TXT e-solutions Group

Half-yearly report

as at 30 June 2014

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 5,911,932 fully paid-in

Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

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

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

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

(2) Powers assigned: ordinary administration.

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

BOARD OF STATUTORY AUDITORS

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

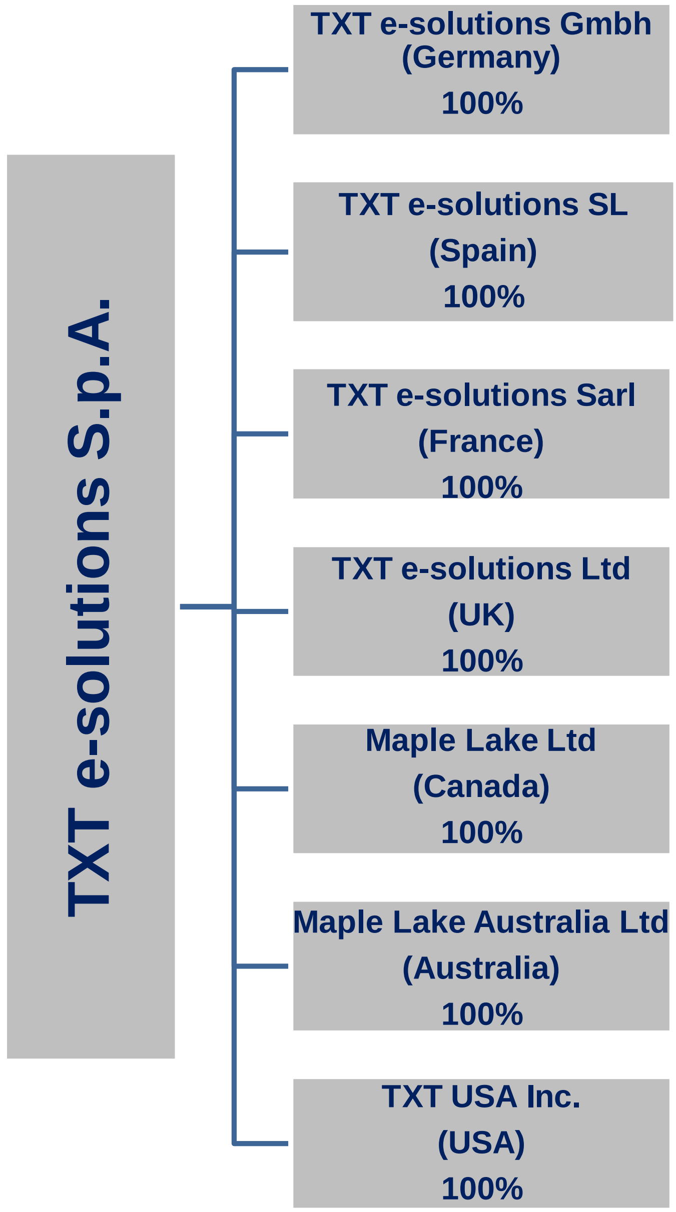
Raffaele Valletta	Chairman
Luisa Cameretti	Standing Auditor
Fabio Maria Palmieri	Standing Auditor
Angelo Faccioli	Alternate Auditor
Pietro Antonio Grignani	Alternate Auditor
Laura Grimi	Alternate Auditor

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

INVESTOR RELATIONS E-mail: infofinance@txtgroup.com

Telephone: +39 02 25771.1

Organisational structure and scope of consolidation



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

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	30 Jun. 2014	%	30 Jun. 2013 Restated (*)	%	% change
REVENUES	**28,972**	**100.0**	**26,265**	**100.0**	**10.3**
of which:					
TXT Perform	18,109	62.5	15,388	58.6	17.7
TXT Next	10,863	37.5	10,877	41.4	(0.1)
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**4,031**	**13.9**	**3,144**	**12.0**	**28.2**
OPERATING PROFIT (LOSS) [EBIT]	**3,388**	**11.7**	**2,520**	**9.6**	**34.4**
NET PROFIT (LOSS) FOR THE PERIOD	**2,657**	**9.2**	**2,111**	**8.0**	**25.9**

FINANCIAL DATA (€ thousand)	30 Jun. 2014	31 Dec. 2013	Change
Fixed assets	17,797	17,850	(53)
Net working capital	6,859	4,813	2,046
Post-employment benefits and other non-current liabilities	(3,599)	(3,299)	(300)
Capital employed	**21,057**	**19,364**	**1,693**
Net financial position	6,632	8,573	(1,941)
Group shareholders' equity	27,689	27,937	(248)

DATA PER SHARE	30 Jun. 2014	30 Jun. 2013	Change
Average number of shares outstanding **	10,454,462	10,443,826	10,636
Net earnings per share **	0.25	0.20	0.05
Equity per share **	2.65	2.48	0.17

ADDITIONAL INFORMATION	30 Jun. 2014	31 Dec. 2013	Change
Number of employees	532	498	34
TXT share price	8.48	9.07	(0.59)

* The Income statement at 30 June 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.

** The number of shares and the relevant 2013 prices were restated following the free share capital increase dated 17 December 2012, with the issue of one new share for every share issued, so as to allow comparison with 2014. The shares outstanding are equal to the shares issued less treasury shares.

Notes on Alternative Performance Measures

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

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

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

Directors' reports on operations for the first half of 2014

Dear Shareholders,

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

- Total revenues increased by 10.3%, from € 26.3 million to € 29.0 million (+11.0% at constant exchange rates), due to a € 1.5 million non-recurring income received as compensation from two of Maple Lake's sellers who decided to leave the Group. Net of this income, revenues rose from € 26.3 million to € 27.4 million.

- Net of this income, revenues grew 4.7% in the first half of 2014. The TXT Perform Division's revenues (62.5% of Group revenues) increased by 8.1%, while TXT Next Division's revenues (37.5% of Group revenues) slightly decreased by 0.1%.

- International revenues grew from € 13.6 million to € 16.8 million, accounting for 58% of total revenues, and were essentially attributable to the TXT Perform Division.

- Net of direct costs, gross margin rose from € 13.9 million to € 15.5 million. Direct costs include non-recurring charges of € 0.4 million for two projects for North American customers. The € 1.6 million increase in gross margin in the first half of 2014 was due to the net balance of non-recurring income and charges (income of € 1.5 million and charges of € 0.4 million) and to profit from operations (€ 0.5 million). Net of non-recurring items, gross margin increased by 4.2%, standing at 52.2% as a percentage of revenues, essentially in line with the previous year's figures (52.8%).

- Gross operating profit (EBITDA) amounted to € 4.0 million in the first half of 2014, up from € 3.1 million in the prior-year period, due to the positive contribution of non-recurring income net of non-recurring charges (€ 1.1 million). Gross profit from operations dropped compared with the previous year, due to the sharp increase in investments in North America and Europe (+15.7%).

- Net profit for the period amounted to € 2.7 million (9.2% of revenues), up from € 2.1 million in the first half of 2013.

- Net financial position at 30 June 2014 was positive to the tune of € 6.6 million (€ 8.6 million at 31 December 2013), after distribution of dividends (€ 2.6 million) and 2013 bonuses to personnel (€ 2.2 million) as well as the share buy-backs (€ 0.3 million).
  Cash flow from operating activities before changes in net working capital amounted to € 4.0 million in the first half of 2014.

- Shareholders' Equity amounted to € 27.7 million at 30 June 2014, down € 0.2 million compared to 31 December 2013, mainly as a result of the dividend distribution (€ 2.6 million) and the share buy-backs (€ 0.3 million), exceeding net profit for the period (€ 2.7 million).

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

(€ thousand)	1st half 2014	%	1st half 2013 Restated (*)	%	% change
REVENUES	**28,972**	**100.0**	**26,265**	**100.0**	**10.3**
Direct costs	13,464	46.5	12,394	47.2	8.6
GROSS MARGIN	**15,508**	**53.5**	**13,871**	**52.8**	**11.8**
Research and development costs	2,380	8.2	2,559	9.7	(7.0)
Commercial costs	5,666	19.6	4,896	18.6	15.7
General and administrative costs	3,431	11.8	3,272	12.5	4.9
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**4,031**	**13.9**	**3,144**	**12.0**	**28.2**
Depreciation, amortisation and impairment	643	2.2	624	2.4	3.0
OPERATING PROFIT (LOSS) [EBIT]	**3,388**	**11.7**	**2,520**	**9.6**	**34.4**
Financial income (charges)	(124)	(0.4)	(109)	(0.4)	n.s.
EARNINGS BEFORE TAXES (EBT)	**3,264**	**11.3**	**2,411**	**9.2**	**35.4**
Taxes	(607)	(2.1)	(300)	(1.1)	102.3
NET PROFIT (LOSS) FOR THE PERIOD	**2,657**	**9.2**	**2,111**	**8.0**	**25.9**

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

REVENUES AND GROSS MARGINS

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

(€ thousand)	1st half of 2014	%	TXT PERFORM 1st half of 2013	%	14/13 change
REVENUES	**18,109**	**100.0**	**15,388**	**100.0**	**17.7**
Licenses & maintenance	6,100	33.7	5,996	39.0	1.7
Projects and other income	12,009	66.3	9,392	61.0	27.9
DIRECT COSTS	6,782	37.5	5,614	36.5	20.8
GROSS MARGIN	**11,327**	**62.5**	**9,774**	**63.5**	**15.9**

(€ thousand)	1st half of 2014	%	TXT Next 1st half of 2013	%	14/13 change
REVENUES	**10,863**	**100.0**	**10,877**	**100.0**	**(0.1)**
Licenses & maintenance	40	0.4	49	0.5	(18.4)
Projects and other income	10,823	99.6	10,828	99.5	(0.0)
DIRECT COSTS	6,682	61.5	6,780	62.3	(1.4)
GROSS MARGIN	**4,181**	**38.5**	**4,097**	**37.7**	**2.1**

(€ thousand)	1st half of 2014	%	TOTAL TXT 1st half of 2013	%	14/13 change
REVENUES	**28,972**	**100.0**	**26,265**	**100.0**	**10.3**
Licenses & maintenance	6,140	21.2	6,045	23.0	1.6
Projects and other income	22,832	78.8	20,220	77.0	12.9
DIRECT COSTS	13,464	46.5	12,394	47.2	8.6
GROSS MARGIN	**15,508**	**53.5**	**13,871**	**52.8**	**11.8**

TXT Perform Division

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

The TXT Perform Division has recorded revenues of € 18,1 million, up from € 15,4 million registered in the first half of 2013. The € 1.5 million income received as compensation from two of Maple Lake shares' sellers contributed to the growth recorded in the first half of 2014.

Net of this income, revenues in the period grew by €1.2 million, or 8.1%.

The Division's international revenues increased from € 12.8 million to € 15.7 million, accounting for 87% of TXT Perform's total revenues.

Revenues from licenses and maintenance increased from € 6.0 million to € 6.1 million, equal to +1.7%, due to higher revenues for maintenance and stable revenues for licenses as a result of longer decision times of some prospective customers. Revenues from licenses and maintenance amounted to 34% as a percentage of the Division's total revenues.

The Division’s gross margin, net of direct costs, increased from € 9.8 million to € 11.3 million. Direct costs include non-recurring charges of € 0.4 million concerning two projects for North American customers. Net of non-recurring income (€1.5 million) and direct costs (€ 0.4 million), the Division's gross margin amounted to € 10.2 million. As a percentage of revenues, it stood at 61.7%, down from the prior-year period (63.5%) due to a decrease in licenses.

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

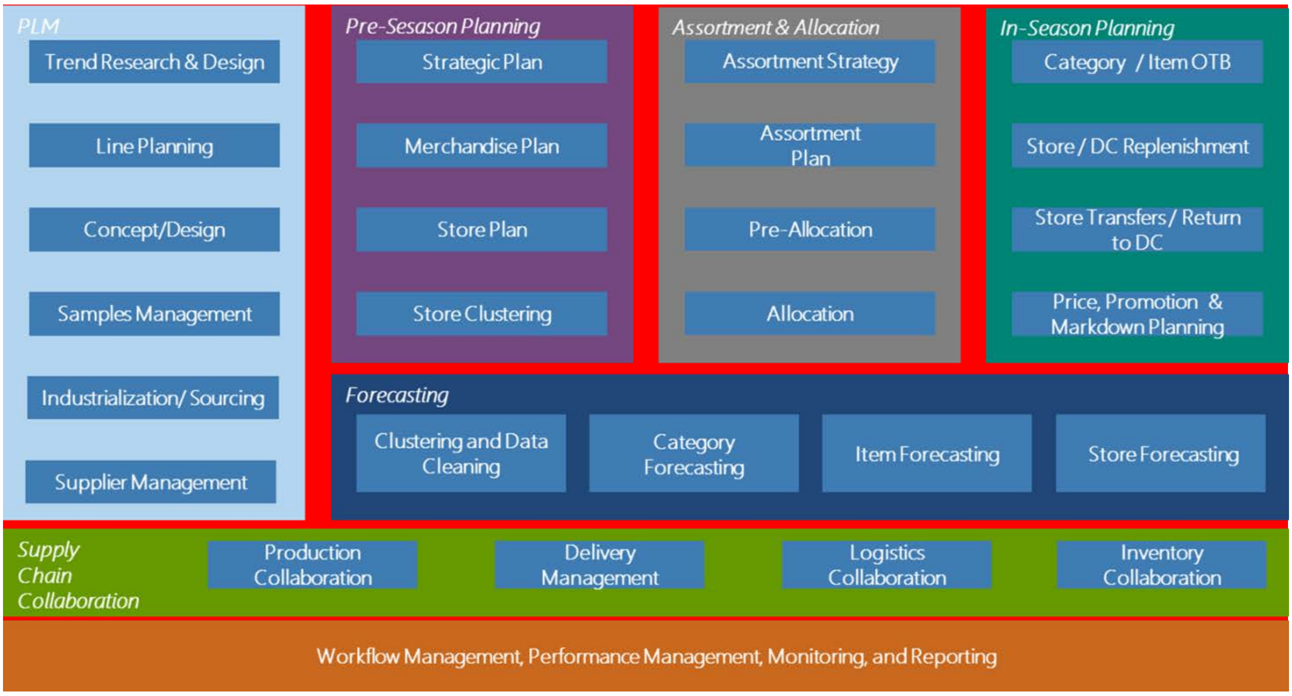
During the period, the Division implemented the AgileFit solution for End-to-End Retail – an exclusive, innovative and proprietary solution applied for the first time to Miroglio and Bata's systems. AgileFit speeds up installation and return on investments for TXT customers. About 25 customers, including Thirty-One Gifts (USA), Sephora (F), Damartex (F), Lacoste (F), Fat Face (UK), Hamm Reno (D), and Yamamay (I), implemented TXT's solutions. Furthermore, six projects were launched for Louis Vuitton (F) and a roll out plan for Europe, America and Asia was implemented for Burberry's.

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

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

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

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



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

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

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

On this occasion, TXT announced of the availability of the new TXTPlanning and TXTPLM software products, resulting from considerable investment in research and development throughout 2013 and including brand-new functions which allow to operate the TXT solution on portable devices, smartphones and tablets (TXT Mobile); new software usability standards and scalable environment to manage the retail industry complex issues; TXT On-Cloud, making TXT software available for deployment on cloud platforms; the new AgileFit Deployment approach, a solid starting point to create new projects, by reducing project times and risks. TXTPlanning and TXTPLM respond to the challenge of creating “customer driven” assortment plans, based on advanced forecasting functions, work flow management processes and easy interface for staff in charge with planning and all the functions involved in the retail process. This state-of-the-art solution represents the “Next generation” in the retail industry.

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

On 22 May 2014 in New York, TXT organized the first North American edition of the TXT Thinking Retail event, which saw the participation of over 100 delegates, with the aim of sharing approaches and results of the integrated planning omni-channel strategy. Several leading companies such as Donna Karan, Kenneth Cole, Modells Sporting Goods, Urban Outfitters, Aerosoles, and Thirty-One Gifts presented their success stories with TXT.

TXT Next Division

TXT Next Division's revenues amounted to € 10.9 million, largely in line with the first half of 2013. The delay in the launch of some new projects for an important customer in the Aerospace & Defence segment experienced in the first quarter of 2014 was partially recovered in the second quarter. The Division’s revenues accounted for 37.5% of the Group's revenues.

Gross margin slightly increased from € 4.1 million to € 4.2 million, as a result of the decrease in direct costs. As a percentage of revenues, it improved from 37.7% to 38.5%.

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

• Aerospace, Automotive & Rail;

• High Tech Manufacturing;

• Banking & Finance.

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

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

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

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

TXT GROUP'S REVENUES

Research and development costs amounted to € 2.4 million in the first half of 2014, compared to € 2.6 million in 2013, due to the reduction of research activities for funded projects. As a percentage of revenues, they amounted to 8.2%.

Commercial costs in the period stood at € 5.7 million, +15.7% compared to the prior-year period as a result of the strengthened commercial network in North America and Europe and of the new initiatives to promote TXT Perform products at the NRF event in New York and the Thinking Retail conference in Berlin and New York. Commercial costs rose from 18.6% to 19.6% as a percentage of revenues.

General and administrative costs amounted to € 3.4 million. As a percentage of revenues, they decreased from 12.5% in the first half of 2013 to 11.8% in the first half of 2014. The Group's presence in North America was strengthened through the incorporation of TXT USA Inc. aimed at accelerating trade development in the United States.

Gross operating profit (EBITDA) amounted to € 4.0 million in the first half of 2014, up from € 3.1 million in the first half of 2013, due to the positive contribution of non-recurring income, net of non-recurring charges (€ 1.1 million). Profit from operations slightly fell compared to the previous year, due to higher investments in North America and Europe.

Operating Profit (EBIT) was € 3.4 million, up from € 2.5 million in the prior-year period, net of depreciation/amortisation of property, plant and equipment, R&D costs capitalised in previous years, intellectual property rights to software and of the customer portfolio deriving from the Maple Lake acquisition (€ 0.6 million euro, in line with previous year's results). As a percentage of revenues, it amounted to 11.7%.

Net profit for the period amounted to € 2.7 million, compared to € 2.1 million in the first half of 2013, after financial charges and taxes. As a percentage of revenues, it stood at 9.2%.

CAPITAL EMPLOYED

At 30 June 2014, Capital Employed totalled € 21.1 million, compared to € 19.4 million at 31 December 2013, mainly due to the increase in net working capital.

The table below shows the details:

(€ thousand)	30 Jun. 2014	31 Dec. 2013	Change	30 Jun. 2013 Restated (*)
Intangible assets	15,217	15,370	(153)	15,826
Net property, plant and equipment	1,232	1,118	114	1,210
Other fixed assets	1,348	1,362	(14)	767
Fixed assets	**17,797**	**17,850**	**(53)**	**17,803**
Inventories	2,409	1,451	958	1,669
Trade receivables	19,155	16,840	2,315	16,516
Sundry receivables and other short-term assets	3,368	1,802	1,566	2,252
Trade payables	(1,971)	(1,504)	(467)	(1,723)
Tax payables	(1,138)	(842)	(296)	(1,539)
Sundry payables and other short-term liabilities	(14,964)	(12,934)	(2,030)	(12,725)
Net working capital	**6,859**	**4,813**	**2,046**	**4,450**
Post-employment benefits and other non-current liabilities	**(3,599)**	**(3,299)**	**(300)**	**(3,357)**
Capital employed	**21,057**	**19,364**	**1,693**	**18,896**
Group shareholders' equity	27,689	27,937	(248)	25,677
Net financial position (Cash)	(6,632)	(8,573)	1,941	(6,781)
Capital employed	**21,057**	**19,364**	**1,693**	**18,896**

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

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

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

Net working capital increased by €2.1 million, from € 4.8 million to € 6.9 million, due to the rise in trade receivables, notably from some customers in the Aerospace & Defence segment, and to the Maple Lake non-recurring income (€ 1.3 million) received in July.

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

Shareholders' equity amounted to € 27.7 million, down € 0.2 million compared to € 27.9 million at 31 December 2013, mainly as a result of the dividend distribution (€ 2.6 million) and the share buy-backs (€ 0.3 million), exceeding net profit for the period (€ 2.7 million).

The consolidated Net Financial Position at 30 June 2014 was positive to the tune of € 6.6 million, decreasing by € 2.0 million compared to 31 December 2013 (positive to the tune of € 8.6 million), mainly due to the dividend distribution (€ 2.6 million).

Pursuant to Consob communication dated 28 July 2006 and in conformity with the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses", it is noted that the TXT e-solutions Group's Net Financial Position at 30 June 2014 is as follows:

(€ thousand)	30 Jun. 2014	31 Dec. 2013	Change	30 Jun. 2013 Restated (*)
Cash and bank assets	11,583	14,821	(3,238)	11,984
Short-term financial payables	(2,763)	(3,352)	589	(1,602)
Short-term financial resources	**8,820**	**11,469**	**(2,649)**	**10,382**
Payables due to banks with maturity beyond 12 months	(2,188)	(2,896)	708	(3,601)
Net Available Financial Resources	**6,632**	**8,573**	**(1,941)**	**6,781**

(*) The Net Financial Position at 30 June 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.

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

- € 11.6 million in cash and bank assets were largely invested in euro-denominated short-term bank deposits, with the rest being held as cash for operating activities. The item also includes grants for research projects (€ 1.3 million) received by TXT as lead manager and to be distributed to the other participating companies. An equal amount was recognised in short-term financial payables, with a neutral effect on the net financial position.

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

- Short-term financial resources arising from the two previous items amounted to € 8.8 million at 30 June 2014.

- Payables due to banks with maturity beyond 12 months, totalling € 2.2 million, consist of a 5-year loan entered into at the end of 2012 with an initial par value of € 4.0 million and a 3.6% interest rate, as well as of largely subsidised medium/long-term loans for funded research and development. The item decreased by € 0.7 million compared with 31 December 2013 due to outstanding loan payments.

Net financial position at 30 June 2014 (€ 6.6 million) was essentially in line with the prior-year period's figures (€ 6.8 million). It was restated in order to include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition, since no future further earn-outs are expected.

Q2 2014 ANALYSIS

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

(€ thousand)	Q2 2014	%	Q2 2013 Restated (*)	%	% change
REVENUES	**14,977**	**100.0**	**13,052**	**100.0**	**14.7**
Direct costs	6,857	45.8	6,123	46.9	12.0
GROSS MARGIN	**8,120**	**54.2**	**6,929**	**53.1**	**17.2**
Research and development costs	1,148	7.7	1,267	9.7	(9.4)
Commercial costs	2,775	18.5	2,384	18.3	16.4
General and administrative costs	1,687	11.3	1,594	12.2	5.8
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**2,510**	**16.8**	**1,684**	**12.9**	**49.0**
Depreciation, amortisation and impairment	333	2.2	320	2.5	4.1
OPERATING PROFIT (LOSS) [EBIT]	**2,177**	**14.5**	**1,364**	**10.5**	**59.6**
Financial income (charges)	(56)	(0.4)	(82)	(0.6)	n.s.
EARNINGS BEFORE TAXES (EBT)	**2,121**	**14.2**	**1,282**	**9.8**	**65.4**
Taxes	(457)	(3.1)	(147)	(1.1)	210.9
NET PROFIT (LOSS) FOR THE PERIOD	**1,664**	**11.1**	**1,135**	**8.7**	**46.6**

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

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

- Net revenues amounted to € 15.0 million, up from € 13.1 million in the second quarter of 2013. The € 1.5 million received as compensation from two of Maple Lake's sellers contributed to the growth in revenues. Net of such income, revenues increased by 3.5%. Specifically, the TXT Perform Division grew by 5.3% and the TXT Next Division by 1.0%.
- Direct costs amounted to € 6.9 million, compared to € 6.1 million in the second quarter of 2013. They include non-recurring charges of € 0.4 million concerning two important projects for North American customers.
- Gross margin increased from € 6.9 million to € 8.1 million, up € 1.2 million, of which € 1.1 million due to the net balance of non-recurring income and charges and € 0.1 million to operations. Gross margin amounted to 54,2% as a percentage of revenues.
- Research and development costs amounted to € 1.1 million, down from € 1.3 million in the second quarter of 2013, due to the decreased activities concerning funded research projects. As in the previous year, all research and development costs were expensed in the period.
- Commercial costs amounted to € 2.8 million, +16.4% on the prior-year period as a result of the strengthened commercial network in North America and Europe and of the new initiatives to promote TXT Perform products. Commercial costs amounted to 18.5% as a percentage of revenues.
- General and administrative costs amounted to € 1.7 million. As a percentage of revenues, they decreased from 12.2% in the second quarter of 2013 to 11.3% in the second quarter of 2014. The Group's presence in North America was strengthened through the incorporation of TXT USA Inc. aimed at accelerating trade development in the United States.

- Gross operating profit (EBITDA) amounted to € 2.5 million, up from € 1.7 million recognised in the second quarter of 2013, due to the positive contribution of non-recurring income, net of non-recurring charges (€ 1.1 million). Gross profit from operations dropped compared to the previous year as a result of the significant investments made both in North America and Europe.
- Operating profit (EBIT) was € 2.2 million, compared to € 1.4 million in the prior-year period, net of depreciation/amortisation of property, plant and equipment, R&D costs capitalised in previous years, intellectual property rights to software and of the customer portfolio deriving from the Maple Lake acquisition.
- Net profit amounted to € 1.7 million, compared to € 1.1 million in the second quarter of 2013, after financial charges and taxes. Taxes increased from € 0.1 million to € 0.5 million due to higher profit recorded in the quarter and prepaid taxes recognised in 2013. The tax rate was 22%.

EMPLOYEES

At 30 June 2014, the Group had 532 employees, compared with 498 at 31 December 2013, with an increase of 34 employees mainly working in the TXT Perform Division for the purpose of strengthening the commercial and technical networks at an international level.

Personnel costs amounted to € 17.2 million in the first half of 2014, compared to € 15.6 million in 2013, rising 10.1%, mainly as a result of the increase in the TXT Perform Division's staff and the decision to carry out internally some activities previously performed by external suppliers.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first half of 2014, the share price of TXT e-solutions reached a low of € 8.05 on 20 June 2014 and a high of € 11.91 on 4 February 2014. At 30 June 2014, the share price was € 8.48.

Trade volumes significantly increased in 2014, with a daily average of 74,000 shares traded, compared with 58,000 in 2013 and 20,300 in 2012.

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

At 30 June 2014, treasury shares amounted to 1,386,430 (1,368,120 at 31 December 2013), accounting for 11.73% of shares outstanding, and were purchased at an average price of € 2.69 per share.

In the first half of 2014, TXT purchased 30,650 treasury shares at an average price of € 8.79 per share, for a total of € 269,318. 12,340 treasury shares were granted to an employee following the achievement of the Stock Grant performance targets.

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

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

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

The world economy remains weak and hit by geopolitical tensions. Nonetheless, the Company believes it can continue to outperform the market, thanks to its overall competitive position, clear strategy, high-profile customer base, innovative products, and international team of specialists.

The portfolio of on-going negotiations for the sale of new TXT Perform solutions is acceptable, but affected by the customers' highly uncertain decision times; indeed, revenues from licenses are always highly unpredictable and subject to the uncertainty over the outcome of negotiations. The outlook for orders for services and projects is favourable and allows to expect a development in current quarter's performance in line with the prior-year period.

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

Milan, 5 August 2014

Condensed consolidated half-yearly financial statements as at 30 June 2014

Consolidated Balance Sheet

ASSETS	Notes	30 Jun. 2014	Of which due to related parties	31 Dec. 2013	Of which due to related parties
NON-CURRENT ASSETS					
Goodwill	7.1	12,722,509		12,481,045	
Intangible assets with a finite useful life	7.2	2,494,910		2,888,814	
Intangible assets		**15,217,419**	**–**	**15,369,859**	**–**
Property, plant and equipment	7.3	1,226,656		1,107,372	
Leased assets	7.3	5,547		11,093	
Property, plant and equipment		**1,232,203**	**–**	**1,118,465**	**–**
Sundry receivables and other non-current assets	7.4	135,022		128,741	
Deferred tax assets	7.5	1,212,166		1,233,314	
Other non-current assets		**1,347,188**	**–**	**1,362,055**	**–**
TOTAL NON-CURRENT ASSETS		**17,796,810**	**–**	**17,850,379**	**–**
CURRENT ASSETS					
Period-end inventories	7.6	2,409,334		1,451,390	
Trade receivables	7.7	19,154,752		16,840,120	
Sundry receivables and other current assets	7.8	3,367,795		1,802,252	
Cash and cash equivalents	7.9	11,582,939		14,821,027	
TOTAL CURRENT ASSETS		**36,514,820**	**–**	**34,914,789**	**–**
TOTAL ASSETS		**54,311,630**	**–**	**52,765,168**	**–**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 Jun. 2014	Of which due to related parties	31 Dec. 2013	Of which due to related parties
SHAREHOLDERS' EQUITY					
Share capital		5,911,932		5,911,932	
Reserves		13,101,624		13,875,881	
Retained earnings (accumulated losses)		6,018,431		3,506,898	
Profit (loss) for the period		2,657,378		4,642,043	
TOTAL SHAREHOLDERS' EQUITY	**7.10**	**27,689,365**	**–**	**27,936,754**	**–**
NON-CURRENT LIABILITIES					
Non-current financial liabilities	7.11	2,188,366		2,895,924	
Employee benefits expense	7.12	3,598,554		3,299,049	
Deferred tax provision	7.5	733,307		769,518	
TOTAL NON-CURRENT LIABILITIES		**6,520,227**	**–**	**6,964,491**	**–**
CURRENT LIABILITIES					
Current financial liabilities	7.13	2,762,664		3,352,069	
Trade payables	7.14	1,971,011		1,504,522	
Tax payables	7.15	404,824		73,182	
Sundry payables and other current liabilities	7.16	14,963,539		12,934,150	495,384
TOTAL CURRENT LIABILITIES		**20,102,038**	**–**	**17,863,923**	**–**
TOTAL LIABILITIES		**26,622,265**	**–**	**24,828,414**	**–**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**54,311,630**	**–**	**52,765,168**	**–**

Consolidated Income Statement

	Notes	1st half of 2014	Of which due to related parties	1st half of 2013 (*)	Of which due to related parties
Revenues		25,716,799		25,362,639	
Other income		3,255,609		902,149	
of which non-recurring		*1,541,276*			
TOTAL REVENUES AND OTHER INCOME	**8.1**	**28,972,408**		**26,264,788**	
Purchase of materials and external services	**8.2**	(6,701,861)	(294,282)	(6,637,412)	(292,113)
Personnel costs	**8.3**	(17,179,025)	(376,189)	(15,598,408)	(453,691)
Other operating costs	**8.4**	(1,060,747)		(884,813)	
Depreciation and amortisation/Impairment	**8.5**	(642,347)		(623,960)	
OPERATING PROFIT (LOSS)		**3,388,428**	**(670,471)**	**2,520,195**	**(745,804)**
Financial income	**8.6**	589,262		572,650	
Financial charges	**8.6**	(713,868)		(681,777)	
EARNINGS BEFORE TAXES		**3,263,822**	**(670,471)**	**2,411,068**	**(745,804)**
Income taxes	**8.7**	(606,444)		(300,177)	
NET PROFIT (LOSS) FROM OPERATIONS		**2,657,378**	**(670,471)**	**2,110,891**	**(745,804)**
EARNINGS PER SHARE		0.25		0.20	
DILUTED EARNINGS PER SHARE		0.24		0.19	

(*) The Consolidated Income Statement as at 30 June 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Statement of Comprehensive Income

	1st half of 2014	1st half of 2013 (*)
NET PROFIT (LOSS) FOR THE PERIOD	**2,657,378**	**2,110,891**
Foreign currency translation differences - foreign operations	23,316	(30,227)
Net change in fair value of assets held for sale	–	3,450
Total items of other comprehensive income that will be subsequently reclassified to profit /(loss) for the period net of taxes	**23,316**	**(26,777)**
Defined benefit plans actuarial gains (losses)	(244,293)	80,023
Total items of other comprehensive income that will not be subsequently reclassified to profit /(loss) for the period net of taxes	**(244,293)**	**80,023**
Total profit/ (loss) of Comprehensive income net of taxes	**(220,977)**	**53,246**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,436,401**	**2,164,137**

(*) The Consolidated Statement of Comprehensive Income as at 30 June 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Statement of Cash Flows

	30 Jun. 2014	30 Jun. 2013 (*)
Net profit (loss) for the period	**2,657,378**	**2,110,891**
Non-monetary costs	–	112,816
Current tax	736,914	(256,358)
Change in deferred tax	(15,064)	(148,864)
Depreciation and amortisation, impairment and provisions	642,347	565,963
Cash flows from (used in) operating activities (before change in working capital)	**4,021,575**	**2,384,448**
(Increases)/decreases in trade receivables	(2,334,785)	926,712
(Increases)/decreases in inventories	(957,944)	(280,201)
Increases/(decreases) in trade payables	466,489	(76,690)
increases/(decreases) in post-employment benefits	55,213	62,564
Increases/(decreases) in other assets and liabilities	15,684	238,653
Change in operating assets and liabilities	(2,755,343)	871,038
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**1,266,232**	**3,255,486**
Increases in property, plant and equipment	(347,416)	(300,079)
Decreases in property, plant and equipment	24,603	–
Increases in intangible assets	(19,214)	(5,944)
Increases in financial assets	–	–
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(342,027)**	**(306,023)**
Increases / (decreases) in financial payables	(1,260,354)	(4,595,200)
Distribution of dividends	(2,614,596)	(2,106,906)
Share buy-backs	(269,318)	(662,974)
Share capital increase	–	468,928
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(4,144,268)**	**(6,896,152)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,220,063)**	**(3,946,689)**
Effect of exchange rate changes on cash flows	(18,025)	112,308
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**14,821,027**	**15,818,812**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**11,582,939**	**11,984,431**

(*) The Consolidated Statement of Cash Flows as at 30 June 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Statement of Changes in Equity as at 30 June 2014

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	IRS fair value reserve	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
Balances at 31 December 2013	**5,911,932**	**443,000**	**11,595,783**	**1,911,444**	**140,667**	**741,805**	**(667,093)**	**–**	**(289,724)**	**3,506,897**	**4,642,043**	**27,936,754**
Profit (loss) at 31 December 2013		**76,422**								**4,565,621**	**(4,642,043)**	**–**
Distribution of dividends										**(2,614,596)**		**(2,614,596)**
Allocation to stock option plan						**(560,508)**				**560,508**		**–**
Share buy-backs			**(269,318)**									**(269,318)**
Post-employment benefits discounting							**(244,293)**					**(244,293)**
Exchange differences									**223,440**			**223,440**
Profit (loss) at 30 June 2014											**2,657,378**	**2,657,378**
Balances at 30 June 2014	**5,911,932**	**519,422**	**11,326,465**	**1,911,444**	**140,667**	**181,297**	**(911,386)**	**–**	**(66,284)**	**6,018,430**	**2,657,378**	**27,689,365**

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	IRS fair value reserve	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
Balances at 31 December 2012	**2,883,466**	**340,130**	**15,280,603**	**1,911,444**	**140,667**	**663,956**	**(754,463)**	**(3,450)**	**(156,257)**	**719,785**	**5,137,932**	**26,163,813**
Profit (loss) at 31 December 2012		**102,870**								**5,035,062**	**(5,137,932)**	**–**
Distribution of dividends										**(2,106,906)**		**(2,106,906)**
Allocation to stock option plan						**38,793**						**38,793**
Stock option subscription	**72,500**		**396,428**									**468,928**
Share buy-backs			**(662,974)**									**(662,974)**
MTM IRS								**3,450**				**3,450**
Post-employment benefits discounting							**80,023**					**80,023**
Exchange differences									**(256,574)**			**(256,574)**
Other changes										**92,827**		**92,827**
Profit (loss) at 30 June 2013											**2,012,422**	**2,012,422**
Balances at 30 June 2013	**2,955,966**	**443,000**	**15,014,057**	**1,911,444**	**140,667**	**702,749**	**(674,440)**	**–**	**(412,831)**	**3,740,768**	**2,012,422**	**25,833,802**
PPA remeasurement										**(255,089)**	**98,469**	**(156,620)**
Balances at 30 June 2013 (Restated)	**2,955,966**	**443,000**	**15,014,057**	**1,911,444**	**140,667**	**702,749**	**(674,440)**	**–**	**(412,831)**	**3,485,679**	**2,110,891**	**25,677,182**

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 2014:

Company Name	Country	Currency	% of direct interest	Share Capital
TXT e-solutions SL	Spain	EUR	100%	600,000
TXT e-solutions Sarl	France	EUR	100%	1,300,000
TXT e-solutions Gmbh	Germany	EUR	100%	1,300,000
TXT e-solutions Ltd	Great Britain	GPB	100%	2,966,460
Maple Lake Ltd	Canada	CAD	100%	2,200,801
Maple Lake Pty Ltd	Australia	AUD	100%	112
TXT USA Inc.	United States	USD	100%	1,000

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, Maple Lake Ltd, Maple Lake Pty Ltd and TXT USA Inc. into Euro:

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

Currency	30 Jun. 2014	30 Jun. 2013
British Pound Sterling (GBP)	0.8214	0.8512
Canadian Dollar (CAD)	1.5032	1.3345
Australian Dollar (AUD)	1.4987	1.2966
USA Dollar (USD)	1.3705	1.3135

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

Currency	30 Jun. 2014	31 Dec. 2013
British Pound Sterling (GBP)	0.8015	0.8493
Canadian Dollar (CAD)	1.4589	1.3685
Australian Dollar (AUD)	1.4537	1.3770
USA Dollar (USD)	1.3658	1.3791

2. Basis of preparation of the consolidated financial statements

The Group's consolidated annual financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union with Regulation (EC) no. 1606/2002. The half-yearly report herein was prepared, regarding both form and content, in accordance with the provisions contained in IAS 34 "Interim 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 2014 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 2013. 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 2013. They have been prepared based on accounting records at 30 June 2014 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 5 August 2014.

3. New accounting standards and interpretations effective since 1 January 2014

The accounting standards adopted in preparing the condensed consolidated half-yearly financial statements are consistent with those used in preparing the consolidated financial statements as at 31 December 2013, except for the adoption of the new standards, amendments and interpretations effective since 1 January 2014.

The new standards and amendments effective since 1 January 2014 are listed below:

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements

  IFRS 10 introduces a single control model applying to all entities, including special purpose entities. IFRS 10 supersedes the part of IAS 27 Consolidated and Separate Financial Statements governing the accounting of the consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control by establishing that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 did not have any impact on the consolidation of interests held by the Group.

- IFRS 11 – Joint Arrangements and IAS 28 (2011) – Investments in Associates and Joint Ventures

  IFRS 11 supersedes IAS 31 (Interests in joint ventures) and SIC-13 (Jointly Controlled Entities - Non-monetary Contributions by Venturers) and eliminates the option to account for jointly controlled entities through proportionate consolidation. Jointly controlled entities classified as joint ventures shall instead be accounted for using the equity method.

  IFRS 11 did not have any impact on the consolidation of interests held by the Group.

- IFRS 12 Disclosure of Interests in Other Entities

  IFRS 12 sets forth the disclosure requirements regarding an entity's interests in subsidiaries, joint ventures, associates and structured entities. Such disclosure does not apply to condensed interim financial statements unless significant events and/or transactions occurring during the period require it. Consequently the Group has not provided the disclosure required by IFRS 12 in the condensed consolidated half-yearly financial statements.

- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

  These amendments provide an exemption from consolidation of subsidiaries under IFRS 10, Consolidated Financial Statements, for entities that meet the definition of an "investment entity." Such entities are required to measure their investment in subsidiaries at fair value through profit or loss. These amendments did not have any impact on the Group since no entity belonging to the Group qualifies as an investment entity pursuant to IFRS 10.

- Offsetting Financial Assets and Liabilities – Amendments to IAS 32

  The amendments clarify the meaning of "currently has a legally enforceable right of set-off" and also clarify the application of the offsetting criteria to settlement systems (such as central clearing houses) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have any impact on the Group's financial statement.

- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

  These amendments clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. These amendments did not have any impact since the Group has not replaced its derivatives in the current period or in the previous periods.

- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

  These amendments remove the unintentional consequences introduced by IFRS 13 on the disclosure requirements set by IAS 36. In addition, these amendments require disclosure of the recoverable amount of assets or CGUs for which, during the period, an impairment loss has been recognised or "reversed". The Group has opted for early adoption of these disclosure requirements in the consolidated financial statements as at 31 December 2013.

The Group did not opted for early application of new standards, interpretations, or amendments already issued but not yet effective.

4. Restated income statement as at 30 June 2013

As already stated in the 2013 Annual Report, as a result of the final purchase price allocation (PPA) concerning the Maple Lake Group's acquisition, assets and liabilities acquired and recognised in the Consolidated Financial Statements as at 31 December 2012 were restated.

Due to such restatement, the income statement as at 30 June 2013 showed lower interest expense on earn-out payable discounting (nil at 31 December 2013), net of reversal of amortisation of intellectual property rights in the period and relevant deferred tax liabilities. Such restatement has generated the following effects:

(Amounts in Euro)	30 Jun. 2013	Maple Lake final PPA effect	30 June 2013 Restated
Revenues	25,362,639	–	25,362,639
Other income	902,149	–	902,149
TOTAL REVENUES AND OTHER INCOME	**26,264,788**	**–**	**26,264,788**
			–
Purchase of materials and external services	(6,637,412)	–	(6,637,412)
Personnel costs	(15,598,408)	–	(15,598,408)
Other operating costs	(884,813)	–	(884,813)
Depreciation and amortisation/Impairment	(699,378)	75,418	(623,960)
OPERATING PROFIT (LOSS)	**2,444,777**	**75,418**	**2,520,195**
			–
Financial income	578,650	(6,000)	572,650
Financial charges	(734,509)	52,732	(681,777)
EARNINGS BEFORE TAXES	**2,288,918**	**122,150**	**2,411,068**
			–
Income taxes	(276,496)	(23,681)	(300,177)
NET PROFIT (LOSS) FOR THE PERIOD	**2,012,422**	**98,469**	**2,110,891**

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 2013, to which reference should be made.

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), amounted to € 12,722,509 at 30 June 2014, up € 241,464. The difference in the gross amount at 30 June 2014 compared to the end of 2013 can be attributed entirely to exchange differences on goodwill in foreign currencies other than the Euro.

A breakdown of the item at 30 June 2014 and the comparison with 31 December 2013 are shown below:

Goodwill	Amount at 30 June 2014	Amount at 31 December 2013
Program Acquisition	800,000	800,000
MSO Concept Acquisition	2,326,982	2,326,982
BGM Acquisition	1,712,937	1,646,778
Maple Lake Acquisition	7,882,590	7,707,285
TOTAL GOODWILL	**12,722,509**	**12,481,045**

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 2013.

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 2014, the Group's market capitalisation was not lower than equity.

No recoverability test was conducted at 30 June 2014, 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 € 2,494,910 at 30 June 2014, net of amortisation. Changes in the period are detailed below:

Intangible assets	Software licenses	Research and development	Intellectual Property	Customer Relationship	Other intangible assets	TOTAL
Balances at 31 December 2013	**20,568**	**784,067**	**793,808**	**1,290,012**	**359**	**2,888,814**
Acquisitions	19,194	–	–	–	19	19,213
Disposals	–	–	–	–	–	–
Amortisation	(12,360)	(257,969)	(69,026)	(73,714)	(48)	(413,117)
Impairment	–	–	–	–	–	–
Revaluations	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–
Balances at 30 June 2014	**27,402**	**526,098**	**724,782**	**1,216,298**	**330**	**2,494,910**

Balances at 31 December 2013						
Historical cost	1,095,088	2,579,684	966,375	1,474,298	468	6,115,913
Accumulated amortisation and impairment	(1,074,520)	(1,795,617)	(172,567)	(184,286)	(109)	(3,227,099)
Net value	**20,568**	**784,067**	**793,808**	**1,290,012**	**359**	**2,888,814**

Balances at 30 June 2014						
Historical cost	1,211,028	2,579,684	966,375	1,474,298	494	6,231,879
Accumulated amortisation and impairment	(1,183,626)	(2,053,586)	(241,593)	(258,000)	(164)	(3,736,969)
Net value	**27,402**	**526,098**	**724,782**	**1,216,298**	**330**	**2,494,910**

The negative change (€ 393,904) was mainly attributable to the amortisation for the period.

7.3. Property, plant and equipment

Property, plant, and equipment at 30 June 2014 amounted to € 1,232,203, net of depreciation, rising € 113,737 in the period. The changes 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 2013	**9,465**	**215,501**	**128,391**	**556,159**	**208,950**	**1,118,466**
Acquisitions	–	77,752	29,925	220,438	19,301	347,416
Disposals		(17,436)	–	(823)	(10,496)	(28,755)
Other changes		–	105	7,518	2,077	9,700
Depreciation	(1,121)	(34,824)	(27,390)	(120,288)	(31,001)	(214,624)
Impairment	–		–	–	–	–
Revaluations	–		–	–	–	–
Balances at 30 June 2014	**8,344**	**240,993**	**131,031**	**663,004**	**188,831**	**1,232,203**
				663004		
Balances at 31 December 2013						
Historical cost	880,588	407,209	670,209	1,118,964	722,893	3,799,863
Accumulated depreciation and impairment	(871,123)	(191,708)	(541,818)	(562,805)	(513,943)	(2,681,397)
Net value	**9,465**	**215,501**	**128,391**	**556,159**	**208,950**	**1,118,466**
Balances at 30 June 2014						
Historical cost	877,203	418,771	701,558	1,339,005	732,254	4,068,791
Accumulated depreciation and impairment	(868,859)	(177,778)	(570,527)	(676,001)	(543,423)	(2,836,588)
Net value	**8,344**	**240,993**	**131,031**	**663,004**	**188,831**	**1,232,203**

Investments in the "electronic machinery" category mainly referred to the purchase of computer systems and hardware to bolster productive capacity. Electronic machinery includes systems and equipment that TXT e-solutions S.p.A. uses to carry out its business and that are recognised as finance leases pursuant to IAS 17.

The breakdown of property, plant and equipment by ownership is shown below:

	30 June 2014			31 December 2013		
	Owned assets	Leased assets	TOTAL	Owned assets	Leased assets	TOTAL
Electronic machinery	657,457	5,546	663,003	545,066	11,093	556,159
TOTAL	**657,457**	**5,546**	**663,003**	**545,066**	**11,093**	**556,159**

Increases in the "motor vehicles" category are the result of the German subsidiary's car fleet replacement programme. Leasehold improvements refer to the costs for renovating the Parent Company's headquarters.

7.4. Sundry receivables and other non-current assets

The item “Sundry receivables and other non-current assets” amounted to € 135,022 at 30 June 2014, compared to € 128,741 at 31 December 2013. Mainly unchanged from year-end 2013, 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 2014, compared with the end of 2013, is shown below:

	Balance at 30 June 2014	Balance at 31 December 2013	Change
Deferred tax assets	1,212,166	1,233,314	(21,148)
Deferred tax provision	(733,307)	(769,518)	(36,211)
Total	**478,859**	**463,796**	**15,063**

Deferred tax assets referred to the temporary differences (deductible in future years) for which recovery is deemed to be reasonably certain.

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 (Customer List and Intellectual Property*).*

7.6. Period-end inventories

Period-end inventories amounted to € 2,409,334 at 30 June 2014, up € 957,944 compared with the end of 2013.

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

Company	30 June 2014	31 December 2013	Change
Work-in-progress	**2,409,334**	**1,451,390**	**957,944**

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

7.7. Trade receivables

Trade receivables at 30 June 2014, net of the provision for bad debts, amounted to € 19,154,752, up € 2,314,632 compared with the end of 2013.

The item is detailed in the table below:

Trade receivables	30 June 2014	31 December 2013	Change
Gross value	19,789,753	17,475,783	2,313,970
Provision for bad debts	(635,001)	(635,663)	662
Net value	**19,154,752**	**16,840,120**	**2,314,632**

The provision for bad debts changed as follows over the six months:

Provision for bad debts	30 June 2014
Opening amount	**(635,663)**
Allocation	–
Use	662
Closing amount	**(635,001)**

The breakdown of trade receivables into coming due and past due at 30 June 2014, compared with 31 December 2013, is shown below:

Due date	Total	Coming due	Past due	
			0 - 90 days	More than 90 days
30 June 2014	**19,154,752**	10,921,601	6,467,224	1,765,927
31 December 2013	**16,840,120**	9,642,734	6,240,757	956,629

The increase in trade receivables is mainly due to the payment times. In particular, significant payments have been received by an important TXT e-solutions S.p.A.'s customer after 30 June 2014.

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 € 3,367,795 at 30 June 2014, compared to € 1,802,252 at 31 December 2013. The breakdown is shown below:

Sundry receivables and other current assets	30 June 2014	31 December 2013	Change
Receivables due from EU	1,090,543	1,054,531	36,012
Tax receivables	382,400	154,366	228,034
Other receivables	1,391,309	81,121	1,310,188
Accrued income and prepaid expenses	503,543	512,234	(8,691)
Total	**3,367,795**	**1,802,252**	**1,565,543**

The item "receivables due from EU" included receivables for research grants related to income, 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. Such receivables are essentially in line with figures at 31 December 2013.

Tax receivables, amounting to € 382,400, 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. This amount increased as a result of the advances paid in the first six months.

Other receivables amounted to € 1,391,309 and included € 1,337,636 received as compensation from one of the Maple Lake shares' sellers, as well as the receivables due from employees for travel advances, and other trade receivables. The Maple Lake shares' sellers, upon the sale of their shares on 28 September 2012, committed, in writing, not to end their work relationship with the TXT Group's companies for a three-year period. Following the termination of their work relationships in the second quarter of 2014, TXT e-solutions S.p.A.'s right to compensation provided for by the relevant agreement, accrued. This amount was subsequently collected on 7 July 2014.

Prepaid expenses, amounting to € 503,543, consisted 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 amounted to € 11,582,939, down € 3,238,089 compared with 31 December 2013. Please refer to the statement of cash flows for details about cash flow generation.

Cash and cash equivalents referred to ordinary current accounts held with Italian banks, amounting to € 10,221,673, as well as with foreign banks, totalling € 1,361,266. 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 2014 consisted of 11,823,864 ordinary shares with a par value of € 0.5, totalling € 5,911,932 (at 31 December 2013: 11,823,864 shares with a par value of € 0.5, totalling € 5,911,932).

The reserves and retained earnings included the legal reserve (€ 519,422), the share premium reserve (€ 11,326,465), the merger surplus reserve (€ 1,911,444), the first-time adoption reserve (€ 163,983) the stock option/stock grant reserve (€ 181,297), the reserves for actuarial differences on post-employment benefits (negative to the tune of € 911,386), the reserves for retained earnings (€ 6,018,431), and the translation reserve (negative to the tune of € 66,284).

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.

Such reserve amounted to € 181,296 (€ 741,805 at 31 December 2013) and related to the 2012-2016 stock grant plan. The Shareholders' Meeting held on 16 April 2014 resolved to allocate the € 560,508.13 reserve amount concerning the cancelled stock grant plans (2008 plan) to the reserves for retained earnings.

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

2012-2016 STOCK GRANT PLAN								
	Options	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
(i)	Outstanding at the beginning of the period	226,000	226,000	226,000	238,000	105,500	354,500	440,340
(ii)	Granted during the period	0	0	16,000	0	280,000	360,000	0
(iii)	Forfeited during the period	0	0	(4,000)	(27,000)	0	(143,660)	0
(iv)	Exercised during the period	0	0	0	(105,500)	(31,000)	(128,500)	(12,340)
(v)	Expired during the period	0	0	0	0	0	(2,000)	0
(vi)	Outstanding at the end of the period	226,000	226,000	238,000	105,500	354,500	440,340	428,000
(vii)	Exercisable at the end of period	0	0	0	0	74,500	12,340	248,000

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

Here below is the table regarding the amounts of the reserves:

Description	Free	Required by Law	Required by By-Laws	Established by Shareholders' Meetings	TOTAL
Share premium reserve	10,759,266	567,199	–	–	11,326,465
Legal reserve	–	519,422	–	–	519,422
Stock option reserve	–	–	–	181,297	181,297
Merger surplus	1,911,444	–	–	–	1,911,444
Reserve for retained earnings	–	–	–	6,182,414	6,182,414
Reserve for actuarial differences on post-employment benefits	–	–	–	(911,386)	(911,386)
Translation reserve	–	–	–	(89,600)	(89,600)
Total	**12,670,710**	**1,086,621**	**–**	**5,362,725**	**19,120,056**

Incentive plans

The Shareholders' Meeting held on 23 April 2012 approved a stock grant plan for the Group's executive directors and senior managers, involving up to 1,020,000 shares (510,000 shares prior to the free share capital increase) over five years with three-year vesting periods and performance conditions concerning growth, profitability and the net financial position. The performance conditions relate to one or more of the following indicators: Revenues, Gross Operating Profit (EBITDA), Operating Profit (EBIT), Earnings before taxes, Net Profit, Economic Value Added – EVA, TXT share performance in absolute terms and/or relative to the performance of the relevant stockmarket indices, and the Net Financial Position, as the Board of Directors shall decide upon each grant.

The Board of Directors has the right to resolve upon granting stock options in each of the years 2012, 2013 and 2014. All options will have a three-year vesting period.

Each stock option grant will vest as follows:

- 20% upon satisfying the conditions for the first year of the plan;
- 30% upon satisfying the conditions for the second year of the plan;
- 50% upon satisfying the conditions for the third and final year of the plan.

The Board of Directors has established the obligation on the Recipients to hold a portion not lower than 30% of the shares granted to them for a period of three years from the grant date.

On 10 May 2012 the Board of Directors awarded the first tranche of 280,000 stock grants (originally 140,000, they doubled following the free share capital increase) which will vest upon satisfying the performance conditions for 2012, 2013 and 2014.

Based on achievement of 2012 objectives, 56,000 shares were granted.

The cost accrued in 2013 for stock grants awarded on 10 May 2012 amounted to € 38,793 (€ 103,448 at 31 December 2012).

On 13 December 2012 the Board of Directors awarded the second tranche of 180,000 stock grants which will vest upon satisfying the performance conditions for 2013, 2014 and 2015.

The target objectives for 2013 were partially achieved with vesting of 12,340 shares for an overall cost of € 39,056. The 143,660 shares linked to unachieved 2013 objectives were cancelled, with no cost expensed in the year.

Treasury shares

Treasury shares as at 30 June 2014 totalled 1,386,430 (1,368,120 as at 31 December 2013), or 11.73% of shares issued, for a carrying amount of € 3,732,124 (€ 3,568,212 as at 31 December 2013). Shares outstanding (issued) at 30 June 2014 numbered 11,823,864.
During 2014, the Company purchased 30,650 treasury shares at an average price per share of € 8.79 and for a total amount of € 269,318.
12,340 treasury shares were granted to employees following the achievement of the 2013 Stock Grant performance objectives. The carrying amount per share was € 8.41, for a total of € 105,406.
The buy-back of shares was authorised again by the Shareholders' Meeting of 16 April 2014. 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 stockmarket prices in the three sessions prior to the purchase transaction, plus 10%, and in any case not more than € 25.00.

7.11. Non-current financial liabilities

The item "non-current financial liabilities" amounted to € 2,188,366 (€ 2,895,924 at 31 December 2013) and consisted of:

- the loan issued for research and development purposes and with € 230,028 outstanding (€ 549,768 at 31 December 2013), granted by the Ministry of Education, University and Research through Intesa San Paolo for an original amount of € 1,914,368 at a subsidised fixed interest rate of 1%;
- a € 1,958,338 loan for the acquisition of Maple Lake granted to the Company by BNL on 20 December 2012 for a notional amount of € 4,000,000 at a 3-month Euribor floating rate (360) + 2.60% spread.

The table below details the maturity of non-current financial liabilities, compared with the situation at the end of the prior year:

	30 June 2014	31 December 2013	Change
Between 1 and 2 years	1,030,028	**1,234,182**	(204,154)
Between 2 and 5 years	1,158,338	**1,661,742**	(503,404)
Total	**2,188,366**	**2,895,924**	**(707,558)**

The fall in non-current financial liabilities is in line with the terms of the loan repayment plans.

7.12. Employee benefits expense

The item "Employee benefits expense" at 30 June 2014 amounted to € 3,598,554, of which € 3,390,832 relating to obligations to the employees of the Parent, both for defined-contribution and defined-benefit plans, € 148,543 relating to the pension fund for the management of the German subsidiary TXT e-solutions G.m.b.h., and € 59,179 relating to obligations to employees of the French subsidiary TXT e-solutions S.a.r.l.

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

Employee benefits expense	31 December 2013	Provisions	Uses / Payments	Actuarial gains/losses and other	Financial income / charges	30 June 2014
Post-employment benefits	2,306,747	–	(22,112)	244,293	36,562	2,565,490
Provision for severance for end of term of office	794,717	30,625				825,342
Pension fund for management	197,585	10,137				207,722
Total non-current provisions relating to employees	**3,299,049**	**40,762**	**(22,112)**	**244,293**	**36,562**	**3,598,554**

To calculate 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 to become disabled and leave the company, was estimated based on disability tables currently used in the reinsurance practice, 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 1.50% staff turnover rate was calculated and agreed upon with the Company.

- As for the probability of requests for advance payment of benefits, an annual 1.00% advance payment rate, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company, was estimated.

Change in wages and salaries had no impact on the actuarial valuation. The estimated inflation rate used for measurement purposes was 2.00% per year.

The discount rate used for measurement purposes was 2.29% per year, i.e. the rate on over-10-year Bonds issued by AA-rated European Companies at 30 June 2014.

7.13. Current financial liabilities

Current financial liabilities amounted to € 2,762,664 (€ 3,352,069 at 31 December 2013) and included the short-term portion of medium/long-term loans from financial companies, the short-term portion of loans for leases, and the payables on research projects funded by the European Union. In particular:

- The short-term portion of medium/long-term loans amounted to € 1,437,843 (€ 1,434,582 at 31 December 2013) and included the short-term portion of the three loans granted by the Ministry of Education for a total amount of € 637,843 (€ 634,582 at 31 December 2013) and the current portion of the loan granted in 2012 by BNL for the acquisition of Maple Lake equal to € 800,000.
- The payable on research projects funded by the European Union received as lead manager and to be distributed to the project partners amounted to € 1,305,320 (€ 1,900,324 at 31 December 2013). This payable will be paid off in the second half of 2014.
- The short-term portion of a loan obtained by the German and French subsidiaries amounted to € 19,470 (€ 17,163 at 31 December 2013).
- Current account overdrafts amounted to € 31.

7.14. Trade payables

Trade payables amounted to € 1,971,011 at 30 June 2014, up € 466,490 compared to 31 December 2013. Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months.

7.15. Tax payables

Tax payables totalled € 404,824 at 30 June 2014 and refer to the Parent's IRAP (Regional Tax on Productive Activities).

7.16. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 14,963,539 at 30 June 2014, compared with € 12,934,150 at 31 December 2013, as shown in the table below:

Sundry payables and other current liabilities	30 June 2014	31 December 2013	Change
Accrued expenses and deferred income	4,969,244	3,924,809	1,044,435
Payables due to employees and external staff	3,741,616	4,116,662	(375,046)
Other payables	3,046,145	1,956,488	1,089,657
Advance payments for multi-year orders	1,679,273	1,533,565	145,708
Payables due to social security institutions	1,527,261	1,402,626	124,635
Sundry payables and other current liabilities	**14,963,539**	**12,934,150**	**2,029,389**

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 services rendered during the year.

The item “Payables due to employees and external staff” included payables for wages and salaries relating to June 2014 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 € 1,089,657 increase was essentially due to higher charges on ongoing 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 2014 amounted to € 28,972,408, up 10% compared with the prior-year period, as detailed below:

	30 June 2014	30 June 2014	Change	% change
Revenues	25,716,799	25,362,639	354,160	1%
Other income	3,255,609	902,149	2,353,460	>100%
Total	**28,972,408**	**26,264,788**	**2,707,620**	**10%**

The increase on the prior-year period was mainly due to the € 1,541,276 income received from two sellers of Maple Lake, acquired in September 2012. They left the TXT Group companies and paid TXT e-solutions S.p.A. the compensation provided for under the relevant agreement. For further details, reference should be made to the Directors' report on operations.

8.2. Purchase of materials and external services

Purchases of materials and external services for the first half of 2014 amounted to € 6,701,861, up from the first half of 2013, when they totalled € 6,637,412.

The item is detailed below:

	30 June 2014	30 June 2013	Change
Consumables and resale items	178,379	60,492	117,887
Technical consulting	2,699,927	2,850,806	(150,879)
Travel expenses	891,498	865,118	26,380
Utilities	295,344	331,024	(35,680)
Media & marketing services	660,117	710,855	(50,739)
Maintenance and repair	257,949	199,643	58,305
Canteen and ticket services	234,214	229,926	4,288
Administrative and legal services	100,803	92,485	8,318
Directors' fees	294,282	292,113	2,170
Subcontractors	118,787	221,650	(102,864)
Others	970,562	783,299	187,263
Total	**6,701,861**	**6,637,412**	**64,450**

As a percentage of consolidated revenues, the costs for purchasing materials and services were essentially in line with the first six months of 2013, edging down from 25.27% to 23.13%. This was mainly due to higher costs for purchasing licenses to be resold to customers (€ 117,887), higher costs for purchasing sundry materials (€ 187,263), offset by a reduction in the purchase of technical consulting services (€ 150,879) and lower costs of subcontractors (€ 102,864) as a result of the internal processing of previously outsourced activities.

8.3. Personnel costs

Personnel costs for the first six months of 2014 amounted to € 17,179,025, growing by € 1,580,617 (+10.13%) compared with the first half of 2013.

This increase is mainly attributable to the rise in the number of personnel employed in sales and operating positions at the TXT Perform Division.

The employees of the TXT e-solutions Group, excluding directors and external consultants, numbered 532 at 30 June 2014 (498 at 31 December 2013).

The table below shows the breakdown of employees by level:

	White-collar staff	Middle managers	Executives and managers	Total
31 Dec. 2013	424	54	20	498
30 Jun. 2014	453	57	22	532

8.4. Other operating costs

The item “other operating costs” in the first half of 2014 amounted to € 1,060,747, up € 175,934 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 2014	30 June 2013	Change
Other tax (other than income tax)	42,841	25,221	17,620
Fines and penalties	6,982	1,696	5,286
Magazine and subscription expenses	7,464	6,288	1,176
Contingent liabilities	166,620	18,261	148,360
Other expenses and extraordinary income adj.	15,798	10,495	5,303
TXT costs for professional services	1,645	1,905	(260)
Rental expense for offices	522,098	502,241	19,857
Rental expense for servers	36,241	34,081	2,160
Rental expense for motor vehicles	251,655	265,804	(14,150)
Other rental expense	7,775	18,820	(11,046)
Other expense	1,628	–	1,628
Total	**1,060,747**	**884,813**	**175,934**

The increase compared to the prior-year period is mainly attributable to the recognition – in the previous half of 2014 – of a non-recurring charge concerning a project for a North American customer.

8.5. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment at 30 June 2014 amounted to € 642,347, up € 18,387 from the first half of 2013.

8.6. Financial income (charges)

As at 30 June 2014, the Group recognised financial charges amounting to € 124,606, compared with financial charges of € 109,127 at the end of the first half of 2013. The € 15,479 change was attributable to the lower returns on deposits.

8.7. Income taxes

Income taxes at 30 June 2014 amounted to € 606,444, and are detailed as follows:

	30 June 2014	30 June 2013	Change
Total current tax	621,506	449,042	172,464
Total deferred tax	(15,063)	(148,865)	133,802
Total taxes	**606,443**	**300,177**	**306,266**

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 2014

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
Intangible assets	15,208	10	0	15,218
Property, plant and equipment	770	462	0	1,232
Other fixed assets	842	505		1,347
FIXED ASSETS	**16,820**	**977**	**0**	**17,797**
Inventories	520	1,889	0	2,409
Trade receivables	9,750	9,405	0	19,155
Sundry receivables and other short-term assets	2,105	1,263	0	3,368
Trade payables	(1,185)	(786)	0	(1,971)
Tax payables	(858)	(280)	0	(1,138)
Sundry payables and other short-term liabilities	(8,998)	(5,966)	0	(14,964)
NET WORKING CAPITAL	**1,334**	**5,525**	**0**	**6,859**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,164)**	**(1,435)**	**0**	**(3,599)**
CAPITAL EMPLOYED	**15,990**	**5,067**	**0**	**21,057**
Shareholders' equity			27,689	27,689
Net financial debt			(6,632)	(6,632)
CAPITAL EMPLOYED			**21,057**	**21,057**

BALANCE SHEET BY BUSINESS UNIT AS AT 31 DECEMBER 2013

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
Intangible assets	15,370	0	0	15,370
Property, plant and equipment	673	445	0	1,118
Other fixed assets	820	542		1,362
FIXED ASSETS	**16,864**	**986**	**0**	**17,850**
Inventories	148	1,303	0	1,451
Trade receivables	9,559	7,282	0	16,841
Sundry receivables and other short-term assets	1,085	717	0	1,802
Trade payables	(869)	(636)	0	(1,505)
Tax payables	(56)	(17)	0	(73)
Sundry payables and other short-term liabilities	(7,467)	(5,466)	0	(12,933)
NET WORKING CAPITAL	**2,401**	**3,182**	**0**	**5,583**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,349)**	**(1,720)**	**0**	**(4,069)**
CAPITAL EMPLOYED	**16,916**	**2,448**	**0**	**19,364**
Shareholders' equity			27,937	27,937
Net financial debt			(8,573)	(8,573)
CAPITAL EMPLOYED			**19,364**	**19,364**

INCOME STATEMENT BY BUSINESS UNIT AS AT 30 JUNE 2014

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
REVENUES	**18,109**	**10,863**	**0**	**28,972**
Licenses & maintenance	6,100	40	0	6,140
Services and other revenues	12,009	10,823	0	22,832
OPERATING COSTS:				
Direct costs	6,782	6,682	0	13,464
Research and development costs	1,547	833	0	2,380
Commercial costs	4,523	1,143	0	5,666
General and administrative costs	2,145	1,286	0	3,431
TOTAL OPERATING COSTS	**14,997**	**9,944**	**0**	**24,941**
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**3,112**	**919**	**0**	**4,031**
Amortisation	413	0	0	413
Depreciation	143	86	0	229
OPERATING PROFIT (LOSS) [EBIT]	**2,556**	**833**	**0**	**3,389**
Financial income (charges)	(94)	(31)	0	(125)
EARNINGS BEFORE TAXES [EBT]	**2,462**	**802**	**0**	**3,264**
Taxes	**(458)**	**(149)**	**0**	(607)
NET PROFIT (LOSS) FROM OPERATIONS	**2,004**	**653**	**0**	**2,657**
Non-recurring profit (loss)			0	0
NET PROFIT (LOSS) FOR THE PERIOD	**2,004**	**653**	**0**	**2,657**

INCOME STATEMENT BY BUSINESS UNIT AS AT 30 JUNE 2013

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
REVENUES	**15,388**	**10,877**	**0**	**26,265**
Licenses & maintenance	5,996	49	0	6,045
Services and other revenues	9,392	10,828	0	20,220
OPERATING COSTS:				
Direct costs	5,614	6,780	0	12,394
Research and development costs	1,703	856	0	2,559
Commercial costs	4,061	835	0	4,896
General and administrative costs	1,917	1,355	0	3,272
TOTAL OPERATING COSTS	**13,295**	**9,826**	**0**	**23,121**
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**2,093**	**1,051**	**0**	**3,144**
Amortisation	419	0	0	419
Depreciation	120	85	0	205
OPERATING PROFIT (LOSS) [EBIT]	**1,554**	**966**	**0**	**2,520**
Financial income (charges)	(68)	(42)	0	(110)
EARNINGS BEFORE TAXES [EBT]	**1,486**	**924**	**0**	**2,410**
Taxes	**(185)**	**(115)**	**0**	(300)
NET PROFIT (LOSS) FROM OPERATIONS	**1,301**	**809**	**0**	**2,110**
Non-recurring profit (loss)			0	0
NET PROFIT (LOSS) FOR THE PERIOD	**1,301**	**809**	**0**	**2,110**

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 by 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 2014	Receivables	Payables	Guarantees	Costs	Revenues
TXT e-solutions Sarl (France)	521,889	270,001	–	38,249	1,212,686
TXT e-solutions Gmbh (Germany)	224,895	78,391	–	70,299	60,477
TXT e-solutions SL (Spain)	47,442	48,608	–	20,303	95,126
TXT e-solutions Ltd (United Kingdom)	578,826	560,563	–	432,317	669,217
Maple Lake Australia Pty Ltd (Australia)	–	13,366	–	–	–
Maple Lake Ltd (Canada)	319,696	84,428	–	1,121	448,850
Directors and key management personnel	–	–	–	673,575	–
Total at 30 June 2014	**1,692,748**	**1,055,357**	**–**	**1,235,864**	**2,486,356**

At 31 December 2013	Receivables	Payables	Guarantees	Costs	Revenues
TXT e-solutions Sarl (France)	417,064	8,409	–	62,448	2,142,061
TXT e-solutions Gmbh (Germany)	246,351	50,368	–	153,794	534,051
TXT e-solutions SL (Spain)	48,678	10,203	–	31,443	466,296
TXT e-solutions Ltd (United Kingdom)	300,646	283,378	–	320,499	1,729,288
Maple Lake Australia Pty Ltd (Australia)	(28,696)	–	–	–	30,000
Maple Lake Ltd (Canada)	727,377	–	–	–	1,217,685
Directors and key management personnel	–	495,384	–	1,237,743	–
Total at 31 December 2013	**1,711,420**	**847,741**	**–**	**1,805,927**	**6,119,381**

Financial transactions

At 30 June 2014	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	–	2,374,906	–	17,727	–
TXT e-solutions Gmbh (Germany)	–	2,229,000	–	13,105	–
TXT e-solutions SL (Spain)	–	755,099	–	5,246	–
TXT e-solutions Ltd (United Kingdom)	374,298		–	–	5,742
TXT Holding Ontario (Canada)	–		–	–	–
Maple Lake Australia Pty Ltd (Australia)	130,701		–	–	1,639
Maple Lake Ltd (Canada)	2,498,532		–	–	30,212
Total at 30 June 2014	**3,003,531**	**5,359,005**	**–**	**36,078**	**37,593**

At 31 December 2013	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	–	2,390,960	–	15,681	–
TXT e-solutions Gmbh (Germany)	–	1,925,000	–	38,015	1,000,000
TXT e-solutions SL (Spain)	–	642,947	–	6,981	–
TXT e-solutions Ltd (United Kingdom)	899,604	–	–	–	32,986
TXT Holding Ontario (Canada)	–	–	–	–	–
Maple Lake Australia Pty Ltd (Australia)	123,193	–	–	–	2,953
Maple Lake Ltd (Canada)	2,484,566	–	–	1,155,726	72,383
Total at 31 December 2013	**3,507,363**	**4,958,907**	**–**	**1,216,403**	**1,108,322**

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 2014 is as follows:

(€ thousand)	30 Jun. 2014 *(A)*	31 Dec. 2013 *(B)*	Change *(A + B)*	30 Jun. 2013
Cash and bank assets	11,583	14,821	(3,238)	11,894
Short-term financial payables	(2,763)	(3,352)	589	(1,602)
Short-term financial resources	**8,820**	**11,469**	**(2,649)**	**10,292**
Payables due to banks with maturity beyond 12 months	(2,188)	(2,896)	671	(3,601)
Total Net Financial Position	**6,632**	**8,573**	**(1,978)**	**6,691**

(*) The Net Financial Position at 30 June 2013 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.

13. Subsequent events

There were no significant events after 30 June 2014.

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

pursuant to Article 81-ter of the 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 2014.

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 2014 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 2014:

- 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 occurred in the first six months of the year and how they affected the condensed half-yearly financial statements, as well as the 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, 5 August 2014

15. External auditors' report