TXT e-solutions Group

Interim report

as at 31 March 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
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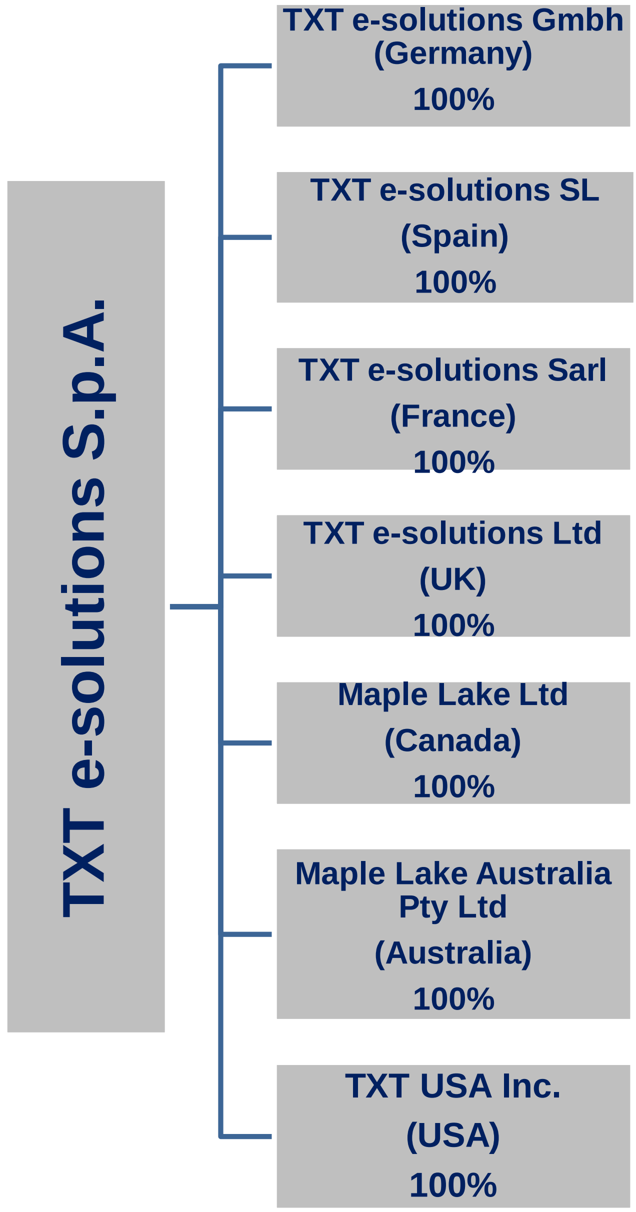
Organisational structure and scope of consolidation



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Key data and Directors' report on operations for the first 3 months of 2014

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	31 Mar. 2014	%	31 Mar. 2013 Restated (*)	%	% change
REVENUES	**13,995**	**100.0**	**13,213**	**100.0**	**5.9**
of which:					
TXT Perform	8,668	61.9	7,818	59.2	10.9
TXT Next	5,327	38.1	5,395	40.8	(1.3)
EBITDA	**1,521**	**10.9**	**1,460**	**11.0**	**4.2**
OPERATING PROFIT (LOSS) [EBIT]	**1,211**	**8.7**	**1,156**	**8.7**	**4.8**
NET PROFIT (LOSS) FOR THE PERIOD	**993**	**7.1**	**976**	**7.4**	**1.7**

FINANCIAL DATA (€ thousand)	31 Mar. 2014	31 Dec. 2013	Change
Fixed assets	17,556	17,850	(294)
Net working capital	3,389	4,813	(1,424)
Post-employment benefits and other non-current liabilities	(3,308)	(3,299)	(9)
Capital employed	**17,637**	**19,364**	**(1,727)**
Net financial position	11,285	8,573	2,712
Group shareholders' equity	28,922	27,937	985

DATA PER SHARE	31 Mar. 2014	31 Mar. 2013	Change
Average number of shares outstanding **	10,451,631	10,359,733	91,898
Net earnings per share **	0.10	0.09	0.00
Equity per share **	2.77	2.61	0.16

ADDITIONAL INFORMATION	31 Mar. 2014	31 Dec. 2013	Change
Number of employees	521	498	23
TXT share price	10.04	9.07	0.97

* Income statement at 31 March 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.

** 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 recommendation CESR/05-178b, it should be noted that this Directors' report uses a number of synthetic Alternative Operating Performance Measures, which can be found in the official accounting statements reported in the following pages and in the notes to the consolidated financial statements.

Specifically, the following measures are used in the Consolidated Income Statement included in the Directors' report:

- **EBITDA**, i.e. "Total revenues" net of total operating costs;
- **EBIT**, i.e. “Total revenues” net of total operating costs, depreciation, amortisation, and impairment of fixed assets;

Similarly, the following measures are used in the Consolidated Balance Sheet included in the Directors' report:

- **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 3 months of 2014

Dear Shareholders,

In the first 3 months of 2014 the Company 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.

- Revenues increased by 5.9% from € 13.2 million to € 14.0 million. Revenues from licenses and maintenance amounted to € 3.5 million, i.e. 25% as a percentage of total revenues, up 7.2% compared to the first quarter of 2013.

- International revenues grew from € 6.7 million to € 8.0 million (+18.6%) and accounted for 57% of total revenues, essentially attributable to the TXT Perform Division.

- The TXT Perform Division's revenues (62% of the Group's total revenues) increased 10.9%, while the TXT Next Division's revenues (38% of the Group's total revenues) decreased 1.3%.

- EBITDA amounted to € 1.5 million, up 4.2% compared to the prior-year period, despite the 15.1% increase in commercial costs exceeding the increase in revenues. As a percentage of revenues, it amounted to 10.9%, essentially unchanged from the first half of the previous year (11.0%). All research and development costs were expensed in both years.

- Net profit amounted to € 1.0 million (7.1% of revenues), up 1.7% compared to the prior-year period.

- The Net financial position rose from € 8.6 million at 31 December 2013 to € 11.3 million at 31 March 2014 (+ € 2.7 million) on the back of strong cash flows during the quarter and a lower working capital.

- Shareholders' equity amounted to € 28.9 million at 31 March 2014, increasing € 1.0 million from € 27.9 million at 31 December 2013, mainly as a result of net profit for the period.

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

(€ thousand)	Q1 2014	%	Q1 2013 Restated (*)	%	% change
REVENUES	**13,995**	**100.0**	**13,213**	**100.0**	**5.9**
Direct costs	6,607	47.2	6,271	47.5	5.4
GROSS MARGIN	**7,388**	**52.8**	**6,942**	**52.5**	**6.4**
Research and development costs	1,232	8.8	1,292	9.8	(4.6)
Commercial costs	2,891	20.7	2,512	19.0	15.1
General and administrative costs	1,744	12.5	1,678	12.7	3.9
EBITDA	**1,521**	**10.9**	**1,460**	**11.0**	**4.2**
Depreciation, amortisation and impairment	310	2.2	304	2.3	2.0
OPERATING PROFIT (LOSS) [EBIT]	**1,211**	**8.7**	**1,156**	**8.7**	**4.8**
Financial income (charges)	(68)	(0.5)	(27)	(0.2)	n.s.
EARNINGS BEFORE TAXES (EBT)	**1,143**	**8.2**	**1,129**	**8.5**	**1.2**
Taxes	(150)	(1.1)	(153)	(1.2)	(2.0)
NET PROFIT (LOSS) FOR THE PERIOD	**993**	**7.1**	**976**	**7.4**	**1.7**

(*) Income Statement for the first quarter of 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.

DIVISIONS' REVENUES, GROSS MARGINS, AND COMPETITIVE POSITION

The Revenues and Gross Margin of the TXT Perform and the TXT Next Divisions are shown below:

(€ thousand)	Q1 2014	%	TXT PERFORM Q1 2013	%	14/13 change
REVENUES	**8,668**	**100.0**	**7,818**	**100.0**	**10.9**
Licenses & maintenance	3,437	39.7	3,200	40.9	7.4
Projects and other income	5,231	60.3	4,618	59.1	13.3
DIRECT COSTS	3,227	37.2	2,856	36.5	13.0
GROSS MARGIN	**5,441**	**62.8**	**4,962**	**63.5**	**9.7**

(€ thousand)	Q1 2014	%	TXT Next Q1 2013	%	14/13 change
REVENUES	**5,327**	**100.0**	**5,395**	**100.0**	**(1.3)**
Licenses & maintenance	26	0.5	29	0.5	(10.3)
Projects and other income	5,301	99.5	5,366	99.5	(1.2)
DIRECT COSTS	3,380	63.5	3,415	63.3	(1.0)
GROSS MARGIN	**1,947**	**36.5**	**1,980**	**36.7**	**(1.7)**

(€ thousand)	Q1 2014	%	TOTAL TXT Q1 2013	%	14/13 change
REVENUES	**13,995**	**100.0**	**13,213**	**100.0**	**5.9**
Licenses & maintenance	3,463	24.7	3,229	24.4	7.2
Projects and other income	10,532	75.3	9,984	75.6	5.5
DIRECT COSTS	6,607	47.2	6,271	47.5	5.4
GROSS MARGIN	**7,388**	**52.8**	**6,942**	**52.5**	**6.4**

<u>TXT Perform Division</u>

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 € 8.7 million, rising 10.9% compared to € 7.8 million in the first quarter of 2013, mainly as a result of the growth in the North American, British and French markets.

The Division's international revenues increased from € 6.4 million to € 7.5 million, up 16.1% and accounting for 86% of TXT Perform's total revenues.

Revenues from licenses and maintenance rose 7.4%, from € 3.2 million to € 3.4 million, as a result of new contracts and projects entered into with both long-time and new customers as well as of rising maintenance revenues, pointing to the good reception and continued use of our software solutions. Revenues from licenses and maintenance amounted to approximately 40% as a percentage of the Division's total revenues.

The Division's gross margin, net of direct costs, increased by 9.7%, from € 5.0 million to € 5.4 million. As a percentage of revenues, it amounted to 62.8%, compared with 63.5% in 2013, as a result of the launch of a number of new important projects in North America.

In 2014, TXT entered into new contracts with leading companies in various industries and continued to work on the projects related to the implementation of Integrated Planning, Product Lifecycle Management, and Sales & Operation Planning solutions with international customers, including Louis Vuitton (F), Eckes-Granini (F), Kenzo (F), Delsey (F), Celine (F), Devanlay-Lacoste (F), Sephora (F), Damartex (F), La Halle (F), Miroglio (I), Tod's (I), Adidas (D), Marc Cain (D), Hugo Boss (D), Ecco (D), Apollo Optik (D), Norafin (D), Tesco (UK), Burberry (UK), Fat Face (UK), Value Retail (UK), The White Company (UK), Greencore (UK), Lindex (UK), Desigual (E), Loewe (E), Manor AG (CH), Bata (CH), Bestseller (DK), Ad van Geloven (NL), Cotton on (AUS), Holt Renfrew (CAN), Marc Jacobs (USA), Guess (USA), Swatch (USA), Kenneth Cole (USA), Destination Maternity (USA), Thirty-One Gifts (USA), Samsonite (USA) and Urban Outfitters (USA).

Customers of the Luxury, Fashion, and Retail sectors contributing to revenues 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.

TXT's product range is extremely competitive as far as both customers' requirements and competing products are concerned: TXTPERFORM is the first product to integrate Collaborative Planning, Product Lifecycle Management and Business Intelligence functions in a single application. As a result of this combination of intelligence and technology, TXTPERFORM allows informed decisions to be made based on key qualitative and quantitative information and data, improving management and planning efficiency and effectiveness throughout the customers' entire business. Furthermore, its set of integrated performance metrics facilitates supply chain performance management.

Increasingly dynamic markets and expanding supply chains require fashion and apparel companies to pay far more attention to Product Lifecycle Management issues. TXT solutions offer the customers the opportunity to overcome the disadvantages of a non-centralized information management system, such as the time needed for data analysis and consolidation, and the complicated standardization process for codes among different functions.

The main 'customer processes' covered by TXTPERFORM solutions are shown in the following chart, which also highlights those that accounted for most of Research and Development spending:

At the National Retail Federation's (NRF) annual convention in New York, held on 12-15 January 2014, TXT announced the launch of TXTPlanning and TXTPLM for its Integrated Retail Planning software.

The NRF event was also an opportunity for several companies to learn about the results obtained by TXT's and Maple Lake's customers in all Retail Planning processes using TXT solutions: PLM, multichannel sales planning and merchandise, forecasting, assortment and allocation planning.

On 27 March 2014 in Berlin, TXT organized in partnership with Microsoft the TXT Thinking Retail! event, which saw the participation of over 150 delegates from 60 companies, with the aim of sharing integrated planning approaches and results in the era of multichannel sales and in mobile environment. Several leading companies such as Adidas, Best Seller, HR Group, Levi's, Lacoste and Ulla Popken presented their success stories with TXT.

On this occasion, TXT announced of the availability of the new TXTPlanning e TXTPLM software products, resulting from considerable investment in research and development throughout 2013 and including brand-new functions which allow to operate TXT solutions on portable devices, smartphones and tablets (TXT Mobile); new software usability standards and scalable environment to manage the retail industry complex issues; TXT On-Cloud, making TXT Perform software available for deployment on cloud platforms; the new AgileFit Deployment approach, a solid starting point to create new projects, by reducing project times and risks. 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 "next generation" in the retail industry.

On 7 February 2014, TXT USA Inc. was incorporated with the aim of supporting trade development in North America. Local staff was increased by hiring high-profile managers for sales and pre-departments. Mr Peter Charness was appointed as Senior Vice President of North American operations and Chief Marketing Officer, based on his significant industrial experience in the Retail and Consumer Product Goods (CPG) sectors and his leading position in the international merchandise and supply chain planning segment.

TXT Next Division

The TXT Next Division revenues amounted to € 5.3 million, down 1.3% from € 5.4 million in the first three months of 2013, mainly due to the delay in the launch of some new projects for an important customer in the Aerospace & Defence segment. The Division's revenues accounted for 38.1% of the Group's revenues.

Gross margin was almost unchanged at € 2.0 million, as a result of the decrease in direct costs.

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

• Aerospace & Defence;

• High Tech Manufacturing;

• Banking & Finance.

TXT Next stands out for its ability to listen to the customer and design advanced technological solutions based on its needs, focusing on business and companies and with technology as a key business factor. It specialises in mission critical software and systems and high-reliability embedded software.

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, we have strategic partnerships with Microsoft, HP and IBM.

TXT GROUP'S REVENUES

Research and development costs for the first quarter of 2014 – for new TXT Perform releases – amounted to € 1.2 million, compared to € 1.3 million in 2013, due to the reduction of research activities for funded projects. As a percentage of revenues, they amounted to 8.8%. All research and development costs were expensed in the period, since the activities undertaken focused on long-term research projects and the development of existing products.

Commercial costs amounted to € 2.9 million, +15.1% on 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 during the first quarter. Commercial costs rose from 19.0% to 20.7% as a percentage of revenues.

General and administrative costs amounted to € 1.7 million. As a percentage of revenues, they decreased from 12.7% in the first quarter of 2013 to 12.5% in the first quarter of 2014. The Company'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 € 1.5 million in the first quarter of 2014, up 4.2% compared with the first quarter of 2013. As a percentage of revenues, it amounted to 10.9%, essentially unchanged from the prior-year period, despite a significant increase in investments in North America and Europe.

Operating Profit (EBIT) was € 1.2 million, up 4.8% on 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 of the customer portfolio deriving from the Maple Lake acquisition. Operating profit as a percentage of revenues amounted to 8.7% in line with the prior-year period.

Net profit amounted to € 1.0 million, essentially in line with the first quarter of 2013 (+1.7%), after financial charges and taxes. As a percentage of revenues, it amounted to 7.1%.

CAPITAL EMPLOYED

At 31 March 2014, Capital Employed totalled € 17.6 million, down € 1.7 million compared to the figures recognised at 31 December 2013, mainly due to the reduction in net working capital.

The table below shows the details:

(€ thousand)	31 Mar. 2014	31 Dec. 2013	Change	31 Mar. 2013 Restated (*)
Intangible assets	15,103	15,370	(267)	16,253
Net property, plant and equipment	1,072	1,118	(46)	1,129
Other fixed assets	1,381	1,362	19	663
Fixed assets	**17,556**	**17,850**	**(294)**	**18,045**
Inventories	1,980	1,451	529	1,607
Trade receivables	17,954	16,840	1,114	15,938
Sundry receivables and other short-term assets	1,830	1,802	28	2,596
Trade payables	(1,390)	(1,504)	114	(1,530)
Tax payables	(965)	(842)	(123)	(1,504)
Sundry payables and other short-term liabilities	(16,020)	(12,934)	(3,086)	(15,062)
Net working capital	**3,389**	**4,813**	**(1,424)**	**2,045**
Post-employment benefits and other non-current liabilities	**(3,308)**	**(3,299)**	**(9)**	**(3,449)**
Capital employed	**17,637**	**19,364**	**(1,727)**	**16,641**
Group shareholders' equity	28,922	27,937	985	26,929
Net financial position (Cash)	(11,285)	(8,573)	(2,712)	(10,288)
Capital employed	**17,637**	**19,364**	**(1,727)**	**16,641**

(*) Capital Employed as at 31 March 2013 was restated in order to retrospectively include the effects of the purchase price allocation (PPA) in relation to the Maple Lake acquisition.

Intangible assets fell by € 0.3 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 of the Maple Lake acquisition.

Since 2012, all research and development costs have been expensed in full as incurred. Property, plant and equipment were essentially unchanged: investments made in 2014 in servers and computers were counterbalanced by depreciation for the period.

Net working capital fell by € 1.4 million, from € 4.8 million to € 3.4 million, as a result of higher sundry payables and other liabilities, including the provisions for personnel variable remuneration.

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities remained substantially unchanged at € 3.3 million.

Shareholders' equity amounted to € 28.9 million at 31 March 2014, increasing € 1.0 million from € 27.9 million at 31 December 2013, as a result of net profit for the period.

The consolidated Net Financial Position at 31 March 2014 was positive to the tune of € 11.3 million, improving by € 2.7 million compared to 31 December 2013 (€ 8.6 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 31 March 2014 is as follows:

(€ thousand)	31 Mar. 2014	31 Dec. 2013	Change	31 Mar. 2013 Restated (*)
Cash and bank assets	16,784	14,821	1,963	16,566
Short-term financial payables	(2,797)	(3,352)	555	(1,968)
Short-term financial resources	**13,987**	**11,469**	**2,518**	**14,598**
Payables due to banks with maturity beyond 12 months	(2,702)	(2,896)	194	(4,310)
Net Available Financial Resources	**11,285**	**8,573**	**2,712**	**10,288**

(*) Net Financial Position as at 31 March 2013 was restated in order to retrospectively include the effects of the purchase price allocation (PPA) in relation to the Maple Lake acquisition.

The Net Financial Position at 31 March 2014 is detailed as follows:

- € 16.8 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 include grants for research projects (€ 1.4 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 (€ 1.4 million) and the financial payable for grants to be paid to research projects partners (€ 1.4 million).

- Short-term financial resources arising from the two previous items amounted to € 14.0 million at 31 March 2014, up € 2.5 million compared with 31 December 2013.

- Payables due to banks with maturity beyond 12 months, totalling € 2.7 million, consisted 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 € 0.2 million compared with 31 December 2013 due to outstanding loan payments.

EMPLOYEES

At 31 March 2014, the group had 521 employees, compared with 498 at 31 December 2013, with an increase of 23 employees mainly working in the TXT Perform Division for the purpose of strengthening the commercial and technical networks at an international level.

Personnel costs in the first quarter of 2014 amounted to € 8.8 million, compared to € 8.0 million in 2013, rising 10.1%, mainly as a result of the increase in staff and lower purchases of some external services.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first quarter of 2014, the share price of TXT e-solutions reached a low of € 9.10 on 10 January 2014 and a high of € 11.91 on 4 February 2014. At 31 March 2014, the share price was € 10.04, up 11% since the start of the year.

Trade volumes significantly increased during the period, with a daily average of 107,000 shares traded, compared with 58,000 in 2013 and 20,300 in 2012.

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 31 March 2014, treasury shares amounted to 1,355,780 (1,368,120 at 31 December 2013), accounting for 11.47% of shares outstanding, and were purchased at an average price of € 2.55 per share.

No treasury shares were purchased in the first quarter of 2014. 12,340 treasury shares were granted to an employee following the achievement of the Stock Grant performance targets.

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

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

The Shareholder's Meeting held on 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 will be paid on 22 May 2014 (ex-dividend date: 19 May 2014; record date: 21 May 2014). Total dividends will amount to € 2.6 million paid in relation to around 10.5 million shares, excluding treasury shares held at that date.

The Shareholders' Meeting 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 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).

Ms Stefania Saviolo created the Master in Luxury & Fashion at the Bocconi University and she is currently Director of the Luxury & Fashion Knowledge Center at the SDA Bocconi University. She also is author of numerous books on the issue.

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

The world economy remains weak, with some countries in recession or slowly recovering. A number of markets, and especially the emerging ones, are showing further signs of slowdown. Nonetheless, the Company believes it can continue to outperform the market, thanks to its overall competitive position, clear strategy, high-profile customer base, innovative products, and international team of specialists.

The portfolio of on-going negotiations for the sale of new TXT Perform solutions is strong and shows a positive trend; however, revenues from licenses are always highly unpredictable and subject to the uncertainty over the outcome of negotiations with new customers. The outlook for orders for services and projects is favourable and allows to expect a positive performance by both divisions in the second quarter of 2014.

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Chairman of the Board of Directors

Alvise Braga Illa

Milan, 8 May 2014

Consolidated financial statements as at 31 March 2014

Consolidated Balance Sheet

ASSETS	31 Mar. 2014	Of which due to related parties	31 Dec. 2013	Of which due to related parties
NON-CURRENT ASSETS				
Goodwill	12,419,353		12,481,045	
Intangible assets with a finite useful life	2,683,822		2,888,814	
Intangible assets	**15,103,175**	**-**	**15,369,859**	**-**
Property, plant and equipment	1,063,557		1,107,372	
Leased assets	8,320		11,093	
Property, plant and equipment	**1,071,877**	**-**	**1,118,465**	**-**
Sundry receivables and other non-current assets	128,603		128,741	
Deferred tax assets	1,251,943		1,233,314	
Other non-current assets	**1,380,546**	**-**	**1,362,055**	**-**
TOTAL NON-CURRENT ASSETS	**17,555,598**	**-**	**17,850,379**	**-**
CURRENT ASSETS				
Period-end inventories	1,980,071		1,451,390	
Trade receivables	17,954,195		16,840,120	
Sundry receivables and other current assets	1,830,166		1,802,252	
Cash and cash equivalents	16,783,847		14,821,027	
TOTAL CURRENT ASSETS	**38,548,279**	**-**	**34,914,789**	**-**
TOTAL ASSETS	**56,103,877**	**-**	**52,765,168**	**-**

LIABILITIES AND SHAREHOLDERS' EQUITY	31 Mar. 2014	Of which due to related parties	31 Dec. 2013	Of which due to related parties
SHAREHOLDERS' EQUITY				
Share capital	5,911,932		5,911,932	
Reserves	13,384,030		13,875,881	
Retained earnings (accumulated losses)	8,633,026		3,506,898	
Profit (loss) for the period	993,000		4,642,043	
TOTAL SHAREHOLDERS' EQUITY	**28,921,988**	**-**	**27,936,754**	**-**
NON-CURRENT LIABILITIES				
Non-current financial liabilities	2,702,175		2,895,924	
Employee benefits expense	3,308,345		3,299,049	
Deferred tax provision	747,107		769,518	
TOTAL NON-CURRENT LIABILITIES	**6,757,627**	**-**	**6,964,491**	**-**
CURRENT LIABILITIES				
Current financial liabilities	2,797,242		3,352,069	
Trade payables	1,389,534		1,504,522	
Tax payables	218,344		73,182	
Sundry payables and other current liabilities	16,019,142	188,094	12,934,150	495,384
TOTAL CURRENT LIABILITIES	**20,424,262**	**188,094**	**17,863,923**	**495,384**
TOTAL LIABILITIES	**27,181,889**	**188,094**	**24,828,414**	**495,384**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**56,103,877**	**188,094**	**52,765,168**	**495,384**

Consolidated Income Statement

	31 Mar. 2014	Of which due to related parties	31 Mar. 2013 (*)	Of which due to related parties
Revenues	13,192,635		12,465,150	
Other income	802,447		748,319	
TOTAL REVENUES AND OTHER INCOME	**13,995,082**	**-**	**13,213,469**	**-**
Purchase of materials and external services	(3,185,976)	(143,365)	(3,247,028)	(121,342)
Personnel costs	(8,827,233)	(188,094)	(8,017,784)	(188,094)
Other operating costs	(460,946)		(488,894)	
Depreciation and amortisation/Impairment	(309,430)		(303,623)	
OPERATING PROFIT (LOSS)	**1,211,497**	**(331,459)**	**1,156,140**	**(309,436)**
Total financial income (charges)	(68,192)		(26,629)	
EARNINGS BEFORE TAXES	**1,143,305**	**(331,459)**	**1,129,511**	**(309,436)**
Income taxes	(150,305)		(153,393)	
NET PROFIT (LOSS) FOR THE PERIOD	**993,000**	**(331,459)**	**976,118**	**(309,436)**
EARNINGS PER SHARE	0.10		0.09	
DILUTED EARNINGS PER SHARE	0.09		0.09	

(*) Consolidated Income Statement as at 31 March 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Statement of Comprehensive Income

	31 Mar. 2014	31 Mar. 2013 (*)
NET PROFIT (LOSS) FOR THE PERIOD	**993,000**	**976,118**
Foreign currency translation differences - foreign operations	(7,767)	(116,389)
Net change in fair value of assets held for sale	-	-
Total items of other comprehensive income that will be subsequently reclassified to profit /(loss) for the period net of taxes	**(7,767)**	**(116,389)**
Defined benefit plans actuarial gains (losses)	-	-
Total items of other comprehensive income that will not be subsequently reclassified to profit /(loss) for the period net of taxes	**-**	**-**
Total profit/ (loss) of Comprehensive income net of taxes	**(7,767)**	**(116,389)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**985,233**	**859,729**

(*) Consolidated Comprehensive Income Statement as at 31 March 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Statement of Cash Flows

	31 Mar. 2014	31 Mar. 2013 (*)
Net profit (loss) for the period	**993,000**	**976,118**
Non-monetary costs	24,287	197,633
Current tax	145,162	(313,618)
Change in deferred tax	(41,040)	(43,499)
Depreciation and amortisation, impairment and provisions	302,704	302,466
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (before change in working capital)	**1,424,113**	**1,119,100**
(Increases)/decreases in trade receivables	(1,114,075)	1,336,390
(Increases)/decreases in inventories	(528,682)	(218,837)
Increases/(decreases) in trade payables	(114,988)	(270,035)
increases/(decreases) in post-employment benefits	9,297	33,974
Increases/(decreases) in other assets and liabilities	3,057,216	2,442,406
Change in operating assets and liabilities	1,308,768	3,323,898
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**2,732,881**	**4,442,998**
Increases in property, plant and equipment	(75,410)	(64,535)
Increases in intangible assets	-	(585)
Increases in financial assets	-	
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(75,410)**	**(65,120)**
Increases / (decreases) in financial payables	(748,576)	(3,520,054)
(Increases) / decreases in financial receivables	-	-
Distribution of dividends	-	-
Share buy-backs	-	(586,058)
Stock options exercise	-	445,011
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(748,576)**	**(3,661,101)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,908,895**	**716,777**
Effect of exchange rate changes on cash flows	53,925	30,351
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	**16,783,847**	**16,565,940**

(*) Consolidated Statement of Cash Flows as at 31 March 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Statement of Changes in Equity as at 31 March 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)**	**-**
Stock option plan						**(560,508)**				**560,508**		**-**
Exchange differences									**(7,767)**			**(7,767)**
Profit (loss) at 31 March 2014											**993,000**	**993,000**
Balances at 31 March 2014	**5,911,932**	**519,422**	**11,595,783**	**1,911,444**	**140,667**	**181,297**	**(667,093)**	**-**	**(297,491)**	**8,633,026**	**993,000**	**28,921,987**

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 31 March 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 three months)

Currency	31 Mar. 2014	31 Mar. 2013
British Pound Sterling (GBP)	0.8278	0.8517
Canadian Dollar (CAD)	1.511	1.3317
Australian Dollar (AUD)	1.52721	1.2716
USA Dollar (USD)	1.3697	1.3204

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

Currency	31 Mar. 2014	31 Dec. 2013
British Pound Sterling (GBP)	0.8282	0.8337
Canadian Dollar (CAD)	1.5225	1.4671
Australian Dollar (AUD)	1.4941	1.5423
USA Dollar (USD)	1.3788	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 31 March 2014 is not subject to auditing.

3. Final purchase price allocation concerning the business combination of the Maple Lake Group

For the sake of comparison, balance sheet and income statement balances for the first quarter of 2013 were restated due to the final purchase price allocation concerning the Maple Lake Group business combination.

On 19 July 2012, TXT e-solutions S.p.A. entered into a contract to purchase interests accounting for the entire share capital of Maple Lake Australia Pty Ltd, Maple Lake Ltd, and 2140531 Ontario Inc. both directly and through subsidiaries and special purpose vehicles. The contract was subsequently finalised by the parties on 28 September 2012.

Provisional goodwill recorded at 28 September 2012 (closing date) amounted to € 13,988,428.

According to the acquisition contract, part of the acquisition price shall be determined based on pre-set growth and profitability targets also deriving from combination synergies between Maple Lake and TXT in 2013 and 2014 up to a maximum amount of € 2,951,197 (CAD 4,000,000).

During 2013 the price was finally set and allocated to the fair value of assets acquired and liabilities assumed in line with the provisions of IFRS 3. Due to the final price determination and allocation, the fair value of assets acquired and liabilities assumed was restated as broken down in the table below:

(Amounts in Euro)	31 Mar. 2013	Maple Lake final PPA effect	31 Dec. 2013 Restated
Revenues	12,465,150	-	12,465,150
Other income	748,319	-	748,319
TOTAL REVENUES AND OTHER INCOME	**13,213,469**	**-**	**13,213,469**
			-
Purchase of materials and external services	(3,247,028)	-	(3,247,028)
Personnel costs	(8,017,784)	-	(8,017,784)
Other operating costs	(488,894)	-	(488,894)
Depreciation and amortisation/Impairment	(341,332)	37,709	(303,623)
OPERATING PROFIT (LOSS)	**1,118,431**	**37,709**	**1,156,140**
			-
Total financial income (charges)	(49,995)	23,365	(26,629)
EARNINGS BEFORE TAXES	**1,068,436**	**61,074**	**1,129,510**
			-
Income taxes	(141,552)	(11,841)	(153,393)
NET PROFIT (LOSS) FOR THE PERIOD	**926,884**	**49,234**	**976,118**

For further details on the final purchase price allocation concerning the Maple Lake Group business combination, reference should be made to the 2013 Annual Report.

4. 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.

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 company's accounting books and records.

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Milan, 8 May 2014