TXT e-solutions Group

Interim report

as at 31 March 2016

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Members’ term of office expires upon approval of the financial statements for the year ending 31 December 2016:

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(3)
Andrea Cencini	Director	(2)
Paolo Enrico Colombo	Director	(2)
Teresa Cristiana Naddeo	Independent Director	(3)
Stefania Saviolo	Independent Director	(3)

(1) Powers assigned: ordinary and extraordinary administration, except purchase and sale of buildings.

(2) Powers assigned: ordinary administration.

(3) Member of the Remuneration Committee and the Risks and Internal Controls Committee.

BOARD OF STATUTORY AUDITORS

Members’ term of office expires upon approval of the financial statements for the year ending 31 December 2016:

Raffaele Valletta	Chairman
Luisa Cameretti	Standing Auditor
Fabio Maria Palmieri	Standing Auditor
Angelo Faccioli	Alternate Auditor
Pietro Antonio Grignani	Alternate Auditor
Laura Grimi	Alternate Auditor

EXTERNAL AUDITORS	Reconta Ernst & Young S.p.A.
INVESTOR RELATIONS	E-mail: infofinance@txtgroup.com
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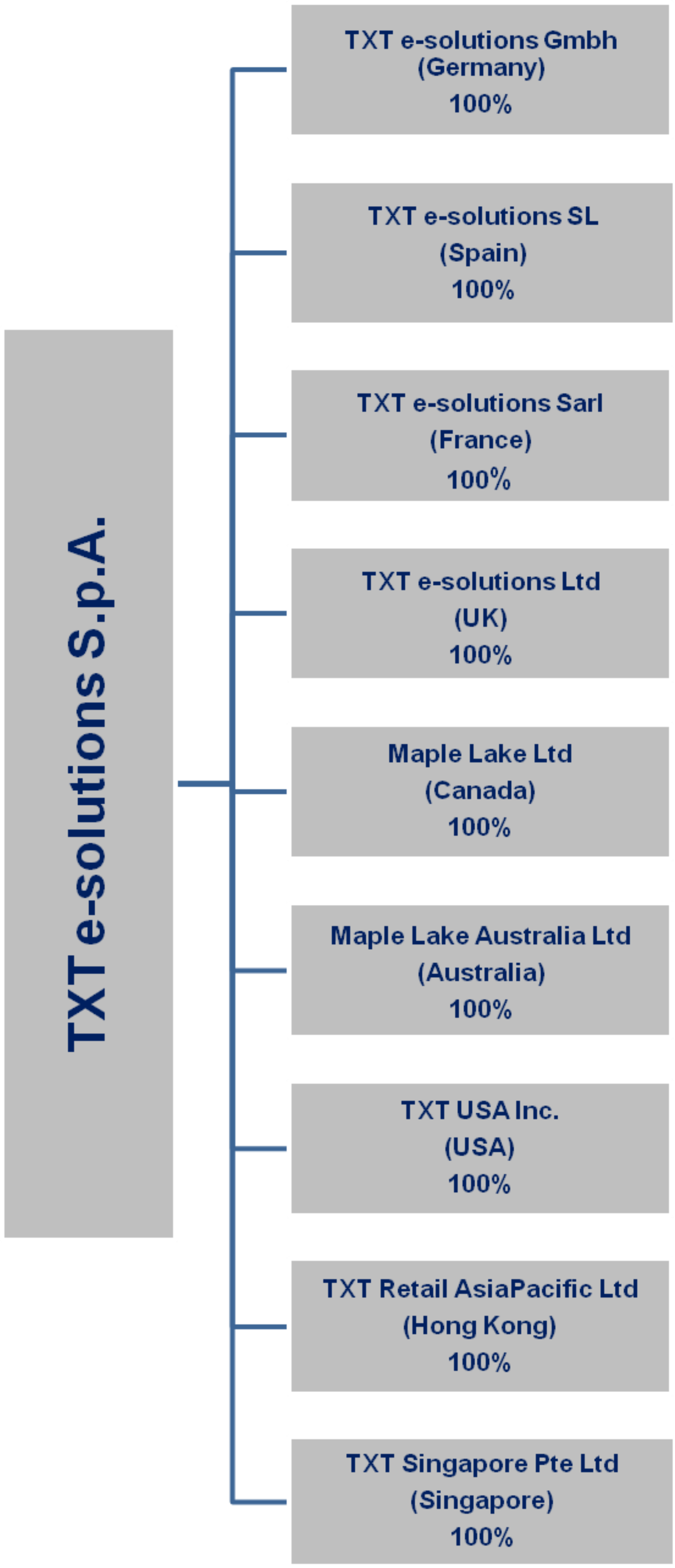
Organisational structure and scope of consolidation



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Key data and directors’ report on operations for the first 3 months of 2016

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	Q1 2016	%	Q1 2015	%	% change
REVENUES	**14,410**	**100.0**	**14,684**	**100.0**	**(1.9)**
of which:					
TXT Perform	7,916	54.9	8,635	58.8	(8.3)
TXT Next	6,494	45.1	6,049	41.2	7.4
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**1,414**	**9.8**	**1,491**	**10.2**	**(5.2)**
OPERATING PROFIT (LOSS) [EBIT]	**1,214**	**8.4**	**1,238**	**8.4**	**(1.9)**
NET PROFIT (LOSS) FOR THE PERIOD	**883**	**6.1**	**976**	**6.6**	**(9.5)**

FINANCIAL DATA (€ thousand)	31.3.2016	31.12.2015	Change
Fixed assets	17,723	18,132	(409)
Net working capital	6,060	11,063	(5,003)
Post-employment benefits and other non-current liabilities	(3,745)	(3,830)	85
Capital employed	**20,038**	**25,365**	**(5,327)**
Net financial position	13,680	8,259	5,421
Group shareholders' equity	33,718	33,624	94

DATA PER SHARE	31.3.2016	31.3.2015	Change
Number of shares outstanding (1)	11,662,313	11,668,052	(5,739)
Operating profit per share (1)	0.08	0.08	(0.01)
Shareholder's equity per share (1)	2.89	2.88	0.01

ADDITIONAL INFORMATION	31.3.2016	31.12.2015	Change
Number of employees	682	672	10
TXT share price	7.38	8.13	(0.75)

(1) The number of shares and the relevant 2015 prices were restated following the free share capital increase dated 20 May 2015, with the issue of one new share for every 10 shares issued, so as to allow comparison with 2016. Outstanding shares are equal to the shares issued less treasury shares.

Notes on Alternative Performance Measures

Pursuant to the CESR Recommendation on alternative performance measures (CESR/05-178b), it should be noted that the reclassified statements included in this Directors' Report on Operations show a number of differences from the official statements shown in the accounting tables set out in the following pages and in the Notes with regard to the terminology and the level of detail.

Specifically, the reclassified consolidated Income Statement introduces the following terms:
- **EBITDA**, which in the official consolidated Income Statement means "Total revenues" net of total operating costs;
- **EBIT**, which in the official consolidated Income Statement means "Total revenues" net of total operating costs, depreciation and amortisation, and impairment of fixed assets.

The reclassified consolidated Balance Sheet was prepared based on the items recognised as assets or liabilities in the official consolidated Balance Sheet, and it introduces the following terms:
- **FIXED ASSETS**, the sum of property, plant and equipment, intangible assets, goodwill, deferred tax assets and liabilities, and other non-current assets;
- **NET WORKING CAPITAL**, the sum of inventories, trade receivables/payables, current provisions, tax receivables/payables, and other current assets/liabilities and sundry receivables/payables;
- **CAPITAL EMPLOYED**, the algebraic sum of Fixed Assets, Net Working Capital, post-employment benefits, and other non-current liabilities.

Directors' report on operations for the first 3 months of 2016

Dear Shareholders,

First quarter 2016 was characterised by the important acquisition of German company Pace GmbH, which strengthens the bases for promising international development of the TXT Next aerospace division.

The combined activities of TXT Next and Pace have a potential market of over 300 major customers worldwide. They boast a select and expert team of 350 specialists, offering innovative and proprietary expertise and products that are difficult to find on the market and covering the entire life cycle of equipment and activities within the aeronautics industry, along its entire supply chains and across all segments: fixed wing, helicopters, civil transport, special missions, defence. The expertise of the TXT Next Division fully complements PACE's offer of products and services. Pace's results will be consolidated into TXT starting from 1 April.

The retail market suffered in the first quarter, with results down in many major companies of the sector. Consequently, we suffered from a number of delays in the signing of new licence contracts, as well as postponements of products, leading to a decline in revenues compared to first quarter 2015. Prospects for the second quarter show improvement, with a number of opportunities in both Europe as well as North America. Performance of the TXT Next aeronautics division, on the other hand, was positive:

- First quarter revenues amounted to € 14.4 million, down € 0.3 million compared to first quarter 2015 (-1.9%). Software revenues from licences, fees and maintenance were € 3.1 million, down € 0.6 million (-16.6%), due to a number of delays in signing new licence contracts and to postponements of projects. Revenues from services amounted to € 11.3 million, up 3.1%.

- TXT Perform Division's revenues (55% of the Group's revenues) amounted to € 7.9 million, down by 8.3% compared to the prior year, while those of the TXT Next division (45% of the Group's revenues) amounted to € 6.5 million, up 7.4% over first quarter 2015.

- International revenues were € 7.4 million, compared to € 7.8 million in first quarter 2015, equal to 52% of the total, essentially attributable to the TXT Perform division.

- The Gross Margin, net of direct costs, amounted to € 7.1 million, down 6.2% compared to 2015, essentially due to the reduction in licence sales with high margins, only partly offset by growth in revenues from services and improvement of the margin on services. The margin on revenues was 49.3%.

- EBITDA amounted to € 1.4 million, down by € 0.1 million compared to 2015 (-5.2%). Gross profit declined from 10.2% to 9.8%, essentially due to the decrease in revenues from licences during the quarter, only partly offset by the decline in research and development costs (-8.3%), commercial costs (-8.3%) and general and administrative costs (-2.2%).

- Operating profit (EBIT) amounted to € 1.2 million, down slightly (-1.9%) compared to first quarter 2015, due to the reduction in amortisation of research and development expenses capitalised over the years. As a percentage of revenues, operating profit was unchanged at 8.4%.

- Net profit amounted to € 0.9 million, after tax charges of € 0.2 million, equal to 22% of the pre-tax profit. As a percentage of revenues, it stood at 6.1%.

- The consolidated Net Financial Position as at 31 March 2016 was positive at € 13.7 million, a significant improvement over the € 8.3 million as at 31 December 2015, due to reduction of the investment in working capital and, in particular, to the collection of trade receivables and the positive cash flow generated during the quarter.

- Consolidated shareholders' equity was € 33.7 million compared to € 33.6 million as at 31 December 2015, mainly due to net profit during the quarter (€ 0.9 million), net of share buy-backs for € 0.3 million and exchange rate differences of € 0.5 million.

TXT's results for first quarter 2016, compared with the previous year's figures, are presented below:

(€ thousand)	Q1 2016	%	Q1 2015	%	% change
REVENUES	**14,410**	**100.0**	**14,684**	**100.0**	**(1.9)**
Direct costs	7,306	50.7	7,108	48.4	2.8
GROSS MARGIN	**7,104**	**49.3**	**7,576**	**51.6**	**(6.2)**
Research and development costs	1,249	8.7	1,362	9.3	(8.3)
Commercial costs	2,679	18.6	2,922	19.9	(8.3)
General and administrative costs	1,762	12.2	1,801	12.3	(2.2)
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**1,414**	**9.8**	**1,491**	**10.2**	**(5.2)**
Depreciation, amortisation and impairment	200	1.4	253	1.7	(20.9)
OPERATING PROFIT (LOSS) [EBIT]	**1,214**	**8.4**	**1,238**	**8.4**	**(1.9)**
Financial income (charges)	(86)	(0.6)	(70)	(0.5)	22.9
EARNINGS BEFORE TAXES (EBT)	**1,128**	**7.8**	**1,168**	**8.0**	**(3.4)**
Tax	(245)	(1.7)	(192)	(1.3)	27.6
NET PROFIT (LOSS) FOR THE PERIOD	**883**	**6.1**	**976**	**6.6**	**(9.5)**

REVENUES AND GROSS MARGINS

The table below highlights the TXT Group's results reclassified by business unit down to gross margin:

(in migliaia di Euro)	Q1 2016	%	Q1 2015	%	Var % 16/15
			TXT PERFORM		
RICAVI	**7.916**	**100,0**	**8.635**	**100,0**	**(8,3)**
Licenze e manutenzioni	3.062	38,7	3.649	42,3	(16,1)
Progetti e servizi	4.854	61,3	4.986	57,7	(2,6)
COSTI DIRETTI	3.200	40,4	3.101	35,9	3,2
MARGINE LORDO	**4.716**	**59,6**	**5.534**	**64,1**	**(14,8)**
			TXT NEXT		
RICAVI	**6.494**	**100,0**	**6.049**	**100,0**	**7,4**
Licenze e manutenzioni	7	0,1	31	0,5	(77,4)
Progetti e servizi	6.487	99,9	6.018	99,5	7,8
COSTI DIRETTI	4.106	63,2	4.007	66,2	2,5
MARGINE LORDO	**2.388**	**36,8**	**2.042**	**33,8**	**16,9**
			TOTALE TXT		
RICAVI	**14.410**	**100,0**	**14.684**	**100,0**	**(1,9)**
Licenze e manutenzioni	3.069	21,3	3.680	25,1	(16,6)
Progetti e servizi	11.341	78,7	11.004	74,9	3,1
COSTI DIRETTI	7.306	50,7	7.108	48,4	2,8
MARGINE LORDO	**7.104**	**49,3**	**7.576**	**51,6**	**(6,2)**

TXT Perform Division

The TXT Perform Division mainly operates in the Luxury, Apparel and Large International Retail sectors, providing 'end-to-end' solutions - from the collection to the shelf and e-commerce - for business planning, sales budgeting, and effectively implementing business plans.

Revenues of the TXT Perform division in the first 3 months of 2016 amounted to € 7.9 million, down compared to € 8.6 million in first quarter 2015 (-8.3%).

Software revenues from licences, fees and maintenance were € 3.1 million, down by 16.1% compared to € 3.6 million in first quarter 2015, while revenues from services amounted to € 4.9 million, down 2.6%. Revenues from software amounted to 38.7% of the division's total revenues, compared to 42.3% in 2015.

The division's international revenues were € 6.9 million, compared to € 7.3 million in the first 3 months of 2015, due to the decline in licence sales. International revenues account for 87% of TXT Perform's total revenues.

The Division's gross margin, net of direct costs, declined from € 5.5 million to € 4.7 million, essentially due to the decrease in software revenues, which had a significant impact on margins. As a percentage of revenues, it decreased from 64.1% to 59.6%.

During first quarter 2016, new contracts were signed or licence revenues accrued with major customers such as Groupe Dynamite (USA), Missoni (I), Adidas (D), Pandora (DK), Takko (D), Peek & Cloppenburg (D) and Delta Galil (ISR).

In 2015-2016, implementation of the End-to-End Retail solutions continued, via AgileFit, exclusive, innovative and proprietary TXT solution. These now constitute the heart of commercial offers and are at the basis of all customer projects. AgileFit speeds up installation and return on investments for TXT customers.

Customers of the Luxury, Fashion, and Retail sectors contributing to revenues in 2015-2016 numbered 350, with more than 100,000 points of sales and sales channels throughout the world. TXT Perform's potential market in the geographical areas of Europe and North America includes approximately 1,500 large Retailers.

At the National Retail Federation's (NRF) annual convention in New York, held on 17-19 January 2016, TXT announced the TXT Retail 7 solution: the first on the market that allows retailers to plan, design, implement and manage "customer-focused" assortments in multi-channel contexts, in which the client "purchases and collects anywhere".

TXT Retail is a unique solution, because it allows "customer-driven" assortments planned and achieved with an integrated and collaborative approach, bringing together all of the functions and activities involved in the retail process.

Until now, Retailers had to purchase or develop and then integrate, different solutions to support the processes of financial planning, assortment planning, product development, purchases, demand forecasting, allocation and supply acquisition. This approach resulted in isolated teams, each committed to its own area of responsibility, and led to challenges in the achievement of targeted assortments able to satisfy the requirements of new consumers in an effective and timely manner.

TXT Retail 7 is based on Microsoft's latest generation technological platform: the advanced "in-memory processing" capacities permit rapid management of large volumes of data, supporting the complex calculations and simulations that optimal management of retail processes requires.

The 2016 edition of Thinking Retail was held in London on 17 March 2016. As part of this event, retailers such as Adidas, AW LAB (Bata Group), Pandora, Sephora, Takko and Urban Outfitters met to discuss and share ideas and requirements with regard to end-to-end planning, with 150 leaders of international retail and planning professionals.

Participants were offered the possibility to explore the end-to-end capacities of the first Merchandise Lifecycle Management solution:

- Planning processes are integrated into a single business solution that accelerates adoption times and collaboration among functions, via Excel interface;

- The development of "customer-focused" collections includes all aspects of planning, design, product development and supply;
- Implementation of the assortment plans includes functions such as the automatic generation of purchase orders, demand planning, allocation and management of supplies;
- Visual Planning of the solution integrates the visibility of tastes, trends and styles with the numerical aspect of the collection plan.

TXT Next Division

Revenues for the TXT Next division in the first 3 months of 2016 amounted to € 6.5 million, up 7.4% compared to € 6.0 million in 2015, due to good sales particularly in the aeronautics sector. The Division's revenues accounted for 45% of the Group's revenues.

The Gross margin increased from € 2.0 million to € 2.4 million, up 16.9%. The gross margin improved from 33.8% of revenues to 36.8%.

TXT Next offers a specialised and innovative portfolio of engineering and software services to leading European companies, particularly in the following sectors:

• Aerospace, Automotive & Rail;
• High Tech Manufacturing;
• Banking & Finance.

TXT Next stands out for its ability to design highly reliable advanced solutions with technology as a key business factor. It specialises in mission critical software and systems and embedded software as well as in software for training purposes based on simulations and virtual & augmented reality.

TXT is a qualified partner for aerospace companies in designing and developing aviation products, systems and components, as well as in implementing innovative aeronautical production management systems.

In the financial and banking sector, TXT specialises in Business Process Modelling and Independent Verification & Validation of supporting IT systems.

The product range builds on the substantial operating experience acquired by working side-by-side with leading companies for over twenty years, as well as on our in-depth expertise in software planning and development. Furthermore, we have strategic partnerships with Microsoft, HP and IBM.

Acquisition of Pace GmbH, the preliminary agreement of which was signed on 29 February and closing finalised on 1 April, will strengthen the expertise of TXT, which has decades of experience in the aerospace sector, particularly in the area of flight software, flight simulators, training systems and advanced manufacturing.

Established in 1995, Pace serves a growing number of aerospace companies and airline operators throughout the world, providing them with software and innovative services to design, configure and operate their airlines and fleets in an economically optimal manner. The main application areas are the preliminary design of airplanes, the architecture of technical and cabin systems, configuration of airplanes and cabins, economic management of airlines and fleets, analysis of flying routes and innovative instruments - such as "Electronic Flight Bags" - to improve operating efficiency.

PACE's customers currently comprise about 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Airbus (D and F), Boeing (USA), Safran Group (F), GE Aviation (USA), COMAC (China), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), AirFrance & KLM Engineering (F), Lufthansa (D) and Delta AirLines (USA).

TXT GROUP'S REVENUES

Research and development costs in first quarter 2016 amounted to € 1.2 million, down 8.3% compared to € 1.4 million in first quarter 2015, mainly due to the decline in activity on funded research projects. Development continued on the new AgileFit, In-memory, Cloud and Omnichannel solutions. Their impact on revenues was 8.7%, compared to 9.3% in first quarter 2015.

Commercial costs amounted to € 2.7 million, down 8.3% compared to first quarter 2015 as a result of containment of the variable component of personnel costs. Commercial investments continued in North America and Europe, along with initiatives for the promotion of TXT Perform products, in occasion of the NRF event in New York and Thinking Retail! event in London. Commercial costs declined from 19.9% to 18.6% as a percentage of revenues.

General and administrative costs amounted to € 1.8 million, down 2.2% compared to first quarter 2015. As a percentage of revenues, they declined from 12.3% to 12.2%.

Gross Operating profit (EBITDA) in first quarter 2016 amounted to € 1.4 million, down by € 0.1 million compared to 2015 (-5.2%). Gross profit as a percentage of revenues dropped from 10.2% to 9.8%, essentially due to the drop in revenues from licences during the quarter, only partly offset by growth in revenues from maintenance and services and by the decrease in indirect costs.

Operating profit (EBIT) amounted to € 1.2 million, down slightly (-1.9%) compared to first quarter 2015, due to the reduction in amortisation of research and development expenses capitalised over the years. As a percentage of revenues, operating profit was unchanged at 8.4%.

Pre-tax profit amounted to € 1.1 million, down 3.4% compared to first quarter 2015, following financial charges of € 0.1 million. As a percentage of revenues, it amounted to 7.8%.

Net profit amounted to € 0.9 million, after tax charges of € 0.2 million, equal to 22% of the pre-tax profit. As a percentage of revenues, it stood at 6.1%.

CAPITAL EMPLOYED

As at 31 March 2016, Capital Employed totalled € 20.0 million, down compared to € 25.4 million as at 31 December 2015, mainly due to the collection of receivables.

The table below shows the details:

(Importi in migliaia di euro)	31.3.2016	31.12.2015	Var	31.3.2015
Immobilizzazioni immateriali	14.221	14.692	(471)	15.432
Immobilizzazioni materiali nette	1.454	1.361	93	1.382
Altre attività immobilizzate	2.048	2.079	(31)	2.051
Capitale Immobilizzato	**17.723**	**18.132**	**(409)**	**18.865**
Rimanenze	2.415	2.075	340	1.915
Crediti commerciali	20.852	25.032	(4.180)	21.494
Crediti vari e altre attività a breve	2.905	2.759	146	2.335
Debiti commerciali	(1.124)	(1.422)	298	(1.800)
Debiti per imposte	(1.670)	(1.291)	(379)	(1.772)
Debiti vari e altre passività a breve	(17.318)	(16.090)	(1.228)	(15.717)
Capitale circolante netto	**6.060**	**11.063**	**(5.003)**	**6.455**
TFR e altre passività non correnti	**(3.745)**	**(3.830)**	**85**	**(3.822)**
Capitale investito	**20.038**	**25.365**	**(5.327)**	**21.498**
Patrimonio netto del gruppo	33.718	33.624	94	33.566
Posizione finanziaria netta (Liquidità)	(13.680)	(8.259)	(5.421)	(12.068)
Capitale investito	**20.038**	**25.365**	**(5.327)**	**21.498**

Intangible assets fell by € 0.5 million compared to 31 December 2015, mainly as a result of amortisation of intellectual property rights to software and the customer portfolio during the period.

Property, plant and equipment amounted to € 1.5 million, up € 0.1 million compared to year-end 2015, due to investments made in servers and computers.

Other fixed assets amounted to € 2.0 million and essentially comprise deferred tax assets, unchanged compared to the end of 2015.

Net working capital decreased by € 5.0 million from € 11.1 million as at 31 December 2015 to € 6.1 million as at 31 March 2016, mainly due to the decline in trade receivables (- € 4.2 million), particularly from a number of customers in the aeronautics division. Sundry payables and other short-term liabilities increased by € 1.2 million, mainly due to accruals of annual maintenance fees collected.

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 3.7 million declined slightly (- € 0.1 million), due to a number of liquidation payments.

Consolidated shareholders' equity was € 33.7 million, compared to € 33.6 million as at 31 December 2015, mainly due to net profit during the quarter (€ 0.9 million), net of share buy-backs for € 0.3 million and exchange rate differences of € 0.5 million.

The consolidated Net Financial Position as at 31 March 2016 was positive at € 13.7 million, a significant improvement over the € 8.3 million as at 31 December 2015, due to reduction of the investment in working capital and, in particular, to the collection of trade receivables and the positive cash flow generated during the quarter.

Pursuant to Consob communication dated 28 July 2006 and in conformity with the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses", it is noted that the TXT e-solutions Group's Net Financial Position at 31 March 2016 is as follows:

(Importi in migliaia di euro)	31.3.2016	31.12.2015	Var	31.3.2015
Cassa e banche attive	14.598	9.080	5.518	13.404
Debiti finanziari a breve	(918)	(821)	(97)	(1.221)
Disponibilità finanziaria a breve termine	**13.680**	**8.259**	**5.421**	**12.183**
Debiti verso banche scadenti oltre 12 mesi	-	-	-	(115)
Disponibilità Finanziaria Netta	**13.680**	**8.259**	**5.421**	**12.068**

The Net Financial Position as at 31 March 2016 is detailed as follows:

- Cash and bank assets of € 14.6 million: the group's cash and bank assets were largely invested in euro-denominated short-term bank deposits, with the rest being held as cash for operating activities. This item also includes grants for research projects (€ 0.8 million) received by TXT as coordinator and lead manager; these amounts will be subsequently distributed to the other participating companies and the amounts were therefore recognised under short-term financial payables. The overall effect of these advances on net financial position is therefore zero.

- The € 0.9 million in short-term financial payables essentially consist of the financial payable for grants to be paid to research project partners.

EMPLOYEES

At 31 March 2016, the Group had 682 employees, compared to 672 at 31 December 2015, for an increase of 10 employees essentially in the TXT Next division, given the growth in business volume.

Personnel costs in first quarter 2016 amounted to € 9.8 million, compared to € 9.6 million in 2015, up 2.2% mainly due to growth in staff.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first 3 months of 2016, the share price of TXT e-solutions reached a high of € 8.07 on 2 March 2016 and a low of € 7.15 on 26 January 2016. At 31 March 2015, the share price was € 7.38.

Average daily trade volumes in the first 3 months of 2016 amounted to 14,200.

At 31 March 2016, treasury shares amounted to 1,298,431 (1,345,700 at 31 December 2015), accounting for 9.98% of shares outstanding, and were purchased at an average price of € 2.23 per share.

During first quarter 2016, a total of 36,101 treasury shares were purchased at an average price of € 7.63 and 83,370 treasury shares were granted to employees following achievement of the Stock Grant performance objectives.

In order to provide regular updates on the Company, an email-based communication channel is operational (txtinvestor@txtgroup.com). Everyone can sign up for this service in order to receive, in addition to press releases, specific communications to Investors and Shareholders.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

The Shareholders' Meeting held on 22 April 2016 examined and approved the 2015 financial statements and approved the distribution of a € 0.25 dividend per share, unchanged compared to the prior year. The ex-dividend date will be 16 May 2016 (record date 17 May 2016, with payment on 18 May 2016, coupon no.8), excluding treasury shares held at that date. Total dividends will therefore be approximately € 2.9 million, paid in relation to approximately 11.7 million shares.

The Meeting confirmed the appointment of Fabienne Dejean Schwalbe as independent director, co-opted in 2015, and renewed the authorisation to purchase treasury shares for a period of 18 months, up to a maximum of 20% of the share capital. According to the plan, the maximum payment must not be higher than the average of the official Stock Market prices in the three sessions prior to the purchase, plus 10%, and in any case it must not exceed € 25.00.

The Meeting also approved a Stock Options plan for the Group's executive directors and senior managers, up to a maximum of 1,200,000 ordinary shares of TXT e-solutions S.p.A. The objective of the plan is to link remuneration of beneficiaries to the creation of value for the company's shareholders, focusing on factors of strategic interest and encouraging loyalty. The Plan envisages the assignment of options, subject to achievement of specific performance objectives of the Company, to be more specifically established by the Board of Directors, upon proposal by the Remuneration Committee. The Plan spans approximately 5 years, with three-year vesting periods.

The acquisition of Pace GmbH was completed on 1 April 2016. The transaction envisages the payment of € 5.6 million for 79% of PACE's shares, paid in cash today by using the available liquidity of TXT; additional cash payments in 2016 and 2017, currently estimated at approximately € 2.2 million, based on PACE's business results; a put-call option for the remaining 21% of shares held by the three founding managers, which can be exercised in the period 2020-2021, at a price based on the future results of PACE, with multiples essentially in line with those of the initial transaction; the three founding managers will remain in order to guide the future development of the Company.

In 2015, PACE achieved revenues of approximately € 7.3 million (+20.4% compared to 2014) - of which 57% for licences, maintenance and other recurring charges - and EBITDA of € 0.8 million, with approximately 70 high-level people and a positive net financial position of approximately € 2.0 million.

The retail market suffered in first quarter, with declining results in many large companies of the sector and growing risks due to the general situation and the uncertain performance of the reference markets. The company aims to grow in North America and to develop the ample and diversified clientele already acquired in the retail sector. The TXT Next division also has solid growth prospects in the aeronautics market over the long-term and new opportunities offered by the extensive and qualified customer portfolio acquired with Pace GmbH, the results of which will be consolidated starting from 1 April.

Development of business in second quarter 2016 is expected to be in line with that of the prior year, but will good recovery in licence sales across all regions compared to the first quarter.

Manager responsible for preparing

corporate accounting documents — Chairman of the Board of Directors

Paolo Matarazzo — Alvise Braga Illa

Milan, 13 May 2016

Consolidated financial statements as at 31 March 2016

Consolidated Balance Sheet

ASSETS	31.03.2016	31.12.2015
NON-CURRENT ASSETS		
Goodwill	12,767,069	13,160,091
Intangible assets with a finite useful life	1,453,896	1,531,601
Intangible assets	**14,220,965**	**14,691,692**
Property, plant and equipment	1,453,747	1,361,299
Property, plant and equipment	**1,453,747**	**1,361,299**
Sundry receivables and other non-current assets	128,013	141,671
Deferred tax assets	1,920,459	1,936,976
Other non-current assets	**2,048,472**	**2,078,647**
TOTAL NON-CURRENT ASSETS	**17,723,184**	**18,131,638**
CURRENT ASSETS		
Period-end inventories	2,415,229	2,074,935
Trade receivables	20,851,525	25,031,799
Sundry receivables and other current assets	2,905,310	2,759,371
Cash and cash equivalents	14,598,497	9,079,975
TOTAL CURRENT ASSETS	**40,770,561**	**38,946,080**
TOTAL ASSETS	**58,493,745**	**57,077,718**

LIABILITIES AND SHAREHOLDERS' EQUITY	31.03.2016	31.12.2015
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	15,036,748	15,826,568
Retained earnings (accumulated losses)	11,294,643	7,412,155
Profit (loss) for the period	883,050	3,882,489
TOTAL SHAREHOLDERS' EQUITY	**33,717,566**	**33,624,337**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	-	-
Employee benefits expense	3,744,927	3,830,292
Deferred tax provision	1,187,391	1,274,631
TOTAL NON-CURRENT LIABILITIES	**4,932,318**	**5,104,923**
CURRENT LIABILITIES		
Current financial liabilities	917,751	820,586
Trade payables	1,124,559	1,422,360
Tax payables	483,164	15,544
Sundry payables and other current liabilities	17,318,387	16,089,968
TOTAL CURRENT LIABILITIES	**19,843,861**	**18,348,458**
TOTAL LIABILITIES	**24,776,179**	**23,453,381**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**58,493,745**	**57,077,718**

Consolidated Income Statement

	31.03.2016	31.03.2015
TOTAL REVENUES AND OTHER INCOME	**14,410,339**	**14,683,528**
Purchase of materials and external services	(2,710,645)	(3,131,528)
Personnel costs	(9,795,080)	(9,586,020)
Other operating costs	(490,742)	(475,057)
Depreciation and amortisation/Impairment	(200,128)	(253,114)
OPERATING PROFIT (LOSS)	**1,213,744**	**1,237,809**
Financial income (charges)	(85,322)	(69,738)
EARNINGS BEFORE TAXES	**1,128,422**	**1,168,071**
Income taxes	(245,372)	(191,934)
NET PROFIT (LOSS) FOR THE PERIOD	**883,050**	**976,137**
EARNINGS PER SHARE	0.08	0.09
DILUTED EARNINGS PER SHARE	0.08	0.09

Consolidated Statement of Comprehensive Income

	31.03.2016	31.03.2015
NET PROFIT (LOSS) FOR THE PERIOD	**883,050**	**976,137**
Foreign currency translation differences - foreign operations	(51,041)	**46,895**
Total items of other comprehensive income that will be subsequently reclassified to profit /(loss) for the period net of taxes	**(51,041)**	**46,895**
Defined benefit plans actuarial gains (losses)	-	**-**
Total items of other comprehensive income that will not be subsequently reclassified to profit /(loss) for the period net of taxes	**-**	**-**
Total profit/ (loss) of Comprehensive income net of taxes	**(51,041)**	**46,895**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**832,009**	**1,023,032**

Consolidated Statement of Cash Flows

	31.03.2016	31.03.2015
Net profit (loss) for the period	**883,050**	**976,137**
Non-monetary costs	-	2,652
Current tax	467,620	410,173
Change in deferred tax	(70,723)	(85,896)
Depreciation and amortisation, impairment and provisions	200,127	253,114
Cash flows from (used in) operating activities (before change in working capital)	**1,480,074**	**1,556,180**
(Increases)/decreases in trade receivables	4,181,073	(2,922,651)
(Increases)/decreases in inventories	(340,294)	(94,464)
Increases/(decreases) in trade payables	(297,801)	259,817
increases/(decreases) in post-employment benefits	(85,365)	(19,671)
Increases/(decreases) in other assets and liabilities	1,096,138	2,029,484
Change in operating assets and liabilities	4,553,751	(747,485)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**6,033,825**	**808,695**
Increases in property, plant and equipment	(215,398)	(244,356)
Increases in intangible assets	(271)	(4,666)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(215,669)**	**(249,022)**
Increases/(decreases) in financial payables	97,165	(2,586,269)
Share buy-backs	(275,572)	3,159,247
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(178,407)**	**572,978**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,639,749**	**1,132,651**
Effect of exchange rate changes on cash flows	(121,227)	(32,417)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**9,079,975**	**12,304,130**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**14,598,497**	**13,404,364**

Consolidated Statement of Changes in Equity as at 31 March 2016

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Riserva di traduzione	Utili a nuovo	Utile (perdita) del perido	Totale patrimonio netto
Saldi al 31 dicembre 2015	**6.503.125**	**620.000**	**12.624.161**	**1.911.444**	**140.667**	**921.297**	**(904.667)**	**513.668**	**7.412.155**	**3.882.487**	**33.624.337**
Utile al 31 dicembre 2015									3.882.488	(3.882.488)	**-**
(Acquisto) / Vendita azioni proprie			(275.572)								**(275.572)**
Delta cambi					(51.041)			(463.208)			**(514.249)**
Utile al 31 marzo 2016										883.050	**883.050**
Saldi al 31 marzo 2016	**6.503.125**	**620.000**	**12.348.589**	**1.911.444**	**89.626**	**921.297**	**(904.667)**	**50.460**	**11.294.643**	**883.050**	**33.717.567**

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Riserva di traduzione	Utili a nuovo	Utile (perdita) del perido	Totale patrimonio netto
Saldi al 31 dicembre 2014	**5.911.932**	**519.422**	**10.999.923**	**1.911.444**	**198.747**	**181.297**	**(1.014.033)**	**70.735**	**6.018.431**	**4.172.380**	**28.970.278**
Utile al 31 dicembre 2014									4.172.380	(4.172.380)	**0**
(Acquisto) / Vendita azioni proprie			3.159.247								**3.159.247**
Delta cambi					46.895			413.691			**460.586**
Utile al 31 marzo 2015										976.137	**976.137**
Saldi al 31 marzo 2015	**5.911.932**	**519.422**	**14.159.170**	**1.911.444**	**245.642**	**181.297**	**(1.014.033)**	**484.426**	**10.190.811**	**976.137**	**33.566.248**

Notes to the Financial Statements

1. Group's structure and scope of consolidation

The Parent Company TXT e-solutions S.p.A. and its subsidiaries operate both in Italy and abroad in the IT sector, and provide software and service solutions in extremely dynamic markets that require advanced technological solutions.

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 31 March 2016:

Company name of the subsidiary	Currency	% of direct interest	Share Capital
TXT e-solutions SL	EUR	100%	600,000
TXT e-solutions Sarl	EUR	100%	1,300,000
TXT e-solutions Gmbh	EUR	100%	1,300,000
TXT e-solutions Ltd	GBP	100%	2,966,460
TXT North America Inc.	CAD	100%	2,200,801
Maple Australia Lake Pty Ltd	AUD	100%	112
TXT USA Inc.	USD	100%	1,000
TXT Retail AsiaPacific Ltd	HKD	100%	100,000
TXT Singapore Pte Ltd	SGD	100%	10,000

TXT e-solutions Group's consolidated financial statements are presented in Euro.

Here below are the foreign exchange rates used for translating the amounts expressed in foreign currency of the subsidiaries TXT e-solutions Ltd, Maple Lake Ltd, Maple Lake Australia Pty Ltd, TXT USA Inc., TXT Retail AsiaPacific Ltd and TXT Singapore Pte Ltd into Euro:

- Income Statement (average exchange rate for the first 3 months)

Currency	31.03.2016	31.03.2015
British Pound Sterling (GBP)	0.7701	0.7436
Canadian Dollar (CAD)	1.5154	1.3966
Australian Dollar (AUD)	1.5296	1.4322
USA Dollar (USD)	1.1017	1.1270
Hong Kong Dollar (HKD)	8.5665	8.7401
Singapore Dollar (SGD)	1.5468	1.5280

- Balance sheet (exchange rate at 31 March 2016 and 31 December 2015)

Currency	31.03.2016	31.12.2015
British Pound Sterling (GBP)	0.7916	0.7340
Canadian Dollar (CAD)	1.4738	1.5116
Australian Dollar (AUD)	1.4807	1.4897
USA Dollar (USD)	1.1385	1.0887
Hong Kong Dollar (HKD)	8.8282	8.4376
Singapore Dollar (SGD)	1.5304	1.5417

2. Accounting standards and measurement bases

This interim report was prepared in compliance with IFRSs and pursuant to Article 154-ter of the Consolidated Law on Finance (Legislative Decree 195/2007) implementing Directive 2004/109/EC on disclosure requirements. Such article replaced Article 82 (“Interim management report”) and Annex 3D (“Content of the quarterly report”) of the Issuers’ Regulation.

This interim report has been prepared in accordance with accounting standards and principles used to prepare the separate and consolidated financial statements. The assumptions applied to this interim report are also in line with those used in the separate and consolidated financial statements.

The interim report for the first quarter of 2016 is not subject to auditing.

3. Financial Risk Management

As for business risks, the main financial risks identified and monitored by the Group are as follows:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk.

The financial risk management objectives and policies of the TXT e-solutions Group reflect those illustrated in the consolidated financial statements as at 31 December 2015, to which reference should be made.

4. Certification of the Interim report pursuant to Article 154-bis of Legislative Decree 58/98

Pursuant to paragraph 2 of Article 154-bis, part IV, title III, heading II, section V-bis of Legislative Decree 58 dated 24 February 1999, the Manager responsible for preparing corporate accounting documents certifies that financial information included in this document corresponds to the accounting books and records.

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Milan, 13 May 2016