TXT e-solutions Group

Half-yearly report

as at 30 June 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.

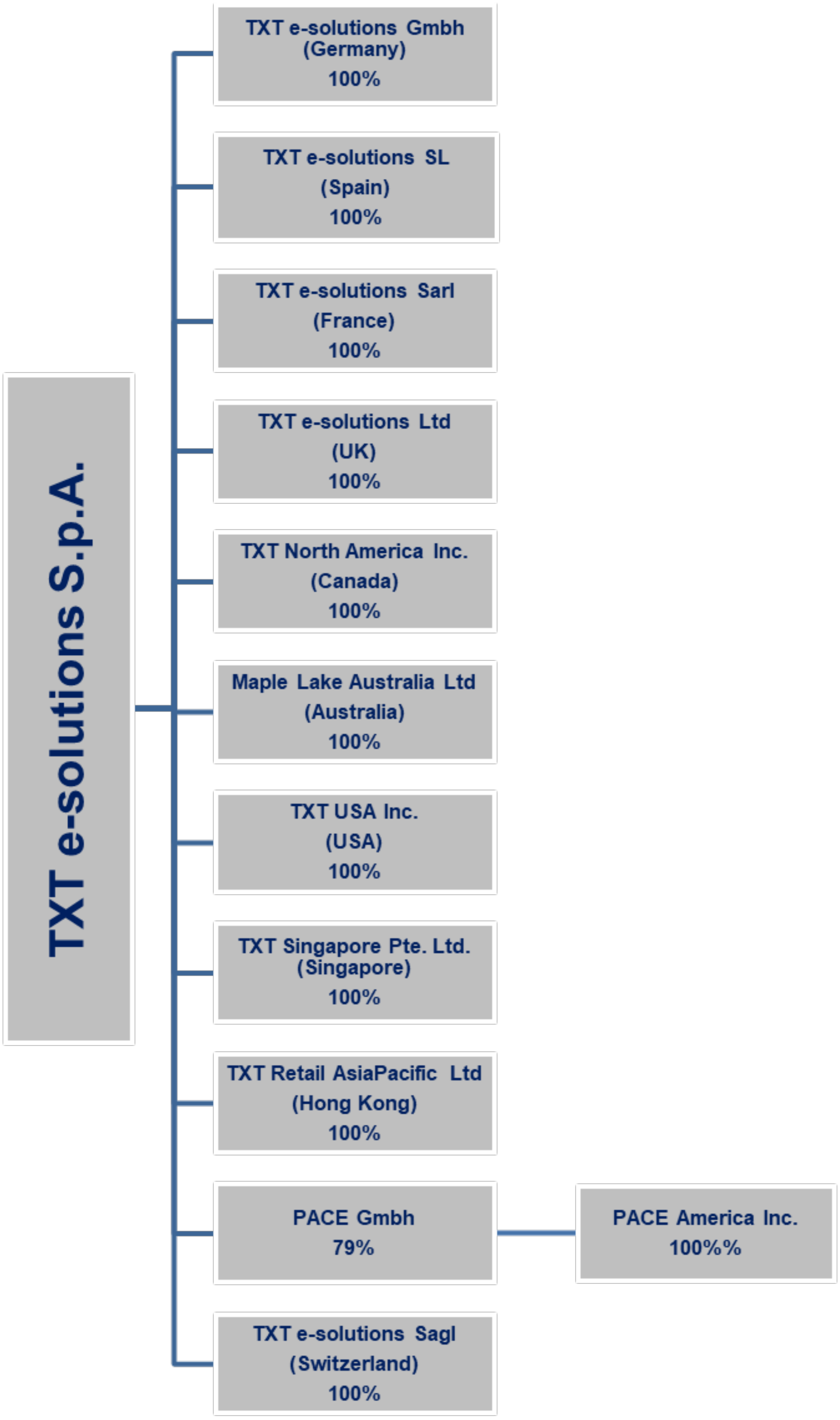
BOARD OF STATUTORY AUDITORS

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



Contents

Key data and Directors’ report on operations as at 30 June 2017

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)		H1 2017	%	H1 2016	%	% CHANGE
REVENUES		**36,132**	**100.0**	**33,183**	**100.0**	**8.9**
	of which:					
	TXT Retail	18,213	50.4	17,767	53.5	2.5
	TXT Next	17,919	49.6	15,416	46.5	16.2
EBITDA pre Stock Options (1)		**3,417**	**9.5**	**3,314**	**10.0**	**3.1**
EBITDA		**3,255**	**9.0**	**3,314**	**10.0**	**(1.8)**
OPERATING PROFIT (LOSS) [EBIT]		**2,571**	**7.1**	**2,782**	**8.4**	**(7.6)**
NET PROFIT (LOSS) FOR THE YEAR		**1,567**	**4.3**	**2,015**	**6.1**	**(22.2)**

FINANCIAL DATA (€ thousand)	30/06/2017	31/12/2016	Change
Fixed assets	25,261	25,428	(167)
Net working capital	5,470	7,429	(1,959)
Post-employment benefits and other non-current liabilities	(3,914)	(3,945)	31
Capital employed	**26,817**	**28,912**	**(2,095)**
Net financial position	5,469	5,371	98
Group shareholders' equity	32,286	34,283	(1,997)

DATA PER SHARE	30/06/2017	30/06/2016	Change
Average number of shares outstanding	11,652,117	11,702,534	(50,417)
Net earnings per share	0.13	0.17	(0.04)
Shareholders’ equity per share	2.77	2.68	0.09

ADDITIONAL INFORMATION	30/06/2017	31/12/2016	Change
Number of employees	800	790	10
TXT share price	10.80	7.50	3.30

(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 half-year 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 H1 2017

Dear Shareholders,

In recent weeks, we announced the important agreement signed on 24 July 2017 for the sale of the TXT Retail Division to Aptos Inc (USA) for the amount of € 85 million in cash.

This deal will create a major international supplier of end-to-end technologies for modern multi-channel retail. Aptos Inc. and TXT Retail are extraordinarily complementary, in terms of products as well as geographical presence: Aptos dominates the technologies of sales, order management and analysis of clientele and consumer trends, while TXT Retail dominates those of designing, purchasing and planning assortments, products and collections. Aptos clientele is predominantly in North America, with a significant presence in South America as well, while TXT prevails in Europe, with a growing presence in North America and recent, significant success in the Far East, particularly China and India. Aptos Inc., with headquarters in the USA, is a subsidiary of Apax Partners, one of the leading global private equity funds, with locations in London and New York.

After the sale, TXT e-solutions will focus on development of the TXT Next Division, with the objective of international growth in the simulation and governance of complex equipment and systems, starting from aeronautics and "fintec", providing technologically state-of-the-art software solutions.

In the short term, TXT Next technologies will find growing markets in aeronautics, in the automotive and transport industry and in complex industrial systems. In these sectors, advanced technologies for the development of on-board software, for the analysis of "big data" and for simulation, combined with the "Internet of Things" and user interfaces based on Enhanced Reality and Virtual Reality, are at the basis of new generations of software solutions in planning, configuration, production, sale, training and operational support. The unique nature of the solutions and vision, the precious expertise of the TXT Next Division, the availability of proprietary software instruments and the focus on high value-added activities for end customers provide the basis for growth accompanied by higher profit margins as well.

The new TXT Sense Division will also be strengthened. This consists of a start-up with proprietary techniques for 3D representation and New Enhanced Reality, with prospective applications in numerous major sectors of industry, communication and services.

Technologies for simulation with New Enhanced Reality have a growing role in the development of complex equipment and systems, including autonomous systems (even robot) using new generation AI (Artificial Intelligence) technologies (deep learning). Validation of these autonomous systems requires the use of integrated algorithmic simulation systems, assisted by human best practices. In the upcoming future, the techniques at the disposal of TXT Next and TXT Sense will also play a central role in the design and validation of new generation robots (game-based training and validation of non-algorithmic autonomous systems, such as self-driving automobiles).

A new phase of development and creation of value is beginning for our company, our collaborators and our shareholders, in new technological sectors showing great promise and application potential.

With regard to performance of the first half of 2017, the following operating and financial results were achieved:

- Revenues amounted to € 36.1 million in first half of 2017, up 8.9% compared to € 33.2 million in the first half of 2016, with Pace GmbH (acquired and consolidated starting from 1 April 2016) contributing € 1.9 million and growth of 3.7%.
  Revenues from software for licences, subscriptions and maintenance for the first half of 2017 were € 9.0 million, up 7.4% compared to the first half of 2016, and revenues from services were € 27.1 million, up 9.4% compared to the first half of 2016.

- Revenues of the TXT Retail division, End-to-End software specialist in Luxury and Fashion (50.4% of the Group's revenues), amounted to € 18.2 million, up 2.5% over the € 17.8 million recorded in first half of 2016. Revenues of the TXT Next division, software specialist in the Aerospace, High-Tech and Finance sectors, amounted to € 17.9 million (49.6% of the Group's revenues), compared to € 15.4 million in the first half of 2016, for growth of +16.2%.

- International revenues amounted to € 21.4 million, up 13.5% compared to € 18.8 million in first half of 2016, equal to 59.1% of the total (56.7% in the first half of 2016).

- Net of direct costs, the Gross Margin came to € 19.2 million, up 10.6% compared to the first half of 2016. As a percentage of revenues, it increased from 52.2% in H1 2016 to 53.0%.

- EBITDA pre Stock Options was € 3.4 million, +3.1% compared to the first half of 2016 (€ 3.3 million), following significant investments in research and development, up 15.6%, and commercial investments, up 17.9%.

- EBITDA was € 3.3 million, essentially in line with the first half of 2016.

- Operating profit (EBIT) amounted to € 2.6 million, down compared to the first half of 2016 (-7.6%) 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 and the costs for stock options.

- Net profit was € 1.6 million (€ 2.0 million in H1 2016), net of tax charges of € 0.7 million (31% of pre-tax profit), up compared to € 0.6 million in H1 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 30 June 2017 was positive at € 5.5 million (€ 5.4 million as at 31 December 2016), with the generation of operating cash flow during the half year fully funding payment of the dividend (€ 3.5 million).

- Consolidated shareholders' equity amounted to € 32.3 million, down € 2.0 million compared to € 34.3 million as at 31 December 2016. Payment of the dividend (€ 3.5 million) contributed to the decline, after net profit for the half year (€ 1.6 million).

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

(€ thousand)	H1 2017	%	H1 2016	%	% Change
REVENUES	**36,132**	**100.0**	**33,183**	**100.0**	**8.9**
Direct costs	16,967	47.0	15,847	47.8	7.1
GROSS MARGIN	**19,165**	**53.0**	**17,336**	**52.2**	**10.6**
Research and development costs	3,634	10.1	3,144	9.5	15.6
Commercial costs	7,700	21.3	6,532	19.7	17.9
General and administrative costs	4,414	12.2	4,346	13.1	1.6
EBITDA pre Stock Options	**3,417**	**9.5**	**3,314**	**10.0**	**3.1**
Stock options	162	0.4	-	-	n.s.
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**3,255**	**9.0**	**3,314**	**10.0**	**(1.8)**
Depreciation, amortisation and impairment	684	1.9	532	1.6	28.6
OPERATING PROFIT (LOSS) [EBIT]	**2,571**	**7.1**	**2,782**	**8.4**	**(7.6)**
Financial income (charges)	(308)	(0.9)	(158)	(0.5)	n.s.
EARNINGS BEFORE TAXES (EBT)	**2,263**	**6.3**	**2,624**	**7.9**	**(13.8)**
Taxes	(696)	(1.9)	(609)	(1.8)	14.3
NET PROFIT (LOSS) FOR THE YEAR	**1,567**	**4.3**	**2,015**	**6.1**	**(22.2)**

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)	I SEM 2017	%	I SEM 2016	%	Var % 17/16
			TXT RETAIL		
RICAVI	**18.213**	**100,0**	**17.767**	**100,0**	**2,5**
Software	7.502	41,2	7.393	41,6	1,5
Servizi	10.711	58,8	10.374	58,4	3,2
COSTI DIRETTI	6.856	37,6	6.761	38,1	1,4
MARGINE LORDO	**11.357**	**62,4**	**11.006**	**61,9**	**3,2**
			TXT NEXT		
RICAVI	**17.919**	**100,0**	**15.416**	**100,0**	**16,2**
Software	1.494	8,3	985	6,4	n.s.
Servizi	16.425	91,7	14.431	93,6	13,8
COSTI DIRETTI	10.111	56,4	9.086	58,9	11,3
MARGINE LORDO	**7.808**	**43,6**	**6.330**	**41,1**	**23,3**
			TOTALE TXT		
RICAVI	**36.132**	**100,0**	**33.183**	**100,0**	**8,9**
Software	8.996	24,9	8.378	25,2	7,4
Servizi	27.136	75,1	24.805	74,8	9,4
COSTI DIRETTI	16.967	47,0	15.847	47,8	7,1
MARGINE LORDO	**19.165**	**53,0**	**17.336**	**52,2**	**10,6**

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 the first half of 2017 amounted to € 18.2 million, up 2.5% compared to € 17.8 million in the first half of 2016.

Software revenues from licences, subscriptions and maintenance were € 7.5 million, +1.5% compared to the first half of 2016 (€ 7.4 million), due to good performance of maintenance sales. Revenues from services amounted to € 10.7 million, up 3.2% compared to the first half of 2016 (€ 10.4 million). Revenues from software amounted to 41.2% as a percentage of the division's total revenues, essentially in line with the prior year (41.6%).

The international revenues of the division amounted to € 15.5 million, down 1.9% compared to € 15.8 million in the first half of 2016. International revenues account for 85% of the TXT Retail Division's revenues.

The Division's gross margin, net of direct costs, increased from € 11.0 million to € 11.4 million, for a +3.2% change. As a percentage of revenues, it increased from 61.9% to 62.4% in H1 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. The most important contract signed in the second quarter was that with Meters/bonwe (CN), retailer with approximately 3000 shops, our first contract with a customer that has headquarters in China (Shanghai) and is not part of an international group. Other important contracts during the second half of the year included the extension to North America of the Retail Planning solution by Lacoste (F), adoption of TXTPLM by Wortmann (D) and selection of the Supply Chain Collaboration solution, again in subscription version, by Peek & Cloppenburg Hamburg (D).

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

Research and development continued on the new product TXT Retail 8, announced in occasion of the annual National Retail Federation's - NRF convention in New York on 15-17 January 2017 and which has now reached the General Availability maturity level.

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 Next Division

Revenues of the TXT Next division in the first half of 2017 were € 17.9 million, up € 2.5 million (+16.2%) compared to € 15.4 million in the first half of 2016, with € 1.9 million from the contribution by Pace GmbH (consolidated from 1 April 2016) and € 0.6 million attributable to growth (+5.3%). The division’s revenues accounted for 49.6% of the Group's revenues.

The division's international revenues amounted to € 5.8 million, compared to € 3.0 million in the first half of 2016, due to the contribution of Pace and to growth abroad. International revenues account for 33% of the TXT Next division's revenues, compared to 19% the prior year.

The Gross margin increased from € 6.3 million to € 7.8 million, up 23.3%. Gross margin as a percentage of revenues improved from 41.1% to 43.6%, 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 in H1 2017 amounted to € 3.6 million, up 15.6% compared to € 3.1 million in the first half of 2016. 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 9.5% in the first half of 2016 to 10.1%.

Commercial costs amounted to € 7.7 million, up € 1.2 million (+17.9%) compared to H1 2016, due to growth in investments in both the TXT Retail and TXT Next divisions. Commercial investments continued in North America, Asia 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 19.7% to 21.3% as a percentage of revenues.

General and administrative costs amounted to € 4.4 million, up € 0.1 million compared to the first half of 2016 (+1.6%). The impact on revenues decreased from 13.1% in the first half of 2016 to 12.2%.

Operating profit (EBITDA) before the Stock Option costs in the first half of 2017 was € 3.4 million, up by 3.1% compared to the first half of 2016 (€ 3.3 million). Substantial investment in commercial research and development resulted in growth in EBITDA before the Stock Option costs (+3.1%) lower than growth in Revenues (+8.9%), with a profit of 9.5% during the half year, compared to 10.0% the prior year.

EBITDA in the first half of 2017 was € 3.3 million, following costs of € 0.1 million accrued during the half year for the 2017-2019 Stock Options plan.

Operating profit (EBIT) amounted to € 2.6 million, down compared to H1 2016 (-7.6%) 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 7.1% as a percentage of revenues, compared to 8.4% in the first half of 2016.

Earnings before taxes came to € 2.3 million (€ 2.6 million in H1 2016), due to the effect of financial charges and to exchange rate differences of € 0.3 million.

Net profit was € 1.6 million (€ 2.0 million in H1 2016), net of tax charges of € 0.7 million (31% of pre-tax profit), up compared to € 0.6 million in H1 2016, due to full use in the prior year of prior tax losses in a number of Countries.

CAPITAL EMPLOYED

At 30 June 2017, Capital Employed totalled € 26.8 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)	30/06/2017	31/12/2016	Change	30/06/2016
Intangible assets	20,791	21,296	(505)	22,373
Net property, plant and equipment	1,626	1,598	28	1,574
Other fixed assets	2,844	2,534	310	2,132
Fixed assets	**25,261**	**25,428**	**(167)**	**26,079**
Inventories	3,932	3,146	786	3,256
Trade receivables	19,623	23,740	(4,117)	23,758
Sundry receivables and other short-term assets	3,241	2,629	612	3,272
Trade payables	(1,279)	(1,626)	347	(1,410)
Tax payables	(2,487)	(2,532)	45	(2,647)
Sundry payables and other short-term liabilities	(17,560)	(17,928)	368	(17,343)
Net working capital	**5,470**	**7,429**	**(1,959)**	**8,886**
Post-employment benefits and other non-current liabilities	**(3,914)**	**(3,945)**	**31**	**(4,024)**
Capital employed	**26,817**	**28,912**	**(2,095)**	**30,941**
Group shareholders' equity	32,286	34,283	(1,997)	31,402
Net financial position (Cash)	(5,469)	(5,371)	(98)	(461)
Sources of financing	**26,817**	**28,912**	**(2,095)**	**30,941**

Intangible assets decreased from € 21.3 million to € 20.8 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 € 1.6 million, unchanged compared to the end of 2016, mainly due to investments in servers and computers during the period (€ 0.4 million), in line with the amortisation amounts that accrued during the half year (€ 0.4 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 tax losses in certain subsidiaries.

Net working capital decreased by € 1.9 million, from € 7.4 million as at 31 December 2016 to € 5.5 million as at 30 June 2017, mainly due to the decline in receivables from customers (-€ 4.1 million). The other components of new working capital increased, including inventories for work in progress for amounts not yet invoiced to customers (+€ 0.8 million) and sundry receivables and other short-term assets (+€ 0.4 million), while sundry payables and other short-term liabilities, including payables to employees, are down (-€0.4 million).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 3.9 million were unchanged compared to those at the end of 2016.

Consolidated shareholders' equity amounted to € 32.3 million, down € 2.0 million compared to € 34.3 million as at 31 December 2016, mainly due to payment of the dividend (€ 3.5 million), net of profit for the half year (€ 1.6 million).

The consolidated Net Financial Position as at 30 June 2017 was positive at € 5.5 million (€ 5.4 million as at 31 December 2016), with the generation of operating cash flow during the half year fully funding payment of the dividend (€ 3.5 million).

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 as at 30 June 2017 is as follows:

(€ thousand)	30/06/2017	31/12/2016	Change	30/06/2016
Cash and bank assets	7,356	7,570	(214)	6,176
Short-term financial payables	(221)	(808)	587	(4,336)
Short-term financial resources	**7,135**	**6,762**	**373**	**1,840**
Non-current financial liabilities	(1,666)	(1,391)	(275)	(1,379)
Net Available Financial Resources	**5,469**	**5,371**	**98**	**461**

The Net Financial Position as at 30 June 2017 is detailed as follows:

- Cash and bank assets of € 7.4 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 € 1.7 million consist of estimated outlays for exercising of the put/call option in 2020-2021, relative to the purchase of Pace.

Q2 2017 ANALYSIS

An analysis of the second quarter of 2017 is provided in the table below:

(€ thousand)	Q2 2017	%	Q2 2016	%	% Change
REVENUES	**18,134**	**100.0**	**18,773**	**100.0**	**(3.4)**
Direct costs	8,484	46.8	8,541	45.5	(0.7)
GROSS MARGIN	**9,650**	**53.2**	**10,232**	**54.5**	**(5.7)**
Research and development costs	1,810	10.0	1,895	10.1	(4.5)
Commercial costs	3,731	20.6	3,853	20.5	(3.2)
General and administrative costs	2,269	12.5	2,584	13.8	(12.2)
EBITDA pre Stock Grant	**1,840**	**10.1**	**1,900**	**10.1**	**(3.2)**
Stock options	81	0.4	0	-	n.s.
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**1,759**	**9.7**	**1,900**	**10.1**	**(7.4)**
Depreciation, amortisation and impairment	340	1.9	332	1.8	2.4
OPERATING PROFIT (LOSS) [EBIT]	**1,419**	**7.8**	**1,568**	**8.4**	**(9.5)**
Financial income (charges)	(93)	(0.5)	(72)	(0.4)	29.2
EARNINGS BEFORE TAXES (EBT)	**1,326**	**7.3**	**1,496**	**8.0**	**(11.4)**
Taxes	(397)	(2.2)	(364)	(1.9)	9.1
NET PROFIT (LOSS) FOR THE YEAR	**929**	**5.1**	**1,132**	**6.0**	**(17.9)**

Performance compared to the second quarter of the previous year was as follows:

- Net revenues amounted to € 18.1 million, down 3.4% compared to second quarter 2016 (€ 18.8 million), due to the decline in revenues of the TXT Retail Division, down from € 9.9 million to € 9.2 million (-6.9%). Revenues of the TXT Next Division amounted to € 17.9 million, essentially in line with the second quarter of 2016 (+0.4%), which already included the results of Pace.
- The Gross Margin amounted to € 9.7 million in second quarter 2017, down 5.7% compared to second quarter 2016 (€ 10.2 million), essentially due to the decline in software revenues, from € 5.3 million to € 4.6 million. Gross profit as a percentage of revenues increased from 54.5% to 53.2%.
- Operating profit (EBITDA) before the Stock Option costs in second quarter 2017 was € 1.8 million, down compared to € 1.9 million in second quarter 2016 (-3.2%). Indirect research and development costs declined during the quarter (-4.5%), along with commercial costs (-3.2%) and general and administrative costs (-12.2%). As a percentage of revenues, it amounted to 10.1%, in line with the prior year.

- Operating profit (EBIT) was € 1.4 million, down compared to € 1.6 million in second quarter 2016 (-9.5%), and includes amortisation/depreciation for € 0.3 million and stock option costs of € 0.1 million. As a percentage of revenues, it amounted to 7.8%, compared to 8.4% in second quarter 2016.
- Net profit amounted to € 0.9 million (€ 1.1 million in 2016), after tax charges of € 0.4 million and a tax rate of 30%. Net profit amounted to 5.1% as a percentage of revenues, compared to 6.0% in second quarter 2016.

EMPLOYEES

At 30 June 2017, the Group had 800 employees, with an increase of 10 employees compared to 790 as at 31 December 2016, due to growth in commercial activities and in research and development.

Personnel costs in the first half of 2017 amounted to € 24.9 million, compared to € 22.4 million in the first half of 2016, up 11.0% compared to the 8.9% growth in revenues, due to growth of research and development and commercial staff of TXT Retail and consolidation of Pace for the entire half year.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first half of 2017, the share price of TXT e-solutions reached a high of € 12.99 on 10 May 2017 and a low of € 8.03 on 4 January 2017. As at 30 June 2017, the share price was € 10.80, equal to an appreciation of +44% compared to the beginning of the year.

Average daily trade volumes in the first half of 2017 amounted to 58,000 shares, showing significant growth compared to the average of 8,600 shares in 2016.

As at 30 June 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 the first half of 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.

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 was paid for each outstanding share, excluding treasury shares, on 17 May 2017, with record date 16 May 2017 and ex-dividend date 15 May 2017. Total dividends therefore amounted 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 comprises 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.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

On 24 July, an agreement was signed to sell the TXT Retail Division to Aptos, Inc. (USA). Consideration for the purchase of the TXT Retail Division, equal to € 85 million, will be paid by Aptos in cash, upon transfer of the division to the purchaser, and is not conditional on the future financial and economic results. An adjustment of the price for net working capital is envisaged, as well as payment to TXT of any net available financial resources transferred with the TXT Retail division as at the closing date.

As part of the agreement, in the event of listing (IPO) of Aptos, TXT will have the right to exercise an option to purchase shares of the company up to a maximum of 10% of the shares involved in the listing, at the IPO price.

Closing of the deal, envisaged by 31 October 2017, shall be conditional on: (a) transfer of the Italian Retail business unit into an Italian NewCo, (b) exercising by TXT of a sales option with regard to Aptos, relating to the French company TXT e-solutions S.à.r.l., which is part of the TXT Retail Division, (c) attainment of authorisation of the deal by the anti-trust authorities in Germany and Austria, (d) conclusion of the union consultation procedure, and (e) completion of the usual corporate obligations.

On 27 July 2017, the company Thinking Retail Srl was established, fully owned by the parent company, in preparation for closing of the Aptos transaction.

In third quarter 2017, the Company expects positive growth in revenues and profit.

Manager responsible for preparing corporate accounting documents

Chairman of the Board of Directors

Paolo Matarazzo

Alvise Braga Illa

Milan, 3 August 2017

Condensed consolidated half-yearly financial statements as at 30 June 2017

Consolidated Balance Sheet

ASSETS	Notes	30/06/2017	Of which due to related parties	31/12/2016	Of which due to related parties
NON-CURRENT ASSETS					
Goodwill	**6.1**	17,582,876		17,830,693	
Intangible assets with a finite useful life	**6.2**	3,208,485		3,465,058	
Intangible assets		**20,791,361**	**-**	**21,295,751**	**-**
Property, plant and equipment	**6.3**	1,625,921		1,598,260	
Property, plant and equipment		**1,625,921**	**-**	**1,598,260**	**-**
Sundry receivables and other non-current assets	**6.4**	212,463		160,498	
Deferred tax assets	**6.5**	2,631,643		2,373,623	
Other non-current assets		**2,844,106**	**-**	**2,534,121**	**-**
TOTAL NON-CURRENT ASSETS		**25,261,388**	**-**	**25,428,132**	**-**
CURRENT ASSETS					
Inventories	**6.6**	3,931,580		3,146,362	
Trade receivables	**6.7**	19,622,890		23,739,800	
Sundry receivables and other current assets	**6.8**	3,241,243		2,629,183	
Cash and cash equivalents	**6.9**	7,355,920		7,570,479	
TOTAL CURRENT ASSETS		**34,151,632**	**-**	**37,085,825**	**-**
TOTAL ASSETS		**59,413,020**	**-**	**62,513,957**	**-**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30/06/2017	Of which due to related parties	31/12/2016	Of which due to related parties
SHAREHOLDERS' EQUITY					
Share capital		6,503,125		6,503,125	
Reserves		14,177,994		14,091,119	
Retained earnings (accumulated losses)		10,037,877		8,133,150	
Profit (loss) for the year		1,567,334		5,555,363	
TOTAL SHAREHOLDERS' EQUITY	**6.10**	**32,286,330**	**-**	**34,282,757**	**-**
NON-CURRENT LIABILITIES					
Non-current financial liabilities	**6.11**	1,666,072		1,391,140	
Employee benefits expense	**6.12**	3,913,961		3,945,640	
Deferred tax provision	**6.5**	1,747,555		1,843,436	
TOTAL NON-CURRENT LIABILITIES		**7,327,588**	**-**	**7,180,216**	**-**
CURRENT LIABILITIES					
Current financial liabilities	**6.13**	220,540		808,225	
Trade payables	**6.14**	1,279,221		1,625,740	
Tax payables	**6.15**	739,430		688,428	
Sundry payables and other current liabilities	**6.16**	17,559,911	1,570,017	17,928,590	1,645,654
TOTAL CURRENT LIABILITIES		**19,799,102**	**1,570,017**	**21,050,983**	**1,645,654**
TOTAL LIABILITIES		**27,126,690**	**1,570,017**	**28,231,199**	**1,645,654**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**59,413,020**	**1,570,017**	**62,513,957**	**1,645,654**

Income Statement

	Notes	H1 2017	Of which due to related parties	H1 2016	Of which due to related parties
Revenues and other income		36,132,162		33,182,516	
TOTAL REVENUES AND OTHER INCOME	**7.1**	**36,132,162**		**33,182,516**	
Purchase of materials and external services	**7.2**	(6,769,492)	(299,768)	(6,520,922)	(305,617)
Personnel costs	**7.3**	(24,864,560)	(570,578)	(22,397,604)	(568,780)
Other operating costs	**7.4**	(1,242,680)		(950,048)	
Depreciation and amortisation/Impairment	**7.5**	(684,854)		(532,298)	
OPERATING PROFIT (LOSS)		**2,570,574**	**(870,346)**	**2,781,644**	**(874,397)**
Financial income (charges)	**7.6**	(308,030)		(158,041)	
EARNINGS BEFORE TAXES		**2,262,545**	**(870,346)**	**2,623,603**	**(874,397)**
Income taxes	**7.7**	(695,211)		(609,046)	
NET PROFIT (LOSS) FOR THE YEAR		**1,567,334**	**(870,346)**	**2,014,557**	**(874,397)**
EARNINGS PER SHARE	**8**	0.13		0.17	
DILUTED EARNINGS PER SHARE	**8**	0.13		0.17	

Consolidated Statement of Comprehensive Income

	H1 2017	H1 2016
NET PROFIT (LOSS) FOR THE YEAR	**1,567,334**	**2,014,556**
Foreign currency translation differences - foreign operations	(260,166)	(808,859)
Net change in fair value of assets held for sale	-	-
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	**(260,166)**	**(808,859)**
Defined benefit plans actuarial gains (losses)	30,116	(143,331)
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	**30,116**	**(143,331)**
Total profit/(loss) of Comprehensive income net of taxes	**(230,050)**	**(952,190)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,337,284**	**1,062,366**

Statement of Cash Flows

	H1 2017	H1 2016
Net profit (loss) for the year	**1,567,334**	**2,014,556**
Non-monetary costs	161,925	-
Current taxes	174,833	415,310
Change in deferred taxes	(353,901)	(102,639)
Depreciation and amortisation, impairment and provisions	684,854	532,298
Cash flows from (used in) operating activities (before change in working capital)	**2,235,045**	**2,859,525**
(Increases)/decreases in trade receivables	4,113,072	1,972,131
(Increases)/decreases in inventories	(785,218)	(1,180,807)
Increases/(decreases) in trade payables	(346,519)	(66,162)
Increases/(decreases) in post-employment benefits	(1,563)	50,762
Increases/(decreases) in other assets and liabilities	(1,156,535)	(740,618)
Change in operating assets and liabilities	1,823,237	35,306
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**4,058,282**	**2,894,831**
Increases in property, plant and equipment	(432,274)	(334,373)
Increases in intangible assets	(19,830)	(39,341)
Net cash flow from PACE acquisition	-	(5,403,476)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(452,104)**	**(5,777,190)**
Increases/(decreases) in financial payables	(312,753)	3,516,173
Distribution of dividends	(3,495,636)	(2,931,492)
(Purchase)/Sale of treasury shares	-	(353,645)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(3,808,389)**	**231,036**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(202,211)**	**(2,651,323)**
Effect of exchange rate changes on cash flows	(12,348)	(252,155)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**7,570,479**	**9,079,975**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**7,355,920**	**6,176,497**

Statement of Changes in Equity as at 30 June 2017

(Amounts in Euro)	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 as 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) as at 31 December 2016		155,000							5,400,363	(5,555,363)	-
Allocation to stock option plan						161,925					161,925
Distribution of dividends									(3,495,636)		(3,495,636)
Post-employment benefits discounting							30,116				30,116
Exchange differences								(260,166)			(260,166)
Profit (loss) as at 30 June 2017										1,567,334	1,567,334
Balances as at 30 June 2017	6,503,125	1,005,000	11,796,405	1,911,444	140,667	1,083,222	(966,823)	(791,921)	10,037,877	1,567,334	32,286,330

(Amounts in Euro)	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		230,000							3,652,487	(3,882,487)	-
Distribution of dividends									(2,931,492)		(2,931,492)
Purchase/Sale of treasury shares			(353,645)								(353,645)
Post-employment benefits discounting							(143,331)				(143,331)
Exchange differences								(808,859)			(808,859)
Profit (loss) as at 30 June 2016										2,014,556	2,014,556
Balances as at 30 June 2016	6,503,125	850,000	12,270,516	1,911,444	140,667	921,297	(1,047,998)	(295,191)	8,133,150	2,014,556	31,401,566

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 30 June 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	100%	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 six months)

Currency	30/06/2017	30/06/2016
British Pound Sterling (GBP)	0.8601	0.7785
Canadian Dollar (CAD)	1.4445	1.4854
Australian Dollar (AUD)	1.4356	1.5221
US Dollar (USD)	1.0825	1.1155
Hong Kong Dollar (HKD)	8.4159	8.6654
Singapore Dollar (SGD)	1.5200	1.5402
Swiss Franc (CHF)	1.0764	1.0960

- Balance sheet (exchange rate as at 30 June 2017 and 31 December 2016)

Currency	30/06/2017	31/12/2016
British Pound Sterling (GBP)	0.8793	0.8562
Canadian Dollar (CAD)	1.4785	1.4188
Australian Dollar (AUD)	1.4851	1.4596
US Dollar (USD)	1.1412	1.0541
Hong Kong Dollar (HKD)	8.9068	8.1751
Singapore Dollar (SGD)	1.5710	1.5234
Swiss Franc (CHF)	1.0930	1.0739

2. Basis of preparation of the consolidated financial statements

The Group's consolidated annual financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union with Regulation (EC) no. 1606/2002. The half-yearly report herein was prepared, regarding both form and content, in accordance with the provisions contained in IAS 34 "Interim Financial Reporting" and in accordance with International Accounting Standards ("IAS - IFRS") issued by the International Accounting Standards Board and adopted by the EU, including all the interpretations of the IFRS Interpretations Committee, previously called Standing Interpretations Committee ("SIC").

The half-yearly report as at 30 June 2017 consists of the consolidated financial statements and the reclassified consolidated financial statements whose form and content are consistent with the financial statements for the year 2016. The condensed consolidated half-yearly financial statements do not therefore include all the information required for the annual financial statements and should be read together with the consolidated financial statements for the year ended 31 December 2016. They have been prepared based on accounting records as at 30 June 2017 and on a going concern basis.

The accounting policies applied in preparing the financial statements, as well as the composition of, and changes in, individual items, are illustrated below.

All amounts are expressed in Euro, unless otherwise indicated.

The publication and release of this report were approved by the Board of Directors' Meeting held on 3 August 2017.

3. New accounting standards and interpretations effective since 1 January 2017

The accounting standards adopted in preparing the condensed consolidated financial statements are consistent with those used in drawing up the consolidated financial statements as at 31 December 2016 and illustrated in the Annual Report under note 2.1 "Accounting standards and basis of consolidation". Where applicable for the Group, adoption of the new standards, amendments and interpretations effective since 1 January 2017 did not have any significant impact on the consolidated half-yearly financial statements of the TXT e-solutions Group.
As noted in the consolidated financial statements as at 31 December 2016, among the principles issued by the IASB but not yet mandatory in drawing up these financial statements, attention is placed on: IFRS 9 "Financial instruments", IFRS 15 "Revenues from contracts with customers" and IFRS 16 "Leases". The first two standards are applicable from 1 January 2018, while IFRS 16 shall be applicable from 1 January 2019, upon completion of the endorsement procedure. During the course of 2017, the directors worked on launching a process to analyse the potential impacts of application of these principles. With particular regard to revenues, note how the revenue recognition model currently adopted by the company, in accordance with the IAS/IFRS framework in effect, is based on segregation of the types of revenue lines and corresponding revenue recognition criteria. In order to evaluate the future shift to the IFRS 15 model, the analysis initially focused on the most significant contractual formats, predominantly in order to identify which performance obligations, based on the provisions of IFRS 15, could effectively be considered

distinctive and recognised, depending on the case in question, as revenue at a particular point in time or over time. The revenue items currently subject to analysis are software licences, installation services, professional services, updates and technical support. For professional services that require a project status, the Group's current policies envisage deferred recognition of revenues throughout the performance of the project, in accordance with principles that are not incompatible with the next model. For these, it will be necessary to verify full compliance with the requirements of IFRS 15 with regard to the revenue recognition methods and their uniform application. With regard to IFRS 16, the directors launched a process for inventory and analysis of the current contracts that could potentially be impacted by the new legislation. In particular, the most significant cases are lease contracts for properties designated as company headquarters and the leasing of company vehicles, currently handled as operating leases pursuant to IAS 17. Lastly, given the Group's financial position and financial strategy, an in-depth examination of the impacts of IFRS 9 was not deemed a priority, as it is considered less significant. For full transparency, note that continuation of the projects linked to analysis of the impacts of these principles has been delayed, due to the major events affecting the Company, as described in paragraph 12: Subsequent events.

Moreover, there were no transfers of fair value among hierarchical levels during the first half of 2017 with regard to the existing financial instruments.

4. Financial Risk Management

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

- Currency risk
- Interest rate risk
- Credit 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.

5. Use of estimates

The preparation of the condensed consolidated half-yearly financial statements requires Management to make estimates and assumptions that affect the reported amounts of income, expenses, assets, and liabilities, as well as disclosures relating to contingent assets and liabilities at the reporting date. Should said estimates and assumptions, based on the best currently available measure, differ from actual circumstances, they shall be revised accordingly in the period said circumstances changed.

In particular, estimates are used to recognise provisions for bad debts, depreciation and amortisation, taxes, and allocations to provisions. Estimates and assumptions are reviewed on an ongoing basis and any changes are recognised in profit or loss.

In addition, some measurement processes, in particular the most complex ones such as determining any impairment of non-current assets, are generally fully completed only when preparing the annual report, when all the information that may be necessary is available, except in cases in which there are indicators of impairment, which require an immediate measurement.

6. Balance sheet

6.1. Goodwill

Goodwill, referring entirely to the TXT Retail Cash-Generating Unit (CGU), except for the goodwill from the PACE acquisition, completed in April 2016 and referring to the TXT Next CGU, amounts to € 17,582,876 as at 30 June 2017, highlighting a decrease of € 247,817 compared to 31 December 2016. The difference in the gross amount as at 30 June 2017 compared to the end of 2016 can be attributed entirely to adjustment for exchange differences on goodwill originally stated in foreign currencies other than the Euro.

A breakdown of the item at 30 June 2017 and the comparison with 31 December 2016 are shown below:

Goodwill	Amount as at 30 June 2017	Amount as at 31 December 2016
Maple Lake Acquisition	7,525,339	7,730,940
PACE Acquisition	5,369,231	5,369,231
MSO Concept Acquisition	2,326,982	2,326,982
BGM Acquisition	1,561,324	1,603,540
Program Acquisition	800,000	800,000
TOTAL GOODWILL	**17,582,876**	**17,830,693**

The Group tests goodwill for impairment annually (as at 31 December) and when there is any indication that it may be impaired. The impairment test for goodwill and intangible assets with an indefinite useful life is based on the value-in-use calculation. The variables used to determine the recoverable amount of the various cash-generating units (CGUs) were illustrated in the consolidated financial statements as at 31 December 2016, to which reference is made for the relative details.

In reviewing its impairment indicators, the Group takes into consideration, among other factors, the ratio between its market capitalisation and its equity. As at 30 June 2017, the Group's market capitalisation was not lower than equity.

No recoverability test was conducted as at 30 June 2017, since there was no indicator of impairment such as to highlight significant risks with regard to the possible existence of impairment for the reported goodwill.

6.2. Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 3,208,485 as at 30 June 2017. The changes that occurred during the period are reported below:

Intangible assets	Software licences	Research and development	Intellectual Property	Customer Relationship	Other intangible assets	TOTAL
Balances at 31 December 2016	**39,375**	**-**	**1,585,010**	**1,840,586**	**87**	**3,465,058**
Acquisitions	87,841	-	-	-	-	87,841
Disposals	-	-	-	-	-	-
Amortisation	(25,770)	-	(165,454)	(153,142)	(48)	(344,414)
Balances at 30 June 2017	**101,446**	**-**	**1,419,556**	**1,687,444**	**39**	**3,208,485**

The item is detailed as follows:

- Software licences: these included software licences acquired mainly by the Parent Company for operating in-house instruments and implementing TXT Retail's products. Investments in the period of € 87,841 referred to the purchase of software licences.

- Intellectual Property and Customer Relationship: these intangible assets were acquired as part of the Maple Lake Group and PACE Group acquisitions. The directors allocated these assets with the help of an independent expert, based on the fair value at the end of the period as per the accounting principles, for final allocation of the values in a business combination. Intellectual Property represents the intellectual property rights over the software developed and owned by Maple Lake and PACE. The Maple Lake Group and PACE Group companies' Customer Relationship was also considered in the allocation of the premium paid. Both types of assets are amortised on a straight-line basis over their useful life.

The negative change compared to the previous year (€ 256,573) was attributable to the amortisation for the period (€ 344,414), net of software licence purchases (€ 87,841).

6.3. Property, plant and equipment

Property, plant, and equipment as at 30 June 2017 amounted to € 1,625,921, net of depreciation, rising € 27,661 in the period. The changes that occurred during the period are reported below:

Property, plant and equipment	Plants	Vehicles	Electronic machinery	Furniture and fixtures	Other property, plant and equipment	TOTAL
Balances at 31 December 2016	**46,030**	**263,950**	**844,502**	**299,304**	**144,476**	**1,598,260**
Acquisitions	3,277	79,089	343,377	3,049	3,482	432,274
Disposals	-	(46,913)	(21,082)	-	(16)	(68,011)
Depreciation	(3,309)	(43,378)	(231,572)	(21,401)	(36,943)	(336,602)
Balances as at 30 June 2017	**45,997**	**252,748**	**935,225**	**280,952**	**110,999**	**1,625,921**

Investments in the "electronic machinery" category mainly refer to the purchase of computer systems and hardware to bolster productive capacity.

Increases in the "motor vehicles" category are the result of the German subsidiary's car fleet replacement programme.

6.4. Sundry receivables and other non-current assets

Sundry receivables and other non-current assets amounted to € 212,463 as at 30 June 2017, compared with € 160,498 at 31 December 2016. The item included security deposits paid by the Group companies as part of their operations and relating to motor vehicle rentals and bids in public tenders.

6.5. Deferred tax assets / liabilities

The breakdown of deferred tax assets and liabilities as at 30 June 2017, compared to the figures as at the end of 2016, is shown below:

	Balance as at 30 June 2017	Balance as at 31 December 2016	Change
Deferred tax assets	2,631,643	2,373,623	258,020
Deferred tax provision	(1,747,555)	(1,843,436)	95,881
TOTAL	**884,088**	**530,187**	**353,901**

Deferred tax assets mainly refer to the recognition of prepaid taxes on previous tax losses, the temporary differences (deductible in future years) of which, based on company plans, recovery in the next few years is deemed to be reasonably certain.

The decision to recognise deferred tax assets for previous tax losses was made taking into account the applicable legislation, in particular with regard to the use of each tax period's losses without limitation in time and considering the Group's positive outlook, together with the positive results recorded in recent years.

The recognition of deferred tax assets on the previous losses was based on company plans that consider future profitability and within the limits of the capacity to absorb previous losses in the next three years.

The deferred tax provision referred to the recognition of deferred tax for the assets acquired during 2012 as part of the Maple Lake business combination and during 2016 as part of the PACE business combination (Customer List and Intellectual Property), as well as to the mismatch between tax value and carrying amount of certain goodwill amounts that arose following the prior acquisitions.

6.6. Inventories

Period-end inventories amounted to € 3,931,580 as at 30 June 2017, up € 785,218 compared with the end of 2016.

The table below reports the breakdown of inventories of work-in-progress among the Group companies:

Company	30 June 2017	31 December 2016	Change
TXT e-solutions S.p.A.	3,155,759	2,877,326	278,433
TXT e-solutions Sarl	471,519	269,036	202,483
TXT e-solutions Ltd	115,082	-	115,082
PACE GmbH	168,189	-	168,189
PACE America Inc.	21,031	-	21,031
TOTAL	**3,931,580**	**3,146,362**	**785,218**

The increase in inventories can be attributed to the longer billing periods for the services rendered to customers compared with the end of the previous year.

6.7. Trade receivables

Trade receivables as at 30 June 2017, net of the provision for bad debts, amounted to € 19,622,890, down € 4,116,910 compared with the end of 2016. The item is detailed in the table below:

Trade receivables	30 June 2017	31 December 2016	Change
Gross value	20,454,955	24,571,865	(4,116,910)
Provision for bad debts	(832,065)	(832,065)	-
Net value	**19,622,890**	**23,739,800**	**(4,116,910)**

The breakdown of trade receivables into coming due and past due as at 30 June 2017, compared to 31 December 2016, is shown below:

Due date	Total	Coming due	Past due	
			0-90 days	More than 90 days
30 June 2017	**19,622,890**	14,575,185	2,944,962	2,102,743
31 December 2016	**23,739,800**	18,259,184	3,460,988	2,019,627

The decrease in trade receivables is due to the different payment times compared to the end of the prior year, when substantial payments were received subsequent to 31 December 2016 from a major customer of TXT e-solutions S.p.A.

Considering the breakdown of the receivables portfolio based on maturity and the absence of changes to the receivables already written down, no changes to the provision for bad debts were deemed necessary.

6.8. Sundry receivables and other current assets

The item "Sundry receivables and other current assets", which included receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses, amounted to € 3,241,243 as at 30 June 2017, compared to € 2,629,183 as at 31 December 2016. The breakdown is shown below:

Sundry receivables and other current assets	30 June 2017	31 December 2016	Change
Tax receivables	1,041,149	791,957	249,192
Accrued income and prepaid expenses	979,967	416,151	563,816
Receivables due from EU	806,286	962,314	(156,028)
Other receivables	413,841	458,761	(44,920)
Total	**3,241,243**	**2,629,183**	**612,060**

Accrued income and prepaid expenses, amounting to € 979,967, consist of reversals of prepaid expenses that did not relate to the period. The increase over the prior year is mainly due to a new project by the TXT Next Division with a major US customer.

Tax receivables, amounting to € 1,041,149, represent the receivables due from taxation authorities for withholding taxes paid on self-employment and employment income, bank interest income, and tax credits for post-employment benefits.

The item "Receivables due from EU" includes amounts accrued based on the progress of funded research projects. These regard grants awarded to the Parent Company to support the research and development activities subject to specific grant competitions; such grants will be disbursed upon completion of the development stages for the projects concerned.

Other receivables, which amount to € 413,841, are essentially in line with the end of 2016 and predominantly comprise VAT credits and receivables due from employees.

6.9. Cash and cash equivalents

The Group's cash and cash equivalents amount to € 7,355,920, down € 214,559 compared with 31 December 2016. Please refer to the statement of cash flows for details about cash flow generation.

Cash and cash equivalents refer to ordinary current accounts held with Italian banks, amounting to € 3,876,573, as well as with foreign banks, totalling € 3,479,347. Cash and cash equivalents are not subject to any constraints, and there are no monetary or other types of restrictions on their transferability in Italy.

6.10. Shareholders' equity

The company's share capital as at 30 June 2017 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totalling € 6,503,125.

The reserves and retained earnings include the legal reserve (€ 1,050,000), the share premium reserve (€ 11,796,405), the merger surplus reserve (€ 1,911,444), the first-time adoption reserve (€ 140,667) the stock option/stock grant reserve (€ 1,083,222), the reserves for actuarial differences on post-employment benefits (negative to the tune of € 966,823), the reserves for retained earnings (€ 10,037,877), and the translation reserve (negative to the tune of € 791,921).

The stock option reserve is used to recognise the value of share-based payments due to employees, including the benefits for key management personnel settled with equity instruments, which form part of their remuneration.

This reserve amounts to € 1,083,222, of which € 921,297 relates to the stock grant plan approved by the Shareholders' Meeting of 23 April 2012, completed in 2016 with delivery of the residual accrued shares, and € 161,925 to the 2017 allocation to the Stock Option plan approved by the Shareholders' Meeting of 22 April 2016.

The disclosures required by IFRS 2 with regard to the 2017 stock option plan are reported below:

STOCK OPTION PLAN DISCLOSURES - IFRS 2

2017-2019 STOCK GRANT PLAN		
	Options	**2017**
(i)	Outstanding at the beginning of the period	-
(ii)	Granted during the period	635,000
(iii)	Forfeited during the period	-
(iv)	Exercised during the period	-
(v)	Expired during the period	-
(vi)	Outstanding at the end of the period	635,000
(vii)	Exercisable at the end of period	-

For further details and information, reference should be made to the Directors' report on operations.

Incentive plans

The Shareholders' Meeting held on 22 April 2016 approved a stock option plan for the Group's executive directors and senior managers, involving up to 1,200,000 shares subject to the achievement of specific performance objectives, such as performance of revenues, profit or specific individual performance objectives.

On 22 December 2016, the Board of Directors, upon favourable opinion by the Remuneration Committee, assigned 635,000 options for the purchase of an equal number of shares of the company to 33 individuals, comprising executive directors, managers with strategic responsibilities and other directors and managers of the Group. Exercising of the rights is subject to the achievement of predetermined revenue and EBITDA growth objectives cumulatively in the three-year period 2017-2019. The vesting conditions will occur starting from 2017.

For further details, see the Directors' report on operations.

Treasury shares

As at 30 June 2017, the Company held 1,354,133 treasury shares (1,354,133 at 31 December 2016), equal to 10.41% of shares outstanding, amounting to € 3,298,518.59 (€ 3,298,518.59 at 31 December 2016), for a total par value of € 677,066.50 (€ 677,066.50 at 31 December 2016) and a market value of € 14,624,636. The price of TXT stock as at 30 June 2017 was € 10.80 (€ 10,155,997.50 as at 31 December 2016, stock price € 7.50). Shares outstanding (issued) at 30 June 2017 numbered 13,006,250.

The purchase of treasury shares was authorised again by the Shareholders' Meeting of 21 April 2017. The plan provides for a maximum number of shares so as not to exceed the legal maximum number at the maximum price not exceeding the average of the official stock market prices in the three sessions prior to the purchase transaction, plus 10%, and in any case not more than € 25.00.

In order to maintain the necessary operational flexibility over a suitable time horizon, and considering that said authorisation expires on 21 October 2017, the Shareholders' Meeting renewed for an additional 18 months the authorisation to purchase and dispose of treasury shares through subsidiaries as well, simultaneously revoking the analogous authorisation of 21 April 2016 for the portion not yet executed.

In 2017, the Company has not purchased any treasury shares, while in 2016 it purchased 110,952 treasury shares at an average price per share of € 7.4605 and for a total amount of € 827,756.

In March 2016, 102,519 treasury shares were assigned to employees following the achievement of the 2013 Stock Grant plan performance targets, all of which were exercised during 2016. The carrying amount per share was € 7.6384, recorded by the Company for a total of € 783,081.

6.11. Non-current financial liabilities

The item “non-current financial liabilities” amounted to € 1,666,072 (€ 1,391,140 at 31 December 2016) and is entirely linked to the residual liability from acquisition of the PACE Group in 2016. This liability predominantly comprises the estimated outlay to acquire the residual minority stake through exercising of the put/call option in 2020-2021 (to purchase the remaining 21% of the company’s shares). As described in further detail in the consolidated financial statements for the year ended 31 December 2016, recognition of this liability follows identification by the directors of the existence of a present ownership interest by the TXT Group with regard to the minority stake. The increase in non-current liabilities is due to the following:

- payment of the 2017 Earn-out to sellers for € 286,109;
- issuance in favour of TXT e-solutions S.p.A. of a part of the escrow guaranteeing the contractual commitments, with subsequent collection of € 548,921;
- accrual of interest expense on the liability tied to exercising of the put/call option for € 12,120.

6.12. Employee benefits expense

The item “Employee benefits expense” as at 30 June 2017 amounted to € 3,913,961, of which € 3,502,316 relating to obligations to employees of the Parent Company for defined-benefit plans and € 411,645 relating to the pension funds for management of the German subsidiary TXT e-solutions Gmbh and the French subsidiary TXT e-solutions Sarl.

The breakdown of and changes in this item over the period are presented below:

Employee benefits expense	31 December 2016	Provisions	Uses/ Payments	Actuarial gains/losses and other	Financial income/ charges	30 June 2017
Post-employment benefits	2,536,130	795,034	(871,306)	(34,366)	10,857	2,436,349
Provision for severance for end of term of office	1,027,217	38,750	-	-	-	1,065,967
Pension fund for management	382,293	29,352	-	-	-	411,645
Total non-current provisions relating to employees	**3,945,640**	**863,136**	**(871,306)**	**(34,366)**	**10,857**	**3,913,961**

To calculate the present value of post-employment benefits, the following assumptions regarding the future trends in the variables included in the algorithm have been used:

- The probability of death was estimated based on the census of the Italian population by age and gender taken in 2000 by ISTAT [Italy's National Institute for Statistics], reducing it by 25%.
- The probability of removal due to total and permanent disability of the employee, such as becoming disabled and leaving the company, was estimated based on disability tables currently used in the reinsurance sector, differentiated by age and gender.
- The retirement age of a generic worker was estimated assuming that the first retirement requirement for the purpose of obtaining the Mandatory General Insurance was satisfied and that the employees started paying into INPS [Italy's Social Security Institute] no later than 28 years of age. This measurement accounts for the changes to the retirement age introduced by the Monti reform in late 2011.
- As for the probability of termination of employment due to resignations and dismissals, as at the measurement date an annual 5% staff turnover rate was calculated.
- With regard to requests for advance payment of benefits, an annual 1.00% advance

payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.

Change in wages and salaries had no impact on the actuarial valuation. The estimated inflation rate used for measurement purposes was 1.50% per year.

The discount rate used for measurement purposes was 1.0848% per year, i.e. the rate on Bonds issued by AA-rated European Companies as at 30 June 2017 with maturities of between 7 and 10 years. The table below shows the impact on post-employment benefits of the increase/decrease of certain “key” variables used for the actuarial calculation:

Sensitivity analysis as at 30 June 2017	**% Change in liabilities (DBO)**	
Type of change for the specific assumption	**Decrease**	**Increase**
Decrease or increase of 50% of company's staff turnover	0.61%	-0.36%
Decrease or increase of 50% in frequency of advanced payments	0.17%	-0.14%
Decrease or increase of inflation by one percentage point	-8.62%	9.59%
Decrease or increase of discount rate by one percentage point	13.02%	-11.10%

6.13. Current financial liabilities

The item “current financial liabilities” amounted to € 220,540 (€ 808,225 at 31 December 2016) and includes:

- the payable of € 136,301 for advances on research projects funded by the European Union (€ 706,825 at 31 December 2016) and received by TXT e-solutions S.p.A. as lead manager, to be reimbursed to the project partners. This payable will be paid off during 2017;
- the amount of € 24,923 for the forward sale of CAD 4,500,000, with contract stipulated on 29 June 2017 (€ 4,342 at 31 December 2016);
- the amount of € 1,634 for the forward sale of USD 500,000, with contract stipulated on 29 June 2017;
- the amount of € 534 for the forward sale of GBP 250,000, with contract stipulated on 29 June 2017;
- the short-term loan obtained by the branch PACE Gmbh for € 57,148 (€ 97,058 at 31 December 2016).

6.14. Trade payables

Trade payables amounted to € 1,279,221 as at 30 June 2017 and decreased by € 346,520 compared to 31 December 2016. Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months.

6.15. Tax payables

Tax payables totalled € 739,430 as at 30 June 2017 and mainly refer to the Parent's IRAP (Regional Tax on Productive Activities) and IRES (Corporate Income Tax).

6.16. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 17,559,911 as at 30 June 2017, compared to € 17,559,911 as at 31 December 2016, as shown in the table below:

Sundry payables and other current liabilities	30 June 2017	31 December 2016	Change
Accrued expenses and deferred income	6,673,072	5,047,991	1,625,081
Payables due to employees and external staff	5,291,522	5,947,162	(655,640)
Other payables	2,453,359	3,005,792	(552,433)
Payables due to social security institutions	1,717,362	1,623,084	94,278
Advance payments for multi-year orders	1,424,596	2,304,561	(879,965)
Sundry payables and other current liabilities	**17,559,911**	**17,928,590**	**(368,679)**

The item “Accrued expenses and deferred income” essentially referred to adjustments to maintenance and service invoices made to recognise only revenues for the period. The increase on the previous year is due to the advance billing of a portion of revenues regarding projects underway as at the end of H1 2017.

The item “Payables due to employees and external staff” included payables for wages and salaries relating to June 2017 as well as payables due to employees for unused annual leave. The negative difference of € 655,340 compared to the prior year is due to payment of the 2016 bonus to employees in April 2017.

“Other payables” mainly included the payables due to taxation authorities for withholding taxes on salaries of employees and external staff, VAT payables, and payables on cost accounting of ongoing projects and funded research projects.

The item “Advance payments for multi-year orders” included the advance payments received from customers for orders currently being processed.

The decrease over the prior year shows performance during the year that is consistent with that of previous years.

7. Income Statement

7.1. Total revenues and other income

Consolidated revenues and other income for the first half of 2017 amounted to € 36,132,162, up 9% compared with the prior-year period, as detailed below:

	30 June 2017	30 June 2016	Change	% change
Revenues	36,132,162	33,182,516	2,949,646	9%
Total revenues	**36,132,162**	**33,182,516**	**2,949,646**	**9%**

The change in and performance of revenues compared to the first half of the prior year is described in the Directors' report on operations, which provides additional details.

7.2. Purchase of materials and external services

Purchases of materials and external services for the first half of 2017 amounted to € 6,769,492, up from the first half of 2016, when they totalled € 6,520,922.

The item is detailed below:

	30 June 2017	30 June 2016	Change
Travel expenses	1,945,933	1,499,789	446,144
Technical consulting	1,329,412	1,586,847	257,435
Media & marketing services	822,706	616,685	206,021
Others	551,248	839,659	(288,411)
Maintenance and repair	539,646	320,293	219,353
Utilities	394,875	375,855	19,020
Canteen and ticket services	327,606	309,042	18,564
Administrative and legal services	306,613	354,689	(48,076)
Directors' fees	304,118	309,847	(5,729)
Consumables and resale items	243,260	223,140	20,120
Subcontractors	4,075	85,075	(81,000)
Total	**6,769,492**	**6,520,922**	**248,570**

As a percentage of consolidated revenues, the costs for purchasing materials and services were down compared to the first six months of 2016, from 19.65% to 18.74%.

The total change of € 248,570 compared to the first half of 2016 was mainly due to the increase in travel expenses, up by € 446,144, following the increase in business volume, consolidation of the results of PACE for the entire half-year and new projects with international customers.

7.3. Personnel costs

Personnel costs for the first six months of 2017 amounted to € 24,864,560, up by € 2,466,956 (11.01%) compared with the first half of 2016.

This increase is mainly attributable to the rise in number of personnel employed in sales and research and development positions in the TXT Retail Division and to consolidation of PACE for the entire half year.

The employees of the TXT e-solutions Group, excluding directors and external consultants, numbered 800 as at 30 June 2017 (790 as at 31 December 2016), with an increase of 10 employees.

The table below shows the breakdown of employees by level:

	White-collar staff	Middle managers	Executives and managers	Total
30/06/2017	714	62	24	800

31/12/2016	706	60	24	790

7.4. Other operating costs

The item “other operating costs” in the first half of 2017 amounted to € 1,242,680, up € 292,633 compared to the corresponding period in 2016.

This item mainly included expenses for rents, car and other rentals, and sundry operating costs (including contingent liabilities and deductible taxes).

	30 June 2017	30 June 2016	Change
Rental expense for offices	646,817	516,996	129,821
Rental expense for motor vehicles	391,787	302,708	89,079
Other tax (other than income tax)	63,868	23,599	40,269
Contingent liabilities	49,072	2,031	47,041
Rental expense for servers	46,511	38,609	7,902
Magazine and subscription expenses	32,211	5,651	26,560
Other expenses and extraordinary income adj.	11,231	23,655	(12,424)
Fines and penalties	1,183	165	1,018
Royalties	-	36,634	(36,634)
Total	**1,242,680**	**950,047**	**292,633**

7.5. Depreciation, amortisation and impairment

Depreciation and amortisation amounted to € 684,854 as at 30 June 2017, up € 152,556 compared with the corresponding period of the prior year.

They have been calculated based on the useful life of the capitalised asset or cost and its use in production.

7.6. Financial income (charges)

As at 30 June 2017, the company recognised financial charges amounting to € 308,030, compared with € 158,041 in financial charges in the first half of 2016. The difference of € 149,989 is mainly due to the exchange rate differences on transactions in currencies other than the Euro, predominantly the British pound and the US dollar.

7.7. Income taxes

Income taxes as at 30 June 2017 were equal to € 695,211, detailed as follows:

	30 June 2017	30 June 2016	Change
Total current taxes	1,049,112	423,444	625,668
Total prepaid/deferred tax	(353,901)	185,602	(539,503)
Total taxes	**695,211**	**609,046**	**86,165**

Prepaid and deferred taxes correspond to the change in the respective balance sheet items.

8. 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 operating and financial data broken down by business segment were as follows:

BALANCE SHEET BY BUSINESS UNIT AS AT 30 JUNE 2017

(€ thousand)	TXT Retail	TXT Next	Unallocated	TOTAL TXT
Intangible assets	13,312	7,479	0	20,791
Property, plant and equipment	820	806	0	1,626
Other fixed assets	1,434	1,410		2,844
FIXED ASSETS	**15,565**	**9,696**	**0**	**25,261**
Inventories	620	3,312	0	3,932
Trade receivables	8,422	11,201	0	19,623
Sundry receivables and other short-term assets	1,634	1,607	0	3,241
Trade payables	(655)	(624)	0	(1,279)
Tax payables	(943)	(1,544)	0	(2,487)
Sundry payables and other short-term liabilities	(8,987)	(8,573)	0	(17,560)
NET WORKING CAPITAL	**91**	**5,379**	**0**	**5,470**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(1,371)**	**(2,543)**	**0**	**(3,914)**
CAPITAL EMPLOYED	**14,286**	**12,531**	**0**	**26,817**
Shareholders' equity			32,286	32,286
Net financial debt			(5,469)	(5,469)
CAPITAL EMPLOYED			**26,817**	**26,817**

BALANCE SHEET BY BUSINESS UNIT AS AT 31 DECEMBER 2016

(€ thousand)	TXT Retail	TXT Next	Unallocated	TOTAL TXT
Intangible assets	13,710	7,586	0	21,296
Property, plant and equipment	834	764	0	1,598
Other fixed assets	1,323	1,211		2,534
FIXED ASSETS	**15,866**	**9,562**	**0**	**25,428**
Inventories	380	2,766	0	3,146
Trade receivables	9,833	13,907	0	23,740
Sundry receivables and other short-term assets	1,372	1,257	0	2,629
Trade payables	(844)	(782)	0	(1,626)
Tax payables	(1,383)	(1,149)	0	(2,532)
Sundry payables and other short-term liabilities	(9,308)	(8,620)	0	(17,928)
NET WORKING CAPITAL	**50**	**7,379**	**0**	**7,429**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,048)**	**(1,897)**	**0**	**(3,945)**
CAPITAL EMPLOYED	**13,868**	**15,044**	**0**	**28,912**
Shareholders' equity			34,283	34,283
Net financial debt			(5,371)	(5,371)

SOURCES OF FINANCING	28,912	28,912

INCOME STATEMENT BY BUSINESS UNIT AS AT 30 JUNE 2017

(€ thousand)	TXT Retail	TXT Next	Unallocated	TOTAL TXT
REVENUES	**18,213**	**17,919**	**0**	**36,132**
Software	7,502	1,494	0	8,996
Services	10,711	16,425	0	27,136
OPERATING COSTS:				
Direct costs	6,856	10,111	0	16,967
Research and development costs	2,376	1,258	0	3,634
Commercial costs	5,284	2,416	0	7,700
General and administrative costs	2,227	2,187	0	4,346
TOTAL OPERATING COSTS	**16,743**	**15,972**	**0**	**32,715**
EBITDA pre Stock Options	**1,470**	**1,947**	**0**	**3,417**
% of Revenues	8.1%	10.9%		9.5%
Stock options	116	46	0	162
EBITDA	**1,354**	**1,901**	**0**	**3,255**
Amortisation	171	176	0	347
Depreciation	170	167	0	337
OPERATING PROFIT (LOSS) [EBIT]	**1,013**	**1,558**	**0**	**2,571**
Financial income (charges)	(155)	(153)	0	(308)
EARNINGS BEFORE TAXES	**858**	**1,405**	**0**	**2,263**
Taxes	**(264)**	**(432)**	**0**	(696)
NET PROFIT (LOSS) FROM OPERATIONS	**594**	**973**	**0**	**1,567**
Non-recurring profit (loss)			0	0
NET PROFIT (LOSS) FOR THE YEAR	**594**	**973**	**0**	**1,567**

INCOME STATEMENT BY BUSINESS UNIT AS AT 30 JUNE 2016

(€ thousand)	TXT Retail	TXT Next	Unallocated	TOTAL TXT
REVENUES	**17,767**	**15,416**	**-**	**33,183**
Software	7,393	985	-	8,378
Services	10,374	14,431	-	24,805
OPERATING COSTS:				
Direct costs	6,761	9,086	-	15,847
Research and development costs	2,300	844	-	3,144
Commercial costs	4,956	1,576	-	6,532
General and administrative costs	2,113	2,233	-	4,346
TOTAL OPERATING COSTS	**16,130**	**13,739**	**-**	**29,869**
EBITDA	**1,637**	**1,677**	**-**	**3,314**
Amortisation	154	88	-	242
Depreciation	155	135	-	290
OPERATING PROFIT (LOSS) [EBIT]	**1,328**	**1,454**	**-**	**2,782**
Financial income (charges)	(85)	(73)	-	(158)
EARNINGS BEFORE TAXES	**1,243**	**1,381**	**-**	**2,624**
Taxes	**(289)**	**(320)**	**-**	(609)
NET PROFIT (LOSS) FROM OPERATIONS	**955**	**1,060**	**-**	**2,015**
Non-recurring profit (loss)			-	-

NET PROFIT (LOSS) FOR THE YEAR	**955**	**1,060**	**-**	**2,015**

9. Seasonality of operating segments

The segments in which the TXT e-solutions Group operates are not subject to any seasonality as far as operations are concerned.

10. Transactions with related parties

Related parties are:

a) Entities that, directly or indirectly, even through subsidiaries, trustees or third parties:
   - have control over TXT e-solutions S.p.A.
   - are subsidiaries of TXT e-solutions S.p.A.
   - are subject to joint control with TXT e-solutions S.p.A.
   - have an interest in TXT e-solutions S.p.A. such as to exercise a significant influence.

b) Associates of TXT e-solutions S.p.A.

c) Joint ventures in which TXT e-solutions S.p.A. participates.

d) Managers with strategic responsibilities of TXT e-solutions S.p.A. or one of its parent companies.

e) Close family members of the parties as per the above points a) and d).

f) Entities controlled or jointly controlled or subject to significant influence by one of the parties as per points d) and e), or in which said parties hold, directly or indirectly, a significant interest, in any case at least 20% of the voting rights.

g) An occupational, collective or individual pension fund, either Italian or foreign, set up for TXT e-solutions S.p.A.'s employees or any other related entity.

The following tables show the overall amounts of the transactions carried out with related parties.

Trade transactions

Trade transactions with related parties of the Group exclusively refer to amounts paid to the directors and to key management personnel.

As at 30 June 2017	Receivables	Payables	Guarantees	Costs	Revenues
Directors and key management personnel	0	1,570,017	0	870,346	0
Balance as at 30 June 2017	**0**	**1,570,017**	**0**	**870,346**	**0**

As at 31 December 2016	Receivables	Payables	Guarantees	Costs	Revenues
Directors and key management personnel	0	1,645,654	0	1,732,738	0
Total as at 31 December 2016	**0**	**1,645,654**	**0**	**1,732,738**	**0**

Financial transactions

As at 30 June 2017, there were no financial transactions with related parties of the Group considered as a whole.

11. Net financial position

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 30 June 2017 is as follows:

(€ thousand)	30/06/2017	31/12/2016	Change	30/06/2016
Cash and bank assets	7,356	7,570	(214)	6,176
Short-term financial payables	(221)	(808)	587	(4,336)
Short-term financial resources	**7,135**	**6,762**	**373**	**1,840**
Non-current financial liabilities	(1,666)	(1,391)	(275)	(1,379)
Net Available Financial Resources	**5,469**	**5,371**	**98**	**461**

For additional information on changes in the Group’s Net Financial Position, see the Directors’ Report on Operations.

12. Subsequent events

In accordance with the provisions of IFRS 5 “Non-current assets held for sale and discontinued operations”, with regard to the supplementary information to be provided if the conditions to classify an operating asset as held for sale occur after the date of the financial statements but prior to their approval, the following is specified.

As part of a more generic process launched by the Directors to identify new options for the Company and its divisions, following receipt of a non-binding letter of intent discussed and carefully evaluated by the Board of Directors, an agreement was signed on 24 July to sell the TXT Retail Division to Aptos, Inc. (USA). Consideration for the purchase of the TXT Retail Division, equal to € 85 million, will be paid by Aptos in cash, upon transfer of the division to the purchaser, and is not conditional on the future financial and economic results.

An adjustment of the price for net working capital is envisaged, as well as payment to TXT of any net available financial resources transferred with the TXT Retail division as at the closing date. The scope of operating activities subject to sale will essentially be consistent with the provisions of IFRS 8 “Operating segments” with regard to the TXT Retail segment, without prejudice to any subsequent adjustments and modifications following an analytical breakdown of staff and resources based on the needs and desires of the parties.

As part of the agreement, in the event of listing (IPO) of Aptos, TXT will have the right to exercise an option to purchase shares of the company up to a maximum of 10% of the shares involved in the listing, at the IPO price.

Closing of the deal, envisaged by 31 October 2017, shall be conditional on: (a) transfer of the Italian Retail business unit into an Italian NewCo, (b) exercising by TXT of a sales option with regard to Aptos, relating to the French company TXT e-solutions S.à.r.l., which is part of the TXT Retail Division, (c) attainment of authorisation of the deal by the anti-trust authorities in Germany and Austria, (d) conclusion of the union consultation procedure, and (e) completion of the usual corporate obligations.

On 27 July 2017, the company Thinking Retail Srl was established, fully owned by the parent company, in preparation for closing of the Aptos transaction.

In third quarter 2017, the Company expects positive growth in revenues and profit for both the TXT Retail and TXT Next Divisions.

13. Certification of the condensed consolidated half-yearly financial statements

pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

The undersigned Alvise Braga Illa as Chairman of the Board of Directors and Paolo Matarazzo as Manager responsible for preparing corporate accounting documents for TXT e-solutions S.p.A. certify, also pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 dated 24 February 1998:

- the adequacy, in relation to the company's characteristics, and

- the effective application of the administrative and accounting procedures for the preparation of the condensed consolidated half-yearly financial statements as at 30 June 2017.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-yearly financial statements as at 30 June 2017 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents a reference framework that is generally accepted at an international level.

We also certify that the condensed consolidated half-yearly financial statements as at 30 June 2017:

- correspond to the accounting books and records;
- are prepared in compliance with the International Financial Reporting Standards endorsed by the European Union as well as with the implementing measures for Article 9 of Legislative Decree no. 38/2005;
- are suitable to provide a true and fair view of the financial position, performance and cash flows of the issuer.

The half-yearly report on operations includes a reliable analysis of the important events that occurred in the first six months of the year and how they affected the condensed half-yearly financial statements, as well as a description of the main risks and uncertainties for the remaining six months. The half-yearly report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Manager responsible for preparing corporate accounting documents

Chairman of the Board of Directors

Paolo Matarazzo

Alvise Braga Illa

Milan, 3 August 2017