TXT e-solutions Group

Half-yearly report

as at 30 June 2016

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 2016:

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(3) (4)
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.

(4) Co-opted by the Board of Directors on 05/05/2015. 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 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	EY S.p.A.
INVESTOR RELATIONS	E-mail: infofinance@txtgroup.com
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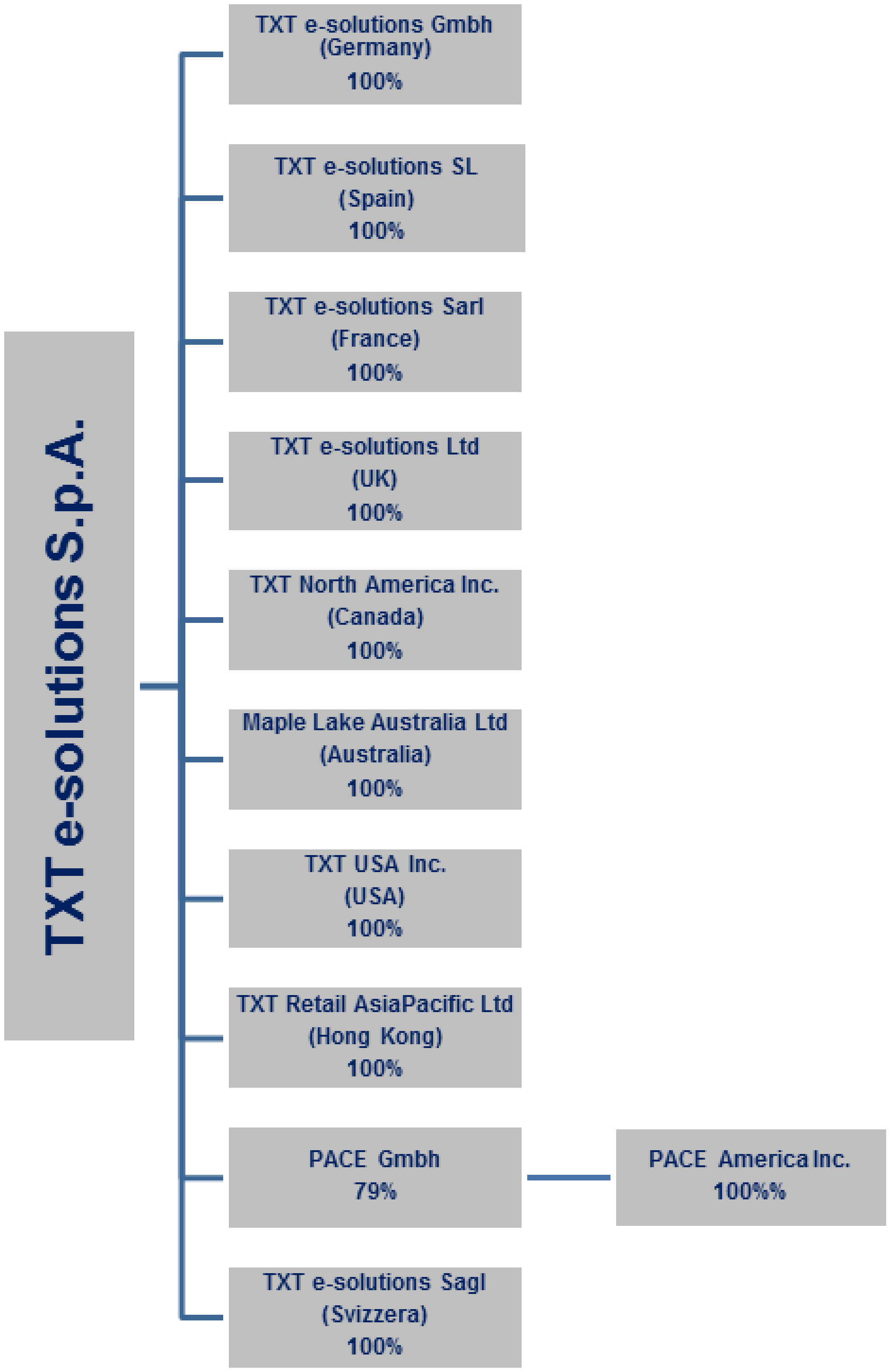
Organisational structure and scope of consolidation



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Key data and Directors' report on operations as at 30 June 2016

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	H1 2016	%	H1 2015	%	% change
REVENUES	**33,183**	**100.0**	**31,126**	**100.0**	**6.6**
of which:					
TXT Retail	17,767	53.5	18,808	60.4	(5.5)
TXT Next	15,416	46.5	12,318	39.6	25.2
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**3,314**	**10.0**	**3,376**	**10.8**	**(1.8)**
OPERATING PROFIT (LOSS) [EBIT]	**2,782**	**8.4**	**2,857**	**9.2**	**(2.6)**
NET PROFIT (LOSS) FOR THE PERIOD	**2,015**	**6.1**	**2,340**	**7.5**	**(13.9)**

FINANCIAL DATA (€ thousand)	30.6.2016	31.12.2015	Change
Fixed assets	26,079	18,132	7,947
Net working capital	8,886	11,063	(2,177)
Post-employment benefits and other non-current liabilities	(4,024)	(3,830)	(194)
Capital employed	**30,941**	**25,365**	**5,576**
Net financial position	461	8,259	(7,798)
Group shareholders' equity	31,402	33,624	(2,222)

DATA PER SHARE	30.6.2016	30.6.2015	Change
Number of shares outstanding (1)	11,702,534	11,656,198	46,336
Operating profit per share (1)	0.17	0.20	(0.03)
Shareholders' equity per share (1)	2.68	2.74	(0.06)

ADDITIONAL INFORMATION	30.6.2016	31.12.2015	Change
Number of employees	770	672	98
TXT share price	7.09	8.13	(1.04)

(1) The number of shares and the relevant 2015 prices were restated following the free share capital increase dated 20 May 2015, with the issue of one new share for every 10 shares issued, so as to allow comparison with 2016. Outstanding shares are equal to the shares issued less treasury shares.

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**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs;
• **EBIT**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs, depreciation and amortisation, and impairment of fixed assets.

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

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

Directors' reports on operations for the first half of 2016

Dear Shareholders,

The first half of 2016 was characterised by two factors: first, the major acquisition of German company Pace GmbH, consolidated starting from 1 April 2016, which accelerates the promising international development of the TXT Next Aeronautical Division; secondly, the strong recovery of revenues from TXT Retail software in the second quarter, which almost entirely made up for the deferred software revenues recorded in the first quarter (+41% sequentially quarter over quarter, from € 3.1 million in Q1 2016 to € 4.3 million in Q2 2016), acquires major contracts in China and India, and strengthens in the USA, UK and continental Europe.

The combined activities of TXT Next and Pace have a potential market of over 300 major customers worldwide, boasting a select and expert team of 350 specialists, offering innovative and proprietary expertise and products that are difficult to find on the market and covering the entire life cycle of equipment and activities within the aeronautics industry, along its supply chain and across all segments: fixed wing, helicopters, civil transport, special missions, defence. Pace's offer of products and services fully complements the expertise of the TXT Next Division.

Many large retailers and brands recorded slowdowns during the first quarter of 2016, for economic as well as structural reasons, with subsequent postponements of the investment plans. The attractiveness of our offer, which helps TXT customers improve assortment and margins, began to emerge once again across all geographical areas starting from the second quarter.

During the 2016 Shareholders' Meeting, TXT announced an accelerated development plan for its retail activities, aiming to strengthen the strategy by directing all Perform expertise toward specialised retail and all aspects of fashion, throughout the world. The Division will therefore take on the name TXT Retail, with which it will also disclose financial results starting from this half-yearly report.

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

- Revenues amounted to € 33.2 million during the first half of the year, up 6.6% compared to € 31.1 million in the first half of 2015, with Pace GmbH contributing € 2.0 million. Software revenues from licences, subscriptions and maintenance were € 8.4 million, essentially in line with 2015. Revenues from services amounted to € 24.8 million, for an increase of € 2.1 million, of which € 1.1 million from actual growth (+5.0%) and € 1.0 million from the contribution of Pace GmbH.

- Revenues of the TXT Retail division (53.5% of group revenues) amounted to € 17.8 million, down 5.5% compared to the prior year, which benefitted from revenues from licences from a single contract with a particularly high value. Revenues of the TXT Next division were € 15.4 million (46.5% of Group revenues), compared to € 12.3 million in 2015, up € 3.1 million (+25.2%), with € 2.0 million attributable to the contribution by Pace GmbH and € 1.1 million to growth (+9.0%).

- International revenues amounted to € 18.8 million, up by 7.8% compared to € 17.5 million in the first half of 2015, equal to 57% of the total.

- Net of direct costs, the Gross Margin came to € 17.3 million, up 6.7% over 2015 and including the contribution of Pace GmbH. As a percentage of revenues, it amounted to 52.2%, in line with 2015.

- EBITDA was € 3.3 million, essentially in line with the first half of 2015 (€ 3.4 million). The operating profit of Pace GmbH (€ 0.2 million) almost fully offset the non-recurring charges for the acquisition (€ 0.3 million). Net of these components and under the same scope of consolidation, the EBITDA of € 3.4 million is essentially in line with that of the prior year (+1.0%). Research and development costs grew by 15.8% to € 3.1 million, equal to 9.5% of revenues.

- Operating profit (EBIT) amounted to € 2.8 million, down slightly (-2.6%) compared to the first half of 2015, following € 0.5 million in amortisation. As a percentage of revenues, operating profit declined from 9.2% to 8.4%.

- Net profit was € 2.0 million (€ 2.3 million in 2015), net of tax charges of € 0.6 million (23% of pre-tax profit), up compared to € 0.4 million in the first half of 2015, due to full use in the prior year of prior tax losses in a number of Countries. As a percentage of revenues, it stood at 6.1%.

- The consolidated Net Financial Position as at 30 June 2016 was positive at € 0.5 million, down from € 8.3 million as at 31 December 2015, following the acquisition of Pace GmbH (€ 6.8 million), payment of dividends (€ 2.9 million) and the positive cash flow generated during the half-year (€ 1.9 million). A description of the methods used to account for the Pace GmbH acquisition is contained in paragraph 2 "Extraordinary transactions" of the Notes to the condensed consolidated half-yearly financial statements as at 30 June 2016.

- Consolidated shareholders' equity was € 31.4 million, compared to € 33.6 million as at 31 December 2015. The change of € 2.2 million included payment of dividends (€ 2.9 million), share buy-backs (€ 0.4 million) and profit for the period (€ 2.0 million), net of negative difference from the exchange rate at conversion (€ 0.9 million).

TXT's results for first half 2016, compared with the previous year's figures, are presented below:

(€ thousand)	H1 2016	%	H1 2015	%	% change
REVENUES	**33,183**	**100.0**	**31,126**	**100.0**	**6.6**
Direct costs	15,847	47.8	14,878	47.8	6.5
GROSS MARGIN	**17,336**	**52.2**	**16,248**	**52.2**	**6.7**
Research and development costs	3,144	9.5	2,716	8.7	15.8
Commercial costs	6,532	19.7	6,392	20.5	2.2
General and administrative costs	4,346	13.1	3,764	12.1	15.5
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**3,314**	**10.0**	**3,376**	**10.8**	**(1.8)**
Depreciation, amortisation and impairment	532	1.6	519	1.7	2.5
OPERATING PROFIT (LOSS) [EBIT]	**2,782**	**8.4**	**2,857**	**9.2**	**(2.6)**
Financial income (charges)	(158)	(0.5)	(112)	(0.4)	41.1
EARNINGS BEFORE TAXES (EBT)	**2,624**	**7.9**	**2,745**	**8.8**	**(4.4)**
Taxes	(609)	(1.8)	(405)	(1.3)	50.4
NET PROFIT (LOSS) FOR THE PERIOD	**2,015**	**6.1**	**2,340**	**7.5**	**(13.9)**

REVENUES AND GROSS MARGINS

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

(€ thousand)	H1 2016	%	H1 2015	%	% change 16/15
			TXT RETAIL		
REVENUES	**17,767**	**100.0**	**18,808**	**100.0**	**(5.5)**
Software	7,393	41.6	8,324	44.3	(11.2)
Services	10,374	58.4	10,484	55.7	(1.0)
DIRECT COSTS	6,761	38.1	6,707	35.7	0.8
GROSS MARGIN	**11,006**	**61.9**	**12,101**	**64.3**	**(9.0)**
			TXT NEXT		
REVENUES	**15,416**	**100.0**	**12,318**	**100.0**	**25.2**
Software	985	6.4	61	0.5	n.s.
Services	14,431	93.6	12,257	99.5	17.7
DIRECT COSTS	9,086	58.9	8,171	66.3	11.2
GROSS MARGIN	**6,330**	**41.1**	**4,147**	**33.7**	**52.6**
			TOTAL TXT		
REVENUES	**33,183**	**100.0**	**31,126**	**100.0**	**6.6**
Software	8,378	25.2	8,385	26.9	(0.1)
Services	24,805	74.8	22,741	73.1	9.1
DIRECT COSTS	15,847	47.8	14,878	47.8	6.5
GROSS MARGIN	**17,336**	**52.2**	**16,248**	**52.2**	**6.7**

TXT Retail Division

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

Revenues of the TXT Retail division amounted to € 17.8 million during the first half of 2016, down compared to € 18.8 million in the first half of 2015 (-5.5%).

Revenues from software (licences, subscriptions and maintenance) amounted to € 7.4 million, down -11.2% compared to the first half of 2015, which benefitted from a single contract with a particularly high value. Revenues from services amounted to € 10.4 million, down 1.0%. Revenues from software amounted to 41.6% as a percentage of the Division's total revenues.

The international revenues of the division amounted to € 15.8 million, compared to € 16.3 million in the first half of 2015 (-3.2%). International revenues account for 89% of the TXT Retail division's revenues, compared to 87% the prior year.

The Division’s gross margin, net of direct costs, decreased from € 12.1 million to € 11.0 million, essentially due to the decline in revenues from software, which had a significant impact on margins. As a percentage of revenues, it declined from 64.3% to 61.9%, returning to 63.9% in the second quarter.

In first quarter 2016, new contracts were signed or revenues from licences accrued with regard to a number of major customers, including Groupe Dynamite (USA), Missoni (I), Adidas (D), Pandora (DK), Takko (D), Peek & Cloppenburg (D) and Delta Galil (ISR).

Licence contracts in the second quarter included many new customers, such as REI - Recreational Equipment Inc. (USA), leading company in outdoor equipment and apparel; Zalando (D), purely e-commerce retailer that sells footwear and fashion only online; Future Group (India), conglomerate with headquarters in Mumbai and leadership position in retail and fashion in India with 35,000 employees; Auchan China with over 230 hypermarkets and 45 shopping centres in China; Arcadia Group (UK), retail multinational with headquarters in London, 2500 shops and numerous brands in its portfolio (such as Burton, Dorothy Perkins, Evans, Miss Selfridge, Topman, Topshop, and Wallis) and ECG Fashion Brand (B), first TXT Retail customer in Belgium and important new win for our Collection Lifecycle Management solution.

Implementation of the End-to-End Retail solutions continued in 2016, via AgileFit, exclusive, innovative and proprietary TXT solution, now constituting the heart of commercial offers and all customer projects. AgileFit speeds up installation and return on investments for TXT customers.

Customers of the Luxury, Fashion, and Retail sectors contributing to revenues in the 18 months of 2015-2016 numbered 350, with more than 100,000 points of sale and sales channels throughout the world. TXT Retail's potential market in the geographical areas of Europe and North America includes approximately 1,500 large Retailers.

During the annual convention of the National Retail Federation (NRF) held in New York in January 2016, TXT announced TXT Retail 7, the first solution on the market that permits the planning, design, implementation and management of “customer-focused” assortments in multi-channel contexts, where customers can purchase and pick up anywhere.

The March 2016 edition of Thinking Retail in London brought together 150 leaders in international retail and planning professionals, with participation by Adidas, Bata Group, Pandora, Sephora, Takko and Urban Outfitters.

TXT Retail 7 is based on a Microsoft, latest generation technological platform: the advanced in-memory processing capabilities permit rapid management of large volumes of data, supporting the complex calculations and simulations required for optimal management of retail processes.

TXT Retail 7 is the first solution by Merchandise Lifecycle Management with end-to-end capacity, in which:

- the planning processes are integrated into a single business solution which thanks to the Excel interface accelerates adoption times and collaboration among functions;
- development of customer-focused collections includes the aspects of planning, design, product development and supply;

- execution of the assortment plans includes the functions of automatic generation of purchase orders, demand forecasting, allocation and management of supplies;
- Visual Planning of the solution integrates the visibility of tastes, trends and styles with the numerical aspect of the collection plan.

TXT Retail 7 is the only solution that obtains "customer-driven" assortments, planned and implemented with an integrated and collaborative approach, bringing together all functions and activities involved in the retail process.

Until now, retailers had to purchase or develop, and then integrate, different solutions to support financial planning processes, planning of assortments, product development, purchases, demand forecasting, allocation and restocking. This approach resulted in isolated teams, each working within their own areas of responsibility, and generated enormous challenges in the creation of targeted assortments able to satisfy the requirements of new consumers in an effective and timely manner.

TXT Next Division

Revenues of the TXT Next division in the first half of 2016 were € 15.4 million, up € 3.1 million (+25.2%) compared to € 12.3 million in 2015, with € 2.0 million from the contribution by Pace GmbH and € 1.1 million attributable to growth (+9.0%). The Division's revenues accounted for 46.5% of the Group's revenues.

The gross margin increased from € 4.1 million to € 6.3 million, with growth of 52.6%. The improvement of € 2.2 million includes € 1.5 million from Pace GmbH and € 0.7 million in growth (+16.2%). The gross margin improved from 33.7% to 41.1% of revenues.

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

Established in 1995, Pace serves a growing number of aerospace companies and airline operators throughout the world, providing them with software and innovative services to design, configure and operate their airlines and fleets in an economically optimal manner. The main application areas are the preliminary design of airplanes, the architecture of technical and cabin systems, configuration of airplanes and cabins, economic management of airlines and fleets, analysis of flying routes and innovative instruments - such as "Electronic Flight Bags" - to improve operating efficiency.

PACE's customers currently comprise about 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Airbus (D and F), Boeing (USA), Safran Group (F), GE Aviation (USA), COMAC (China), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), AirFrance & KLM Engineering (F), Lufthansa (D) and Delta AirLines (USA).

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

TXT is a qualified partner 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.

The company TXT e-solutions Sagl was established in Switzerland on 27 June 2016, focusing on the development of international customers in the aeronautics division. During the half-year, a number of contracts were signed with new aeronautics customers such as Pilatus (CH), Reiser Simulation & Training (D) and Goodrich Control Systems (UK), part of UTC Aerospace Systems.

TXT GROUP'S REVENUES

Research and development costs amounted to € 3.1 million in the first half of 2016, up 15.3% compared to € 2.7 million in the first half of 2015, and include the research and development costs of Pace GmbH (€ 0.5 million). Development activities for new AgileFit, In-memory, Cloud and Omnichannel solutions of the TXT Retail division increased, while activities on funded research projects declined. The impact on revenues increased from 8.7% in the first half of 2015 to 9.5%.

Commercial costs amounted to € 6.5 million, up € 0.1 million (+2.2%) compared to the first half of 2015, due to the consolidation of Pace GmbH (€ 0.5 million) and to the containment of personnel costs. Commercial investments continued in North America and Europe, along with promotional initiatives for the TXT Retail products in occasion of the NRF events in New York and Thinking Retail! in London. Commercial costs declined from 20.5% to 19.7% as a percentage of revenues.

General and administrative costs amounted to € 4.3 million, up € 0.6 million compared to the first half of 2015, due to consolidation of the Pace GmbH costs (€ 0.3 million) and costs for consulting and legal fees for the acquisition of Pace GmbH (€ 0.3 million). Their impact on revenues was 13.1%, compared to 12.1% in the first half of 2015.

Gross operating profit (EBITDA) in the first half of 2016 was € 3.3 million, essentially in line with the corresponding period in 2015 (€ 3.4 million). The operating profit of Pace GmbH made a positive contribution (€ 0.2 million) to this result, while the acquisition costs made a negative contribution of € 0.3 million. With consolidation on a like-for-like basis, EBITDA was € 3.4 million, in line with the prior year (+1.0%), with revenues unchanged (+0.2%).

Operating profit (EBIT) amounted to € 2.8 million, down slightly (-2.6%) compared to the first half of 2015. Amortisation of € 0.5 million includes the amortisation for intellectual property rights on the software and customer portfolio of Pace GmbH (€ 0.1 million), arising from temporary allocation of the acquisition cost. Gross profit as a percentage of revenues declined from 9.2% to 8.4%.

Pre-tax profit was € 2.6 million, down by 4.4% compared to the first half of 2015, following financial charges of € 0.2 million. As a percentage of revenues, it amounted to 7.9%.

Net profit was € 2.0 million (€ 2.3 million in 2015), net of tax charges of € 0.6 million (23% of pre-tax profit), up compared to € 0.4 million in the first half of 2015, due to full use in the prior year of prior tax losses in a number of Countries. As a percentage of revenues, it stood at 6.1%.

CAPITAL EMPLOYED

At 30 June 2016, Capital Employed totalled € 30.9 million, up compared to € 25.4 million at 31 December 2015, mainly due to the acquisition of Pace GmbH.

The table below shows the details:

(€ thousand)	30.6.2016	31.12.2015	Total change	of which Pace GmbH	of which TXT	30.6.2015
Intangible assets	22,373	14,692	7,681	8,481	(800)	15,414
Net property, plant and equipment	1,574	1,361	213	168	45	1,377
Other fixed assets	2,132	2,079	53	-	53	1,766
Fixed assets	**26,079**	**18,132**	**7,947**	**8,649**	**(702)**	**18,557**
Inventories	3,256	2,075	1,181	-	1,181	2,461
Trade receivables	23,758	25,032	(1,274)	698	(1,972)	21,008
Sundry receivables and other short-term assets	3,272	2,759	513	229	284	2,265
Trade payables	(1,410)	(1,422)	12	(54)	66	(1,687)
Tax payables	(2,647)	(1,291)	(1,356)	(974)	(382)	(1,337)
Sundry payables and other short-term liabilities	(17,343)	(16,090)	(1,253)	(1,726)	473	(14,959)
Net working capital	**8,886**	**11,063**	**(2,177)**	**(1,827)**	**(350)**	**7,751**
Post-employment benefits and other non-current liabilities	**(4,024)**	**(3,830)**	**(194)**	**-**	**(194)**	**(3,799)**
Capital employed	**30,941**	**25,365**	**5,576**	**6,822**	**(1,246)**	**22,509**
Group shareholders' equity	31,402	33,624	(2,222)		(2,222)	31,972
Net financial position (Cash)	(461)	(8,259)	7,798	6,822	976	(9,463)
Sources of financing	**30,941**	**25,365**	**5,576**	**6,822**	**(1,246)**	**22,509**

Intangible assets increased from € 14.7 million to € 22.4 million, with a change of € 7.7 million due to the acquisition of Pace GmbH for € 8.5 million and to amortisation for the period on the intellectual property rights on software and on the customer portfolio for € 0.8 million.

Property, plant and equipment amounted to € 1.6 million, up € 0.2 million compared to year-end 2015, mainly due to the consolidation of Pace GmbH. Investments in servers and computers during the period (€ 0.3 million) were essentially in line with the depreciation amounts for the first half of the year.

Other fixed assets of € 2.1 million essentially comprise deferred tax assets and were basically unchanged compared to the end of 2015.

Net working capital decreased by € 2.2 million from € 11.1 million as at 31 December 2015 to € 8.9 million as at 30 June 2016, due to the negative net working capital of Pace GmbH (€ 1.8 million) and the reduction in working capital of TXT business (€ 0.3 million). The significant reduction in trade receivables of TXT (-€ 2.0 million) has a major impact, partly offset by the increase in inventories for work in progress (+€1.2 million) and other changes in working capital (+€ 0.5 million).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 4.0 million were essentially in line with those at the end of 2015 (€ 3.8 million).

Consolidated shareholders' equity amounted to € 31.4 million, compared to € 33.6 million as at 31 December 2015, down € 2.2 million mainly as a result of the payment of dividends for € 2.9 million and the purchase of treasury shares for € 0.4 million. Contributing to the growth of shareholders' equity was the profit for the half-year (€ 2.0 million), net of exchange rate differences on conversion (€ 0.9 million).

The consolidated Net Financial Position as at 30 June 2016 is positive for € 0.5 million, compared to € 8.3 million as at 31 December 2015, with a variation of € 7.8 million mainly due to the net effect of acquisition of Pace GmbH (€ 6.8 million) and payment of dividends (€ 2.9 million), partly offset by the positive cash flow generated during the half-year (€ 1.9 million).

The acquisition of Pace GmbH completed on 1 April 2016 involved a net outlay of € 6.8 million, broken down as follows:

- € 7.7 million already paid upon purchase of 79% of the company's shares;
- an additional € 1.4 million in estimated future outlays to exercise the put/call option in 2020-2021 to purchase the remaining 21% of the company's shares; payment of the "Earn-out 2016" and other contractual terms;
- -€ 2.3 million for the net financial benefit arising from the acquisition of Pace, generated by the balance of cash acquired (€ 3.5 million) and financial debt acquired (€ 1.2 million).

On 18 May 2016, a dividend of € 0.25 per share was paid, to 11.7 million outstanding shares (excluding treasury shares), with a total outlay of € 2.9 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 June 2016 is as follows:

(€ thousand)	30.6.2016	31.12.2015	Change	30.6.2015
Cash and bank assets	6,176	9,080	(2,904)	10,423
Short-term financial payables	(4,336)	(821)	(3,515)	(960)
Short-term financial resources	**1,840**	**8,259**	**(6,419)**	**9,463**
Medium/long-term financial payables	(1,379)	-	(1,379)	-
Net Available Financial Resources	**461**	**8,259**	**(7,798)**	**9,463**

The Net Financial Position as at 30 June 2016 is detailed as follows:

- Cash and bank assets of € 6.2 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 (€ 1.2 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 € 4.3 million in short-term financial payables mainly consists of short-term bank payables of the parent company in Euro (€ 3.0 million) and the financial payable for grants to be paid to research projects partners (€ 1.2 million).

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

Q2 2016 ANALYSIS

An analysis of the second quarter of 2016 is provided in the table below:

(€ thousand)	Q2 2016	%	Q2 2015	%	% change
REVENUES	**18,773**	**100.0**	**16,442**	**100.0**	**14.2**
Direct costs	8,541	45.5	7,770	47.3	9.9
GROSS MARGIN	**10,232**	**54.5**	**8,672**	**52.7**	**18.0**
Research and development costs	1,895	10.1	1,354	8.2	40.0
Commercial costs	3,853	20.5	3,470	21.1	11.0
General and administrative costs	2,584	13.8	1,963	11.9	31.6
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**1,900**	**10.1**	**1,885**	**11.5**	**0.8**
Depreciation, amortisation and impairment	332	1.8	266	1.6	24.8
OPERATING PROFIT (LOSS) [EBIT]	**1,568**	**8.4**	**1,619**	**9.8**	**(3.2)**
Financial income (charges)	(72)	(0.4)	(42)	(0.3)	71.4
EARNINGS BEFORE TAXES (EBT)	**1,496**	**8.0**	**1,577**	**9.6**	**(5.1)**
Taxes	(364)	(1.9)	(213)	(1.3)	70.9
NET PROFIT (LOSS) FOR THE PERIOD	**1,132**	**6.0**	**1,364**	**8.3**	**(17.0)**

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

- Net revenues amounted to € 18.8 million, up 14.2% compared to second quarter 2015 (€ 16.4 million). Revenues of the TXT Retail division amounted to € 9.9 million (-3.2%). Revenues of the TXT Next division were € 8.9 million, up € 2.7 million compared to the first half of 2015, of which € 2.0 million for consolidation of Pace GmbH and € 0.7 million due to growth (+10.5%).
- The gross margin in second quarter 2016 was € 10.2 million, up by 18.0% compared to second quarter 2015 (€ 8.7 million), mainly due to the consolidation of Pace GmbH (€ 1.5 million). Gross profit as a percentage of revenues increased from 52.7% to 54.5%.
- Gross operating profit (EBITDA) for second quarter 2016 was € 1.9 million, in line with 2015, due to the contribution of operating profit by Pace GmbH (€ 0.2 million) and acquisition costs (€ 0.3 million). Profit as a percentage of revenues was 10.1%, compared to 11.5% in second quarter 2015.
- Operating profit (EBIT) was € 1.6 million, essentially in line with 2015 (-3.2%) following depreciation/amortisation of property, plant and equipment, intellectual property rights on software and the customer portfolio arising from the acquisitions. As a percentage of revenues, it amounted to 8.4%.

- Net profit amounted to € 1.1 million (€ 1.4 million in 2015), after tax charges of € 0.4 million, corresponding to 24% of the pre-tax profit (€ 0.2 million, equal to 14% in 2015). As a percentage of revenues, it stood at 6.0%.

EMPLOYEES

At 30 June 2016, the Group had 770 employees, compared to 672 at 31 December 2015, for an increase of 98 employees, of which 73 for Pace GmbH and 25 new hirings in the TXT Next division, given the growth in business volume.

Personnel costs amounted to € 22.4 million in the first half of 2016, compared to € 20.7 million in 2015, up 8.2% mainly due to the consolidation of Pace GmbH and to growth in staff numbers.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first half of 2016, the share price of TXT e-solutions reached a high of € 8.07 on 2 March 2016 and a low of € 6.99 on 27 June 2016. As at 30 June 2016, the share price was € 7.09.

The average daily volume traded in the first 6 months of 2016 was 9,900 shares.

At 30 June 2016, treasury shares amounted to 1,289,882 (1,345,700 at 31 December 2015), accounting for 9.92% of shares outstanding, and were purchased at an average price of € 2.19 per share.

During the first half of 2016, a total of 46,701 treasury shares were purchased at an average price of € 7.57 and 102,519 treasury shares were awarded to employees upon achievement of the objectives of the Stock Grant 2015 (this plan ended in the first half of 2016 with exercising of all of the rights that were subject to exercise as at 31 December 2015).

The Shareholders' Meeting held on 22 April 2016 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 Meeting also approved a Stock Options plan for the group’s executive directors and senior managers, up to a maximum of 1,200,000 ordinary shares of TXT e-solutions S.p.A. The objective of the plan is to link remuneration of beneficiaries to the creation of value for the company’s shareholders, emphasising factors of strategic interest and encouraging loyalty. The Plan envisages the assignment of options, subject to the achievement of specific performance objectives, to be more specifically decided upon by the Board of Directors, upon recommendation by the Remuneration Committee. The Plan spans approximately 5 years, with a three-year vesting period. No option had been assigned as of 30 June 2016.

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

During the first half of the year and in first quarter 2016 in particular, the retail market suffered from declining results in many companies of the sector, with risks attributable to the general situation and to the uncertain performance of the markets in question. The company aims to grow in Europe, North America and Asia Pacific, and to develop its extensive and diversified customer portfolio in the retail sector. The TXT Next division also has solid medium-term growth prospects in the aeronautics market and new opportunities offered by the large, qualified customer portfolio acquired with Pace GmbH.

The Company expects positive growth in business by both Divisions in third quarter 2016.

Manager responsible for preparing corporate accounting documents

Chairman of the Board of Directors

Paolo Matarazzo

Alvise Braga Illa

Milan, 10 August 2016

Condensed consolidated half-yearly financial statements as at 30 June 2016

Consolidated Balance Sheet

ASSETS	Notes	30.06.2016	Of which due to related parties	31.12.2015	Of which due to related parties
NON-CURRENT ASSETS					
Goodwill	7.1	18,582,618		13,160,091	
Intangible assets with a finite useful life	7.2	3,790,183		1,531,601	
Intangible assets		**22,372,801**	**-**	**14,691,692**	**-**
Property, plant and equipment	7.3	1,573,679		1,361,299	
Property, plant and equipment		**1,573,679**	**-**	**1,361,299**	**-**
Sundry receivables and other non-current assets	7.4	126,429		141,671	
Deferred tax assets	7.5	2,006,451		1,936,976	
Other non-current assets		**2,132,880**	**-**	**2,078,647**	**-**
TOTAL NON-CURRENT ASSETS		**26,079,360**	**-**	**18,131,638**	**-**
CURRENT ASSETS					
Period-end inventories	7.6	3,255,742		2,074,935	
Trade receivables	7.7	23,758,036		25,031,799	
Sundry receivables and other current assets	7.8	3,271,636		2,759,371	
Cash and cash equivalents	7.9	6,176,497		9,079,975	
TOTAL CURRENT ASSETS		**36,461,911**	**-**	**38,946,080**	**-**
TOTAL ASSETS		**62,541,271**	**-**	**57,077,718**	**-**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30.06.2016	Of which due to related parties	31.12.2015	Of which due to related parties
SHAREHOLDERS' EQUITY					
Share capital		6,503,125		6,503,125	
Reserves		14,750,734		15,826,568	
Retained earnings (accumulated losses)		8,133,150		7,412,155	
Profit (loss) for the period		2,014,556		3,882,489	
TOTAL SHAREHOLDERS' EQUITY	**7.10**	**31,401,566**	**-**	**33,624,337**	**-**
NON-CURRENT LIABILITIES					
Non-current financial liabilities	7.11	1,379,019		-	
Employee benefits expense	7.12	4,024,385		3,830,292	
Deferred tax provision	7.5	1,937,598		1,274,631	
TOTAL NON-CURRENT LIABILITIES		**7,341,002**	**-**	**5,104,923**	**-**
CURRENT LIABILITIES					
Current financial liabilities	7.13	4,336,759		820,586	
Trade payables	7.14	1,410,018		1,422,360	
Tax payables	7.15	709,066		15,544	
Sundry payables and other current liabilities	7.16	17,342,859	1,459,468	16,089,968	1,634,979
TOTAL CURRENT LIABILITIES		**23,798,703**	**1,459,468**	**18,348,458**	**1,634,979**
TOTAL LIABILITIES		**31,139,705**	**1,459,468**	**23,453,381**	**1,634,979**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**62,541,271**	**1,459,468**	**57,077,718**	**1,634,979**

Consolidated Income Statement

	Notes	H1 2016	Of which due to related parties	H1 2015	Of which due to related parties
Revenues and other income		33,182,516		31,125,549	
TOTAL REVENUES AND OTHER INCOME	**8.1**	**33,182,516**		**31,125,549**	
Purchase of materials and external services	**8.2**	(6,520,922)	(305,617)	(6,099,884)	(307,516)
Personnel costs	**8.3**	(22,397,604)	(568,780)	(20,681,182)	(585,058)
Other operating costs	**8.4**	(950,048)		(968,088)	
Depreciation and amortisation/Impairment	**8.5**	(532,298)		(519,623)	
OPERATING PROFIT (LOSS)		**2,781,644**	**(874,397)**	**2,856,772**	**(892,574)**
Financial income (charges)	**8.6**	(158,041)		(111,414)	
EARNINGS BEFORE TAXES		**2,623,603**	**(874,397)**	**2,745,358**	**(892,574)**
Income taxes	**8.7**	(609,046)		(405,571)	
NET PROFIT (LOSS) FROM OPERATIONS		**2,014,556**	**(874,397)**	**2,339,787**	**(892,574)**
EARNINGS PER SHARE		0.17		0.20	
DILUTED EARNINGS PER SHARE		0.17		0.20	

Consolidated Statement of Comprehensive Income

	H1 2016	H1 2015
NET PROFIT (LOSS) FOR THE PERIOD	**2,014,556**	**2,339,787**
Foreign currency translation differences - foreign operations	(808,859)	**615,825**
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	**(808,859)**	**615,825**
Defined benefit plans actuarial gains (losses)	(143,331)	**55,285**
Total items of other comprehensive income that will not be subsequently reclassified to profit /(loss) for the period net of taxes	**(143,331)**	**55,285**
Total profit/ (loss) of Comprehensive income net of taxes	**(952,190)**	**671,109**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,062,366**	**3,010,896**

Consolidated Statement of Cash Flows

	H1 2016	H1 2015
Net profit (loss) for the period	**2,014,556**	**2,339,787**
Non-monetary costs	-	42,558
Current tax	415,310	283,976
Change in deferred tax	(102,639)	(22,719)
Depreciation and amortisation, impairment and provisions	532,298	519,623
Cash flows from (used in) operating activities (before change in working capital)	**2,859,525**	**3,163,225**
(Increases)/decreases in trade receivables	1,972,131	(2,439,505)
(Increases)/decreases in inventories	(1,180,807)	(639,842)
Increases/(decreases) in trade payables	(66,162)	147,116
Increases/(decreases) in post-employment benefits	50,762	13,403
Increases/(decreases) in other assets and liabilities	(740,618)	1,169,228
Change in operating assets and liabilities	35,306	(1,749,600)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**2,894,831**	**1,413,625**
Increases in property, plant and equipment	(334,373)	(399,302)
Increases in intangible assets	(39,341)	(10,104)
Increases in financial assets	-	-
Net cash flow from PACE acquisition	(5,403,476)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(5,777,190)**	**(409,406)**
Increases / (decreases) in financial payables	3,516,173	(2,877,966)
(Increases) / decreases in financial receivables	-	-
Distribution of dividends	(2,931,492)	(2,678,079)
(Purchase) / Sale of treasury shares	(353,645)	2,668,948
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**231,036**	**(2,887,097)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,651,323)**	**(1,882,878)**
Effect of exchange rate changes on cash flows	(252,155)	2,034
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**9,079,975**	**12,304,130**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6,176,497**	**10,423,286**

Consolidated Statement of Changes in Equity as at 30 June 2016

	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 period	Total equity
Balances at 31 December 2015	6,503,125	620,000	12,624,161	1,911,444	140,667	921,297	(904,667)	513,668	7,412,155	3,882,487	33,624,337
Profit (loss) at 31 December 2015		230,000							3,652,487	(3,882,487)	-
Distribution of dividends									(2,931,492)		(2,931,492)
Purchase / Sale of treasury shares			(353,645)								(353,645)
Post-employment benefits discounting							(143,331)				(143,331)
Exchange differences								(808,859)			(808,859)
Profit (loss) at 30 June 2016										2,014,556	2,014,556
Balances at 30 June 2016	6,503,125	850,000	12,270,516	1,911,444	140,667	921,297	(1,047,998)	(295,191)	8,133,150	2,014,556	31,401,566

	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 period	Total equity
Balances at 31 December 2014	5,911,932	519,422	10,999,923	1,911,444	140,667	181,297	(1,014,033)	128,815	6,018,431	4,172,380	28,970,278
Profit (loss) at 31 December 2014		100,578							4,071,803	(4,172,380)	-
Distribution of dividends									(2,678,079)		(2,678,079)
Free capital increase	591,193		(591,193)								-
Purchase / Sale of treasury shares			2,668,948								2,668,948
Post-employment benefits discounting							55,285				55,285
Exchange differences								615,825			615,825
Profit (loss) at 30 June 2015										2,339,787	2,339,787
Balances at 30 June 2015	6,503,125	620,000	13,077,677	1,911,444	140,667	181,297	(958,748)	744,640	7,412,155	2,339,787	31,972,043

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 June 2016:

Company name of the subsidiary	Currency	% 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	GBP	100%	2,966,460
TXT North America Inc.	CAD	100%	2,200,801
Maple Lake Australia Pty Ltd	AUD	100%	112
TXT USA Inc.	USD	100%	1,000
TXT Retail AsiaPacific Ltd	HKD	100%	100,000
TXT Singapore Pte Ltd	SGD	100%	10,000
PACE Aerospace Engeneering and Information Technology	EUR	79%	295,850
PACE America Inc.	USD	79%	10
TXT e-solutions Sagl	CHF	100%	40,000

Compared to the financial statements as at 31 December 2015, the scope of consolidation during the period ending 30 June 2016 was modified as a result of the following extraordinary transactions:

- Establishment of the company TXT e-solutions Sagl on 27 June 2016;

- Acquisition of shares representing 79% of the share capital of PACE Aerospace Engineering and Information Technology GmbH, on 1 April 2016 (described more extensively in subsequent Note 2).

TXT e-solutions Group's condensed consolidated half-yearly financial statements are presented in Euro.
Here below are the foreign exchange rates used for translating the amounts expressed in foreign currency of the subsidiaries TXT e-solutions Ltd, TXT North America Inc., Maple Lake Pty Ltd, TXT USA Inc., TXT Retail AsiaPacific Ltd, TXT Singapore Pte Ltd, PACE America Inc. and TXT e-solutions Sagl into Euro:

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

Currency	30.06.2016	31.12.2015
British Pound Sterling (GBP)	0.7785	0.7260
Canadian Dollar (CAD)	1.4854	1.4110
Australian Dollar (AUD)	1.5221	1.4743
US Dollar (USD)	1.1155	1.1116
Hong Kong Dollar (HKD)	8.6654	8.6179
Singapore Dollar (SGD)	1.5402	1.5244
Swiss Franc (CHF)	1.0960	1.0676

- Balance sheet (exchange rate at 30 June 2016 and 31 December 2015)

Currency	30.06.2016	31.12.2015
British Pound Sterling (GBP)	0.8265	0.7340
Canadian Dollar (CAD)	1.4384	1.5116
Australian Dollar (AUD)	1.4929	1.4897
US Dollar (USD)	1.1102	1.0887
Hong Kong Dollar (HKD)	8.6135	8.4376
Singapore Dollar (SGD)	1.4957	1.5417
Swiss Franc (CHF)	1.0867	1.0835

2. Extraordinary transactions

As illustrated in the Consolidated Financial Statements section of the Annual Report as at 31 December 2015 under note 11 “Subsequent events”, on 29 February 2016 the Company signed a preliminary agreement for the acquisition of PACE Aerospace Engineering and Information Technology Gmbh, with headquarters in Berlin (hereinafter “PACE”). The definitive agreement was subsequently signed and became effective starting from 1 April 2016.

The acquisition is aimed at expanding the TXT NEXT division into the international aeronautics market, optimising on the skills and proprietary software of PACE and on the vast and high-quality customer portfolio.

The consideration for acquisition of 79% of the shares of PACE is broken down as follows:

- € 5.6 million upon stipulation of the definitive agreement;
- variable supplementary payments, as these are dependent on the operating results of PACE, to be carried out in 2016 and 2017 and estimated at approximately € 1.8 million.

TXT also subscribed a combined put/call option for the remaining 21% of PACE shares held by the three founding directors, to be exercised during the period 2020-2021.

Overall, upon initial recognition of the business combination, the total estimated consideration is broken down as follows:

Component	Euro/000
Provisional price	5,649
Earn-Out 2015-2016	1,274
Other variable components	549
Total (79%)	7,472
Put/call option (21%)	1,625
Total (100%)	9,097

The provisional price component corresponds to the fixed price established in the contract. The Earn-Out amounts depend on the performance of variables such as revenues and EBITDA and on the application of multiples whose magnitude is linked to the same variables. A portion of the Earn-Out equal to around € 1 million has already been defined with certainty (as it is based on 2015 results compared to 2014), while the residual Earn-Out amount has been calculated by using the PACE Business Plan approved by the Board of Directors as the base. Said Business Plan represents a reasonable estimate of the scenario considered most likely. The item “Other variable components” is linked to the higher liquidity of PACE available as at the date of acquisition with respect to the threshold indicated in the contract.

For the purposes of drawing up the Consolidated Financial Statements, the directors also decided to consider subscription of the put/call option with the minority shareholders of PACE as the acquisition of a present ownership interest in the residual 21% of PACE's capital as well. Therefore, no minority interests have been recorded in these consolidated half-yearly financial statements. In addition to considering the acquisition of 79% of the capital and subscription of the put/call option as strictly correlated in terms of substance, the assessment made by the directors also took into consideration the following factors: - existence of a call/put option with the same exercise conditions - regulation of the rights on any dividends distributable to minority shareholders during the period prior to that of the first possible exercise of the option - existence of qualified majorities to make specific decisions in the Shareholders' Meeting - price that can be determined with a contractually established method, even though variable based on results - integration level designed and launched with the TXT structure.

The fair value of the liability linked to acquisition of the ownership interest in the remaining 21% of capital of PACE was determined by taking into account the valuation formula indicated in the contract; it is based on factors and multiples that are consistent with those used to set the initial price of the transaction to purchase the majority interest and the relative additional payments. The forecasted data at the basis of the calculation were taken from the aforementioned Business Plan. The price calculated was discounted at a rate of 1.3%, considered suitable to reasonably take into account the financial factor, in order to identify the fair value as at the initial recognition date.

The price allocation process was carried out on a provisional basis, through identification and valuation of the net assets acquired and the residual recognition of goodwill, according to the table below:

Allocation as at acquisition date		
Total price		9,097
Net assets and (liabilities) of PACE	(963)	
Net financial position of PACE	2,315	
Other intangible assets identified	2,462	
Deferred tax liabilities	(696)	
Goodwill	5,979	

Goodwill originating from the acquisition mainly stems from the business synergies that may be created through operational integration with TXT and in the additional opportunities for growth of the Group division, with subsequent increase in the capacity to generate benefits/cash flows. The value of Goodwill recognised in the financial statements is not recognised from a tax standpoint.

The other intangible assets identified refer to PACE's Intellectual Property and Customer Relationship, respectively for € 1,350,000 and € 1,112,000. These values represent their fair value as at initial recognition.

The Discounted Cash Flow Method (DCF) based on the Income Approach was used for the fair value assessment of Intellectual Property, while the Income Approach with Multi-Period Excess Earnings Method (MEEM) was used to determine the fair value of the Customer Relationship.

The main assumptions include:

- discount rate of 6.87%;
- useful life of 7 years (2016-2022);
- Business Plan database approved by the Board of Directors of TXT.

PACE's net financial position as at the acquisition date consists of cash and cash equivalents (€ 3.5 million) and short-term financial liabilities (€ 1.2 million).

The net liabilities balance as at the acquisition date mainly consists of deferred income (€ 1.7 million) and short-term trade receivables (€ 0.7 million).

The above allocation is to be considered provisional, depending on the information and valuation elements that may arise within the measurement period.

For the purposes of the acquisition, a total of € 0.5 million in consulting and legal fees were sustained, of which € 0.2 million fully expensed during 2015 and € 0.3 million expensed in the first half of 2016.

The statement of cash flows, under the item "Net cash flow from PACE acquisition", shows a net amount of € 5.4 million, consisting of the effective financial outlay sustained during the first half of 2016 (€ 7.5 million as per the above estimate, plus a residual provisional amount of € 0.2 million, pending the final price balance), net of PACE's Net Financial Position as at the acquisition date (€ 2.3 million).

3. Basis of preparation of the consolidated financial statements

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

The half-yearly report as at 30 June 2016 consists of the consolidated financial statements and the reclassified consolidated financial statements whose form and content are consistent with the financial statements for the year 2015. The condensed consolidated half-yearly financial statements do not therefore include all the information required for the annual financial statements and should be read together with the consolidated financial statements for the year ended 31 December 2015. They have been prepared based on accounting records at 30 June 2016 and on a going concern basis.

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

All amounts are expressed in Euro, unless otherwise indicated.

The publication and release of this report were approved by the Board of Directors' Meeting held on 10 August 2016.

4. New accounting standards and interpretations effective since 1 January 2016

The accounting standards adopted in preparing the condensed consolidated financial statements are consistent with those used in drawing up the consolidated financial statements as at 31 December 2015 and illustrated in the Annual Report under note 2.1 "Accounting standards and basis of consolidation". Where applicable for the Group, adoption of the new standards, amendments and interpretations effective since 1 January 2016 did not have any significant impact on the consolidated half-yearly financial statements of the TXT e-solutions Group.

Moreover, there were no transfers of fair value among hierarchical levels during the first half of 2016 with regard to the existing financial instruments.

5. Financial Risk Management

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

- Currency risk
- Interest rate risk
- Credit risk

The financial risk management objectives and policies of the TXT e-solutions Group reflect those illustrated in the consolidated financial statements as at 31 December 2015, to which reference should be made.

Note that the Group, present in Great Britain through subsidiary TXT e-solutions Ltd, monitors the potential risks arising from the outcome of the referendum held on 23 June 2016, in which the majority of voters were in favour of the United Kingdom leaving the European Union ("Brexit").

No significant impacts are currently envisaged with regard to valuation of the assets and liabilities, particularly financial, recorded in the financial statements. However, it is currently impossible to make forecasts on the effects of volatility of the GBP/EUR exchange rate.

6. Use of estimates

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

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

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

7. Balance sheet

7.1. Goodwill

Goodwill, referring entirely to the TXT Perform Cash Generating Unit (CGU) TXT Perform, except for the goodwill from the PACE acquisition, completed in April 2016 and referring to the TXT Next CGU TXT Next, amounts to € 18,582,618 as at 30 June 2016, for an increase of € 5,422,527 compared to 31 December 2015. The difference in gross value as at 30 June 2016, compared to the end of 2015, is attributable to the PACE acquisition for € 5,979,231 and to exchange differences on goodwill amounts originally expressed in a currency other than Euro for the residual portion.

A breakdown of the item at 30 June 2016 and the comparison with 31 December 2015 are shown below:

Goodwill	Amount at 30 June 2016	Amount at 31 December 2015
Program Acquisition	800,000	800,000
MSO Concept Acquisition	2,326,982	2,326,982
BGM Acquisition	1,661,124	1,870,589
Maple Lake Acquisition	7,815,281	8,162,520
PACE Acquisition	5,979,231	-
TOTAL GOODWILL	**18,582,618**	**13,160,091**

The Group tests goodwill for impairment annually (as at 31 December) and when there is any indication that it may be impaired. The impairment test for goodwill and intangible assets with an indefinite useful life is based on the value-in-use calculation. The variables used to determine the recoverable amount of the various cash-generating units (CGUs) were illustrated in the consolidated financial statements as at 31 December 2015.

In reviewing its impairment indicators, the Group takes into consideration, among other factors, the ratio between its market capitalisation and its equity. As at 30 June 2016, the Group's market capitalisation was not lower than equity.

No recoverability test was conducted at 30 June 2016, since there was no indicator of impairment for the reported goodwill.

7.2. Intangible assets with a finite useful life

Intangible assets with a finite useful life amounted to € 3,790,183 at 30 June 2016, net of amortisation. The changes that occurred during the period are reported below:

Intangible assets	Software licences	Intellectual Property	Customer Relationship	Other intangible assets	TOTAL
Balances at 31 December 2015	**18,564**	**517,704**	**995,156**	**177**	**1,531,601**
Acquisitions	39,173	1,350,000	1,112,000	168	2,501,341
Disposals	-	-	-	-	-
Amortisation	(11,746)	(117,240)	(113,428)	(345)	(242,759)
Impairment	-	-	-	-	-
Revaluations	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Balances at 30 June 2016	**45,991**	**1,750,464**	**1,993,728**	**(0)**	**3,790,183**

The item is detailed as follows:

- Software licences: these included software licences acquired mainly by the Parent Company for operating in-house instruments and implementing TXT Perform's products. Investments in the period of € 39,173 referred to the purchase of software licences.
- Intellectual Property and Customer Relationship: these intangible assets were acquired as part of the Maple Lake Group and PACE Group acquisitions. The directors allocated these assets with the help of an independent expert. Intellectual Property represents the intellectual property rights over the software developed and owned by Maple Lake and PACE. The Maple Lake Group and PACE Group companies' Customer Relationship was also considered in the allocation of the premium paid.

The positive change compared to the end of the prior year (€ 2,258,582) is attributable to allocation of the higher price paid for acquisition of the PACE Group for € 2,462,000 and to amortisation for the period for the residual portion (€ 242,759).

7.3. Property, plant and equipment

Property, plant, and equipment at 30 June 2016 amounted to € 1,573,679, net of depreciation, rising € 212,380 in the period. The changes that occurred during the period are reported below:

Property, plant and equipment	Plants	Vehicles	Furniture and fixtures	Electronic machinery	Other property, plant and equipment	TOTAL
Balances at 31 December 2015	**5,396**	**284,396**	**167,238**	**724,057**	**180,212**	**1,361,299**
Acquisitions	33,467	97,665	-	283,129	48,277	462,538
Disposals	(4,093)	(25,559)	(29,016)	(43,459)	(4,518)	(106,645)
Other changes	-	-	146,825	-	-	146,825
Amortisation	(150)	(45,843)	(45,060)	(159,571)	(39,714)	(290,338)
Impairment	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Balances at 30 June 2016	**34,620**	**310,659**	**239,987**	**804,156**	**184,258**	**1,573,679**

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

Other changes in the "furniture and fixtures" category refer to the acquired company PACE Gmbh, consolidated from 1 April 2016.

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

7.4. Sundry receivables and other non-current assets

The item "Sundry receivables and other non-current assets" amounted to € 126,429 at 30 June 2016, compared to € 141,671 at 31 December 2015. Mainly unchanged from year-end 2015, this item includes security deposits paid by the Group companies as part of their operations and relating to car rentals and bids in public tenders.

7.5. Deferred tax assets / liabilities

The breakdown of deferred tax assets and liabilities at 30 June 2016, compared with the end of 2015, is shown below:

	Balance at 30 June 2016	Balance at 31 December 2015	Change
Deferred tax assets	2,006,451	1,936,976	69,475
Deferred tax provision	(1,937,598)	(1,274,631)	(662,967)
Total	**68,853**	**662,345**	**(593,492)**

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

The decision to recognise deferred tax assets for previous tax losses was made also following the changes in legislation (Italian Decree Law no. 98/2011) on the use of each tax period's losses without limitation in time and due to the Group's positive outlook, and the positive results recorded in recent years. The recognition of deferred tax assets on the previous losses was based on company plans that consider future profitability and within the limits of the capacity to absorb previous losses in the next three years.

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

The main change with respect to 31 December 2015 is the allocation of a deferred tax liability provision as part of the PACE acquisition for an amount of € 696,131.

This amount refers to the deferred tax effect calculated on the intangible assets recognised upon acquisition and described in above note 7.2. "Intangible assets with an indefinite useful life".

7.6. Period-end inventories

Period-end inventories amounted to € 3,255,742 at 30 June 2016, up € 1,180,807 compared to the end of 2015.

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

Company	30 June 2016	31 December 2015	Change
TXT e-solutions S.p.A.	3,149,066	2,007,871	1,141,195
TXT e-solutions S.a.r.l.	106,676	67,064	39,612
TOTAL	**3,255,742**	**2,074,935**	**1,180,807**

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

7.7. Trade receivables

Trade receivables at 30 June 2016, net of the provision for bad debts, amounted to € 23,758,036, down € 1,273,763 compared to the end of 2015. The item is detailed in the table below:

Trade receivables	30 June 2016	31 December 2015	Change
Gross value	24,527,787	25,801,550	(1,273,763)
Provision for bad debts	(769,751)	(769,751)	-
Net value	**23,758,036**	**25,031,799**	**(1,273,763)**

The provision for bad debts did not record any changes in the first half of 2016.

The breakdown of trade receivables into coming due and past due at 30 June 2016, compared to 31 December 2015, is shown below:

Due date	Total	Coming due	Past due	
			0 - 90 days	More than 90 days
30 June 2016	**23,758,036**	16,537,991	4,743,906	2,476,139
31 December 2015	**25,031,799**	14,959,185	8,296,198	1,776,416

The decrease in trade receivables is due to the different payment times compared to the end of the prior year, when substantial payments were received subsequent to 31 December 2015 from a major customer of TXT e-solutions S.p.A. Despite the decline in trade receivables, the increase in amounts due over 90 days is not related to any impairment of the receivables portfolio.

7.8. Sundry receivables and other current assets

The item “sundry receivables and other current assets”, which included receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses, amounted to € 3,271,636 at 30 June 2016, compared to € 2,759,371 at 31 December 2015. The breakdown is shown below:

Sundry receivables and other current assets	30 June 2016	31 December 2015	Change
Receivables due from EU	1,106,566	1,036,359	70,206
Tax receivables	1,105,775	895,385	210,390
Other receivables	559,112	135,386	423,726
Accrued income and prepaid expenses	500,184	692,240	(192,056)
Total	**3,271,636**	**2,759,371**	**512,265**

The item “Receivables due from EU” includes amounts accrued based on the progress of funded research projects. These regard grants awarded to the Parent Company to support the research and development activities subject to specific grant competitions; such grants will be disbursed upon completion of the development stages for the projects concerned. These receivables are essentially in line with figures at 31 December 2015.

Tax receivables, amounting to € 1,105,775, represent the receivables due from taxation authorities for withholding taxes paid on self-employment and employment income, bank interest income, and tax credits for post-employment benefits.

Other receivables amount to € 559,112 and show an increase of € 423,726, mainly due to a VAT receivable of the Parent Company.

Accrued income and prepaid expenses, amounting to € 500,184, consist of reversals of prepaid expenses that did not relate to the period.

7.9. Cash and cash equivalents

The Group's cash and cash equivalents amount to € 6,176,497, down € 2,903,478 compared to 31 December 2015. Please refer to the statement of cash flows for details about cash flow generation.

Cash and cash equivalents refer to ordinary current accounts held with Italian banks, amounting to € 3,542,267, as well as with foreign banks, totalling € 2,634,230. Cash and cash equivalents are not subject to any constraints, and there are no monetary or other types of restrictions on their transferability in Italy.

7.10. Shareholders' equity

The company's share capital at 30 June 2016 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totalling € 6,503,125.

The reserves and retained earnings include the legal reserve (€ 850,000), the share premium reserve (€ 12,270,516), the merger surplus reserve (€ 1,911,444), the first-time adoption reserve (€ 140,667) the stock option/stock grant reserve (€ 921,297), the reserves for actuarial differences on post-employment benefits (negative to the tune of € 1,047,998), the reserves for retained earnings (€ 8,133,150), and the translation reserve (negative to the tune of € 295,191).

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

That reserve amounts to € 921,297 and relates to the stock grant plan approved by the Shareholders’ Meeting of 23 April 2012.

The disclosures required by IFRS 2 on the 2012 stock grant plan are reported below:

STOCK OPTION PLAN DISCLOSURES - IFRS 2

	2012-2016 STOCK GRANT PLAN					
	Options	**2012**	**2013**	**2014**	**2015**	**2016**
(I)	Outstanding at the beginning of the period	-	280,000	458,340	198,000	102,519
(II)	Granted during the period	280,000	378,000	-	-	-
(III)	Forfeited during the period	-	(143,660)	(248,000)	(95,481)	-
(IV)	Exercised during the period	-	(56,000)	(12,340)	-	(102,519)
(V)	Expired during the period	-	-	-	-	-
(VI)	Outstanding at the end of the period	280,000	458,340	198,000	102,519	-
(VII)	Exercisable at the end of period	-	12,340	198,000	102,519	-

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

Incentive plans

As at 31 December 2015, the last vesting period of the Stock Grant Plan approved by the Shareholders' Meeting of 23 April 2012 concluded. During the first half of 2016, all rights exercisable at the end of 2015 were exercised.

The Meeting of 22 April 2016 approved a Stock Options plan for the group's executive directors and senior managers, up to a maximum of 1,200,000 ordinary shares of TXT e-solutions S.p.A. The objective of the plan is to link remuneration of beneficiaries to the creation of value for the company's shareholders, emphasising factors of strategic interest and encouraging loyalty. The Plan envisages the assignment of options, subject to the achievement of specific performance objectives, to be more specifically decided upon by the Board of Directors, upon recommendation by the Remuneration Committee. The Plan spans approximately 5 years, with a three-year vesting period. No option had been assigned as of 30 June 2016 and the Board of Directors has not yet defined the regulation that will govern the new Stock Options plan.

Treasury shares

At 30 June 2016, the Company held 1,289,882 treasury shares (1,345,700 at 31 December 2015), equal to 9.9174% of shares outstanding, amounting to € 2,824,407.50 (€ 3,253,840.24 at 31 December 2015), for a total par value of € 644,941 (€ 672,850 at 31 December 2015) and a market value of € 9,145,263.38. The price of TXT stock as at 30 June 2016 was € 7.09 (€ 10,940,541 as at 31 December 2015, stock price € 8.13). Shares outstanding (issued) at 30 June 2016 numbered 13,006,250.

During 2016, the Company purchased 46,701 treasury shares at an average price per share of € 7.5726, for a total amount of € 353,646 (in 2015, the Company purchased 125,965 treasury shares at an average price per share of € 7.56, for a total value of € 952,238).

During the first half of the year, 102,519 treasury shares were granted to employees following the achievement of the Stock Grant performance targets.

The carrying amount per share was € 7.6384, recorded by the Company for a total of € 783,081.

The buy-back of shares was authorised again by the Shareholders' Meeting of 22 April 2016. The plan provides for a maximum number of shares so as not to exceed the legal maximum number at the maximum price not exceeding the average of the official stock market prices in the three sessions prior to the purchase transaction, plus 10%, and in any case not more than € 25.00.

In order to maintain the necessary operational flexibility over a suitable time horizon, and considering that said authorisation expires on 21 October 2016, the Shareholders' Meeting renewed for an additional 18 months the authorisation to purchase and dispose of treasury shares through subsidiaries as well, simultaneously revoking the analogous authorisation of 22 April 2015 for the portion not yet executed.

7.11. Non-current financial liabilities

The item "non-current financial liabilities" amounted to € 1,379,019 (€ 0 at 31 December 2015).

The increase in non-current liabilities compared to the prior year is due to the recognition of debt for the acquisition of PACE, as an estimate of the additional outlays for:

- exercising of the put/call option in 2020-2021 to purchase the remaining 21% of the company's shares;
- recognition of the "Earn-out 2016" to be recognised to sellers based on performance of revenues and profitability of the company acquired;
- other contractual terms.

7.12. Employee benefits expense

The item "Employee benefits expense" at 30 June 2016 amounted to € 4,024,385, of which € 3,659,748 relating to obligations to employees of the Parent for defined-benefit plans and € 364,637 relating to the pension funds for management of the German subsidiary TXT e-solutions Gmbh and the French subsidiary TXT e-solutions Sarl.

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

Employee benefits expense	31 December 2015	Provisions	Uses/ Payments	Actuarial gains/losses and other	Financial income/ charges	30 June 2016
Post-employment benefits	2,558,433	710,545	(733,371)	117,893	17,781	2,671,281
Provision for severance for end of term of office	949,717	38,750	-	-	-	988,467
Pension fund for management	322,142	17,057	-	25,438	-	364,637
Total non-current provisions relating to employees	**3,830,292**	**766,352**	**(733,371)**	**143,331**	**17,781**	**4,024,385**

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

- The probability of death was estimated based on the census of the Italian population by age and gender taken in 2000 by ISTAT [Italy's National Institute for Statistics], reducing it by 20%.
- The probability of removal due to total and permanent disability of the employee, such as becoming disabled and leaving the company, was estimated based on disability tables currently used in the reinsurance sector, differentiated by age and gender.
- The retirement age of a generic worker was estimated assuming that the first retirement requirement for the purpose of obtaining the Mandatory General Insurance was satisfied and that the employees started paying into INPS [Italy's Social Security Institute] no later than 28 years of age. This measurement accounts for the changes to the retirement age introduced by the Monti reform in late 2011.
- As for the probability of termination of employment due to resignations and dismissals, as at the measurement date an annual 4% staff turnover rate was calculated.
- With regard to requests for advance payment of benefits, an annual 1.00% advance payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.

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

The discount rate used for measurement purposes was 0.7097% per year, i.e. the rate on Bonds issued by AA-rated European Companies at 30 June 2016 with maturities of between 7 and 10 years. The table below shows the impact on post-employment benefits of the increase/decrease of certain "key" variables used for the actuarial calculation:

Sensitivity analysis at 30 June 2016	% Change in liabilities (DBO)			
Type of change for the specific assumption	**Decrease**	**Increase**	**Decrease**	**Increase**
Decrease or increase of 50% of company's staff turnover	0.63%	-0.34%	2,688,110	2,662,198
Decrease or increase of 50% in frequency of advanced payments	0.16%	-0.15%	2,675,555	2,667,274
Decrease or increase of inflation by one percentage point	-8.58%	9.63%	2,442,085	2,928,525
Decrease or increase of discount rate by one percentage point	13.11%	-11.32%	3,021,486	2,368,892

7.13. Current financial liabilities

Current financial liabilities amounted to € 4,336,759 (€ 820,586 at 31 December 2015) and included the short-term portion of medium/long-term loans, the payables on research projects funded by the European Union and other residual components. In particular:

- the short-term portion of loans amounts to € 3,000,000 (€ 0 as at 31 December 2015). On 23 June 2016, a short-term loan for € 2,000,000 was taken out with Unicredit, with maturity of 25 July 2016, at an interest rate of 0.105%, and on 28 June 2016, a short-term loan of € 1,000,000 was taken out with BNL, with maturity of 29 July 2016, at an interest rate of 0.14%; these loans were stipulated in order to meet current cash requirements and were regularly repaid upon maturity;
- the payable of € 1,199,892 regards advances on research projects funded by the European Union (€ 794,459 at 31 December 2015) received by TXT e-solutions S.p.A. as lead manager and to be reimbursed to the project partners. This payable will be paid off in 2016;
- the payable of € 102,070 regards the advance by Unicredit of the RIBA (cash orders) submitted on 30 June 2016, the invoices of which expire beyond this date. Upon expiry, these will be settled, as the receivables are certain but not yet collectible;
- the short-term portion of loans obtained by the subsidiaries for the residual portion.

7.14. Trade payables

Trade payables amounted to € 1,410,018 at 30 June 2016, down by € 12,342 compared to 31 December 2015. Payables due to suppliers are of a trade and non-interest bearing nature and are due within twelve months.

7.15. Tax payables

Tax payables totalled € 709,066 as at 30 June 2016 and mainly refer to the Parent's IRAP (Regional Tax on Productive Activities) and IRES (Corporate Income Tax).

7.16. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 17,342,859 at 30 June 2016, compared to € 16,089,968 at 31 December 2015, as shown in the table below:

Sundry payables and other current liabilities	30 June 2016	31 December 2015	Change
Other payables	3,707,670	2,323,217	1,384,453
Accrued expenses and deferred income	5,473,747	5,215,106	258,641
Advance payments for multi-year orders	1,506,478	2,059,782	(553,304)
Payables due to social security institutions	1,549,505	1,180,324	369,182
Payables due to employees and external staff	5,105,458	5,311,539	(206,081)
Sundry payables and other current liabilities	**17,342,859**	**16,089,968**	**1,252,891**

The item “Accrued expenses and deferred income” essentially referred to adjustments to maintenance and service invoices made to recognise only revenues for the period. The increase on the previous year is due to the advance billing of a portion of revenues regarding projects underway during the first half of 2016.

The item “Payables due to employees and external staff” included payables for wages and salaries relating to June 2016 as well as payables due to employees for unused annual leave.

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

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

8. Income Statement

8.1. Total revenues and other income

Consolidated revenues and other income for the first half of 2016 amounted to € 33,182,516, up 7% compared with the prior-year period, as detailed below:

	30 June 2016	30 June 2015	Change	% change
Total Revenues and Other Income	**33,182,516**	**31,125,549**	**2,056,967**	**7%**

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

8.2. Purchase of materials and external services

Purchases of materials and external services for the first half of 2016 amounted to € 6,520,922, up from the first half of 2015, when they totalled € 6,099,884.

The item is detailed below:

	30 June 2016	30 June 2015	Change
Consumables and resale items	223,140	128,335	94,805
Technical consulting	1,586,847	1,824,783	(237,936)
Travel expenses	1,499,789	970,206	529,583
Utilities	375,855	316,890	58,965
Media & marketing services	616,685	631,331	(14,646)
Maintenance and repair	320,293	299,656	20,637
Canteen and ticket services	309,042	251,369	57,673
Administrative and legal services	354,689	117,827	236,863
Directors' fees	309,847	311,873	(2,026)
Subcontractors	85,075	151,356	(66,281)
Others	839,659	1,096,258	(256,599)
Total	**6,520,922**	**6,099,884**	**421,038**

As a percentage of consolidated revenues, the costs for purchasing materials and services were in line with the first six months of 2015, from 19.60% to 19.65%.

8.3. Personnel costs

Personnel costs for the first six months of 2016 amounted to € 22,397,604, growing by € 1,716,422 (8.30%) compared with the first half of 2015.

This increase is mainly due to growth in staff, following the development of activities, and to personnel of the PACE Group acquired during the first half of 2016.

As at 30 June 2016, the TXT e-solutions Group had 770 employees, net of directors and external contractors, compared to 672 as at 31 December 2015, for an increase of 98 employees, essentially in the TXT Next Division following acquisition of the PACE Group (which employs 73 individuals).

The table below shows the breakdown of employees by level:

	White-collar staff	Middle managers	Executives and managers	Total
31/12/2015	594	54	24	672
30/06/2016	685	60	25	770

8.4. Other operating costs

The item “other operating costs” in the first half of 2016 amounted to € 950,048, down € 18,041 from the prior-year period.

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

	30 June 2016	30 June 2015	Change
Rental expense for offices	516,996	549,238	(32,242)
Other expenses and extraordinary income adj.	23,655	(30,679)	54,334
Rental expense for motor vehicles	302,708	259,925	42,783
Rental expense for servers	38,609	36,137	2,472
Other tax (other than income tax)	23,599	45,358	(21,759)
Royalties	36,634	50,962	(14,328)
Contingent liabilities	2,031	36,133	(34,103)
Other rental expense	-	7,604	(7,604)
Fines and penalties	165	1,805	(1,640)
Magazine and subscription expenses	5,651	11,606	(5,955)
Total	**950,048**	**968,088**	**(18,041)**

8.5. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment as at 30 June 2016 amounted to € 532,298 and were essentially in line with the € 519,623 of 30 June 2015. Compared to 2015, the Research & Development expenses capitalised in prior years were fully amortised, and amortisation for the period was calculated with regard to the Intellectual Property of software and the Customer Relationship of PACE (respectively € 48,214 and 39,714).

8.6. Financial income (charges)

As at 30 June 2016, the Group recognised financial charges of € 158,041, compared to € 111,414 at the end of the first half of 2015. The difference of € 46,628 is mainly due to the exchange rate differences on transactions in currencies other than the Euro, predominantly the British pound and the US dollar.

8.7. Income taxes

Income taxes at 30 June 2016 amounted to € 609,046, and are detailed as follows:

	30 June 2016	30 June 2015	Change
Total current tax	423,444	428,291	(4,847)
Total deferred tax	185,602	(22,719)	208,321
Total taxes	**609,046**	**405,572**	**203,474**

Deferred tax assets and liabilities correspond to the change in the respective balance sheet items, except for the deferred tax provision regarding the PACE acquisition at the initial recognition date.

9. Segment disclosures

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

BALANCE SHEET BY BUSINESS UNIT AS AT 30 JUNE 2016

(€ thousand)	TXT Retail	TXT Next	Unallocated	TOTAL TXT
Intangible assets	14,020	8,353	-	22,373
Property, plant and equipment	843	731	-	1,574
Other fixed assets	1,142	990		2,132
FIXED ASSETS	**16,004**	**10,075**	**-**	**26,079**
Inventories	242	3,014	-	3,256
Trade receivables	13,164	10,594	-	23,758
Sundry receivables and other short-term assets	1,752	1,520	-	3,272
Trade payables	(761)	(649)	-	(1,410)
Tax payables	(1,254)	(1,393)	-	(2,647)
Sundry payables and other short-term liabilities	(9,366)	(7,977)	-	(17,343)
NET WORKING CAPITAL	**3,777**	**5,109**	**-**	**8,886**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,173)**	**(1,851)**	**-**	**(4,024)**
CAPITAL EMPLOYED	**17,608**	**13,333**	**-**	**30,941**
Shareholders' equity			31,402	31,402
Net financial debt/(Cash and cash equivalents)			(461)	(461)
SOURCES OF FINANCING			**30,941**	**30,941**

BALANCE SHEET BY BUSINESS UNIT AS AT 31 DECEMBER 2015

(€ thousand)	TXT Retail	TXT Next	Unallocated	TOTAL TXT
Intangible assets	14,684	8	0	14,692
Property, plant and equipment	811	550	0	1,361
Other fixed assets	1,239	840		2,079
FIXED ASSETS	**16,734**	**1,398**	**0**	**18,132**
Inventories	95	1,980	0	2,075
Trade receivables	11,838	13,194	0	25,032
Sundry receivables and other short-term assets	1,644	1,115	0	2,759
Trade payables	(830)	(592)	0	(1,422)
Tax payables	(884)	(407)	0	(1,291)
Sundry payables and other short-term liabilities	(9,394)	(6,696)	0	(16,090)
NET WORKING CAPITAL	**2,469**	**8,594**	**0**	**11,063**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,236)**	**(1,594)**	**0**	**(3,830)**
CAPITAL EMPLOYED	**16,967**	**8,398**	**0**	**25,365**
Shareholders' equity			33,624	33,624
Net financial debt/(Cash and cash equivalents)			(8,259)	(8,259)
SOURCES OF FINANCING			**25,365**	**25,365**

INCOME STATEMENT BY BUSINESS UNIT AS AT 30 JUNE 2016

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

INCOME STATEMENT BY BUSINESS UNIT AS AT 30 JUNE 2015

(€ thousand)	TXT Retail	TXT Next	Unallocated	TOTAL TXT
REVENUES	**18,808**	**12,318**	**0**	**31,126**
Licences & maintenance	8,324	61	0	8,385
Services and other revenues	10,484	12,257	0	22,741
OPERATING COSTS:				
Direct costs	6,707	8,171	0	14,878
Research and development costs	2,079	637	0	2,716
Commercial costs	5,357	1,035	0	6,392
General and administrative costs	2,274	1,490	0	3,764
TOTAL OPERATING COSTS	**16,417**	**11,333**	**0**	**27,750**
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**2,391**	**985**	**0**	**3,376**
Amortisation	290	0	0	290
Depreciation	138	90	0	229
OPERATING PROFIT (LOSS) [EBIT]	**1,962**	**895**	**0**	**2,857**
Financial income (charges)	(77)	(35)	0	(112)
EARNINGS BEFORE TAXES (EBT)	**1,885**	**860**	**0**	**2,745**
Taxes	**(278)**	**(127)**	**0**	(405)
NET PROFIT (LOSS) FOR THE PERIOD	**1,607**	**733**	**0**	**2,340**

10. Seasonality of operating segments

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

11. Transactions with related parties

Related parties are:

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

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

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

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

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

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

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

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

Trade transactions

At 30 June 2016	Receivables	Payables	Guarantees	Costs	Revenues
TXT e-solutions Sarl (France)	1,701,176	54,889	-	25,405	1,464,475
TXT e-solutions Gmbh (Germany)	653,429	67,950	-	182,817	923,803
TXT e-solutions SL (Spain)	25,134	81,464	-	51,099	58,556
TXT e-solutions Ltd (United Kingdom)	536,738	439,602	-	830,931	1,144,122
Maple Lake Australia Pty Ltd (Australia)	37,001	2,580	-	-	37,000
Maple Lake Ltd (Canada)	1,539,937	69,893	-	62,613	770,307
Pace Gmbh	108,804	3,190	-	-	35,907
TXT USA Inc.	4,845	-	-	-	-
TXT Singapore Pte Ltd	1,649	9,223	-	9,059	-
TXT Retail AsiaPacific Ltd	173	-	-	-	-
Directors and key management personnel	-	1,459,468	-	874,397	-
Total at 30 June 2016	**4,608,885**	**2,188,260**	**-**	**2,036,321**	**4,434,170**

At 30 June 2015	Receivables	Payables	Guarantees	Costs	Revenues
TXT e-solutions Sarl (France)	45,782	286,064	-	57,986	1,206,742
TXT e-solutions Gmbh (Germany)	2,353	55,274	-	263,560	711,218
TXT e-solutions SL (Spain)	35	48,483	-	42,946	81,133
TXT e-solutions Ltd (United Kingdom)	38,983	364,343	-	849,089	890,225
Maple Lake Australia Pty Ltd (Australia)	1,031	-	-	-	25,000
Maple Lake Ltd (Canada)	664,190	112,544	-	274	758,749
TXT USA Inc.	1,139	-	-	-	-
TXT Retail AsiaPacific Ltd	-	-	-	-	-
Directors and key management personnel	-	1,338,210	-	892,574	-
Total at 30 June 2015	**753,513**	**2,204,917**	**-**	**2,106,429**	**3,673,066**

Financial transactions

At 30 June 2016	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	-	4,977,989	-	-	-
TXT e-solutions Gmbh (Germany)	-	2,854,877	-	13,358	-
TXT e-solutions SL (Spain)	-	1,114,867	-	5,997	-
TXT e-solutions Ltd (United Kingdom)	-	124,690	-	2,055	-
Maple Lake Australia Pty Ltd (Australia)	-	98,448	-	2,580	-
Maple Lake Ltd (Canada)	2,976,156	-	-	-	31,518
Pace Gmbh	-	500,000	-	130	-
TXT USA Inc.	257,188	-	-	-	2,728
TXT Retail AsiaPacific Ltd	17,719	-	-	-	173
TXT Singapore Pte Ltd	200,507	-	-	-	1,451
Directors and key management personnel	-	-	-	-	-
Total at 30 June 2016	**3,451,570**	**9,670,871**	**-**	**24,120**	**35,869**

At 30 June 2015	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	-	1,327,989	-	18,673	1,500,000
TXT e-solutions Gmbh (Germany)	-	1,825,966	-	14,102	-
TXT e-solutions SL (Spain)	-	1,088,655	-	6,110	-
TXT e-solutions Ltd (United Kingdom)	-	129,323	-	1,419	-
Maple Lake Australia Pty Ltd (Australia)	-	-	-	-	1,031
Maple Lake Ltd (Canada)	3,250,782	-	-	-	38,035
TXT USA Inc.	250,246	-	-	-	1,139
TXT Retail AsiaPacific Ltd	3,885	11,298	-	-	-
Directors and key management personnel	-	-	-	-	-
Total at 30 June 2015	**3,504,913**	**4,383,231**	**-**	**40,304**	**1,540,206**

12. Net financial position

Pursuant to Consob communication dated 28 July 2006 and in conformity with the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses", it is noted that the TXT e-solutions Group's Net Financial Position at 30 June 2016 is as follows:

(€ thousand)	**30.06.2016** *(A)*	**31.12.2015** *(B)*	**Change** *(A-B)*	**30.06.2015**
Cash and bank assets	6,176	9,080	(2,904)	10,423
Short-term financial payables	(4,336)	(821)	(3,515)	(960)
Short-term financial resources	**1,839**	**8,259**	**(6,420)**	**9,463**
Medium/long-term financial payables	(1,379)	-	(1,379)	-
Total Net Financial Position	**461**	**8,259**	**(7,798)**	**9,463**

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

13. Subsequent events

There were no significant events after 30 June 2016. For additional details, see the paragraph "Events after the reporting period and outlook" in the Directors' Report on Operations.

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

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

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

- the adequacy, in relation to the company's characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the condensed consolidated half-yearly financial statements as at 30 June 2016.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-yearly financial statements as at 30 June 2016 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents a reference framework that is generally accepted at an international level.

We also certify that the condensed consolidated half-yearly financial statements as at 30 June 2016:

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

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

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Chairman of the Board of Directors

Alvise Braga Illa

Milan, 10 August 2016