax

Current income and deferred tax

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

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

The 2018 IRES income is mainly attributable to the following:

(a) the impact arising, in relation to the 2016 financial year, from the option for the patent box regime exercised by TeamSystem S.p.A. (and by the assignors TSS and ACG) as well as by Metodo S.p.A. for specific software, which is subjected to indirect use. The impact of the above option (€ 3,346 thousand for 2018) was computed autonomously by TeamSystem S.p.A. based on clarifications provided by the Revenue Agency under Resolution No. 28 of 9 March 2017;

(b) the impact of ACE relief under Ministerial Decree of 3 August 2017, entitlement to which was confirmed by the Revenue Agency in its response to the advance ruling request No. 954-927/2017 (the Agency has specifically confirmed the possibility to take account, for the purpose of the computation of the company's ACE base, of the entire amount of the contribution of € 565,530,750 received from the assignor, Barolo BidCo, in 2016).

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

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

As a result of the tax audit report addressed to TeamSystem S.p.A., on fiscal year 2015 the company applied for a settlement on the findings related to direct taxation and VAT. The amount due as a result of the settlement of € 744,880 is payable in 20 equal quarterly instalments, the first of which was paid on 22/11/2018.

With the payment of the above mentioned first instalment, the settlement had become effective pursuant to Art. 2, paragraph 4 of Legislative Decree 119/2018.

On 10/12/2018, the Pesaro Territorial Office, following on from the aforementioned tax audit report and with reference to Registration Tax portion, issued 2 tax settlement notices.

The amount assessed for taxation is 246 KEuro, and the amount assessed for penalties and interest is 321 KEuro Given the breach by the tax authorities, inclusive of in procedural terms, of Art. 10-bis of Law 212/2000, the tax settlement notices shall be impugned within the prescribed time limit, the risk of a negative outcome of the dispute has been reasonably deemed to be remote.

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

10. Consolidated statement of cash flows

As regards the more significant components of the statement of cash flows, a description is provided below of the main factors impacting the Group's cash flow in the course of 2018:

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

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

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

3) € 150 million relating to the early redemption of Senior Notes previously issued by TeamSystem Holding S.p.A.

- € 6.4 million relating to the total amount of lease payments made in the year consisting of principal (€ 5.5 million) and interest (€ 0.9 million) following the adoption of IFRS 16.

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

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

- € 1.8 million relating to financing fees paid on the RCF arranged by TeamSystem S.p.A. in 2018.

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

- Cash-out paid by Danea Soft S.r.l. for the acquisition of MMData S.r.l.;

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

The table below provides details of the change in the year in financial liabilities, with separate disclosure of those that have generated cash flows as opposed to other changes of a non-cash nature.

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

11. Tangible fixed assets

COST	Restated 31 Dec 2016	Change in cons. area	Additions	Other movements and disposals	31 Dec 2017
Land	1,073			(125)	948
Buildings	8,885			(2,822)	6,063
Plant and machinery	5,267	4	2,106	(932)	6,445
Equipment	2,068		571	(14)	2,625
Other assets	20,193	345	4,089	(2,563)	22,064
Tangible assets under construction					
Total	**37,486**	**349**	**6,766**	**(6,456)**	**38,145**

Accumulated depreciation	Restated 31 Dec 2016	Change in cons. area	Depreciation	Other movements and disposals	31 Dec 2017
Land					
Buildings	3,331		266	(1,140)	2,457
Plant and machinery	3,524	1	536	(665)	3,396
Equipment	1,473		194	(14)	1,653
Other assets	15,775	265	1,783	(2,554)	15,269
Tangible assets under construction					
Total	**24,103**	**266**	**2,779**	**(4,373)**	**22,775**

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

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

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

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

12. Intangible assets

Net book value	Restated 31 Dec 2016	Change in cons. area	Other movements and disposals	Capitalization	Additions	(Amortization)	(Write-downs)	31 Dec 2017
Development costs—completed	19,880		2,743	12,950		(10,216)		25,357
Development costs—in progress	2,842		(2,425)	109	366	(53)		839
Capitalized development costs	**22,721**		**318**	**13,059**	**366**	**(10,269)**		**26,195**
Brand IFRS	128,636					(6,791)		121,845
Software IFRS	66,561					(14,898)		51,663
Customer relationship IFRS	527,751					(30,035)		497,716
Other IFRS assets	17,302					(1,008)		16,294
Asset IFRS	**740,250**					**(52,732)**		**687,518**
Software, trademarks, patents	8,836	1,103	781	325	3,985	(4,256)	(150)	10,624
Other intangible assets	3,652	9	215		2,075	(2,422)		3,529
Intangible assets under construction	345	1,471	(1,308)		325			833
Other intangible assets	**12,832**	**2,583**	**(312)**	**325**	**6,385**	**(6,678)**	**(150)**	**14,985**
Total	**775,804**	**2,583**	**6**	**13,384**	**6,751**	**(69,679)**	**(150)**	**728,699**

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

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

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

13. Right-of-use

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

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

Assets held under lease include:

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

14. Goodwill

Of the Goodwill balance of € 707,681 thousand, € 631,292 relates to the amount recognised upon the acquisition of TeamSystem Group by H&F (through the special purpose entity Barolo Bidco S.p.A.) in March 2016, while the remainder relates to other acquisitions completed in 2016, 2017 and 2018. Goodwill consists mainly of the excess of the consideration paid for the aforementioned acquisitions over the fair value of the assets acquired and the liabilities assumed and has been allocated to the CGUs or groups of CGUs that were identified based on the Group's operating segments.

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

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

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

	31 Dec 2017	Team system group acquisition	Other movements	Additions	(Impairment)	31 Dec 2018
Software solutions—Goodwill	530,921					530,921
Cloud software solutions—Goodwill	168,958			1,832		170,790
Hardware—Goodwill	5,971					5,971
Total	**705,849**			**1,832**		**707,681**

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

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

Note that, during the course of 2018, work was completed on the allocation of the purchase price for companies acquired in the previous year and which had been disclosed as provisional in the consolidated financial statements for the year ended 31 December 2017. As a result of the analysis performed, no differences arose with respect to allocations pertaining to the subsidiaries Evols S.r.l., Netlex S.r.l., Software Time S.r.l., Evolution Fit S.r.l. and Cassanova S.r.l., which were acquired in 2017.

Impairment test

The goodwill recognised by the Group is subject to an impairment test at least annually.

For the purpose of the impairment test, steps have been taken to determine the recoverable amount (enterprise value) of each operating segment of TeamSystem Group as a whole that had been identified by Management as the lowest level to which goodwill is allocated for internal management purposes, by means of the application of discounted cash flow methodology. The test was performed by discounting prospective cash flows for 2019-2023 based on amounts included in the 2019-2023 Group Business Plan approved by TeamSystem Holding S.p.A's Board of Directors on 14 February 2019.

A terminal value was determined beyond the explicit forecast horizon based on operating cash flows (net operating profit less adjusted taxes—NOPLAT) appropriately normalised to reflect normal business operations. In the choice of the growth rate to apply to NOPLAT, it was established that, consistent with the development foreseen by the Business Plan and with historical growth, there was a reasonable expectation of growth of 1.90% (so-called g rate).

In addition to the g rate assumption, the main assumptions adopted regarded an estimate of the post-tax weighted average cost of capital ("WACC") of 8.51% (Software solutions and Cloud solutions) and 7.62% (Hardware).

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

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

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

Cloud software solutions **Cover impairment sensitivity** **Euro million**		**7,5%**	**8,0%**	**WACC** **8,5%**	**9,0%**	**9,5%**
	0,9%	660,7	590,5	529,6	476,4	429,4
	1,4%	726,8	646,4	577,5	517,6	465,3
G RATE	1,9%	804,8	711,5	632,5	564,7	505,9
	2,4%	898,1	788,3	696,6	618,9	552,2
	2,9%	1.011,6	880,0	772,1	681,9	605,5

Hardware **Cover impairment sensitivity** **Euro million**		**6,6%**	**7,1%**	**WACC** **7,6%**	**8,1%**	**8,6%**
	0,9%	11,2	9,7	8,5	7,4	6,4
	1,4%	12,7	10,9	9,5	8,2	7,1
G RATE	1,9%	14,4	12,4	10,7	9,2	8,0
	2,4%	16,6	14,1	12,1	10,4	9,0
	2,9%	19,4	16,3	13,8	11,8	10,1

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

15. Allocation of goodwill

MMData S.r.l.

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

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

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

Euro thousands

Statement of financial position MMDATA S.r.l. Assets	Jan 2018 after PPA provisional adjustments	Notes
Tangible assets	8	
Total non current assets	**8**	
Inventories	10	
Trade receivables	3	
Other receivables—current	3	
Cash and bank balances	13	
Total current assets	**29**	
Assets held for sale		
Total assets	**37**	**A**

Euro thousands

Statement of financial position MMDATA S.r.l. Liabilities	Jan 2018 after PPA provisional adjustments	Notes
Total equity	**12**	
Staff leaving indemnity	17	
Total non current liabilities	**17**	
Trade payables	4	
Other liabilities—current	4	
Total current liabilities	**8**	
Total liabilities	**25**	**B**
Total equity and liabilities	**37**	
Fair Value of acquired net assets	12	C = A-B
Cost of the investment—net of transaction costs	1,844	D
Provisional Goodwill IFRS 3	1,832	E = D-C

□□□

16. Investments in other companies and investments in associates

	Restated 31 Dec 2016	Change in cons. area	Other movements	Revaluations	(Write-downs)	Additions	(Disposals)	31 Dec 2017
Investments in Associates	331		(254)	16		55		147
Other Investments	335	2	254		(165)	20		447
Total	**666**	**2**		**16**	**(165)**	**75**		**594**

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

Investments in associates relate to investments held by TeamSystem S.p.A. following the merger of TSS S.p.A. into the latter during the course of 2016. The revaluations and writedowns have arisen from the application of the equity method for the measurement of the investments in associates and the recognition of impairment of investments in other minor companies carried at cost. The decrease is due to the disposal of the investment in Mondoesa Milano Nordovest S.r.l. in February 2018.

17. Deferred tax assets and liabilities

Deferred tax assets

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

Deferred tax assets	31 Dec 2016	IFRS 15 / 16 / 9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2017
Provision for slow-moving inventories	77					(22)	55
Provision for pension and similar obligation	16			157		(33)	140
Staff leaving indemnity—actuarial valuation	125			78		(26)	177
Provision for litigations	121			5	70		196
Other minor items				43			43
Provision for bad-debts	1,247			1,912	634	(634)	3,159
Provision for Restructuring					1,953		1,953
Other Provision	111			19		(88)	42
Tax Losses brought forward					1,127	(120)	1,007
Tax step-up of Goodwill				8,774		(275)	8,499
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**1,697**			**10,988**	**3,784**	**(1,198)**	**15,271**
Provision for bad-debts	1,600			(1,600)			
Tax step-up of Goodwill	8,774			(8,774)			
Staff leaving indemnity—actuarial valuation	35			(35)			
Other Provision	19			(19)			
TSS S.p.A.	**10,428**			**(10,428)**			
Deferred tax asset of other Subsidiaries	915		238	(312)	917	(273)	1,485

Deferred tax assets	31 Dec 2016	IFRS 15 / 16 / 9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2017
Other Subsidiaries	**915**		**238**	**(312)**	**917**	**(273)**	**1,485**
Provision for slow-moving inventories	56						56
Write-off start-up costs	5					(5)	0
Write-off other tangible / intangible assets	13					(7)	6
Provision for litigations	36			(5)			32
Fair value deferred revenue—ACG							
Provision for pension and similar obligations—ACG	157			(157)			
Provision for bad-debts					79	(79)	
Staff leaving indemnity—actuarial valuation	298			(74)		(8)	216
Other minor items	127			(43)		(84)	(0)
Consolidation entries	**692**			**(279)**	**79**	**(182)**	**310**
Total	**13,732**		**238**	**(31)**	**4,780**	**(1,653)**	**17,066**

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

Deferred tax assets	31 Dec 2017	IFRS 15 / 16 / 9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2018
Other minor items	(0)	1				(1)	(0)
Consolidation entries	**310**	**58**		**(22)**	**35**	**(117)**	**264**
Total	**17,065**	**460**		**0**	**2,724**	**(4,908)**	**15,342**

Deferred tax assets at 31 December 2018 include approximately € 7,716 thousand relating to the step-up for tax purposes of goodwill enacted by TSS S.p.A. (merged by absorption into TeamSystem S.p.A. in 2016). The other main components for which the Group companies have recognised deferred tax assets relate to the allowance for bad debts, to the restructuring provision and other provisions for risks and charges which are disallowed for tax purposes. These deferred tax assets are not subject to any maturity or expiration.

Deferred tax liabilities

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

Deferred tax liabilities	Restated 31 Dec 2016	IFRS 15 / 16 / 9 first adoption	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2017
Financing Fees					7,749	(1,385)	6,365
Fair value valuation of land and buildings	1,706					(542)	1,164
TeamSystem—Intangibles	170,333			17,204		(13,616)	173,921
Capitalized development costs				598		(399)	198
Investments revaluation	730						730
TeamSystem S.p.A. and TeamSystem Holding S.p.A.	**172,769**			**17,802**	**7,749**	**(15,942)**	**182,378**
TSS—Intangibles	969			(969)			
TSS S.p.A.	**969**			**(969)**			
Deferred tax liabilities of other Subsidiaries					88		88
Other Subsidiaries					**88**		**88**
Euroconference—Intangibles	1,068					(56)	1,012
Euroconference—Services in progress							
Finance lease and valuation of asset at fair value							
Investments revaluation	(730)						(730)
Other minor items	3						3
Nuovamacut—Intangibles	7,696					(479)	7,217
TSS—Intangibles	10,188			(10,188)			
ACG—Intangibles	6,047			(6,047)			
Capitalized development costs	864			(598)	184	(49)	401
Aliaslab—Intangibles	11,218					(983)	10,235
Consolidation entries	**36,354**			**(16,833)**	**184**	**(1,568)**	**18,137**
Total	**210,092**				**8,021**	**(17,510)**	**200,604**

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

The main decrease in 2018 of € 13,532 thousand relates to the reversal of the deferred tax liability recognised on the amortisation of intangible assets (software, brands, customer relationships and other IFRS assets) identified for the purpose of the allocation of the price paid for the acquisition of TeamSystem Group by the private equity firm H&F. Moreover, during the course of 2018, there were changes in deferred tax liabilities due to financing fees related to the refinancing transaction that took place in the year.

Given that almost all the Group companies are domiciled in Italy, one of the main significant difference between the actual tax rate and the nominal tax rate relates to interest expense that exceeded the limit of gross operating profit (in relation to which the Group companies have not recognised any deferred tax at 31 December 2018). In any case, the potential deferred tax asset relating to the foregoing amounts to approximately € 42,700 million at 31 December 2018. As previously stated in the notes to the financial statements, the tax savings arising from the ACE deduction and from the patent box regime have significantly reduced the 2018 effective tax rate below the theoretical rate and have generated net tax income for the year.

18. Net cash/debt

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

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

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

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

Floating rate notes

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

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

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

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

- redeem TeamSystem S.p.A.'s senior secured floating rate notes due 2022, in an aggregate principal amount of € 570 million, which had an interest rate equal to three-month Euribor (subject to a 1.000% floor) plus 5.000% per annum;

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

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

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

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

Interest rate swaps—derivative instrument liabilities

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

Loans with banks—revolving credit facility (RCF)

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

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

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

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

Liabilities to non-controlling shareholders of subsidiaries

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

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

	Restated 31 Dec 2016	Change in cons. area	Interest	Revaluations	Write-downs	Payments	Dividends paid	31 Dec 2017
Liabilities to non controlling shareholders of subsidiaries	92,356	7,043	5,376	14,743	(7,467)	(10,603)		101,448
Total	**92,356**	**7,043**	**5,376**	**14,743**	**(7,467)**	**(10,603)**		**101,448**

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

Payments were made of liabilities to non controlling shareholders of subsidiaries in 2018 of € 13,800 thousand for the acquisition of non-controlling interests in respect of the following:

- acquisition of 10% of the capital of Metodo S.p.A.;
- acquisition of 49% of the capital of Mondora S.r.l.;
- acquisition of 40% of the capital of Euresys S.r.l.;
- price adjustment for the acquisition of an equity interest in Lira S.r.l.;
- and the exercise of earn-out clauses primarily relating to investments in Inforyou S.r.l., Cidiemme Informatica S.r.l. and Aliaslab S.p.A., Cassanova S.r.l., Evolution Fit S.r.l. and Informatica Veneta S.r.l.

19. Inventories

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

Inventories amounted to € 1,067 thousand at 31 December 2018 and included hardware products not yet delivered at the reporting date, as well as consumables, accessories, third party software modules and software licences for resale. The decrease in finished products is specifically attributable to having leased the Hardware business.

20. Trade receivables

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

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

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

	Restated 31 Dec 2016	Change in cons. area	IFRS 15 / 16 / 9 first adoption	(*) Additions	(*) (Utilisations)	31 Dec 2017
Allowance for bad debts	15,889	369		3,896	(3,593)	16,561
Total	**15,889**	**369**		**3,896**	**(3,593)**	**16,561**

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

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

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

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

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

Accordingly, the charge to provision in 2018 would have been € 589 thousand higher than that recognised in 2017 computed in accordance with the new accounting standard and new procedures for the computation of the allowance for bad debts.

21. Tax receivables

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

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

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

22. Other current receivables

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

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

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

23. Total equity attributable to owners of the parent company and to non-controlling interests

	Share capital	Other reserves	Other profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to owners of the Company	Equity attributable to owners of the Company	Non controlling interests	Total
31 Dec 2016—Restated	**5,450**	**636,720**	**(3)**		**(75,771)**	**566,396**	**1,060**	**567,456**
Profit (Loss) allocation		(75,771)			75,771	0		0
TeamSystem Holding S.p.A. distribution of reserves		(1,279)				(1,279)		(1,279)
Change in Non controlling interests IFRS 3			(823)			(823)	(157)	(980)
Dividends						0	(227)	(227)
Profit (Loss) on comprehensive income		84			(57,134)	(57,050)	347	(56,702)
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**

	Share capital	Other reserves	Other Profit (Loss) net of income taxes	Retained earnings (accumulated losses)	Profit (Loss) attributable to owners of the company	Equity attributable to owners of the company	Non controlling interests	TOTAL
31 Dec 2017	**5,450**	**559,754**	**(826)**	**0**	**(57,134)**	**507,245**	**1,023**	**508,268**
IFRS 9 / 15 / 16—first adoption		(405)				(405)		(405)
Profit (Loss) allocation		(57,134)			57,134	0		0
Change in Non controlling interests IFRS 3		(1,782)				(1,782)	(570)	(2,352)
Dividends						(0)	(58)	(58)
Profit (Loss) on comprehensive income		684			(56,030)	(55,346)	70	(55,276)
31 Dec 2018	**5,450**	**501,117**	**(826)**	**0**	**(56,030)**	**449,711**	**464**	**450,175**

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

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

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

The change in non-controlling interests relates to changes in equity attributable to the Group (and to non-controlling interests) as a consequence of a decrease in non-controlling interests following the acquisition of further equity interests by the Parent Company.

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

24. Staff leaving indemnity

	Restated 31 Dec 2016	Outsourcing	Change in cons. area	Other movements	Service cost	Interest cost	Actuarial (gain) / loss	(Utilisations)	31 Dec 2017
Staff leaving indemnity	18,478		257	38	962	292	(134)	(1,613)	18,280
Total	**18,478**		**257**	**38**	**962**	**292**	**(134)**	**(1,613)**	**18,280**

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

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

In accordance with IAS 19, the staff leaving indemnity is considered to be a defined benefit plan to be accounted for by applying the "Projected Unit Credit Method," which consists of discounting an estimate of the amount to be paid to each employee on termination of their employment and the consequent determination of:

- **initial DBO**, that is, the present value of employee service payments expected to be made in the future, already available at the beginning of the period;
- **service cost**, that is, the present value of expected future employee service relating to services provided in the current period;
- **interest cost**, namely, interest on the provision at the beginning of the period and on corresponding movements in the period being considered;
- **benefits paid and transfers in/out** represent all payments and transfers in and out relating to the period being considered, being elements that lead to the utilisation of the provision
- **the actuarial gain / loss,** namely, the actuarial gain/loss relating to the valuation period.

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

	2018 financial year	2017 financial year
Turnover	4.00%	4.00%
Discount rate	1.95%	1.61%
Anticipation rate	1.00%	1.00%

The discount rate used for the determination of the present value of the staff leaving indemnity at 31 December 2018 and 2017 was determined with reference to the IBoxx Eurozone Corporate A index.

Moreover, it should be noted that, should the annual discount rate vary by +/- 0.25%, the staff leaving indemnity at 31 December 2018 would amount to approximately € 14.9 million and € 15 million, respectively.

IAS 19 – Employee Benefits requires the recognition of actuarial gains and losses arising from the "remeasurement" of liabilities and assets in the consolidated statement of comprehensive income. Consequently, the cost included in the consolidated statement of comprehensive income for the year ended 31 December 2018 (€ 921 thousand) corresponds to the actuarial gains/losses, as stated above, net of the tax effect of € 121 thousand.

25. Provisions for risks and charges

	Restated 31 Dec 2016	Change in cons. area	Other movements	Additions	(Utilisations)	31 Dec 2017
Provision for pension and similar obligation	1,516	9		101	(365)	1,261
Provision for litigations	1,331		174		(1)	1,504
Other Provision for risks and charges	1,058	90	(174)	7,028	(413)	7,590
Total	**3,905**	**99**		**7,129**	**(779)**	**10,355**

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

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

- Provision for pensions and similar obligations of € 1,269 thousand, relating mainly to the provision for agents' indemnity; disbursements are triggered by the termination of agreements with Group companies' agents for reasons not attributable thereto (death, natural termination of activities and such like); accordingly, it is not possible to reliably estimate the timing of disbursements.

- Provision for litigation and disputes of € 2,187 thousand, relating to liabilities deemed to be probable that could arise from legal and tax disputes involving TeamSystem S.p.A., Metodo S.p.A. and Aliaslab S.p.A.; Management is not able to estimate the date of the probable cash-out.

- Other provisions for risks and charges of € 5,824 thousand mainly consist of an amount of € 4,295 thousand relating to Group restructuring and reorganisation costs in connection with, in particular, the implementation of the new operating model implemented in 2017 and that became fully functional in 2018. The provision includes expected personnel downsizing costs and further external costs expected to be incurred for the reorganisation of business activities that had already been initiated in the prior year. The Directors believe that the costs provided will be fully incurred in 2019. Note that the Group restructuring and reorganisation costs provided for at 31 December 2017 of € 7,000 thousand were fully incurred in 2018. Other provisions for risks and charges also include other liabilities deemed to be probable pertaining to TeamSystem S.p.A. and other Group companies.

26. Current tax liabilities

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

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

27. Other current and non-current liabilities

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

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

Employee payables and social security liabilities of € 24,904 thousand relate to salaries and 2018 production bonuses (not yet paid at the year end) payable to employees, directors and collaborators, as well as accruals for public holidays and holiday pay, inclusive of related social contributions. There are no employee bonuses due beyond one year worthy of note.

Advances at 31 December 2018 amounted to € 5,697 thousand and mainly relate to advances received by the Education operating segment for ongoing training services being provided at the reporting date.

Deferred revenue (€ 44,699 thousand) mainly relates to the portion of revenue for software subscriptions (pertaining essentially to Nuovamacut Group companies, TeamSystem S.p.A., Madbit Entertainment S.r.l. and

Danea Soft S.r.l.) attributable to future financial years, based upon the duration of the underlying contracts. The significant increase in the year is attributable, in particular, to an increase in subscription and cloud channel sales.

28. Financial instruments and IFRS 7

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

Foreign exchange risks

The Group operates almost exclusively in Italy and, accordingly, is not exposed to foreign exchange risks. Despite the acquisition of Reviso International ApS and its subsidiaries, as well as the first-time prior year consolidation of Vospeed Limited, which operates mainly in the UK, German, Danish and Spanish markets, there was an increase in foreign currency transactions, which, as things now stand, consist of modest amounts.

Similarly, due to the insignificance of the amounts concerned, the risk arising from the translation of foreign currency financial statements for consolidation purposes is also insignificant.

Credit risk

Credit risk is the risk that a counterparty fails to meet its contractual commitments, giving rise to a financial loss being incurred by the Group.

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

In any case, the customer credit policy, by customer category (resellers and end-users), envisages:

a) the control and assessment of credit standing;

b) a control of the flow of receipts;

c) taking appropriate action by issuing reminders and by the use of credit collection procedures, including recourse to companies specialised in debt recovery.

The maximum theoretical exposure to credit risk for the Group is represented by the carrying amount of trade receivables as presented in the consolidated financial statements, as well as residual financial receivables recorded in current and non-current financial assets.

As at 31 December 2018, the Group did not have any insurance cover for trade receivables.

The tool used most by the Group for the classification and control of trade receivables consists of an Ageing List, in which amounts of overdue receivables are summarised by ageing category, from the most recent (0-30 days) to the oldest (over 180 days).

With respect to trade receivables, the allowance recorded in the consolidated financial statements was determined based on a specific analysis of doubtful accounts, plus a general allowance to take account of further expected losses on balances not yet overdue (taking account of the requirements of the new IFRS 9), based on historical data and experience of losses recorded by the Group.

Interest rate risk

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

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

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

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

Liquidity risk

The two main factors that determine the dynamics of the Group's liquidity are, on one hand, the resources generated/absorbed by operating and investment activities and, on the other hand, the maturity and renewal of financial liabilities. Management of these risks is entrusted to TeamSystem Group's Finance Department.

Of the procedures adopted with the intention of optimising cash flow management and of reducing the liquidity risk, the following should be noted:

1. the maintenance of an adequate level of available liquidity;
2. the adoption of Cash-pooling at Group level;
3. the obtainment of adequate borrowing facilities;
4. the control of prospective liquidity conditions, in relation to the corporate planning process.

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

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

The difference between the amounts reported in the consolidated financial statements and total cash flow is mainly attributable to the computation of interest over the contractual duration on amounts due to banks, to noteholders and to liabilities to non controlling shareholders of subsidiaries.

Financial instruments by category (IFRS 7 paragraph 8)

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

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

Key to financial instrument categories

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

On account of the features of the financial assets and liabilities recorded in the financial statements and as shown by the above table, the fair value of many of these (current trade receivables and payables and current and non-current financial liabilities) do not differ from their related carrying amounts, with the exception of the Senior Secured Floating Rate Notes of € 550 million for which the quoted price at 31 December 2018 (approximately 99) corresponds to the best estimate of fair value at 31 December 2018.

Levels of fair value hierarchy

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

- Level 1 – prices quoted by active markets for assets or liabilities being measured;

- Level 2 – inputs other than Level 1 inputs that are directly observable (prices) or indirectly (derived from prices) market inputs;
- Level 3 – inputs not based on observable market data.

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

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

The financial liability component liabilities to non controlling shareholders of subsidiaries is the main category within level 3 of the fair value hierarchy and it consists of the fair value of the estimated liability arising from put and call or earnout agreements relating to various non-controlling interests in Group companies; the related fair value was determined considering the contractual hypotheses for the determination of the consideration. Changes in fair value, due both to timing and possible changes in estimated indicators that form the basis for the computation of the consideration, are recognised in the consolidated statement of profit or loss; the impact recognised in the 2018 consolidated statement of profit or loss arising from the change in the fair value measurement of the liabilities to non controlling shareholders of subsidiaries amounts to a decrease in their measurement of approximately € 16,242 thousand and an increase in their measurement of approximately € 10,604, whereas an amount of € 5,514 thousand was recognised as Other IFRS financial charges (see Note 7 Finance Income, Note 8 Finance Costs and Note 18 Net Cash/Debt).

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

Cost of debt—gross of tax	5.51%	6.01%	6.51%	7.01%	7.51%
Liabilities to non controlling shareholders of subsidiaries	89,545	88,532	**87,524**	86,538	85,566

29. Guarantees provided, commitments and other contingent assets and liabilities

Guarantees and security interests provided

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

(i) the entire issued share capital of TeamSystem S.p.A.;

(ii) the receivables in respect of certain intercompany loans by TeamSystem S.p.A. to certain of its subsidiaries; and

(iii) certain material operating bank accounts of TeamSystem S.p.A..

The new RCF is also guaranteed by TeamSystem Holding S.p.A. and is secured, on a super-priority basis, by the same collateral securing the Floating Rate Notes.

Other significant commitments and contractual rights

The Group companies are party to put and call option agreements in connection with shares/quotas held by non-controlling interest holders in the following companies and for the percentage interests as indicated below:

Put / call options outstanding	31 Dec 2018	31 Dec 2017
Metodo S.p.A.		10.00%
TeamSystem Communication S.r.l.	40.00%	40.00%
Danea Soft S.r.l.	30.00%	30.00%
Madbit Entertainment S.r.l.	49.00%	49.00%
Euresys S.r.l.		40.00%
Aliaslab S.p.A.	49.00%	49.00%
Mondora S.r.l.		49.00%
Inforyou S.r.l.		
Evols S.r.l.	49.00%	49.00%
Netlex S.r.l.	49.00%	49.00%
Cassanova S.r.l.	49.00%	49.00%
Evolution Fit S.r.l.	49.00%	49.00%

The exercise price of these options will be determined based on normalised earnings parameters for the companies in question to which will be added the average (or actual) financial indebtedness for the period in which the put options may be exercised. The best estimate of the net present value of future disbursements has been recognised in the financial statements (Note 18) while the best estimate of future disbursements (by financial year) is indicated in the table shown in Note 28 – Liquidity risk – analysis of financial liabilities by due date of cash outflows.

Lease disclosures

Euro Million Position at 31 December 2018	within 1 year	within 2–4 years	over 5 years	Total
Leases for operational premises	4.1	13.6	4.9	**22.6**
Leases for motor cars	3.0	3.4	0	**6.5**
Total	7.12	17.04	4.9	29.06

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

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

Other commitments and contingent assets/liabilities

The Group companies, in the performance of their activities, are exposed to a series of legal, tax and other risks. These risks relate to ongoing legal disputes (the outcome of which cannot be forecast with certainty) or claims made against Group companies for the recovery of damages suffered by third parties. An adverse outcome of these proceedings could lead to the payment of costs not covered (or not fully covered) by insurance with a consequent impact on the financial position.

The Group, in accordance with opinions provided by its legal advisers, has made specific provision as part of the provision for risks and charges (Note 25) for litigation for which it is believed that a disbursement of resources is probable and for which the amount is capable of being reliably estimated. Based on the information available, there are no further potentially significant contingent liabilities that could lead to significant disbursements for the Group.

30. Summary of IFRS 12 disclosure requirements concerning investments in subsidiaries and associates with material non-controlling interests

Investments in associates

As required by IFRS 12, additional information concerning Investments in associates is provided in the table set out below.

Investments in associates	Registered office	% held	(**) Assets	(**) Liabilities	(**) Equity	(**) Revenue	(**) Profit (loss) for the year
Mondoesa Emilia S.r.l.	Parma	40.00	2,308	2,173	135	4,247	26
INTIT S.r.l.	Frosinone	35.00	1,796	1,386	410	2,331	41
Cesaco S.r.l.	Vicenza	48.00	415	240	175	548	23
Comsyst S.r.l. (*)	Pesaro	49.00					

(*) = the company was incorporated in 2017;

(**) = figures updated to 31 December 2017 financial statements.

Investments in subsidiaries with material non-controlling interests

As required by IFRS 12, a summary is provided below of information concerning the Group's principal subsidiaries with material non-controlling interests. The amounts shown in the following tables are before intercompany eliminations and consolidation entries.

Note that the percentage holding in the subsidiaries is the actual percentage held by the Group at the reporting date, without taking account of the impact of agreements entered into by the Group for the acquisition of non-controlling interests (further details are provided in the paragraphs on "Scope of consolidation" and on "Basis of consolidation").

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

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

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

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

31. Related party transactions, directors, statutory auditors and top management

Emoluments

As required by IAS 24, the table below shows the emoluments payable for the year ended 31 December 2018 to the members of the Board of Directors, to the members of the Board of Statutory Auditors and to the Group's Top Management.

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

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

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

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

Associates

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

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

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

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

Related companies

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

32. Independent auditors

In addition to the above information, note that fees payable to Deloitte & Touche S.p.A. as independent auditors, recognised by the Group in profit or loss in 2018 for the audit of the financial statements, amounted to approximately € 218 thousand.

33. Management and coordination

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

The financial statements of Barolo Lux 1 S.à.r.l. for the year ended 31 December 2017 are set out below.

Barolo Lux 1 S.à.r.l.

Balance sheet as at 31 December 2016

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

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

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

34. Subsequent events

Acquisition of Skylab Italia S.r.l.

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

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

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

Milan, 14 February 2019

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

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Independent auditor's report
Pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of TeamSystem Holding S.p.A. and its subsidiaries (the "TeamSystem Group" or the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of TeamSystem Holding S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and the board of statutory auditors for the consolidated financial statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of TeamSystem Holding S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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.

Deloitte.

Report on Other legal and regulatory requirements

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of TeamSystem Holding S.p.A. are responsible for the preparation of the report on operations of TeamSystem Group as at December 31, 2018, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of TeamSystem Group as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the consolidated financial statements of TeamSystem Group as at December 31, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Jessica Lanari
Partner

Ancona, Italy
March 8, 2019

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

TeamSystem Holding S.p.A.

Consolidated financial statements for the year ended 31 December 2017

Euro thousands

Consolidated statement of profit or loss	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)**	

Euro thousands

Consolidated statement of comprehensive income	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)**	

Euro thousands

Consolidated statement of financial position

Assets	31 Dec 2017	Restated 31 Dec 2016	Notes
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**	

Euro thousands

Consolidated statement of financial position

Equity and liabilities	31 Dec 2017	Restated 31 Dec 2016	Notes
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**	

Euro thousands

Consolidated statement of cash flows	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

Introduction

On 1 March 2016, private equity funds advised by Hellman & Friedman ("H&F") acquired a controlling interest in TeamSystem Group (inclusive of HG Capital, the majority shareholder) from the previous shareholders (the "Acquisition").

More specifically, on that date, 100% of the share capital of TeamSystem Holding S.p.A., TeamSystem Group's holding company, was acquired by Barolo Bidco S.p.A., a special purpose vehicle and an indirect subsidiary of equity funds advised by H&F. Subsequent to the Acquisition, on 6 October 2016, a reverse merger took place involving TeamSystem S.p.A. (surviving company), TeamSystem Holding S.p.A. and Barolo Bidco S.p.A. (the latter two being absorbed companies, which were extinguished as of the merger's effective date for legal purposes). The effective date for accounting purposes was backdated to 1 March 2016, the date on which Barolo Bidco S.p.A. effectively acquired ownership of TeamSystem Group. After the transactions described above, Barolo Midco S.p.A., the new parent and holding company of TeamSystem Group, was renamed TeamSystem Holding S.p.A.

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.

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.

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.

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.

Scope of consolidation

The consolidated financial statements of TeamSystem Group include the financial statements of the Parent Company, of the main subsidiary TeamSystem S.p.A. and of other companies in which TeamSystem Holding S.p.A. has a controlling interest in accordance with IFRS 10.

A listing of entities consolidated on a line-by-line basis is provided in the following table, whereby the percentage consolidated takes account of any put and call options entered into in connection with acquisitions (the “% held” column indicates the percentage held by the Group in the company in question at the reporting date without taking account of the put and call option agreements):

Amounts in Euro Consolidated companies line by line	Registered office	Share capital	Equity	Profit (Loss)	Currency	% held	% consolidation	Notes
TeamSystem Holding S.p.A.	Pesaro	5,450,000	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

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.

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.

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 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..

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

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.

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.

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 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.

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 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.

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.

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.

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.

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 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.

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.

- **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.

Notes to the 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 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**

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

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%

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
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;
  - 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;

- 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%**

	31 Dec 2017	Restated 31 Dec 2016	Change	% Change
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).

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%**

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.

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.

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**

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**

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**

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).

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.

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**		**5.8%**	**6.3%**	**6.8%**	**7.3%**	**WACC** **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**		**6.8%**	**7.3%**	**7.8%**	**8.3%**	**WACC** **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**		**5.8%**	**6.3%**	**6.8%**	**7.3%**	**WACC** **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.

4. 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.

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

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**

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**

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.

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**

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.

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.

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**

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**	

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**	

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**	

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**

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**

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**

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**

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.

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.

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.

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%**

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.**

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**

	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.

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**

	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.

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.

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.

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**

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**

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
- 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**

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.

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

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

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**

	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.

(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**

(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.:

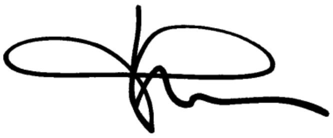
In February 2018, TeamSystem Group, through the subsidiary Danea Soft S.r.l., completed the acquisition of 100% of the capital of MMData Informatica S.r.l., a leading company in Italy in the provision of services and the distribution of software for condominium and property managers.

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



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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 statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 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 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.

Deloitte.

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.

THE ISSUER

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Brunello Bidco S.p.A.

€1,150,000,000

€ % Senior Secured Fixed Rate Notes due 2028
€ Senior Secured Floating Rate Notes due 2028

PRELIMINARY OFFERING MEMORANDUM

Global Coordinator and Joint Bookrunner

J.P. Morgan

Joint Bookrunners

Barclays	**BNP PARIBAS**	**BofA Securities**	**Deutsche Bank**
Goldman Sachs International	**Morgan Stanley**	**Nomura**	**UniCredit Bank**

The date of this Offering Memorandum is , 2021

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