TXT e-solutions Group

Interim report

as at 30 September 2014

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 5,911,932 fully paid-in

Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

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

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

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

(2) Powers assigned: ordinary administration.

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

BOARD OF STATUTORY AUDITORS

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

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

EXTERNAL AUDITORS Reconta Ernst & Young S.p.A.

INVESTOR RELATIONS E-mail: infofinance@txtgroup.com

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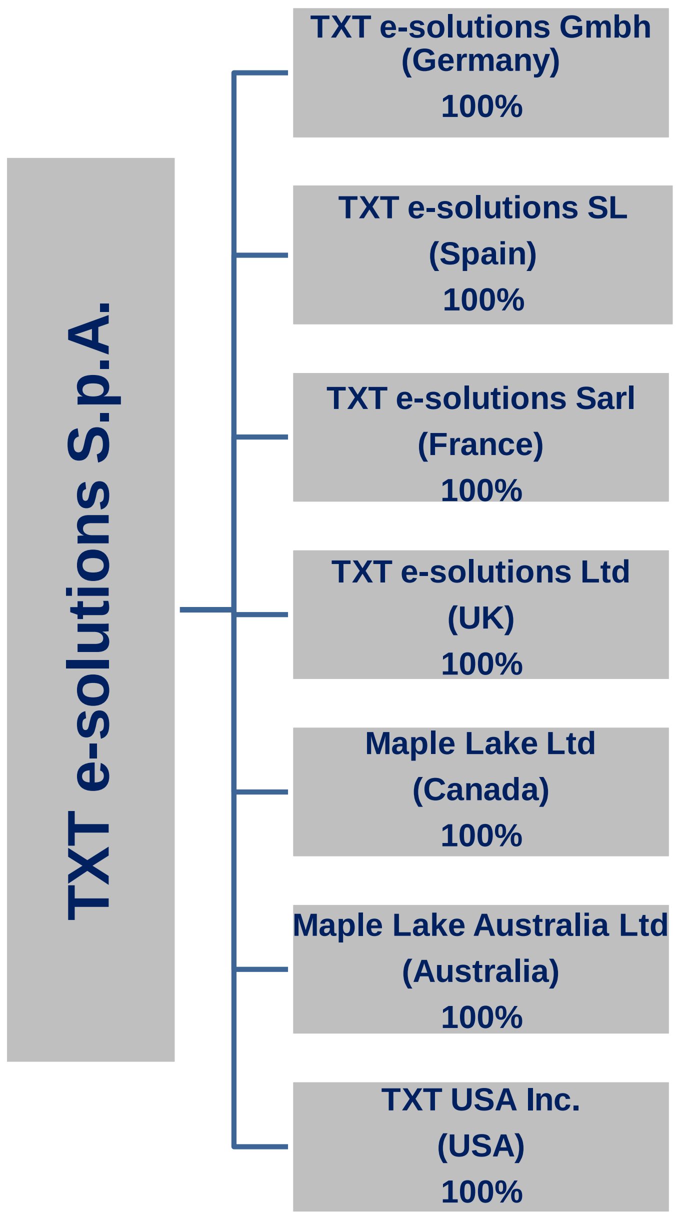
Organisational structure and scope of consolidation



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Key data and Directors’ report on operations as at 30 September 2014

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	30 Sep. 2014	%	30 Sep. 2013	%	% change
REVENUES	**41,682**	**100.0**	**39,611**	**100.0**	**5.2**
of which:					
TXT Perform	25,813	61.9	23,886	60.3	8.1
TXT Next	15,869	38.1	15,725	39.7	0.9
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**5,587**	**13.4**	**4,764**	**12.0**	**17.3**
OPERATING PROFIT (LOSS) [EBIT]	**4,607**	**11.1**	**3,819**	**9.6**	**20.6**
NET PROFIT (LOSS) FOR THE PERIOD	**3,608**	**8.7**	**2,887**	**7.3**	**25.0**

FINANCIAL DATA (€ thousand)	30 Sep. 2014	30 Sep. 2013	Change
Fixed assets	17,700	17,850	(150)
Net working capital	7,547	4,813	2,734
Post-employment benefits and other non-current liabilities	(3,628)	(3,299)	(329)
Capital employed	**21,619**	**19,364**	**2,255**
Net financial position	7,071	8,573	(1,502)
Group shareholders' equity	28,690	27,937	753

DATA PER SHARE	30 Sep. 2014	30 Sep. 2013	Change
Average number of shares outstanding *	10,443,646	10,461,344	(17,698)
Net earnings per share *	0.35	0.28	0.07
Equity per share *	2.75	2.54	0.21

ADDITIONAL INFORMATION	30 Sep. 2014	30 Sep. 2013	Change
Number of employees	549	498	51
TXT share price	8.18	9.07	(0.89)

* The number of shares and the relevant 2013 prices were restated following the free share capital increase dated 17 December 2013, with the issue of one new share for every share issued, so as to allow comparison with 2014. The shares outstanding are equal to the shares issued less treasury shares.

Notes on Alternative Performance Measures

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

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

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

Directors' reports on operations for the first 9 months of 2014

Dear Shareholders,

In the first 9 months of 2014 the Group focused on investing in North America and Europe to develop the Luxury and Fashion market for the TXT Perform software dealing with end-to-end solutions – from the collection to the shelf and e-commerce, too – for leading international customers.

- Total revenues increased by 5.2%, from € 39.6 million to € 41.7 million (+5.2% at constant exchange rates). The € 2.1 million increase in revenues was attributable to a € 1.5 million non-recurring income received as compensation from two of Maple Lake shares' sellers and to the two divisions' positive performance (€ 0.6 million).

- TXT Perform Division's revenues (61.9% of the Group's revenues) increased by 8.1% while TXT Next Division's revenues (38.1% of Group's revenues) increased by 0.9%.

- International revenues grew from € 21.5 million to € 23.9 million, accounting for 57% of total revenues, and were essentially attributable to the TXT Perform Division.

- Net of direct costs, gross margin rose from € 20.8 million to € 22.2 million. The € 1.4 million increase in gross margin in the first 9 months of 2014 was due to the positive contribution of non-recurring income, net of non-recurring charges in the second quarter of the year (€ 1.1 million) and to the improvement in operating profit (€ 0.3 million). Gross margin amounted to 53.3% as a percentage of revenues, compared to 52.6% in 2013.

- Gross operating profit (EBITDA) amounted to € 5.6 million in the first 9 months of 2014, up from € 4.8 million in 2013, due to the positive contribution of non-recurring income, net of non-recurring charges (€ 1.1 million). Profit from operations fell by € 0.3 million compared to the prior-year period, due to higher investments (+7.6%).

- Net profit for the period amounted to € 3.6 million (8.7% of revenues), up from € 2.9 million in the first 9 months of 2013.

- Net financial position at 30 September 2014 was positive to the tune of € 7.1 million (€ 8.6 million at 31 December 2013 and € 6.6 million at 30 June 2014), after distribution of dividends (€ 2.6 million) and 2013 bonuses to personnel (€ 2.2 million) as well as the share buy-backs (€ 0.4 million).
  Cash flow from operating activities before changes in net working capital amounted to € 4.8 million in the first 9 months of 2014.

- Shareholders' equity amounted to € 28.7 million at 30 September 2014, increasing by € 0.8 million from € 27.9 million at 31 December 2013, mainly due to the net profit for the period (€ 3.6 million), net of the distribution of dividends (€ 2.6 million), the share buy-backs (€ 0.4 million) and other changes in equity.

TXT's results for the first 9 months of 2014, compared with the prior-year period, are presented below:

(€ thousand)	9m 2014	%	9m 2013	%	% change
REVENUES	**41,682**	**100.0**	**39,611**	**100.0**	**5.2**
Direct costs	19,451	46.7	18,762	47.4	3.7
GROSS MARGIN	**22,231**	**53.3**	**20,849**	**52.6**	**6.6**
Research and development costs	3,388	8.1	3,618	9.1	(6.4)
Commercial costs	8,193	19.7	7,616	19.2	7.6
General and administrative costs	5,063	12.1	4,851	12.2	4.4
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**5,587**	**13.4**	**4,764**	**12.0**	**17.3**
Depreciation, amortisation and impairment	980	2.4	945	2.4	3.7
OPERATING PROFIT (LOSS) [EBIT]	**4,607**	**11.1**	**3,819**	**9.6**	**20.6**
Financial income (charges)	(192)	(0.5)	(316)	(0.8)	(39.2)
EARNINGS BEFORE TAXES (EBT)	**4,415**	**10.6**	**3,503**	**8.8**	**26.0**
Taxes	(807)	(1.9)	(616)	(1.6)	31.0
NET PROFIT (LOSS) FOR THE PERIOD	**3,608**	**8.7**	**2,887**	**7.3**	**25.0**

REVENUES AND GROSS MARGINS

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

(€ thousand)	TXT PERFORM 9m 2014	%	9m 2013	%	14/13 change
REVENUES	**25,813**	**100.0**	**23,886**	**100.0**	**8.1**
Licenses & maintenance	9,250	35.8	10,098	42.3	(8.4)
Projects and services	16,563	64.2	13,788	57.7	20.1
DIRECT COSTS	9,686	37.5	8,805	36.9	10.0
GROSS MARGIN	**16,127**	**62.5**	**15,081**	**63.1**	**6.9**

(€ thousand)	TXT Next 9m 2014	%	9m 2013	%	14/13 change
REVENUES	**15,869**	**100.0**	**15,725**	**100.0**	**0.9**
Licenses & maintenance	75	0.5	64	0.4	17.2
Projects and services	15,794	99.5	15,661	99.6	0.8
DIRECT COSTS	9,765	61.5	9,957	63.3	(1.9)
GROSS MARGIN	**6,104**	**38.5**	**5,768**	**36.7**	**5.8**

(€ thousand)	TOTAL TXT 9m 2014	%	9m 2013	%	14/13 change
REVENUES	**41,682**	**100.0**	**39,611**	**100.0**	**5.2**
Licenses & maintenance	9,325	22.4	10,162	25.7	(8.2)
Projects and services	32,357	77.6	29,449	74.3	9.9
DIRECT COSTS	19,451	46.7	18,762	47.4	3.7
GROSS MARGIN	**22,231**	**53.3**	**20,849**	**52.6**	**6.6**

TXT Perform Division

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

The TXT Perform Division's revenues amounted to € 25.8 million, rising 8.1% compared to € 23.9 million in the first 9 months of 2013. The € 1.5 million non-recurring income received as compensation from two of Maple Lake shares' sellers contributed to the growth recorded in the first 9 months of 2014.

The Division's international revenues increased from € 20.4 million to € 22.3 million, accounting for 86% of TXT Perform's total revenues.

Revenues from licenses and maintenance amounted to € 9.3 million, down on the € 10.1 million revenues recorded in the first 9 months of 2013, mainly due to the higher number of large contracts in the third quarter of 2013. Revenues from licenses and maintenance amounted to 36% as a percentage of the Division's total revenues.

The Division’s gross margin, net of direct costs, increased from € 15.1 million to € 16.1 million, mainly as a result of the positive contribution of non-recurring income, net of non-recurring charges (€ 1.1 million). Gross margin amounted to 62.5% as a percentage of revenues, compared to 63.1% in the first 9 months of 2013.

Some of the new TXT Perform's customers in the period are: Otto (D), La Halle (F), The White Company (UK), Pandora (DK), Krones (D), Constellium (D), Ellos (SE), PAS Group (AUS), and Build-a-Bear Workshop (USA). Worthy of note is also the extension of licenses for some existing customers: Damartex (F), Dior (F), Starboard Cruise Services (USA), Cotton On (AUS), Lindex (FIN) and Greencore (UK).

During the first 9 months of 2014, the Division implemented the AgileFit solution for End-to-End Retail – an exclusive, innovative and proprietary solution applied for the first time to Miroglio and Bata's systems. AgileFit speeds up installation and return on investments for TXT customers. About 25 customers, including Thirty-One Gifts (USA), Damartex (F), Lacoste (F), Fat Face (UK), Hamm Reno (D), and Yamamay (I), implemented TXT's solutions. Furthermore, six projects were launched for Louis Vuitton (F) and a roll out plan for Europe, America and Asia was implemented for Burberry's (UK). We are also satisfied with the successful solutions created for Sephora France and completed within the deadlines during the third quarter. Such solutions will also be implemented by Sephora USA and Pandora, a dynamic new generation jeweller operating in 84 countries worldwide.

Customers of the Luxury, Fashion, and Retail sectors contributing to revenues in 2013 and 2014 numbered 350, with more than 100,000 points of sales and sales channels throughout the world. TXT Perform's potential market, in the geographical areas it currently serves – Europe and North America – includes approximately 1,500 large Retailers.

In the third quarter of 2014, TXT launched AgileFit, a new approach to the creation of Retail projects, speeding up implementation and return on investments in planning for customers in the Retail, Luxury and Fashion segments. TXTPlanning and TXTPLM respond to the challenge of creating “customer driven” assortment plans, based on advanced forecasting functions, work flow management processes and easy interface for staff in charge with planning and all the functions involved in the retail process. This state-of-the-art solution represents the “Next generation” in the retail industry.

On 7 February 2014, TXT USA Inc. was incorporated with the aim of supporting trade development. Staff based in North America was increased by hiring high-profile managers and appointing two Senior Vice Presidents for North America's operations: Mr Peter Charness was appointed as Commercial Director and Chief Marketing Officer, and Jean-Philippe Vorsanger was appointed as Chief Operating Officer.

In the first 9 months of 2014, TXT organized several TXT Thinking Retail events – notably in Berlin, New York, Los Angeles – which saw the participation of over 200 large Retailers and international Brands, with the aim of sharing experiences and results concerning integrated planning, based on TXT's omni-channel solutions.

TXT Next Division

TXT Next Division's revenues amounted to € 15.9 million, up 0.9% from € 15.7 million registered in the first 9 months of 2013. The delay in the launch of some new projects for an important customer in the Aerospace & Defence segment experienced in the first quarter of 2014 was partially recovered in the second and third quarter. Sales of Verification and Validation services in the banking sector were satisfactory. The Division’s revenues accounted for 38.1% of the Group's revenues.

Gross margin increased from € 5.8 million to € 6.1 million, as a result of the decrease in direct costs. As a percentage of revenues, it improved from 36.7% to 38.5%.

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

• Aerospace, Automotive & Rail;

• High Tech Manufacturing;

• Banking & Finance.

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

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

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

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

TXT GROUP'S REVENUES

Research and development costs amounted to € 3.4 million in the first 9 months of 2014, compared to € 3.6 million in 2013, due to the reduction of research activities for funded projects. As a percentage of revenues, they amounted to 8.1%.

Commercial costs in the period stood at € 8.2 million, +7.6% compared to the prior-year period as a result of the strengthened commercial network in North America and Europe and of the new initiatives to promote TXT Perform products at the NRF event in New York and the Thinking Retail conference in Berlin and New York. Commercial costs rose from 19.2% to 19.7% as a percentage of revenues.

General and administrative costs amounted to € 5.1 million. As a percentage of revenues, they decreased from 12.2% in the first 9 months of 2013 to 12.1% in the first 9 months of 2014. The Group's presence in North America was strengthened through the incorporation of TXT USA Inc. aimed at accelerating trade development in the United States.

Gross operating profit (EBITDA) amounted to € 5.6 million in the first 9 months of 2014, up from € 4.8 million in the prior-year period, due to the positive contribution of non-recurring income, net of non-recurring charges (€ 1.1 million). Profit from operations slightly fell compared to the previous year, due to higher investments in North America and Europe (+ € 0.6 million).

Operating Profit (EBIT) was € 4.6 million, up from € 3.8 million in the prior-year period, net of depreciation/amortisation of property, plant and equipment, R&D costs capitalised in previous years, intellectual property rights to software and the customer portfolio deriving from the Maple Lake acquisition (€ 0.9 million, in line with previous year's results). It amounted to 11.1% as a percentage of revenues, compared to 9.6% in 2013.

Net profit for the period amounted to € 3.6 million, up compared to € 2.9 million in the first 9 months of 2013, after financial charges and taxes. It amounted to 8.7% as a percentage of revenues, compared to 7.3% in 2013.

CAPITAL EMPLOYED

At 30 September 2014, Capital Employed totalled € 21.6 million, compared to € 19.4 million at 31 December 2013, mainly due to the increase in net working capital.

The table below shows the details:

(€ thousand)	30 Sep. 2014	30 Sep. 2013	Change	30 Sep. 2013
Intangible assets	15,301	15,370	(69)	15,732
Net property, plant and equipment	1,234	1,118	116	1,170
Other fixed assets	1,165	1,362	(197)	532
Fixed assets	**17,700**	**17,850**	**(150)**	**17,434**
Inventories	1,607	1,451	156	1,608
Trade receivables	18,866	16,840	2,026	18,666
Sundry receivables and other short-term assets	2,344	1,802	542	1,685
Trade payables	(1,169)	(1,504)	335	(1,362)
Tax payables	(890)	(842)	(48)	(1,420)
Sundry payables and other short-term liabilities	(13,211)	(12,934)	(277)	(12,974)
Net working capital	**7,547**	**4,813**	**2,734**	**6,203**
Post-employment benefits and other non-current liabilities	**(3,628)**	**(3,299)**	**(329)**	**(3,359)**
Capital employed	**21,619**	**19,364**	**2,255**	**20,278**
Group shareholders' equity	28,690	27,937	753	26,532
Net financial position (Cash)	(7,071)	(8,573)	1,502	(6,254)
Capital employed	**21,619**	**19,364**	**2,255**	**20,278**

Intangible assets fell by € 0.2 million as a result of the amortisation of research and development costs capitalised over the years up to 2011 as well as of intellectual property rights to software and the customer portfolio deriving from the Maple Lake acquisition.

Property, plant and equipment amounted to € 1.2 million, up € 0.1 million compared to year-end 2013, due to investments made in servers and computers.

Net working capital increased by € 2.7 million, from € 4.8 million to € 7.5 million, due to the rise in trade receivables, notably from some customers in the Aerospace & Defence segment, and to the increase in sundry receivables, including research and development grants not yet collected.

Liabilities arising from post-employment benefits and other non-current liabilities rose from € 3.3 million to € 3.6 million, mainly due to actuarial adjustments.

Consolidated shareholders’ equity amounted to € 28.7 million at 30 September 2014, increasing by € 0.8 million from € 27.9 million at 31 December 2013, mainly due to the net profit for the first 9 months of 2014 (€ 3.6 million), net of the dividend distribution (€ 2.6 million), share buy-backs (€ 0.4 million) and changes in post-employment benefit discounting.

The consolidated Net Financial Position at 30 September 2014 was positive to the tune of € 7.1 million, decreasing by € 1.5 million compared to 31 December 2013 (positive to the tune of € 8.6 million), mainly due to the dividend distribution (€ 2.6 million).

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 September 2014 is as follows:

(€ thousand)	30 Sep. 2014	30 Sep. 2013	Change	30 Sep. 2013
Cash and bank assets	11,862	14,821	(2,959)	11,123
Short-term financial payables	(2,757)	(3,352)	595	(1,462)
Short-term financial resources	**9,105**	**11,469**	**(2,364)**	**9,661**
Payables due to banks with maturity beyond 12 months	(2,034)	(2,896)	862	(3,407)
Net Available Financial Resources	**7,071**	**8,573**	**(1,502)**	**6,254**

The Net Financial Position at 30 September 2014 is detailed as follows:

- € 11.9 million in cash and bank assets were largely invested in euro-denominated short-term bank deposits, with the rest being held as cash for operating activities. The item also includes grants for research projects (€ 1.3 million) received by TXT as lead manager and to be distributed to the other participating companies. An equal amount was recognised in short-term financial payables, with a neutral effect on the net financial position.

- € 2.8 million in short-term financial payables consist of payments due within 12 months for outstanding medium/long-term loans (€ 1.5 million) and the financial payable for grants to be paid to research projects partners (€ 1.3 million).

- Short-term financial resources arising from the two previous items amounted to € 9.1 million at 30 September 2014.

- Payables due to banks with maturity beyond 12 months, totalling € 2.0 million, consist of a 5-year loan entered into at the end of 2012 with an initial par value of € 4.0 million and a 3.6% interest rate, as well as of largely subsidised medium/long-term loans for funded research and development. The item decreased by € 0.9 million compared with 31 December 2013 due to outstanding loan payments.

Q3 2014 ANALYSIS

An analysis of the third quarter of 2014 is provided in the table below:

(€ thousand)	Q3 2014	%	Q3 2013	%	% change
REVENUES	**12,710**	**100.0**	**13,346**	**100.0**	**(4.8)**
Direct costs	5,987	47.1	6,368	47.7	(6.0)
GROSS MARGIN	**6,723**	**52.9**	**6,978**	**52.3**	**(3.7)**
Research and development costs	1,008	7.9	1,059	7.9	(4.8)
Commercial costs	2,527	19.9	2,720	20.4	(7.1)
General and administrative costs	1,632	12.8	1,579	11.8	3.4
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**1,556**	**12.2**	**1,620**	**12.1**	**(4.0)**
Depreciation, amortisation and impairment	337	2.7	359	2.7	(6.1)
OPERATING PROFIT (LOSS) [EBIT]	**1,219**	**9.6**	**1,261**	**9.4**	**(3.3)**
Financial income (charges)	(68)	(0.5)	(228)	(1.7)	n.s.
EARNINGS BEFORE TAXES (EBT)	**1,151**	**9.1**	**1,033**	**7.7**	**11.4**
Taxes	(200)	(1.6)	(304)	(2.3)	(34.2)
NET PROFIT (LOSS) FOR THE PERIOD	**951**	**7.5**	**729**	**5.5**	**30.5**

The performance compared to the third quarter of 2013 was as follows:

- Net revenues amounted to € 12.7 million, down by € 0.6 million from € 13.3 million recorded in the third quarter of 2013. Revenues from licenses decreased to € 1.3 million from € 2.4 million, mainly attributable to the higher number of large contracts in the third quarter of 2013. Compared to the prior-year period, revenues from services and maintenance rose by 8.1% and 3.2%, respectively. Due to the revenues from licenses, the TXT Perform Division's performance dropped by 9.3% in the third quarter, while the TXT Next Division's performance grew by 3.3%.
- Direct costs amounted to € 6.0 million, down € 0.4 million from € 6.4 million of Q3 2013.
- Gross margin amounted to € 6.7 million compared to € 7.1 million in the prior-year period. It improved from 52.3% to 52.9% as a percentage of revenues.
- Research and development costs amounted to € 1.0 million, down from € 1.1 million in the third quarter of 2013, due to the decreased activities concerning funded research projects. As in the previous year, all research and development costs were expensed in the period.
- Commercial costs amounted to € 2.5 million, down from € 2.7 million of Q3 2013, due to changes in employees' variable remuneration. Commercial costs amounted to 19.9% as a percentage of revenues.
- General and administrative costs amounted to € 1.6 million, mainly unchanged from Q3 2013. The Group's presence in North America was strengthened through the incorporation of TXT USA Inc. aimed at accelerating trade development in the United States.

- Gross operating profit (EBITDA) amounted to € 1.6 million, essentially in line with the results recorded in the third quarter of 2013. As a percentage of revenues, it amounted to 12.2% compared to 12.1% in 2013.
- Operating profit (EBIT) was € 1.2 million, compared to € 1.3 million in the prior-year period, net of depreciation/amortisation of property, plant and equipment, R&D costs capitalised in previous years, intellectual property rights to software and the customer portfolio deriving from the Maple Lake acquisition.
- Net profit amounted to € 1.0 million, up by 30.5% compared to € 0.7 million in the third quarter of 2013, due to lower financial charges and tax provisions as a consequence of a different geographical distribution of Group's results.

EMPLOYEES

At 30 September 2014, the Group had 549 employees, compared with 498 at 31 December 2013, with an increase of 51 employees working in both divisions (TXT Perform and TXT Next) for the purpose of strengthening the commercial and technical networks at an international level.

Personnel costs amounted to € 25.1 million in the first 9 months of 2014, compared to € 23.7 million in 2013, rising 6.0%, mainly as a result of the increase in the TXT Perform and TXT Next Divisions' technical and commercial staff and the decision to carry out internally some activities previously performed by external suppliers.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first 9 months of 2014, the share price of TXT e-solutions reached a high of € 11.91 on 4 February 2014 and a low of € 7.56 on 7 August 2014. At 30 September 2014, the share price was € 8.18.

Trade volumes were high in 2014, too, with a daily average of 56,000 shares traded, mainly in line with 2013 (58,000).

On 3 February 2014, one new share for every share held was granted, following the free share capital increase resolved upon by the Shareholders' Meeting of 17 December 2013. In accordance with the adjustment made by Borsa Italiana, an adjustment factor of 0.50x was applied to historical values. As a result, share prices for 2013 have halved, so as to be consistent with current prices, which reflect the double number of shares. Trade volumes doubled accordingly, leaving the value of daily trades unchanged.

At 30 September 2014, treasury shares amounted to 1,410,450 (1,368,120 at 31 December 2013), accounting for 11.93% of shares outstanding, and were purchased at an average price of € 2.78 per share.

In the first 9 months of 2014, TXT purchased 42,330 treasury shares at an average price of € 8.46 per share, for a total of € 358,136. 12,340 treasury shares were granted to an employee following the achievement of the Stock Grant performance targets.

The Shareholders' Meeting held on 16 April 2014 renewed the authorisation to purchase treasury shares for a period of 18 months up to 20% of the share capital. According to the plan, the maximum payment must not be higher than the average of the official Stock Market prices in the three sessions prior to the purchase, plus 10%, and in any case it must not exceed € 25.00.

The Shareholder's Meeting held on 16 April 2014 examined and approved the 2013 financial statements and approved the distribution of a € 0.25 dividend per share, up on the € 0.20 dividend per share distributed in 2013. Dividends were paid on 22 May 2014 (ex-dividend date: 19 May 2014; record date: 21 May 2014). Total dividends amounted to € 2.6 million paid in relation to 10.5 million shares, excluding treasury shares held at that date.

The Shareholders' Meeting appointed the members of the Board of Directors and Board of Statutory Auditors, who will hold office for three years until the approval of the financial statements for the year ending 31 December 2016. The Board of Directors is therefore still composed of 7 directors – for 6 of them the term was renewed for another three-year period, while Ms Stefania Saviolo took the place of Mr Adriano De Maio (in his capacity as independent director, he held office during the last 14 years).

As far as the Board of Statutory Auditors is concerned, Ms Luisa Cameretti took the place of Mr Luigi Filippini as Standing Auditor.

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

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

The last quarter of the year started with increasing risks attributable to the general situation and the uncertain trend of reference markets, including Luxury and Fashion segments. Despite this, the Company believes it can outperform the market, thanks to ongoing investments in North America, and the development of existing customers, already numerous and based throughout the world. The Company is increasingly targeting international manufacturing sectors which are gradually recovering.

The portfolio of negotiations for new licenses and contracts in this third quarter has improved compared to the previous quarters, but it is subject to uncertainties over the outcome of negotiations and decision times. The outlook for orders for services and projects is favourable and allows to expect a development in current quarter's performance essentially in line with the prior-year period.

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

Milan, 5 November 2014

Consolidated financial statements at 30 September 2014

Consolidated Balance Sheet

ASSETS	30 Sep. 2014	Of which due to related parties	30 Sep. 2013	Of which due to related parties
NON-CURRENT ASSETS				
Goodwill	13,007,582		12,481,045	
Intangible assets with a finite useful life	2,293,964		2,888,814	
Intangible assets	**15,301,546**	**-**	**15,369,859**	**-**
Property, plant and equipment	1,231,109		1,107,372	
Leased assets	2,773		11,093	
Property, plant and equipment	**1,233,882**	**-**	**1,118,465**	**-**
Sundry receivables and other non-current assets	136,309		128,741	
Deferred tax assets	1,028,356		1,233,314	
Other non-current assets	**1,164,665**	**-**	**1,362,055**	**-**
TOTAL NON-CURRENT ASSETS	**17,700,093**	**-**	**17,850,379**	**-**
CURRENT ASSETS				
Period-end inventories	1,606,866		1,451,390	
Trade receivables	18,866,502		16,840,120	
Sundry receivables and other current assets	2,343,782		1,802,252	
Cash and cash equivalents	11,862,135		14,821,027	
TOTAL CURRENT ASSETS	**34,679,285**	**-**	**34,914,789**	**-**
TOTAL ASSETS	**52,379,378**	**-**	**52,765,168**	**-**

LIABILITIES AND SHAREHOLDERS' EQUITY	30 Sep. 2014	Of which due to related parties	30 Sep. 2013	Of which due to related parties
SHAREHOLDERS' EQUITY				
Share capital	5,911,932		5,911,932	
Reserves	13,151,729		13,875,881	
Retained earnings (accumulated losses)	6,018,429		3,506,898	
Profit (loss) for the period	3,608,340		4,642,043	
TOTAL SHAREHOLDERS' EQUITY	**28,690,430**	**-**	**27,936,754**	**-**
NON-CURRENT LIABILITIES				
Non-current financial liabilities	2,033,705		2,895,924	
Employee benefits expense	3,628,311		3,299,049	
Deferred tax provision	710,896		769,518	
TOTAL NON-CURRENT LIABILITIES	**6,372,912**	**-**	**6,964,491**	**-**
CURRENT LIABILITIES				
Current financial liabilities	2,756,961		3,352,069	
Trade payables	1,168,577		1,504,522	
Tax payables	179,827		73,182	
Sundry payables and other current liabilities	13,210,671		12,934,150	
TOTAL CURRENT LIABILITIES	**17,316,036**	**-**	**17,863,923**	**-**
TOTAL LIABILITIES	**23,688,948**	**-**	**24,828,414**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**52,379,378**	**-**	**52,765,168**	**-**

Consolidated Income Statement

	30 Sep. 2014	Of which due to related parties	30 Sep. 2013	Of which due to related parties
Revenues	38,210,356		38,802,620	
Other income	3,471,713		808,686	
TOTAL REVENUES AND OTHER INCOME	**41,682,069**		**39,611,306**	
Purchase of materials and external services	(9,425,021)	(423,625)	(9,853,606)	(430,655)
Personnel costs	(25,086,476)	(564,283)	(23,659,425)	(719,946)
Other operating costs	(1,583,144)		(1,333,785)	
Depreciation and amortisation/Impairment	(980,241)		(944,992)	
OPERATING PROFIT (LOSS)	**4,607,187**	**(987,908)**	**3,819,498**	**(1,150,601)**
Financial income	908,963		929,920	
Financial charges	(1,101,457)		(1,246,235)	
EARNINGS BEFORE TAXES	**4,414,693**	**(987,908)**	**3,503,183**	**(1,150,601)**
Income taxes	(806,353)		(615,768)	
NET PROFIT (LOSS) FROM OPERATIONS	**3,608,340**	**(987,908)**	**2,887,415**	**(1,150,601)**
EARNINGS PER SHARE	0.35		0.28	
DILUTED EARNINGS PER SHARE	0.33		0.26	

Consolidated Statement of Comprehensive Income

	30 Sep. 2014	30 Sep. 2013
NET PROFIT (LOSS) FOR THE PERIOD	**3,608,340**	**2,887,415**
Foreign currency translation differences - foreign operations	56,652	(15,033)
Net change in fair value of assets held for sale	-	3,450
Total items of other comprehensive income that will be subsequently reclassified to profit (loss) for the period net of taxes	**56,652**	**(11,583)**
Defined benefit plans actuarial gains (losses)	(244,293)	80,023
Total items of other comprehensive income that will not be subsequently reclassified to profit (loss) for the period net of taxes	**(244,293)**	**80,023**
Total other comprehensive income (loss) net of taxes	**(187,641)**	**68,440**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,420,699**	**2,955,855**

Consolidated Statement of Cash Flows

	30 Sep. 2014	30 Sep. 2013
Net profit (loss) for the period	**3,608,340**	**2,887,415**
Non-monetary costs	-	95,398
Current tax	106,645	(352,395)
Change in deferred tax	146,336	27,408
Depreciation and amortisation, impairment and provisions	980,242	935,747
Cash flows from (used in) operating activities (before change in working capital)	**4,841,563**	**3,593,573**
(Increases)/decreases in trade receivables	(2,062,967)	(619,670)
(Increases)/decreases in inventories	(155,476)	(219,808)
Increases/(decreases) in trade payables	(335,945)	(437,750)
increases/(decreases) in post-employment benefits	84,970	7,795
Increases/(decreases) in other assets and liabilities	(272,577)	606,472
Change in operating assets and liabilities	(2,741,995)	(662,961)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**2,099,568**	**2,930,612**
Increases in property, plant and equipment	(517,694)	(391,724)
Decreases in property, plant and equipment	79,262	-
Increases in intangible assets	(25,792)	18,541
Increases in financial assets		-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(464,224)**	**(373,183)**
Increases/(decreases) in financial payables	(1,457,327)	(4,928,881)
Distribution of dividends	(2,614,596)	(2,106,906)
Share buy-backs	(463,543)	(784,146)
Stock options exercise	-	468,928
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(4,535,466)**	**(7,351,005)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,900,122)**	**(4,793,576)**
Effect of exchange rate changes on cash flows	(58,770)	97,758
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**14,821,027**	**15,818,812**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**11,862,135**	**11,122,994**

Consolidated Statement of Changes in Equity at 30 September 2014

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	IRS fair value reserve	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
Balances at 31 December 2013	**5,911,932**	**443,000**	**11,595,783**	**1,911,444**	**140,667**	**741,805**	**(667,093)**	**-**	**(289,724)**	**3,506,897**	**4,642,043**	**27,936,754**
Profit (loss) at 31 December 2013		76,422								4,565,621	(4,642,043)	-
Distribution of dividends										(2,614,596)		(2,614,596)
Allocation to stock option plan			(105,406)			(560,508)				560,508		(105,406)
Share buy-backs			(358,137)									(358,137)
Post-employment benefits discounting							(244,293)					(244,293)
Exchange differences									467,768			467,768
Profit (loss) at 30 September 2014											3,608,340	3,608,340
Balances at 30 September 2014	**5,911,932**	**519,422**	**11,132,240**	**1,911,444**	**140,667**	**181,297**	**(911,386)**	**-**	**178,044**	**6,018,430**	**3,608,340**	**28,690,430**

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	IRS fair value reserve	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
Balances at 31 December 2012	**2,883,466**	**340,130**	**15,280,603**	**1,911,444**	**140,667**	**663,956**	**(754,463)**	**(3,450)**	**(156,257)**	**719,785**	**4,996,888**	**26,022,769**
Profit (loss) at 31 December 2012		102,870								5,035,062	(4,996,888)	141,044
Distribution of dividends										(2,106,906)		(2,106,906)
Allocation to stock option plan						38,793						38,793
Stock option subscription	72,500		396,428									468,928
Share buy-backs			(784,146)									(784,146)
MTM IRS								3,450				3,450
Post-employment benefits discounting							80,023					80,023
Exchange differences					(15,032)				(161,473)			(176,505)
Other changes										(42,950)		(42,950)
Profit (loss) at 30 September 2013											2,887,415	2,887,415
Balances at 30 September 2013	**2,955,966**	**443,000**	**14,892,885**	**1,911,444**	**125,634**	**702,749**	**(674,440)**		**(317,730)**	**3,604,991**	**2,887,415**	**26,531,915**

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 at 30 September 2014:

Company name of the subsidiary	Currency	% of direct interest	Share Capital
TXT e-solutions SL	EUR	100%	600,000
TXT e-solutions Sarl	EUR	100%	1,300,000
TXT e-solutions Gmbh	EUR	100%	1,300,000
TXT e-solutions Ltd	GPB	100%	2,966,460
Maple Lake Ltd	CAD	100%	2,200,801
Maple Australia Lake Pty Ltd	AUD	100%	112
TXT USA Inc.	USD	100%	1,000

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

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

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

Currency	30 Sep. 2014	30 Sep. 2013
British Pound Sterling (GBP)	0.8122	0.8522
Canadian Dollar (CAD)	1.4829	1.3485
Australian Dollar (AUD)	1.4766	1.3466
USA Dollar (USD)	1.3554	1.3172

- Balance sheet (exchange rate at 30 September 2014 and 31 December 2013)

Currency	30 Sep. 2014	30 Sep. 2013
British Pound Sterling (GBP)	0.7773	0.8493
Canadian Dollar (CAD)	1.4058	1.3685
Australian Dollar (AUD)	1.4442	1.3770
USA Dollar (USD)	1.2583	1.3791

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 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.

Interim report as at 30 September 2014 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 2013, to which reference should be made.

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

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

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Milan, 5 November 2014