TXT e-solutions Group

Interim report

as at 30 September 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)
Paolo Matarazzo	Director	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(3)
Teresa Cristiana Naddeo	Independent Director	(3)
Stefania Saviolo	Independent Director	(3)
Andrea Lanciani	Non-executive Director	(4)

(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.

(4) Co-opted on 3 August 2017 to replace Andrea Casanova, who resigned. In office until the next Shareholders' Meeting.

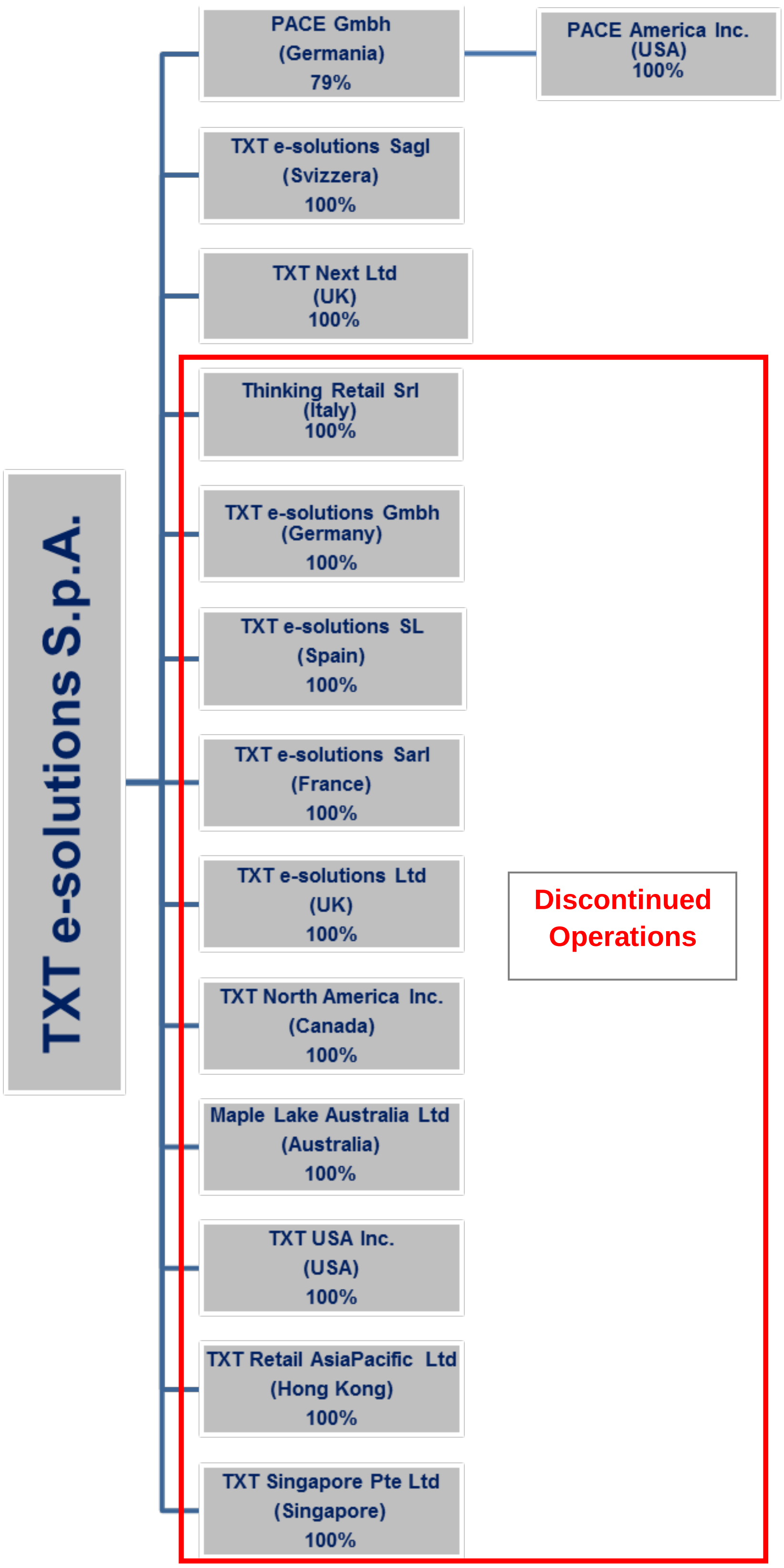
BOARD OF STATUTORY AUDITORS

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 2 25771.1

Organisational structure and scope of consolidation



Key data and Directors' Report on Operations for the first 9 months of 2017

TXT e-solutions Group – Key data (1)

INCOME DATA (€ thousand)	9m 2017	%	9m 2016	%	% CHANGE
REVENUES	**26,032**	**100.0**	**23,469**	**100.0**	**10.9**
EBITDA pre Stock Options (2)	**2,692**	**10.3**	**2,576**	**11.0**	**4.5**
EBITDA	**2,623**	**10.1**	**2,576**	**11.0**	**1.8**
OPERATING PROFIT (EBIT)	**2,111**	**8.1**	**2,175**	**9.3**	**(2.9)**
NET PROFIT FROM CONTINUING OPERATIONS	**1,391**	**5.3**	**1,618**	**6.9**	**(14.0)**
Net profit from Discontinued Operations	838		2,006		
NET PROFIT FOR THE YEAR	**2,229**		**3,624**		**(38.5)**

FINANCIAL DATA (€ thousand)	30/09/2017	31/12/2016	Change
Fixed assets	10,101	10,148	(47)
Net working capital	7,629	7,325	304
Post-employment benefits and other non-current liabilities	(2,562)	(2,565)	3
Capital employed - Continuing Operations	**15,168**	**14,908**	**260**
Capital employed - Discontinued Operations	14,782	14,004	778
Capital employed	**29,950**	**28,912**	**1,038**
Net financial position	3,196	5,371	(2,175)
Group shareholders' equity	33,146	34,283	(1,137)

DATA PER SHARE	30/09/2017	30/09/2016	Change
Average number of shares outstanding	11,652,117	11,693,329	(41,212)
Net earnings per share	0.19	0.31	(0.12)
Shareholders' equity per share	2.84	2.79	0.05

ADDITIONAL INFORMATION	30/09/2017	31/12/2016	Change
Number of employees - Continuing Operations	486	474	12
TXT share price	11.19	7.50	3.69

(1) The analytical results presented refer to Continuing Operations, in accordance with Accounting Standard IFRS 5. The summary results refer to assets designated for sale (“Discontinued Operations”).

(2) 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 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 9 months of 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**, which is the sum of property, plant and equipment, intangible assets, goodwill, deferred tax assets and liabilities, and other non-current assets.
• **NET WORKING CAPITAL**, which is the sum of inventories, trade receivables/payables, current provisions, tax receivables/payables, and other current assets/liabilities and sundry receivables/payables.
• **CAPITAL EMPLOYED**, which is 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 9 months of 2017

Dear Shareholders,

On 24 July 2017, an agreement was signed for the sale of the TXT Retail Division to Aptos Inc. (USA) and on 2 October 2017 the deal was completed and consideration of € 85 million was collected.

The agreement with Aptos envisaged an adjustment of the price for net working capital, 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.

On 27 July 2017, the company Thinking Retail Srl was established in Italy, and on 18 September 2017 the company TXT Next Ltd. was established in the United Kingdom, both fully owned by the parent company and dependent on closing of the Aptos transaction.

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 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 TXT, 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.

The new TXT Sense Division will also be developed; 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 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 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.

The assets attributable to the TXT Retail Division sold at the beginning of October were classified in the Interim Report on Operations as at 30 September 2017 under "Assets and liabilities held for sale - Discontinued Operations", pursuant to accounting standard IFRS 5. The economic and financial effects are as follows:

- The income statement for the first 9 months as at 30 September 2017 and 2016 shows a breakdown of the trend in revenues and expenses with regard to Continuing Operations, essentially corresponding to the TXT Next Division. The net profit (loss) for the first 9 months of 2017 and 2016 for the TXT Retail Division ("Discontinued Operations") is indicated briefly and the details are outlined in the "Discontinued Operations" chapters of the Directors' Report and Notes to the financial statements.

- The Economic and Financial Position as at 30 September 2017 provides a breakdown of the values of TXT Next assets with regard to Continuing Operations, and a summary of the values of all of the assets and liabilities of the TXT Retail Division ("Discontinued Operations"). Details on the financial values are also provided in the specific "Discontinued Operations" chapters of the Directors' Report and Notes to the financial statements. The financial statements as at 31 December 2016 contain historic data that include a breakdown of all items of TXT Retail. The chapter "Capital employed" also includes reclassification of the data between Continuing Operations and Discontinued Operations, in order to facilitate the comparison.

With regard to performance of Continuing Operations in the first 9 months of 2017, the following operating and financial results were achieved:

- <u>Revenues</u> from Continuing Operations during the first 9 months of 2017 amounted to € 26.0 million, up 10.9% from € 23.5 million in the first 9 months of 2017. Revenues from software for licences, subscriptions and maintenance for the first 9 months of 2017 were € 2.4 million, +30.6% compared to the first 9 months of 2016, and revenues from services were € 23.6 million, up +9.2%.

- <u>International revenues</u> amounted to € 8.8 million, up 51.6% compared to € 5.8 million in the first 9 months of 2016, equal to 34% of the total (25% in 2016).

- Net of direct costs, the <u>Gross Margin</u> came to € 11.1 million, up 14.3% compared to the first 9 months of 2016. As a percentage of revenues, it increased from 41.5% in the first 9 months of 2016 to 42.7%, thanks to the contribution of Pace.

- <u>EBITDA pre Stock Options</u> was € 2.7 million, +4.5% compared to the first 9 months of 2016 (€ 2.6 million), following significant investments in research and development, up 33.2%, and commercial investments, up 38.5%.

- <u>Operating profit</u> (EBIT) amounted to € 2.1 million, down compared to the first 9 months of 2016 (-2.9%) 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 from Continuing Operations was € 1.4 million (€ 1.6 million in the first 9 months of 2016), net of tax charges of € 0.6 million (31% of pre-tax profit, up compared to 24% in 2016 due to full use in the prior year of prior tax losses in a number of countries).

- Net profit from Discontinued Operations was € 0.8 million (€ 2.0 million in the first 9 months of 2016), due to considerable operating, research & development and commercial investments.

- Total net profit was € 2.2 million (€ 3.6 million in the first 9 months of 2016), down € 1.4 million, of which € 0.2 million due to Continuing Operations and € 1.2 million to Discontinued Operations.

- The consolidated Net Financial Position as at 30 September 2017 was positive at € 3.2 million (€ 5.4 million as at 31 December 2016), with the generation of operating cash flow during the first 9 months fully funding payment of the dividend (€ 3.5 million).

- Consolidated shareholders' equity amounted to € 33.2 million, down € 1.1 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 first 9 months of 2017 (€ 2.2 million) and stock options (€ 0.2 million).

TXT's results for the first 9 months of 2017, compared with the corresponding figures of the previous year, are presented below:

(€ thousand)	9m 2017	%	9m 2016	%	% Change
REVENUES	**26,032**	**100.0**	**23,469**	**100.0**	**10.9**
Direct costs	14,906	57.3	13,731	58.5	8.6
GROSS MARGIN	**11,126**	**42.7**	**9,738**	**41.5**	**14.3**
Research and development costs	1,864	7.2	1,399	6.0	33.2
Commercial costs	3,456	13.3	2,495	10.6	38.5
General and administrative costs	3,114	12.0	3,268	13.9	(4.7)
EBITDA pre Stock Options	**2,692**	**10.3**	**2,576**	**11.0**	**4.5**
Stock options	69	0.3	-	-	n.s.
GROSS OPERATING PROFIT (EBITDA)	**2,623**	**10.1**	**2,576**	**11.0**	**1.8**
Depreciation, amortisation and impairment	512	2.0	401	1.7	27.7
OPERATING PROFIT (EBIT)	**2,111**	**8.1**	**2,175**	**9.3**	**(2.9)**
Financial income (charges)	(95)	(0.4)	(33)	(0.1)	n.s.
EARNINGS BEFORE TAXES (EBT)	**2,016**	**7.7**	**2,142**	**9.1**	**(5.9)**
Taxes	(625)	(2.4)	(524)	(2.2)	19.3
NET PROFIT FROM CONTINUING OPERATIONS	**1,391**	**5.3**	**1,618**	**6.9**	**(14.0)**
Net profit from Discontinued Operations	838		2,006		(58.2)
NET PROFIT	**2,229**		**3,624**		**(38.5)**

REVENUES AND GROSS MARGINS

Revenues and direct costs of Continuing Operations are summarised below:

(€ thousand)	9m 2017	%	9m 2016	%	% change 17/16
REVENUES	**26,032**	**100.0**	**23,469**	**100.0**	**10.9**
Software	2,396	9.2	1,834	7.8	30.6
Services	23,636	90.8	21,635	92.2	9.2
DIRECT COSTS	14,906	57.3	13,731	58.5	8.6
GROSS MARGIN	**11,126**	**42.7**	**9,738**	**41.5**	**14.3**

Revenues from Continuing Operations amounted to € 26.0 million in the first 9 months of 2017, up € 2.5 million (+10.9%) compared to € 23.5 million in 2016, with Pace (acquired and consolidated starting from 1 April 2016) contributing € 5.7 million and growth of 3.7%.

Revenues from software for licences, subscriptions and maintenance in the first 9 months of 2017 were € 2.4 million, +30.6% compared to the first 9 months of 2016, and revenues from services amounted to € 23.6 million, +9.2% compared to the first 9 months of 2016.

International revenues account for 34% of revenues, compared to 25% the prior year.

The Gross margin increased from € 9.7 million to € 11.1 million, up 14.3%. Gross margin as a percentage of revenues improved from 41.5% to 42.7%, mainly due to the contribution of licences, subscriptions and maintenance of Pace software.

TXT has decades-long experience in the aerospace sector, particularly in on-board software, flight simulators, training systems, flight support services and advanced manufacturing solutions.

TXT 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.

Current customers comprise over 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Leonardo (I), Airbus (D and F), Boeing (USA), Pilatus (CH), Reiser (D), CAE (D), 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 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.

In 2017, two new projects were approved as part of the subsidised HORIZON 2020 research program, part of the European Union Framework Program for Research and Innovation.

The projects aim to develop new industrial applications for aeronautics and are based on TXT's experience in the realm of Industria 4.0 and Digital manufacturing:

- The ICARUS project aimed to optimise Big Data in the aeronautics field
- The FASTEN project aims to develop a platform for production systems entirely connected for high-customisation products, using sophisticated software technologies for self-learning, self-optimisation and advanced control.

Both projects will be conducted as part of international consortia with leading companies and development centres.

TXT 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. TXT has strategic partnerships with Microsoft, HP and IBM.

REVENUES

Research and development costs in the first 9 months of 2017 amounted to € 1.9 million, up 33.2% compared to € 1.4 million in the first 9 months of 2016, due to complete integration of the Pace acquisition. The impact on revenues increased from 6.0% in the first 9 months of 2016 to 7.2%.

Commercial costs amounted to € 3.5 million, up € 1.0 million (+38.5%) compared to the first 9 months of 2016, due to consolidation for the entire period of Pace's results (€ 0.6 million), growth in investment in the TXT Next division (€ 0.3 million) and promotion of TXT Sense (€ 0.1 million). Commercial costs grew from 10.6% to 13.3% as a percentage of revenues.

General and administrative costs amounted to € 3.1 million, down € 0.2 million compared to the first 9 months of 2016 (-4.7%). The impact on revenues decreased from 13.9% in the first 9 months of 2016 to 12.0%.

Gross operating profit (EBITDA) before the Stock Options costs in the first 9 months of 2017 was € 2.7 million, +4.5% compared to 2016 (€ 2.6 million). As a percentage of revenues in the first 9 months of 2017, it stood at 10.3%, compared to 11.0% the prior year, due to higher indirect costs.

EBITDA in the first 9 months of 2017 was € 2.6 million, following costs of € 0.1 million accrued during the period for the 2017-2019 Stock Option plan.

Operating profit (EBIT) amounted to € 2.1 million, down compared to the first 9 months of 2016 (-2.9%) 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 8.1% as a percentage of revenues, compared to 9.3% in 2016.

Earnings before taxes came to € 2.0 million (€ 2.1 million in the first 9 months of 2016), following financial charges and exchange rate differences of € 0.1 million.

Net profit from Continuing Operations was € 1.4 million (€ 1.6 million in the first 9 months of 2016), net of tax charges of € 0.6 million (31% of pre-tax profit, up compared to 24% in 2016 due to full use in the prior year of prior tax losses in a number of countries).

Net profit from Discontinued Operations was € 0.8 million (€ 2.0 million in the first 9 months of 2016).

Net profit was € 2.2 million (€ 3.6 million in the first 9 months of 2016), down € 1.4 million, of which € 0.2 million due to Continuing Operations and € 1.2 million to Discontinued Operations.

CAPITAL EMPLOYED

As at 30 September 2017, Capital Employed from Continuing Operations totalled € 15.2 million, up slightly compared to € 14.9 million as at 31 December 2016 (+€ 0.3 million), due to net working capital (+€ 0.3 million).

Details on Continuing Operations and Discontinued Operations are shown in the table below:

(€ thousand)	30/09/2017	31/12/2016	Change
Intangible assets	7,419	7,634	(215)
Net property, plant and equipment	781	765	16
Other fixed assets	1,901	1,749	152
Fixed assets	**10,101**	**10,148**	**(47)**
Inventories	3,787	2,767	1,020
Trade receivables	10,413	14,015	(3,602)
Sundry receivables and other short-term assets	2,730	1,954	776
Trade payables	(666)	(1,077)	411
Tax payables	(1,209)	(1,048)	(161)
Sundry payables and other short-term liabilities	(7,426)	(9,286)	1,860
Net working capital	**7,629**	**7,325**	**304**
Post-employment benefits and other non-current liabilities	**(2,562)**	**(2,565)**	**3**
Capital employed - Continuing Operations	**15,168**	**14,908**	**260**
Assets and Liabilities - Discontinued Operations	**14,782**	**14,004**	**778**
Capital employed	**29,950**	**28,912**	**1,038**
Group shareholders' equity	33,146	34,283	(1,137)
Net financial position (Cash)	(3,196)	(5,371)	2,175
Sources of financing	**29,950**	**28,912**	**1,038**

Intangible assets decreased from € 7.6 million to € 7.4 million, due to amortisation for the period on the intellectual property rights on software and on the customer portfolio of the Pace acquisition.

Property, plant and equipment amounted to € 0.8 million, unchanged compared to the end of 2016, mainly due to investments in servers and computers during the period (€ 0.3 million), in line with the amortisation amounts that accrued during the period (€ 0.3 million).

Other fixed assets amounted to € 1.9 million, essentially comprising deferred tax assets which increased by € 0.2 million compared to the end of 2016, upon recognition of prepaid taxes on prior tax losses in certain subsidiaries.

Net working capital increased by € 0.3 million, from € 7.3 million as at 31 December 2016 to € 7.6 million as at 30 September 2017. The main changes in net working capital regarded the reduction in receivables due from customers (-€ 3.6 million), the reduction in sundry payables and other short-term liabilities, including payables to employees (-€ 1.9 million) and the increase in inventories for work in progress for amounts not yet invoiced to customers (+€ 1.0 million).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 2.6 million were unchanged compared to those at the end of 2016.

Assets and Liabilities from Discontinued Operations increased from € 14.0 million to € 14.8 million, and the details are outlined in the subsequent paragraph “Discontinued Operations”.

Consolidated shareholders' equity amounted to € 33.2 million, down € 1.1 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 first 9 months of 2017 (€ 2.2 million) and stock options (€ 0.2 million).

The consolidated Net Financial Position as at 30 December 2017 is positive for € 3.2 million, compared to € 5.4 million as at 31 December 2016, down by € 2.2 million due to payment of the dividend (€ 3.5 million), for the increase in Net Working Capital of Continuing Operations (+€ 0.3 million) and Discontinued Operations (+€1.2 million), higher than Net profit from Continuing Operations (+€ 1.4 million) and Discontinued Operations (+€ 0.8 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 September 2017 is as follows:

(€ thousand)	30/09/2017	31/12/2016	Change
Cash and bank assets - Continuing Operations	2,307	5,291	(2,984)
Cash and bank assets - Discontinued Operations	2,750	2,279	471
Cash and bank assets	5,057	7,570	(2,513)
Short-term financial payables - Continuing Operations	(171)	(808)	637
Short-term financial resources	**4,886**	**6,762**	**(4,389)**
Non-current financial liabilities - Continuing Operations	(1,680)	(1,378)	(302)
Non-current financial liabilities - Discontinued Operations	(10)	(13)	3
Non-current financial liabilities	(1,690)	(1,391)	(299)
Net Available Financial Resources	**3,196**	**5,371**	**(2,175)**

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

- Cash and bank assets of € 5.1 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 cash and cash equivalents in the company within the scope of Continuing Operations amount to € 2.3 million, while those in companies identified for disposal under “Discontinued Operations” amount to € 2.8 million. As part of the agreement for disposal to Aptos, an adjustment of the price in an amount equal to the net available financial resources transferred with the TXT Retail division as at the closing date is envisaged.

- 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) and entirely regard Continuing Operations.

- 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 (Continuing Operations).

Q3 2017 ANALYSIS

An analysis of the operating results of Continuing Operations in third quarter 2017 is provided in the table below:

(€ thousand)	Q3 2017	%	Q3 2016	%	% Change
REVENUES	**8,113**	**100.0**	**8,053**	**100.0**	**0.7**
Direct costs	4,795	59.1	4,645	57.7	3.2
GROSS MARGIN	**3,318**	**40.9**	**3,408**	**42.3**	**(2.6)**
Research and development costs	606	7.5	555	6.9	9.2
Commercial costs	1,040	12.8	919	11.4	13.2
General and administrative costs	927	11.4	1,035	12.9	(10.4)
EBITDA pre Stock Grant	**745**	**9.2**	**899**	**11.2**	**(17.1)**
Stock options	23	0.3	-	-	n.s.
GROSS OPERATING PROFIT (EBITDA)	**722**	**8.9**	**899**	**11.2**	**(19.7)**
Depreciation, amortisation and impairment	169	2.1	178	2.2	(5.1)
OPERATING PROFIT (EBIT)	**553**	**6.8**	**721**	**9.0**	**(23.3)**
Financial income (charges)	58	0.7	40	0.5	n.s.
EARNINGS BEFORE TAXES (EBT)	**611**	**7.5**	**761**	**9.4**	**(19.7)**
Taxes	(193)	(2.4)	(203)	(2.5)	(4.9)
NET PROFIT FROM CONTINUING OPERATIONS	**418**	**5.2**	**558**	**6.9**	**(25.1)**
Net profit from Discontinued Operations	244	7.4	1,051	30.8	(76.8)
NET PROFIT	**662**	**8.2**	**1,609**	**20.0**	**(58.9)**

Performance of Continuing Operations compared to the third quarter of the prior year was as follows:

- Net revenues amounted to € 8.1 million, up slightly by 0.7% compared to third quarter 2016.
- The Gross Margin amounted to € 3.3 million in third quarter 2017, down 2.6% compared to third quarter 2016 (€ 3.4 million), due to greater services in Germany.
- Gross operating profit (EBITDA) before the Stock Option costs in third quarter 2017 was € 0.7 million, down compared to € 0.9 million in third quarter 2016 (-17.1%). Indirect research and development costs increased during the quarter (+9.2%), along with commercial costs (+13.2%), due to development of international activities and for investments to launch the TXT Sense division. General and administrative costs decreased by 10.4%. Profit as a percentage of revenues was 9.2%, compared to 11.2% the prior year.
- Operating profit (EBIT) was € 0.6 million, down compared to € 0.7 million in third quarter 2016 (-23.3%), and includes amortisation/depreciation and stock option costs of € 0.2 million. It amounted to 6.8% as a percentage of revenues, compared to 9.0% in third quarter 2016.

- Net profit from Continuing Operations amounted to € 0.4 million (€ 0.6 million in 2016), after tax charges of € 0.2 million and a tax rate of 32%.
- Net profit from Discontinued Operations was € 0.2 million (€ 1.1 million in 2016), due to higher operating, research & development and commercial costs.
- Net profit was € 0.7 million (€ 1.6 million in third quarter 2016), down € 0.9 million, of which € 0.1 million due to Continuing Operations and € 0.8 million to Discontinued Operations.

EMPLOYEES

As at 30 September 2017, employees within the scope of activities of Continuing Operations amounted to 486, with an increase of 12 employees compared to 474 as at 31 December 2016, due to growth in activities.

Employees of Discontinued Operations amounted to 324 as at 30 September 2017, compared to 316 as at 31 December 2017.

DISCONTINUED OPERATIONS

This paragraph provides the analytical detail of the Income Statement and Balance Sheet for Discontinued Operations, essentially corresponding to the TXT Retail Division.

The results of Discontinued Operations for the first 9 months of 2017, compared with the corresponding figures of the previous year, are presented below:

(€ thousand)	9m 2017	%	9m 2016	%	% Change
REVENUES	**27,266**	**100.0**	**26,633**	**100.0**	**2.4**
Direct costs	10,291	37.7	9,864	37.0	4.3
GROSS MARGIN	**16,975**	**62.3**	**16,769**	**63.0**	**1.2**
Research and development costs	3,481	12.8	3,255	12.2	6.9
Commercial costs	7,689	28.2	7,244	27.2	6.1
General and administrative costs	3,455	12.7	3,106	11.7	11.2
EBITDA pre Stock Options	**2,350**	**8.6**	**3,164**	**11.9**	**(25.7)**
Stock options	174	0.6	-	-	n.s.
GROSS OPERATING PROFIT (EBITDA)	**2,176**	**8.0**	**3,164**	**11.9**	**(31.2)**
Depreciation, amortisation and impairment	515	1.9	469	1.8	9.8
OPERATING PROFIT (EBIT)	**1,661**	**6.1**	**2,695**	**10.1**	**(38.4)**
Financial income (charges)	(447)	(1.6)	(40)	(0.2)	n.s.
EARNINGS BEFORE TAXES (EBT)	**1,214**	**4.5**	**2,655**	**10.0**	**(54.3)**
Taxes	(376)	(1.4)	(649)	(2.4)	(42.1)
NET PROFIT FROM DISCONTINUED OPERATIONS	**838**	**3.1**	**2,006**	**7.5**	**(58.2)**

The results of Discontinued Operations were calculated based on a number of specifically measured items (Revenues, Direct costs, Research and development costs, Commercial costs, Stock options, Financial charges) and other items allocated as a percentage of costs of the TXT Group (General and administrative costs, Depreciation/amortisation, Taxes).

Revenues from Discontinued Operations during the first 9 months of 2017 amounted to € 27.3 million, up by 2.4% compared to € 26.6 million in the first 9 months of 2016.

Software revenues from licences, subscriptions and maintenance were € 11.7 million, +2.9% compared to the first 9 months of 2016 (€ 11.4 million), due to good performance of subscription and maintenance sales. Revenues from services amounted to € 15.6 million, up 2.0% compared to the first 9 months of 2016 (€ 15.2 million). Revenues from software amounted to 43.0% as a percentage of the division's total revenues, essentially in line with the prior year (42.8%).

Gross margin from Discontinued Operations, net of direct costs, increased from € 16.8 million to € 17.0 million, for a +1.2% change. The margin on revenues fell from 63.0% to 62.3% in the first 9 months of 2017.

Research and development costs in the first 9 months of 2017 amounted to € 3.5 million, up 6.9% compared to € 3.3 million in the first 9 months of 2016, due to development of the new AgileFit, In-memory, Cloud and Omnichannel solutions of the Retail software. The impact on revenues increased from 12.2% in the first 9 months of 2016 to 12.8%.

Commercial costs stood at € 7.7 million, up by € 0.5 million (+6.1%) compared to the first 9 months of 2016, due to commercial investment in North America, Asia and Europe, and to initiatives to promote TXT Retail products at the NRF event in New York and Thinking Retail in Amsterdam. Commercial costs grew from 27.2% to 28.2% as a percentage of revenues.

General and administrative costs amounted to € 3.5 million, up € 0.3 million compared to the first 9 months of 2016 (+11.2%), due to costs for consulting and legal fees for the disposal to Aptos (€ 0.3 million).

Gross operating profit (EBITDA) before the Stock Option costs in the first 9 months of 2017 was € 2.4 million, down 25.7% compared to the first 9 months of 2016 (€ 3.2 million). Gross profit amounted to 8.6% as a percentage of revenues, compared to 11.9% in the first 9 months of 2016.

EBITDA in the first 9 months of 2017 was € 2.2 million, following costs of € 0.2 million accrued in regard to TXT Retail personnel during the period for the 2017-2019 Stock Option plan.

Operating profit (EBIT) amounted to € 1.7 million, down compared to the first 9 months of 2016 (-31.2%), after depreciation/amortisation of € 0.5 million, essentially in line with the prior year.

Earnings before taxes came to € 1.2 million (€ 2.7 million in the first 9 months of 2016), following financial charges and exchange rate differences on the USD and GBP of € 0.4 million.

Net profit from Discontinued Operations was € 0.8 million (€ 2.0 million in the first 9 months of 2016), net of tax charges of € 0.4 million (31% of pre-tax profit, compared to 24% in 2016 due to full use in the previous year of prior tax losses in a number of countries).

As at 30 September 2017, Capital Employed from Discontinued Operations totalled € 14.8 million, up compared to € 14.0 million as at 31 December 2016 (+€ 0.8 million), due to growth in net working capital (+€ 1.2 million) and a decrease in Fixed assets (-€ 0.4 million).

Details of Capital employed with regard to Discontinued Operations are shown in the table below:

(€ thousand)	30/09/2017	31/12/2016	Change
Intangible assets	13,204	13,662	(458)
Net property, plant and equipment	773	833	(60)
Other fixed assets	895	785	110
Fixed assets	**14,872**	**15,280**	**(408)**
Inventories	103	379	(276)
Trade receivables	10,836	9,725	1,111
Sundry receivables and other short-term assets	706	675	31
Trade payables	(149)	(549)	400
Tax payables	(1,229)	(1,484)	255
Sundry payables and other short-term liabilities	(8,969)	(8,642)	(327)
Net working capital	**1,298**	**104**	**1,194**
Post-employment benefits and other non-current liabilities	**(1,388)**	**(1,380)**	**(8)**
Capital employed - Discontinued Operations	**14,782**	**14,004**	**778**

Intangible assets decreased from € 13.7 million to € 13.2 million, due to amortisation for the period on the intellectual property rights on software and on the customer portfolio.

Property, plant and equipment amounted to € 0.8 million, essentially unchanged compared to the end of 2016, mainly due to investments in servers and computers during the period, in line with the accrued amortisation amounts.

Other fixed assets amounted to € 0.9 million, essentially comprising deferred tax assets which increased by € 0.1 million compared to the end of 2016, upon recognition of prepaid taxes on prior tax losses in certain countries.

Net working capital increased by € 1.2 million, from € 0.1 million as at 31 December 2016 to € 1.3 million as at 30 September 2017, mainly due to the increase in receivables due from customers (+ €1.1 million).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 1.4 million were unchanged compared to those at the end of 2016.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first 9 months 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 September 2017, the share price was € 11.19, equal to an appreciation of +49% compared to the beginning of the year.

Average daily trade volumes in the first 9 months of 2017 amounted to 49,600 shares, showing significant growth compared to the average of 8,600 shares in 2016.

As at 30 September 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 during the first 9 months of 2017.

The Shareholders' Meeting held on 21 April 2017 renewed the authorisation to purchase treasury shares for a period of 18 months up to 20% of the share capital.

On 3 August 2017, the Board of Directors unanimously co-opted, with resolution approved by the Board of Statutory Auditors, Andrea Lanciani as non-executive director of the Company, to replace Andrea Casanova, who resigned on the same date.

Andrea Lanciani graduated with a Law Degree in Turin in 1989, cum laude and publication recommended, and has been enrolled in the Bar Association since 1992. A Supreme Court attorney, he has expertise in the fields of commercial law with specific reference to banking, financial and corporate law and the sector of public companies. He is the author of publications on commercial law, corporate law and on the philosophy of law. He is fluent in English and French and is a partner at Studio Tosetto, Weigmann e Associati. The new director does not possess any TXT shares.

Andrea Casanova was elected during the Shareholders’ Meeting of 21 April 2017 from the minority list submitted by shareholder E-business Consulting S.A. Pursuant to the By-laws, the Board co-opted the first non-elected candidate from the same minority list, with resolution approved by the Board of Statutory Auditors.

Andrea Casanova was a member of the Risks and Internal Controls Committee and of the Remuneration Committee. Mr. Casanova, who upon resignation did not hold any TXT shares, justified his resignation as being for strictly personal reasons. The outgoing Director was not assigned any severance or other benefits following termination of his office.

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

Sale of the TXT Retail Division to Aptos, Inc. was finalised on 2 October 2017, following fulfilment of all of the conditions precedent envisaged in the preliminary agreement, including completion of the transfer of the Retail business branch to Thinking Retail S.r.l., newly-formed company, obtainment of the necessary authorisations by the German and Austrian anti-trust authorities, conclusion of the union consultation procedure and completion of the additional corporate requirements.

At closing, TXT received a consideration amount of € 85 million.

An adjustment of the price to be determined based on net working capital is envisaged, as well as the right of TXT to receive an additional amount equal to the net available financial resources transferred with the TXT Retail division as at the closing date.

The company TXT Next Sarl was established on 2 October 2017, functional for subdivision of the TXT Retail and TXT Next activities in France.

The results for fourth quarter 2017 will show a substantial capital gain due to the sale of TXT Retail. As announced on 24 July 2017, the Board of Directors of TXT e-solutions will assess whether to submit to the Shareholders' Meeting called to approve the financial statements in April 2018 a proposal for distribution of an extraordinary dividend, assuming the existence of the conditions and pre-requisites required by law.

The Company will continue to invest in research and development, in international commercial growth and in the search for acquisition opportunities, simultaneously maintaining a good profit capacity. For the current quarter, the Company expects moderate performance of revenues from software and services and profitability from Continuing Operations.

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Chairman of the Board of Directors

Alvise Braga Illa

Milan, 7 November 2017

Consolidated financial statements as at 30 September 2017

Consolidated Balance Sheet

ASSETS	30/09/2017	31/12/2016
NON-CURRENT ASSETS		
Goodwill	5,369,231	17,830,693
Intangible assets with a finite useful life	2,049,795	3,465,058
Intangible assets	**7,419,026**	**21,295,751**
Property, plant and equipment	780,616	1,598,260
Property, plant and equipment	**780,616**	**1,598,260**
Sundry receivables and other non-current assets	176,793	160,498
Deferred tax assets	1,724,845	2,373,623
Other non-current assets	**1,901,638**	**2,534,121**
TOTAL NON-CURRENT ASSETS	**10,101,281**	**25,428,132**
CURRENT ASSETS		
Period-end inventories	3,786,613	3,146,362
Trade receivables	10,412,465	23,739,800
Sundry receivables and other current assets	2,730,766	2,629,183
Cash and cash equivalents	2,306,456	7,570,479
TOTAL CURRENT ASSETS	**19,236,300**	**37,085,825**
Assets from Discontinued Operations	**29,267,295**	**0**
TOTAL ASSETS	**58,604,875**	**62,513,957**

LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	14,375,169	14,091,143
Retained earnings (accumulated losses)	10,037,854	8,133,126
Profit (loss) for the year	2,229,430	5,555,363
TOTAL SHAREHOLDERS' EQUITY	**33,145,578**	**34,282,757**
NON-CURRENT LIABILITIES		
Non-current financial liabilities	1,680,174	1,404,450
Employee benefits expense	2,561,502	3,945,640
Deferred tax provision	562,723	1,843,436
TOTAL NON-CURRENT LIABILITIES	**4,804,399**	**7,193,526**
CURRENT LIABILITIES		
Current financial liabilities	171,343	808,225
Trade payables	665,810	1,625,740
Tax payables	646,516	688,428
Sundry payables and other current liabilities	7,425,775	17,915,280
TOTAL CURRENT LIABILITIES	**8,909,443**	**21,037,673**
TOTAL LIABILITIES	**13,713,842**	**28,231,199**
Liabilities from Discontinued Operations	**11,745,456**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**58,604,876**	**62,513,957**

Consolidated Income Statement

Consolidated Income Statement	30/09/2017	30/09/2016
TOTAL REVENUES AND OTHER INCOME	**26,030,532**	**23,469,211**
Purchase of materials and external services	(4,724,240)	(4,341,635)
Personnel costs	(17,798,311)	(15,565,233)
Other operating costs	(886,287)	(675,549)
Depreciation and amortisation/Impairment	(511,755)	(400,796)
OPERATING PROFIT (LOSS)	**2,109,939**	**2,485,998**
Financial income (charges)	(95,318)	(32,627)
EARNINGS BEFORE TAXES	**2,014,621**	**2,453,371**
Income taxes	(624,548)	(523,857)
NET PROFIT FROM CONTINUING OPERATIONS	**1,390,073**	**1,929,514**
Net profit from Discontinued Operations	839,358	1,694,856
NET PROFIT (LOSS) FOR THE YEAR	**2,229,430**	**3,624,371**
EARNINGS PER SHARE	0.19	0.31
DILUTED EARNINGS PER SHARE	0.19	0.31

Consolidated Statement of Comprehensive Income

	30/09/2017	30/09/2016
NET PROFIT (LOSS) FOR THE YEAR	**2,229,430**	**3,624,371**
Foreign currency translation differences - foreign operations	(138,466)	(1,082,357)
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	**(138,466)**	**(1,082,357)**
Defined benefit plans actuarial gains (losses)	24,604	(25,438)
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	**24,604**	**(25,438)**
Total profit/(loss) of Comprehensive income net of taxes	**(113,862)**	**(1,107,795)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,115,569**	**2,516,576**

Consolidated Statement of Cash Flows

	30/09/2017	30/09/2016
Net profit (loss) for the year	**2,229,430**	**3,624,371**
Non-monetary costs	242,888	6,455
Current taxes	480,396	907,349
Change in deferred taxes	(200,547)	(187,711)
Depreciation and amortisation, impairment and provisions	1,027,296	869,896
Cash flows from (used in) operating activities (before change in working capital)	**3,779,463**	**5,220,360**
(Increases)/decreases in trade receivables	2,479,416	3,410,670
(Increases)/decreases in inventories	(743,647)	(1,328,329)
Increases/(decreases) in trade payables	(810,725)	(684,272)
Increases/(decreases) in post-employment benefits	28,578	41,169
Increases/(decreases) in other assets and liabilities	(2,976,936)	(1,331,764)
Change in operating assets and liabilities	(2,023,314)	107,474
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**1,756,149**	**5,327,834**
Increases in property, plant and equipment	(453,532)	(384,753)
Increases in intangible assets	(88,510)	-
Net cash flow from PACE acquisition	-	(5,442,817)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(542,042)**	**(5,827,570)**
Increases/(decreases) in financial payables	(337,728)	1,767,888
Distribution of dividends	(3,495,636)	(2,931,492)
(Purchase)/Sale of treasury shares	-	(529,858)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(3,833,364)**	**(1,693,462)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,619,257)**	**(2,193,198)**
Effect of exchange rate changes on cash flows	105,316	(258,344)
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	**5,056,538**	**6,628,433**

Consolidated Statement of Changes in Equity as at 30 September 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 2	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						242,888					242,888
Distribution of dividends									(3,495,636)		(3,495,636)
Post-employment benefits discounting							24,604				24,604
Exchange differences								(138,466)			(138,466)
Profit (loss) as at 30 June 2017										2,229,430	2,229,430
Balances as at 30 June 2017	6,503,125	1,005,000	11,796,405	1,911,444	140,667	1,164,185	(972,335)	(670,221)	10,037,877	2,229,430	33,145,577

(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 201	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						(316)	3,652,464	(3,882,487)	(339)
Distribution of dividends									(2,931,492)		(2,931,492)
Purchase/Sale of treasury shares			(827,756)								(827,756)
Post-employment benefits discounting							(92,272)				(92,272)
Exchange differences								(1,045,083)			(1,045,083)
Profit (loss) as at 30 June 2016										5,555,363	5,555,363
Balances as at 30 June 2016	6,503,125	850,000	11,796,405	1,911,444	140,667	921,297	(996,939)	(531,731)	8,133,127	5,555,363	34,282,758

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 September 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 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	100%	295,000
PACE America Inc.	USD	100%	10
TXT e-solutions SagL	CHF	100%	40,000
Thinking Retail Srl	EUR	100%	50,000
TXT Next Ltd	GBP	100%	100,000

Compared to the financial statements as at 31 December 2016, the scope of consolidation during the first nine months of 2017 was modified as a result of the following transactions:

- Establishment of the company Thinking Retail Srl on 27 July 2017;
- Establishment of the company TXT Next Ltd on 18 September 2017.

TXT e-solutions Group’s interim report as at 30 September 2017 is 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 Pty Ltd, TXT USA Inc., TXT Retail AsiaPacific Ltd, TXT Singapore Pte Ltd, PACE America Inc., TXT e-solutions Sagl and TXT Next Ltd into Euro:

- Income Statement (average exchange rate for the first 9 months)

Currency	30/09/2017	30/09/2016
British Pound Sterling (GBP)	0.8725	0.7959
Canadian Dollar (CAD)	1.4538	1.4764
Australian Dollar (AUD)	1.4530	1.5088
US Dollar (USD)	1.1132	1.1151
Hong Kong Dollar (HKD)	8.6699	8.6593
Singapore Dollar (SGD)	1.5461	1.5308
Swiss Franc (CHF)	1.0946	1.0939

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

Currency	30/09/2017	31/12/2016
British Pound Sterling (GBP)	0.8818	0.8562
Canadian Dollar (CAD)	1.4687	1.4188
Australian Dollar (AUD)	1.5075	1.4596
US Dollar (USD)	1.1806	1.0541
Hong Kong Dollar (HKD)	9.2214	8.1751
Singapore Dollar (SGD)	1.6031	1.5234
Swiss Franc (CHF)	1.1457	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 as at 30 September 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. Discontinued Operations

This Chapter provides the analytical details of items under Discontinued Operations, as presented in the consolidated Income Statement and consolidated Balance Sheet.

From a methodological standpoint, with regard to the representation of Discontinued Operations envisaged by IFRS 5, these were included in the scope of consolidation of the TXT Group as at 30 September 2017 and, therefore, the total balances for the entire Group were determined by making the appropriate eliminations of economic and financial transactions between Continuing and Discontinued Operations. More specifically, the following was carried out:

- the individual income statement items relative to Continuing Operations and the individual Net profit/(loss) items of Discontinued Operations reported in these financial statements were stated without taking into account elimination of the intragroup transactions that took place between the two Operations, while the item Net profit/(loss) for the year includes the overall effects of elimination of these transactions;

- at the economic-financial level, consolidation of Continuing and Discontinued Operations implies elimination of the intragroup transactions that took place between them, so that the amounts recognised under Continuing Operations and Discontinued Operations represent the asset and liability balances arising from transactions with parties outside of the overall TXT Group. Consequently, said balances may not be representative of the economic-financial position of the TXT Group following the sale.

BALANCE SHEET

DISCONTINUED AND CONTINUING OPERATIONS

As at 30 September 2017, the items are broken down as follows:

ASSETS	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS	TOTAL TXT
NON-CURRENT ASSETS			
Goodwill	12,217,681	5,369,231	17,586,912
Intangible assets with a finite useful life	985,960	2,049,795	3,035,755
Intangible assets	**13,203,641**	**7,419,026**	**20,622,667**
Property, plant and equipment	773,414	780,616	1,554,030
Property, plant and equipment	**773,414**	**780,616**	**1,554,030**
Sundry receivables and other non-current assets	169,441	176,793	346,234
Deferred tax assets	725,474	1,724,845	2,450,319
Other non-current assets	**894,915**	**1,901,638**	**2,796,553**
TOTAL NON-CURRENT ASSETS	**14,871,970**	**10,101,281**	**24,973,250**
CURRENT ASSETS			
Period-end inventories	103,396	3,786,613	3,890,009
Trade receivables	10,836,198	10,412,465	21,248,663
Sundry receivables and other current assets	705,649	2,730,766	3,436,415
Cash and cash equivalents	2,750,082	2,306,456	5,056,538
TOTAL CURRENT ASSETS	**14,395,325**	**19,236,300**	**33,631,625**
TOTAL ASSETS	**29,267,295**	**29,337,581**	**58,604,875**

LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		6,503,125	6,503,125
Reserves		14,375,169	14,375,169
Retained earnings (accumulated losses)		10,037,854	10,037,854
Profit (loss) for the year		2,229,430	2,229,430
TOTAL SHAREHOLDERS' EQUITY	**0**	**33,145,578**	**33,145,578**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	10,120	1,680,174	1,690,294
Employee benefits expense	1,388,112	2,561,502	3,949,614
Deferred tax provision	1,156,862	562,723	1,719,585
TOTAL NON-CURRENT LIABILITIES	**2,555,094**	**4,804,399**	**7,359,493**
CURRENT LIABILITIES			
Current financial liabilities	0	171,343	171,343
Trade payables	149,205	665,810	815,015
Tax payables	71,979	646,516	718,495
Sundry payables and other current liabilities	8,969,178	7,425,775	16,394,952
TOTAL CURRENT LIABILITIES	**9,190,362**	**8,909,443**	**18,099,805**
TOTAL LIABILITIES	**11,745,456**	**13,713,842**	**25,459,297**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,745,456**	**46,859,420**	**58,604,876**

As at 31 December 2016, the items are broken down as follows:

ASSETS	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS	TOTAL TXT
NON-CURRENT ASSETS			
Goodwill	12,461,462	5,369,231	17,830,693
Intangible assets with a finite useful life	1,200,918	2,264,140	3,465,058
Intangible assets	**13,662,380**	**7,633,371**	**21,295,751**
Property, plant and equipment	833,030	765,230	1,598,260
Property, plant and equipment	**833,030**	**765,230**	**1,598,260**
Sundry receivables and other non-current assets	136,175	24,323	160,498
Deferred tax assets	648,778	1,724,845	2,373,623
Other non-current assets	**784,953**	**1,749,168**	**2,534,121**
TOTAL NON-CURRENT ASSETS	**15,280,363**	**10,147,769**	**25,428,132**
CURRENT ASSETS			
Period-end inventories	379,002	2,767,361	3,146,362
Trade receivables	9,724,570	14,015,230	23,739,800
Sundry receivables and other current assets	675,516	1,953,667	2,629,183
Cash and cash equivalents	2,278,928	5,291,552	7,570,479
TOTAL CURRENT ASSETS	**13,058,016**	**24,027,809**	**37,085,825**
TOTAL ASSETS	**28,338,379**	**34,175,578**	**62,513,957**

LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		6,503,125	6,503,125
Reserves		14,091,143	14,091,143
Retained earnings (accumulated losses)		8,133,126	8,133,126
Profit (loss) for the year		5,555,363	5,555,363
TOTAL SHAREHOLDERS' EQUITY	**0**	**34,282,757**	**34,282,757**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13,310	1,391,140	1,404,450
Employee benefits expense	1,380,115	2,565,525	3,945,640
Deferred tax provision	1,018,386	825,050	1,843,436
TOTAL NON-CURRENT LIABILITIES	**2,411,811**	**4,781,715**	**7,193,526**
CURRENT LIABILITIES			
Current financial liabilities	435	807,790	808,225
Trade payables	548,753	1,076,987	1,625,740
Tax payables	465,508	222,920	688,428
Sundry payables and other current liabilities	8,641,840	9,273,439	17,915,280
TOTAL CURRENT LIABILITIES	**9,656,537**	**11,381,137**	**21,037,673**
TOTAL LIABILITIES	**12,068,348**	**16,162,852**	**28,231,199**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**12,068,348**	**50,445,609**	**62,513,957**

INCOME STATEMENT

DISCONTINUED OPERATIONS

The breakdown in operating amounts among Discontinued Operations is provided below:

Euro	30/09/2017	30/09/2016
TOTAL REVENUES AND OTHER INCOME	**27,267,035**	**26,633,239**
Purchase of materials and external services	(5,063,488)	(5,016,097)
Personnel costs	(19,076,407)	(17,983,253)
Other operating costs	(949,932)	(780,493)
Depreciation and amortisation/Impairment	(515,541)	(469,100)
OPERATING PROFIT (LOSS)	**1,661,668**	**2,384,295**
Financial income (charges)	(446,214)	(40,423)
EARNINGS BEFORE TAXES	**1,215,453**	**2,343,872**
Income taxes	(376,096)	(649,016)
NET PROFIT (LOSS) FOR THE YEAR	**839,358**	**1,694,856**

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