TXT e-solutions Group

Interim report

on operations as at 31 March 2017

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 2019:

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(3)
Paolo Matarazzo	Director	(2)
Andrea Casanova	Non-executive Director	(3)
Teresa Cristiana Naddeo	Independent Director	(3)
Stefania Saviolo	Independent Director	(3)

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

(2) Powers assigned: ordinary administration.

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

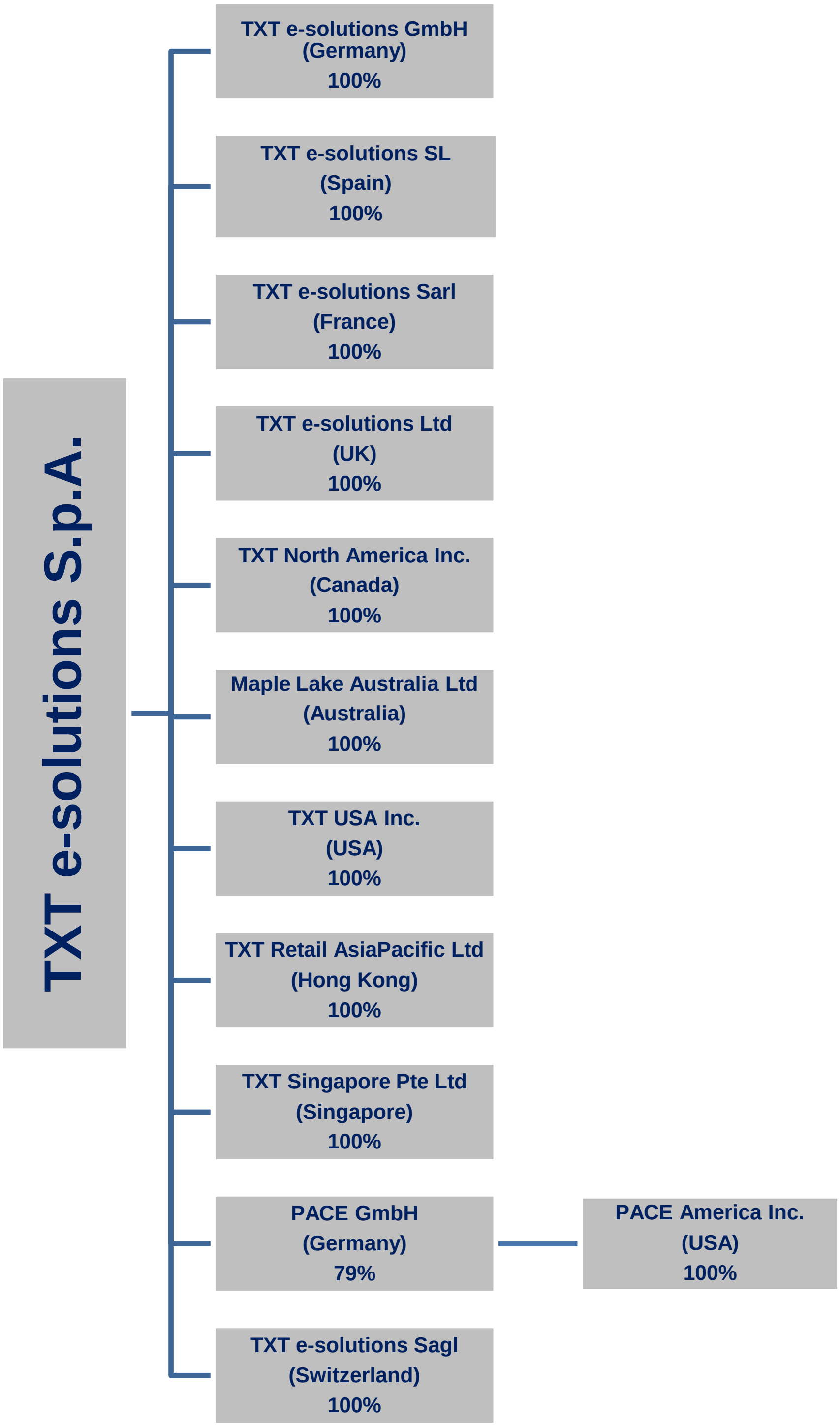
BOARD OF STATUTORY AUDITORS

Members' term of office expires upon approval of the financial statements for the year ending 31 December 2019:

Mario Basilico	Chairman
Luisa Cameretti	Standing auditor
Giampaolo Vianello	Standing auditor
Massimiliano Alberto Tonarini	Alternate auditor
Pietro Antonio Grignani	Alternate auditor
Laura Grimi	Alternate auditor

EXTERNAL AUDITORS	EY S.p.A.
INVESTOR RELATIONS	E-mail: infofinance@txtgroup.com
	Telephone: +39 02 25771.1

Organisational structure and scope of consolidation



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Key data and Directors' Report on Operations for the first 3 months of 2017

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)		Q1 2017	%	Q1 2016	%	% CHANGE
REVENUES		**17,998**	**100.0**	**14,410**	**100.0**	**24.9**
	of which:					
	TXT Retail	9,039	50.2	7,916	54.9	14.2
	TXT Next	8,959	49.8	6,494	45.1	38.0
EBITDA pre Stock Options (1)		**1,577**	**8.8**	**1,414**	**9.8**	**11.5**
EBITDA		**1,496**	**8.3**	**1,414**	**9.8**	**5.8**
OPERATING PROFIT (LOSS) [EBIT]		**1,152**	**6.4**	**1,214**	**8.4**	**(5.1)**
NET PROFIT (LOSS) FOR THE YEAR		**638**	**3.5**	**883**	**6.1**	**(27.7)**

FINANCIAL DATA (€ thousand)	31.3.2017	31.12.2016	Change
Fixed assets	25,549	25,428	121
Net working capital	4,404	7,429	(3,025)
Post-employment benefits and other non-current liabilities	(3,928)	(3,945)	17
Capital employed	**26,025**	**28,912**	**(2,887)**
Net financial position	8,822	5,371	3,451
Group shareholders' equity	34,847	34,283	564

DATA PER SHARE	31.3.2017	31.3.2016	Change
Average number of shares outstanding	11,652,117	11,662,313	(10,196)
Net earnings per share	0.05	0.08	(0.03)
Shareholders’ equity per share	2.99	2.89	0.10

ADDITIONAL INFORMATION	31.3.2017	31.12.2016	Change
Number of employees	791	790	1
TXT share price	10.10	7.50	2.60

(1) EBITDA pre Stock Options indicates the company's Gross operating profit (EBITDA) without considering the costs accrued for stock options.

Notes on Alternative Performance Measures

Pursuant to the ESMA guidelines on alternative performance measures (“APMs”) (ESMA/2015/1415), endorsed by CONSOB (see CONSOB Communication no. 0092543 dated 3 December 2015), 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 to the condensed consolidated half-yearly financial statements with regard to the terminology and the level of detail.

Specifically, the reclassified consolidated Income Statement introduces the following terms:

• **EBITDA pre Stock Options**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs and excluding the Stock Options costs. In 2017, costs accrued in the first quarter with regard to the 2017-2019 three-year plan were recorded. The indicator provides information for better comparability of the EBITDA of the two years.

• **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.

These APMs, in line with the data presented in the consolidated income statement and balance sheet in accordance with the recommendations outlined above, were deemed to be significant as they represent parameters that succinctly and clearly depict the company’s equity, financial and economic performance, also through an analysis of comparative data.

Directors' Report on Operations for the first 3 months of 2017

Dear Shareholders,

First quarter 2017 was characterised by a good level of growth in both divisions, by continuation of the integration of German company Pace GmbH, acquired in 2016 and which accelerates the international development of the TXT Next aeronautical division, and by significant commercial and R&D investment.

TXT's overall position is currently strong in two primary markets, aeronautics and retail, both showing global growth over the medium term and with little correlation, thereby reducing the economic risks for the company.

- Revenues amounted to € 18.0 million in first quarter 2017, up 24.9% compared to € 14.4 million in first quarter 2016, with Pace GmbH (acquired and consolidated starting from 1 April 2016) contributing € 1.9 million and growth of 11.4%.
  Revenues from software for licences, subscriptions and maintenance for first quarter 2017 were € 4.4 million, up 42.7% compared to first quarter 2016 (+18.9% under the same scope of consolidation) and revenues from services were € 13.6 million, up 20.1% compared to first quarter 2016 (+9.4% under the same scope of consolidation).

- Revenues of the TXT Retail division, End-to-End software specialist in Luxury and Fashion (50.2% of the Group's revenues), amounted to € 9.0 million, up 14.2% over the € 7.9 million recorded in first quarter 2016. Revenues of the TXT Next division, software specialist in the Aerospace, High-Tech and Finance sectors, amounted to € 9.0 million (49.8% of the Group's revenues), compared to € 6.5 million in first quarter 2016, up 38.0%. The € 2.5 million increase includes € 1.9 million from Pace GmbH and € 0.6 million in growth (+8.0%).

- International revenues amounted to € 10.6 million, up 43.3% compared to € 7.4 million in first quarter 2016, equal to 59.0% of the total (51.5% in first quarter 2016).

- Net of direct costs, the Gross Margin came to € 9.5 million, up 33.9% over first quarter 2016 and included the contribution of Pace GmbH (€ 1.3 million) and growth of € 1.1 million (+15.9%). As a percentage of revenues, it improved by 49.3% in first quarter 2016 to 52.9%.

- EBITDA pre Stock Options was € 1.6 million, up 11.5% compared to first quarter 2016 (€ 1.4 million), following significant investments in research and development, up 46.0%, and commercial investments, up 48.2%.

- EBITDA in first quarter 2017 was € 1.5 million, following costs of € 0.1 million accrued during the quarter for the 2017-2019 Stock Options plan.

- Operating profit (EBIT) amounted to € 1.2 million, down compared to first quarter 2016 (-5.1%) as a result of ordinary amortisation/depreciation of Pace and the portion of amortisation on intellectual property rights on the software and customer portfolio of Pace, arising from allocation of the acquisition cost.
- Net profit was € 0.6 million (€ 0.9 million in first quarter 2016), net of tax charges of € 0.3 million (32% of pre-tax profit), up compared to € 0.2 million in first quarter 2016, due to full use in the

prior year of prior tax losses in a number of Countries.

- The consolidated Net Financial Position as at 31 March 2017 was positive at € 8.8 million (€ 5.4 million as at 31 December 2016), with an improvement of € 3.4 million as a result of cash flow generated during the quarter and the reduction in capital employed.

- Consolidated shareholders' equity amounted to € 34.8 million, up € 0.5 million compared to € 34.3 million as at 31 December 2016, mainly due to the net profit for the quarter (€ 0.6 million).

TXT's results for first quarter 2017, compared with the previous year's figures, are presented below:

(€ thousand)	Q1 2017	%	Q1 2016	%	% change
REVENUES	**17,998**	**100.0**	**14,410**	**100.0**	**24.9**
Direct costs	8,483	47.1	7,306	50.7	16.1
GROSS MARGIN	**9,515**	**52.9**	**7,104**	**49.3**	**33.9**
Research and development costs	1,824	10.1	1,249	8.7	46.0
Commercial costs	3,969	22.1	2,679	18.6	48.2
General and administrative costs	2,145	11.9	1,762	12.2	21.7
EBITDA pre Stock Options	**1,577**	**8.8**	**1,414**	**9.8**	**11.5**
Stock options	81	0.5	-	-	n.s.
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**1,496**	**8.3**	**1,414**	**9.8**	**5.8**
Depreciation, amortisation and impairment	344	1.9	200	1.4	72.0
OPERATING PROFIT (LOSS) [EBIT]	**1,152**	**6.4**	**1,214**	**8.4**	**(5.1)**
Financial income (charges)	(215)	(1.2)	(86)	(0.6)	n.s.
EARNINGS BEFORE TAXES (EBT)	**937**	**5.2**	**1,128**	**7.8**	**(16.9)**
Taxes	(299)	(1.7)	(245)	(1.7)	22.0
NET PROFIT (LOSS) FOR THE YEAR	**638**	**3.5**	**883**	**6.1**	**(27.7)**

REVENUES AND GROSS MARGINS

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

(€ thousand)	Q1 2017	%	Q1 2016	%	% change 17/16
			TXT RETAIL		
REVENUES	**9,039**	**100.0**	**7,916**	**100.0**	**14.2**
Software	3,640	40.3	3,062	38.7	18.9
Services	5,399	59.7	4,854	61.3	11.2
DIRECT COSTS	3,539	39.2	3,200	40.4	10.6
GROSS MARGIN	**5,500**	**60.8**	**4,716**	**59.6**	**16.6**
			TXT NEXT		
REVENUES	**8,959**	**100.0**	**6,494**	**100.0**	**38.0**
Software	740	8.3	7	0.1	n.s.
Services	8,219	91.7	6,487	99.9	26.7
DIRECT COSTS	4,944	55.2	4,106	63.2	20.4
GROSS MARGIN	**4,015**	**44.8**	**2,388**	**36.8**	**68.1**
			TOTAL TXT		
REVENUES	**17,998**	**100.0**	**14,410**	**100.0**	**24.9**
Software	4,380	24.3	3,069	21.3	42.7
Services	13,618	75.7	11,341	78.7	20.1
DIRECT COSTS	8,483	47.1	7,306	50.7	16.1
GROSS MARGIN	**9,515**	**52.9**	**7,104**	**49.3**	**33.9**

TXT Retail Division

The TXT Retail 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 effective implementation of business plans.

Revenues of the TXT Retail division in first quarter 2017 amounted to € 9.0 million, up 14.2% compared to € 7.9 million in first quarter 2016.

Software revenues from licences, subscriptions and maintenance were € 3.6 million, up 18.9% compared to first quarter 2016 (€ 3.1 million), due to good performance of sales of licences in the United States and Asia, in addition to the continuous progress of maintenance sales. Revenues from services amounted to € 5.4 million, up 11.2% compared to first quarter 2016 (€ 4.9 million). Revenues from software amounted to 40.3% as a percentage of the division's total revenues, showing growth compared to 38.7% the prior year.

International revenues of the division amounted to € 7.7 million, up 11.6% compared to € 6.9 million in first quarter 2016. International revenues account for 85% of the TXT Retail Division's revenues.

The division's gross margin, net of direct costs, increased from € 4.7 million to € 5.5 million, with growth of 16.6%, which is more than proportional to the increase in revenues (+14.2%), due to the increase in software revenues, which had a significant impact on margins. As a percentage of revenues, it increased from 59.6% to 60.8% in first quarter 2017.

In first quarter 2017, a major contract was signed in the USA with The Finish Line (USA), sports footwear and athletic wear retailer with 600 owned stores, 600 points of sale in Macy's department stores and three specialised web sites. Just as important is the acquisition of another leading retailer with operations based in Hong Kong, which consolidates our growth in Asia. In Europe, s.Oliver (D), German brand and retailer, selected our Supply Chain Collaboration solution in subscription version, while we added a third customer in Russia.

Implementation of the End-to-End Retail solutions continued in 2017, via AgileFit, exclusive, innovative and proprietary TXT solution, now constituting the heart of commercial offers and of all projects. AgileFit speeds up installation and return on investments for TXT customers.

A total of 350 customers of the Luxury, Fashion, and Retail sectors contributed to revenues in 2017, with more than 100,000 points of sale and sales channels throughout the world. TXT Retail's potential market in the geographical areas of Europe and North America includes approximately 1,500 large Retailers.

The events Thinking Retail Amsterdam (23 March) and Thinking Retail New York (27 April) are in constant growth compared to past years and are showing a strong interest in the new In-Memory and Visual Planning functions introduced with TXT Retail 8.

Research and development continued in first quarter 2017 on the new product TXT Retail 8, announced in occasion of the National Retail Federation's - NRF convention in New York on 15-17 January 2017.

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

TXT Retail is the first solution by Merchandise Lifecycle Management with end-to-end capacity, in which:

- the planning processes are integrated into a single business solution which thanks to the Excel interface accelerates adoption times and collaboration among functions;
- development of customer-focused collections includes the aspects of planning, design, product development and supply;
- execution of the assortment plans includes the functions of automatic generation of purchase orders, demand forecasting, 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 Retail is the only solution that obtains "customer-driven" assortments, planned and implemented with an integrated and collaborative approach, bringing together all functions and activities involved in the retail process.

Until now, retailers had to purchase or develop, and then integrate, different solutions to support financial planning processes, planning of assortments, product development, purchases, demand forecasting, allocation and restocking. 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 Next Division

Revenues of the TXT Next division in first quarter 2017 were € 9.0 million, up € 2.5 million (+38.0%) compared to € 6.5 million in first quarter 2016, with € 1.9 million from the contribution by Pace GmbH (consolidated from 1 April 2016) and € 0.6 million attributable to growth (+8.0%). The division's revenues accounted for 49.8% of the Group's revenues.

The division's international revenues amounted to € 2.9 million, compared to € 0.5 million in the first quarter of 2016, due to the contribution of Pace (€ 1.9 million) and to growth abroad (€ 1.0 million compared to € 0.5 million in the first quarter of 2016). International revenues account for 33% of the TXT Next division's revenues, compared to 8% the prior year.

The Gross margin increased from € 2.4 million to € 4.0 million, up 68.1%. The improvement of € 1.6 million includes € 1.3 million from Pace GmbH and € 0.3 million in growth (+14.5%). Gross margin as a percentage of revenues improved from 36.8% to 44.8%, mainly due to the contribution of licences, subscriptions and maintenance of Pace software.

The acquisition of Pace GmbH, completed on 1 April 2016, strengthens TXT's expertise, providing decades-long experience in the aerospace sector, particularly in on-board software, flight simulators, training systems, flight support services and advanced manufacturing solutions.

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, acquire and operate their airlines and fleets in an economically optimal manner. The main application areas are the preliminary design of airplanes and technical systems, the configuration of airplanes and cabins, economic management of fleets, and the analysis of flying routes and innovative instruments - such as "Electronic Flight Bags" - to improve operating efficiency during flight.

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

TXT Next has historically operated in the financial and banking sector as well, where it specialises in Independent Verification & Validation of supporting IT systems. The product range builds on the substantial operating experience acquired by working side-by-side with leading banking companies for over twenty years, combined with in-depth knowledge of the methods and tools to manage software quality, and the testing, assessment and validation of software acquired in the aeronautics sector, a historic precursor in these realms. Furthermore, we have strategic partnerships with Microsoft, HP and IBM.

TXT GROUP'S REVENUES

Research and development costs amounted to € 1.8 million in first quarter 2017, up 46.0% compared to € 1.2 million in first quarter 2016, and include the research and development costs of Pace GmbH (€ 0.5 million). Development activities for new AgileFit, In-memory, Cloud and Omnichannel solutions of the TXT Retail division increased, while activities on a number of research projects funded by the European Community declined. The impact on revenues increased from 8.7% in first quarter 2016 to 10.1%.

Commercial costs amounted to € 4.0 million, up € 1.3 million (+48.2%) compared to first quarter 2016, due to the consolidation of Pace GmbH (€ 0.5 million) and to growth in investments in both the TXT Retail and TXT Next divisions. Commercial investments continued in North America and Europe, along with promotional initiatives for the TXT Retail products in occasion of the NRF events in New York and Thinking Retail! in Amsterdam. Commercial costs grew from 18.6% to 22.1% as a percentage of revenues.

General and administrative costs amounted to € 2.1 million, up € 0.4 million compared to first quarter 2016, due to consolidation of the Pace GmbH costs (€ 0.3 million) and to growth of 1.9%. The impact on revenues decreased from 12.2% in first quarter 2016 to 11.9%.

Operating profit (EBITDA) before the Stock Option costs in first quarter 2017 was € 1.6 million, up by 11.5% compared to first quarter 2016 (€ 1.4 million). The Retail and historic Next business of TXT contributed fully to this result, as the normal seasonal performance of Pace during the quarter was essentially balanced. Substantial investment in commercial research and development resulted in growth in EBITDA before the Stock Option costs (+11.5%), lower than growth in Revenues (+24.9%), with a profit of 8.8% during the quarter.

EBITDA in first quarter 2017 was € 1.5 million, following costs of € 0.1 million accrued during the quarter for the 2017-2019 Stock Options plan.

Operating profit (EBIT) amounted to € 1.2 million, down compared to first quarter 2016 (-5.1%) as a result of ordinary amortisation/depreciation of Pace and the portion of amortisation on intellectual property rights on the software and customer portfolio of Pace, arising from allocation of the acquisition cost. Gross profit amounted to 6.4% as a percentage of revenues, compared to 8.4% in first quarter 2016.

Earnings before taxes came to € 0.9 million (€ 1.1 million in first quarter 2016), due to the effect of financial charges and to exchange rate differences of € 0.2 million.

Net profit was € 0.6 million (€ 0.9 million in first quarter 2016), net of tax charges of € 0.3 million (32% of pre-tax profit), up compared to € 0.2 million in first quarter 2016, due to full use in the prior year of prior tax losses in a number of Countries.

CAPITAL EMPLOYED

At 31 March 2017, Capital Employed totalled € 26.0 million, down compared to € 28.9 million at 31 December 2016, mainly due to the decrease in net working capital.

The table below shows the details:

(€ thousand)	31.3.2017	31.12.2016	Change	31.3.2016
Intangible assets	21,196	21,296	(100)	14,221
Net property, plant and equipment	1,514	1,598	(84)	1,454
Other fixed assets	2,839	2,534	305	2,048
Fixed assets	**25,549**	**25,428**	**121**	**17,723**
Inventories	3,292	3,146	146	2,415
Trade receivables	22,514	23,740	(1,226)	20,852
Sundry receivables and other short-term assets	3,554	2,629	925	2,905
Trade payables	(1,234)	(1,626)	392	(1,124)
Tax payables	(2,747)	(2,532)	(215)	(1,670)
Sundry payables and other short-term liabilities	(20,975)	(17,928)	(3,047)	(17,318)
Net working capital	**4,404**	**7,429**	**(3,025)**	**6,060**
Post-employment benefits and other non-current liabilities	**(3,928)**	**(3,945)**	**17**	**(3,745)**
Capital employed	**26,025**	**28,912**	**(2,887)**	**20,038**
Group shareholders' equity	34,847	34,283	564	33,718
Net financial position (Cash)	(8,822)	(5,371)	(3,451)	(13,680)
Sources of financing	**26,025**	**28,912**	**(2,887)**	**20,038**

Intangible assets decreased from € 21.3 million to € 21.2 million, due to amortisation for the period on the intellectual property rights on software and on the customer portfolio of the TXT Retail and TXT Next acquisitions.

Property, plant and equipment amounted to € 1.5 million, down € 0.1 million compared to year-end 2016, mainly due to investments in servers and computers during the period (€ 0.1 million), lower than the amortisation amounts that accrued during the quarter (€ 0.2 million).

Other fixed assets amounted to € 2.8 million, essentially comprising deferred tax assets which increased by € 0.3 million compared to the end of 2016, upon recognition of prepaid taxes on prior losses.

Net working capital decreased by € 3.0 million from € 7.4 million as at 31 December 2016 to € 4.4 million as at 31 March 2017, due to growth in payables to employees and prepayments for maintenance activities for a total of € 3.0 million. The decline in trade receivables (- € 1.2 million) was essentially offset by growth in sundry receivables and other short-term assets (+ €0.9 million) and a decrease in trade payables (- € 0.4 million).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 3.9 million were in line with those at the end of 2016 (€ 3.9 million).

Consolidated shareholders' equity amounted to € 34.8 million, up € 0.5 million compared to € 34.3 million as at 31 December 2016, mainly due to profit for the quarter (€ 0.6 million).

The consolidated Net Financial Position as at 31 March 2017 was positive at € 8.8 million (€ 5.4 million as at 31 December 2016), with an improvement of € 3.4 million due to reduction of the investment in working capital and to the positive cash flow generated during the quarter.

Pursuant to Consob communication dated 28 July 2006 and in conformity with the structure envisaged by 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 2017 is as follows:

(€ thousand)	31.3.2017	31.12.2016	Change	31.3.2016
Cash and bank assets	10,433	7,570	2,863	14,598
Short-term financial payables	(214)	(808)	594	(918)
Short-term financial resources	**10,219**	**6,762**	**3,457**	**13,680**
Payables due to banks with maturity beyond 12 months	(1,397)	(1,391)	(6)	-
Net Available Financial Resources	**8,822**	**5,371**	**3,451**	**13,680**

The Net Financial Position as at 31 March 2017 is detailed as follows:

- Cash and bank assets of € 10.4 million: the Group's cash and bank assets are predominantly in Euro, USD and GBP for operations. This item also includes grants for research projects (€ 0.1 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 € 0.2 million in short-term financial payables include the financial payable for grants to be paid to research project partners (€ 0.1 million).

- The medium/long-term financial payables of € 1.4 million consist of estimated outlays for exercising of the put/call option in 2020-2021, the "Earn-out 2016" and other contractual terms with the selling members of Pace.

EMPLOYEES

As at 31 March 2017, the group had 791 employees, essentially in line with the 790 employees as at 31 December 2016.

Personnel costs in first quarter 2017 amounted to € 12.5 million, compared to € 9.8 million in first quarter 2016, up 27.6% compared to the 24.6% growth in revenues, due to growth of international staff.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In first quarter 2017, the share price of TXT e-solutions reached a high of € 10.26 on 29 March 2017 and a low of € 8.03 on 4 January 2017. As at 31 March 2017, the share price was € 10.10, equal to an appreciation of +35% compared to the beginning of the year.

Average daily trade volumes in first quarter 2017 amounted to 48,000 shares, showing significant growth compared to the average of 8,600 shares in 2016.

As at 31 March 2017, treasury shares amounted to 1,354,133 (unchanged compared to 31 December 2016), accounting for 10.41% of shares outstanding, and were purchased at an average price of € 2.44 per share. No treasury shares were purchased in first quarter 2017.

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 Shareholder's Meeting held on 21 April 2017 examined and approved the 2016 financial statements and approved the distribution of a € 0.30 dividend per share, up 20% compared to the € 0.25 dividend per share in 2016. The dividend will be paid for each outstanding share, excluding treasury shares, starting from 17 May 2017, with record date 16 May 2017 and ex-dividend date 15 May 2017. Total dividends will therefore amount to € 3.5 million, paid in relation to 11.7 million shares. The Shareholders' Meeting renewed the authorisation to purchase treasury shares for a period of 18 months up to 20% of the share capital.

It also appointed the members of the Board of Directors and Board of Statutory Auditors, who will hold office for three years until approval of the financial statements for the year ending 31 December 2019, along with their relative remuneration. The Board of Directors will comprise 7 directors: Alvise Braga Illa, Marco Edoardo Guida, Stefania Saviolo (independent), Fabienne Anne Dejean Schwalbe (independent) and Paolo Matarazzo, belonging to the majority list, and Andrea Casanova and Teresa Cristiana Naddeo (independent), belonging to the minority list. It elected the Board of Statutory Auditors, comprising the following individuals: Mario Basilico (Chairman) and Massimiliano Alberto Tonarini (alternate auditor), belonging to the minority list, and Luisa Cameretti (standing auditor), Giampaolo Vianello (standing auditor), Laura Grimi (alternate auditor) and Pietro Antonio Grignani (alternate auditor), belonging to the majority list.

The company aims to grow in Europe, North America and Asia Pacific, and to develop its extensive and diversified customer portfolio in the retail sector. The TXT Next division also has solid medium-term growth prospects in the aeronautics market and new opportunities offered by the large, qualified customer portfolio acquired with Pace GmbH.

In second quarter 2017, the Company expects positive growth in revenues and profit for both Divisions.

Manager responsible for preparing corporate accounting documents	Chairman of the Board of Directors
Paolo Matarazzo	Alvise Braga Illa

Milan, 8 May 2017

Consolidated financial statements as at 31 March 2017

Consolidated Balance Sheet

ASSETS	31.3.2017	31.12.2016
NON-CURRENT ASSETS		
Goodwill	17,820,600	17,830,693
Intangible assets with a finite useful life	3,375,814	3,465,058
Intangible assets	**21,196,413**	**21,295,751**
Property, plant and equipment	1,513,720	1,598,260
Property, plant and equipment	**1,513,720**	**1,598,260**
Sundry receivables and other non-current assets	225,264	160,498
Deferred tax assets	2,613,579	2,373,623
Other non-current assets	**2,838,842**	**2,534,121**
TOTAL NON-CURRENT ASSETS	**25,548,975**	**25,428,132**
CURRENT ASSETS		
Inventories	3,292,102	3,146,362
Trade receivables	22,514,159	23,739,800
Sundry receivables and other current assets	3,554,183	2,629,183
Cash and cash equivalents	10,433,092	7,570,479
TOTAL CURRENT ASSETS	**39,793,537**	**37,085,825**
TOTAL ASSETS	**65,342,512**	**62,513,957**

LIABILITIES AND SHAREHOLDERS' EQUITY	31.3.2017	31.12.2016
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	14,016,700	14,091,119
Retained earnings (accumulated losses)	13,688,513	8,133,150
Profit (loss) for the period	638,368	5,555,363
TOTAL SHAREHOLDERS' EQUITY	**34,846,706**	**34,282,757**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	1,397,200	1,391,140
Employee benefits expense	3,927,866	3,945,640
Deferred tax provision	1,820,973	1,843,436
TOTAL NON-CURRENT LIABILITIES	**7,146,039**	**7,180,216**
CURRENT LIABILITIES		
Current financial liabilities	213,782	808,225
Trade payables	1,234,395	1,625,740
Tax payables	926,252	688,428
Sundry payables and other current liabilities	20,975,338	17,928,590
TOTAL CURRENT LIABILITIES	**23,349,767**	**21,050,983**
TOTAL LIABILITIES	**30,495,806**	**28,231,199**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**65,342,512**	**62,513,957**

Consolidated Income Statement

	3M 2017	3M 2016
Revenues and other income	17,998,422	14,410,339
TOTAL REVENUES AND OTHER INCOME	**17,998,422**	**14,410,339**
Purchase of materials and external services	(3,407,927)	(2,710,645)
Personnel costs	(12,502,299)	(9,795,080)
Other operating costs	(592,169)	(490,742)
Depreciation and amortisation/Impairment	(344,448)	(200,128)
OPERATING PROFIT (LOSS)	**1,151,579**	**1,213,744**
Financial income (charges)	(214,083)	(85,322)
EARNINGS BEFORE TAXES	**937,496**	**1,128,422**
Income taxes	(299,129)	(245,372)
NET PROFIT (LOSS) FOR THE YEAR	**638,368**	**883,050**
EARNINGS PER SHARE	0.05	0.08
DILUTED EARNINGS PER SHARE	0.05	0.08

Consolidated Statement of Comprehensive Income

	3M 2017	3M 2016
NET PROFIT (LOSS) FOR THE YEAR	**638,368**	**883,050**
Foreign currency translation differences - foreign operations	(155,382)	(51,041)
Total items of other comprehensive income that will be subsequently reclassified to profit /(loss) for the year net of taxes	**(155,382)**	**(51,041)**
Defined benefit plans actuarial gains (losses)	-	-
Total items of other comprehensive income that will not be subsequently reclassified to profit /(loss) for the year net of taxes	**-**	**-**
Total profit/(loss) of Comprehensive income net of taxes	**(155,382)**	**(51,041)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**482,986**	**832,009**

Consolidated Statement of Cash Flows

	31.3.2017	31.3.2016
Net profit (loss) for the year	**638,368**	**883,050**
Allocation to stock grant plan	80,963	-
Current taxes	237,824	467,620
Change in deferred taxes	(262,419)	(70,723)
Depreciation and amortisation, impairment and provisions	344,448	200,127
Cash flows from (used in) operating activities (before change in working capital)	**1,039,184**	**1,480,074**
(Increases)/decreases in trade receivables	1,218,394	4,181,073
(Increases)/decreases in inventories	(145,740)	(340,294)
Increases/(decreases) in trade payables	(391,345)	(297,801)
Increases/(decreases) in post-employment benefits	(17,774)	(85,365)
Increases/(decreases) in other assets and liabilities	2,056,982	1,096,138
Change in operating assets and liabilities	2,720,517	4,553,751
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**3,759,701**	**6,033,825**
Increases in property, plant and equipment	(124,058)	(215,398)
Increases in intangible assets	(39,359)	(271)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(163,417)**	**(215,669)**
Increases/(decreases) in financial payables	(588,383)	97,165
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(588,383)**	**(178,407)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,007,901**	**5,639,749**
Effect of exchange rate changes on cash flows	(145,289)	(121,227)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**7,570,479**	**9,079,975**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**10,433,092**	**14,598,497**

Consolidated Statement of Changes in Equity as at 31 March 2017

(Amounts in Euro)	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	IRS fair value reserve	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the year	Total Shareholders' equity
Balances at 31 December 2016	**6,503,125**	**850,000**	**11,796,405**	**1,911,444**	**140,667**	**921,297**	**(996,939)**	**-**	**(531,755)**	**8,133,150**	**5,555,363**	**34,282,757**
Profit (loss) at 31 December 2016										**5,555,363**	**(5,555,363)**	**-**
Allocation to stock grant plan						**80,963**						**80,963**
Exchange differences									**(155,382)**			**(155,382)**
Profit (loss) at 31 March 2017											**638,368**	**638,368**
Balances at 31 March 2017	**6,503,125**	**850,000**	**11,796,405**	**1,911,444**	**140,667**	**1,002,259**	**(996,939)**	**-**	**(687,137)**	**13,688,513**	**638,368**	**34,846,706**

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the year	Total Shareholders' equity
Balances at 31 December 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**
Profit (loss) at 31 December 2015									3,882,488	(3,882,488)	**-**
(Purchase) / Sale of treasury shares			(275,572)								**(275,572)**
Exchange differences					(51,041)			(463,208)			**(514,249)**
Profit (loss) at 31 March 2016										883,050	**883,050**
Balances at 31 March 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**

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 2017:

Company name of the subsidiary	Currency	% of direct interest	Share capital
TXT e-solutions Ltd	GBP	100%	2,966,460
TXT e-solutions Sarl	EUR	100%	1,300,000
TXT e-solutions GmbH	EUR	100%	1,300,000
TXT e-solutions SL	EUR	100%	600,000
Maple Lake Australia Pty Ltd	AUD	100%	112
TXT North America Inc.	CAD	100%	2,200,801
TXT USA Inc.	USD	100%	100,000
TXT Retail AsiaPacific Ltd	HKD	100%	100,000
TXT Singapore Pte Ltd	SGD	100%	10,000
PACE GmbH	EUR	79%	295,000
PACE America Inc.	USD	79%	10
TXT e-solutions SagL	CHF	100%	40,000

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, TXT North America Inc., Maple Lake Australia Pty Ltd, TXT USA Inc., TXT Retail AsiaPacific Ltd, TXT Singapore Pte Ltd, PACE America Inc. and TXT e-solutions SagL into Euro:

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

Currency	31.3.2017	31.3.2016
British Pound Sterling (GBP)	0.8598	0.7701
Canadian Dollar (CAD)	1.4093	1.5154
Australian Dollar (AUD)	1.4052	1.5296
US Dollar (USD)	1.0647	1.1017
Hong Kong Dollar (HKD)	8.2634	8.5665
Singapore Dollar (SGD)	1.5081	1.5468
Swiss Franc (CHF)	1.0693	1.0960

- Balance sheet (exchange rate as at 31 March 2017 and 31 December 2016)

Currency	31.3.2017	31.12.2016
British Pound Sterling (GBP)	0.8555	0.8562
Canadian Dollar (CAD)	1.4265	1.4188
Australian Dollar (AUD)	1.3982	1.4596
US Dollar (USD)	1.0691	1.0541
Hong Kong Dollar (HKD)	8.3074	8.1751
Singapore Dollar (SGD)	1.4940	1.5234
Swiss Franc (CHF)	1.0696	1.0739

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 2017 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 2016, to which reference should be made.

4. Segment disclosures

For operating purposes, the Group is organised into two Business Units based on the end-use of the products and services provided; the heading "Unallocated" includes the Corporate operating and financial amounts. The main financial and operating data broken down by business segment were as follows:

BALANCE SHEET BY BUSINESS UNIT AS AT 31 MARCH 2017

(€ thousand)	*TXT Retail*	*TXT Next*	*Unallocated*	*TOTAL TXT*
Intangible assets	13,663	7,534	0	21,197
Property, plant and equipment	760	754	0	1,514
Other fixed assets	1,426	1,413		2,839
FIXED ASSETS	**15,849**	**9,701**	**0**	**25,550**
Inventories	440	2,852	0	3,292
Trade receivables	9,587	12,927	0	22,514
Sundry receivables and other short-term assets	1,785	1,769	0	3,554
Trade payables	(647)	(587)	0	(1,234)
Tax payables	(525)	(2,222)	0	(2,747)
Sundry payables and other short-term liabilities	(11,001)	(9,975)	0	(20,976)
NET WORKING CAPITAL	**(362)**	**4,765**	**0**	**4,403**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,060)**	**(1,868)**	**0**	**(3,928)**
CAPITAL EMPLOYED	**13,428**	**12,597**	**0**	**26,025**
Shareholders' equity			32,680	34,847
Net financial debt			(8,822)	(8,822)
CAPITAL EMPLOYED			**23,858**	**26,025**

INCOME STATEMENT BY BUSINESS UNIT AS AT 31 MARCH 2017

(€ thousand)	TXT Retail	TXT Next	TOTAL TXT
Software	3,640	740	4,380
Services	5,399	8,219	13,618
REVENUES	**9,039**	**8,959**	**17,998**
Direct costs	3,539	4,944	8,483
GROSS MARGIN	**5,500**	**4,015**	**9,515**
% of Revenues	*60.8%*	*44.8%*	*52.9%*
Research and development costs	1,209	615	1,824
Commercial costs	2,792	1,177	3,969
General and administrative costs	1,056	1,089	2,145
EBITDA pre Stock Options	**443**	**1,134**	**1,577**
% of Revenues	*4.9%*	*12.7%*	*8.8%*
Stock options	58	23	81
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**385**	**1,111**	**1,496**
Depreciation, amortisation and impairment	165	179	344
OPERATING PROFIT (LOSS) [EBIT]	**220**	**932**	**1,152**
Financial income (charges)	(41)	(174)	(215)
EARNINGS BEFORE TAXES (EBT)	**179**	**758**	**937**
Taxes	(57)	(242)	(299)
NET PROFIT (LOSS) FOR THE YEAR	**122**	**516**	**638**
	-31.8%	-31.9%	-31.9%

5. 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, 8 May 2017