TXT e-solutions Group

Annual report

as at 31 December 2015

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

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

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(3)(4)
Andrea Cencini	Director	(2)
Paolo Enrico Colombo	Director	(2)
Teresa Cristiana Naddeo	Independent Director	(3)
Stefania Saviolo	Independent Director	(3)

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

(2) Powers assigned: ordinary administration.

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

(4) Co-opted by the Board of Directors on 05/05/2015. In office until the next Shareholders' Meeting.

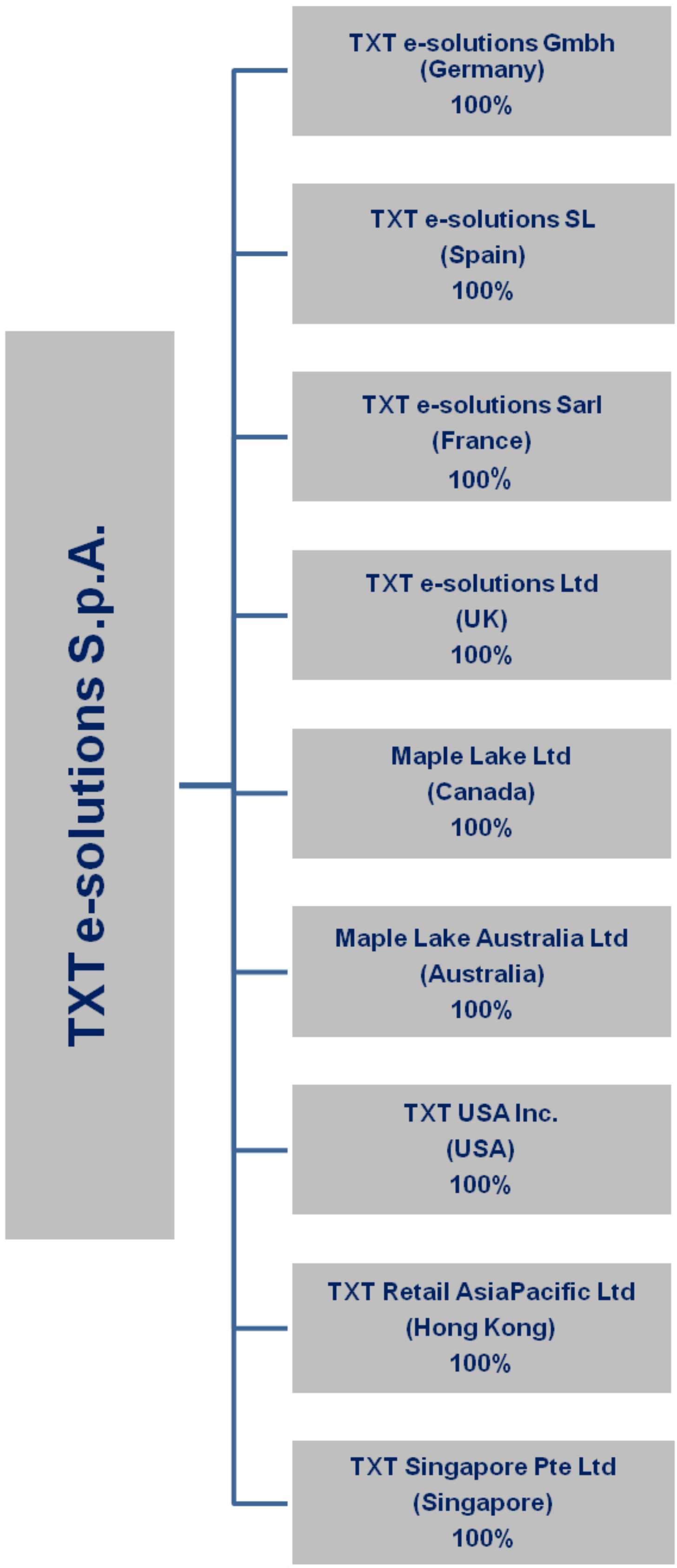
BOARD OF STATUTORY AUDITORS

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

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

EXTERNAL AUDITORS	Reconta Ernst & Young S.p.A.
INVESTOR RELATIONS	E-mail: infofinance@txtgroup.com
	Telephone: +39 02 25771.1

Organisational structure and scope of consolidation



Key data and Directors’ report on operations for the year 2015

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	2015	%	2014 (1)	2014 Events non-recurring	2014 "Normalised" (2)	%	VAR % vs 2014	Change % vs 2014 "Normalised"
REVENUES	**61,540**	**100.0**	**55,878**	**(1,468)**	**54,410**	**100.0**	**10.1**	**13.1**
of which:								
TXT Perform	36,673	59.6	34,101	(1,468)	32,633	60.0	7.5	12.4
TXT Next	24,867	40.4	21,777		21,777	40.0	14.2	14.2
EBITDA pre Stock Grant (3)	**6,659**	**10.8**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(2.0)**	**16.2**
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**5,919**	**9.6**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(12.9)**	**3.3**
OPERATING PROFIT (LOSS) [EBIT]	**4,795**	**7.8**	**5,467**	**(1,061)**	**4,406**	**8.1**	**(12.3)**	**8.8**
NET PROFIT (LOSS) FOR THE PERIOD	**3,882**	**6.3**	**4,172**	**(864)**	**3,308**	**6.1**	**(7.0)**	**17.4**

FINANCIAL DATA (€ thousand)	31.12.2015	31.12.2014	Change
Fixed assets	18,132	18,020	112
Net working capital	11,063	6,326	4,737
Post-employment benefits and other non-current	(3,830)	(3,841)	11
Capital employed	**25,365**	**20,505**	**4,860**
Net financial position	8,259	8,465	(206)
Group shareholders' equity	33,624	28,970	4,654

DATA PER SHARE	31.12.2015	31.12.2014 (4)	Change
Number of shares outstanding (4)	11,666,791	11,474,362	192,429
Operating profit per share (4)	0.33	0.36	(0.03)
Shareholder's equity per share (4)	2.88	2.52	0.36

ADDITIONAL INFORMATION	31.12.2015	31.12.2014 (3)	Change
Number of employees	672	569	103
TXT share price (4)	8.13	7.10	1.03

(1) Official Finance Reporting.

(2) The 2014 Income Statement includes non-recurring income of 1,468k€ and non-recurring costs of 407k€. In order to compare performance with the current year, the 2014 financial results have been "Normalised", excluding non-recurring Revenues and Costs. Taxes have been calculated pro-rata.

(3) EBITDA pre Stock Grant indicates the company's Gross operating profit (EBITDA) without considering the costs accrued for stock grants.

(4) The number of shares and the relevant 2014 prices were restated following the free share capital increase dated 20 May 2015, with the issue of one new share for every 10 shares issued, so as to allow comparison with 2015. Outstanding shares 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' report on operations for the year 2015

Dear Shareholders,

In 2015, the Group underwent significant growth in revenues in both divisions and from R&D and commercial investments 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 to e-commerce as well - for leading international customers.

The results for 2014 included € 1.5 million in non-recurring income received as compensation from two of Maple Lake shares' sellers and non-recurring direct costs of € 0.4 million relating to two projects for customers. To permit a comparison of performance of operations for 2015 and 2014, the results for 2014 are provided as well, on an adjusted "Normalised" basis, excluding non-recurring income and charges.

Performance for 2015 compared to 2014 was as follows:

- Revenues for 2015 amounted to € 61.5 million (€ 55.9 million in 2014, which also included € 1.5 million in non-recurring income). Compared to the "Normalised" 2014 (€ 54.4 million), growth was +13.1%. Revenues from licences and maintenance amounted to € 16.0 million, equal to 26% of total revenues and up 26.4% compared to 2014.

- TXT Perform Division's revenues (60% of the Group's revenues) amounted to € 36.7 million (€ 34.1 million in 2014). Growth on the "Normalised" 2014 (€ 32.6 million) came to +12.4%. Revenues of the TXT Next division (40% of the Group's revenues) amounted to € 24.9 million, up +14.2% over the previous year.

- International revenues amounted to € 33.9 million. These revenues accounted for 55% of the total and were essentially attributable to the TXT Perform Division.

- The Gross Margin, net of direct costs, amounted to € 32.4 million (€ 29.4 million in 2014, which also included € 1.1 million in net non-recurring income). Growth on the "Normalised" 2014 (€ 28.4 million) came to 14.1%, with a margin of 52.6%, an improvement over the 52.1% of "Normalised" 2014, due to the positive contribution of revenues from the highly profitable TXT Perform software.

- EBITDA pre Stock Grant, prior to costs for the Stock Grants vested during the year, grew by 16.2% from € 5.7 million ("Normalised" 2014) to € 6.7 million, following significant investments in Research and Development (+8.9%) and commercial and general expenditure (+14.7%) to develop the business. As a percentage of revenues, it amounted to 10.8%. EBITDA for 2014, amounting to € 6.8 million, included € 1.1 million in non-recurring income and charges.

- EBITDA was € 5.9 million (€ 6.8 million in 2014). Compared to the "Normalised" 2014 (€ 5.7 million), growth was +3.3%.

- Earnings before taxes came to € 4.6 million (€ 5.2 million in 2014). Compared to the

"Normalised" 2014 (€ 4.2 million), growth was +11.7%. In 2015, Stock Grants vested with a cost of € 0.7 million, while amortisations cost decreased from € 1.3 million to € 1.1 million.

- Net profit was € 3.9 million (€ 4.2 million in 2014, which included non-recurring income of € 0.9 million). Growth compared to the "Normalised" 2014 (€ 3.3 million) was +17.4%, higher than the growth in revenues (+13.1%). Tax charges of € 0.8 million amount to 16% of the earnings before taxes.

- The Net Financial Position as at 31 December 2015 was positive at € 8.3 million (€ 8.5 million as at 31 December 2014). In 2015, dividends were paid for € 2.7 million, bonuses to personnel for € 2.5 million, treasury shares purchased on the market for € 1.0 million and a block of treasury shares sold to the US fund Kabouter for € 3.2 million.

- Shareholders' Equity as at 31 December 2015 amounted to € 33.6 million, up € 4.6 million compared to the € 29.0 million as at 31 December 2014, mainly due to the net profit in 2015 (€ 3.9 million) and to the accounting of stock grant costs (+ € 0.7 million).

TXT's results for 2015, compared with the previous year's figures, are presented below:

(€ thousand)	2015	%	2014 (1)	2014 non-recurring events	2014 Normalised (2)	%	Change % vs 2014	Change % vs 2014 Normalised
REVENUES	**61,540**	**100.0**	**55,878**	**(1,468)**	**54,410**	**100.0**	**10.1**	**13.1**
Direct costs	29,189	47.4	26,455	(407)	26,048	47.9	10.3	12.1
GROSS MARGIN	**32,351**	**52.6**	**29,423**	**(1,061)**	**28,362**	**52.1**	**10.0**	**14.1**
Research and development costs	5,118	8.3	4,698		4,698	8.6	8.9	8.9
Commercial costs	12,681	20.6	11,094		11,094	20.4	14.3	14.3
General and administrative costs	7,893	12.8	6,839		6,839	12.6	15.4	15.4
EBITDA pre Stock Grant	**6,659**	**10.8**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(2.0)**	**16.2**
Stock Grant	740	1.2						
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**5,919**	**9.6**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(12.9)**	**3.3**
Depreciation, amortisation and impairment	1,124	1.8	1,325		1,325	2.4	(15.2)	(15.2)
OPERATING PROFIT (LOSS) [EBIT]	**4,795**	**7.8**	**5,467**	**(1,061)**	**4,406**	**8.1**	**(12.3)**	**8.8**
Financial income (charges)	(151)	(0.2)	(249)		(249)	(0.5)	(39.4)	(39.4)
EARNINGS BEFORE TAXES (EBT)	**4,644**	**7.5**	**5,218**	**(1,061)**	**4,157**	**7.6**	**(11.0)**	**11.7**
Taxes	(762)	(1.2)	(1,046)	197	(849)	(1.6)	(27.2)	(10.2)
NET PROFIT (LOSS) FOR THE PERIOD	**3,882**	**6.3**	**4,172**	**(864)**	**3,308**	**6.1**	**(7.0)**	**17.4**

(1) Official Finance Reporting.

(2) The 2014 Income Statement includes non-recurring income of 1,468k€ and non-recurring costs of 407k€. In order to compare performance w ith the current year, the 2014 financial results have been "Normalised", excluding non-recurring Revenues and Costs. Taxes have been calculated pro-rata.

REVENUES AND GROSS MARGINS

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

(€ thousand)	2015	%	2014 (1)	2014 non-recurring events	2014 "Normalised"(2)	%	Change % vs 2014	Change % vs 2014 "Normalised"
				TXT PERFORM				
REVENUES	**36,673**	**100.0**	**34,101**	**(1,468)**	**32,633**	**100.0**	**7.5**	**12.4**
Licences & maintenance	15,854	43.2	12,537		12,537	36.8	26.5	26.5
Projects and other income	20,819	56.8	21,564	(1,468)	20,096	63.2	(3.5)	3.6
DIRECT COSTS	13,002	35.5	12,946	(407)	12,539	38.0	0.4	3.7
GROSS MARGIN	**23,671**	**64.5**	**21,155**	**(1,061)**	**20,094**	**62.0**	**11.9**	**17.8**
				TXT NEXT				
REVENUES	**24,867**	**100.0**	**21,777**		**21,777**	**100.0**	**14.2**	**14.2**
Licences & maintenance	122	0.5	101		101	0.5	20.8	20.8
Projects and other income	24,745	99.5	21,676		21,676	99.5	14.2	14.2
DIRECT COSTS	16,187	65.1	13,509		13,509	62.0	19.8	19.8
GROSS MARGIN	**8,680**	**34.9**	**8,268**		**8,268**	**38.0**	**5.0**	**5.0**
				TOTAL TXT				
REVENUES	**61,540**	**100.0**	**55,878**	**(1,468)**	**54,410**	**100.0**	**10.1**	**13.1**
Licences & maintenance	15,976	26.0	12,638		12,638	22.6	26.4	26.4
Projects and other income	45,564	74.0	43,240	(1,468)	41,772	77.4	5.4	9.1
DIRECT COSTS	29,189	47.4	26,455	(407)	26,048	47.3	10.3	12.1
GROSS MARGIN	**32,351**	**52.6**	**29,423**	**(1,061)**	**28,362**	**52.7**	**10.0**	**14.1**

(1) Official Finance Reporting.

(2) The 2014 Income Statement includes non-recurring income of 1,468k€ and non-recurring costs of 407k€. In order to compare performance with current year, the 2014 financial results have been "Normalised", excluding non-recurring Revenues and Costs, which fully regard the TXT Perform Division.

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 - for business planning, sales budgeting, and effectively implementing business plans.

The TXT Perform Division recorded revenues of € 36.7 million in 2015 (€ 34.1 million in 2014, which included € 1.5 million in non-recurring income as compensation from two of Maple Lake's sellers). Growth compared to the "Normalised" 2014 (€ 32.6 million) was +12.4%, mainly due to good performance of licence sales.

The division's international revenues amounted to € 31.5 million, equal to 86% of the total.

Revenues from licences and maintenance amounted to € 15.9 million, up 26.5% compared to € 12.5 million in 2014. Revenues from licences and maintenance rose from 36.8% to 43.2% as a percentage of the Division's total revenues.

The Division's gross margin, net of direct costs, amounted to € 23.7 million (€ 21.2 million in 2014, which also included € 1.1 million in net non-recurring income). Compared to the “Normalised” 2014 (€ 20.1 million), growth was 17.8%, with a margin on revenues improving from 62.0% to 64.5%, due to the contribution of revenues from software (licences and maintenance).

In 2015, contracts for the TXT Perform software were signed with numerous customers throughout the world, including DFS (HK), Hanna Anderson (USA), Columbia Sportswear (USA), Roots Canada (CAN), Delta Galil (ISR), Swatch (CH), Gazal (AUS) Sass & bide (AUS), Sonae (P), Safilo (I), Furla (I), Moncler (I), Carpisa (I), Takko (D), Otto (D), Charles Voegele (D), Adidas (D), Pandora (DK), White Stuff (UK), Findus (UK), Louis Vuitton (F), Longchamp (F), Christian Dior (F), Sephora (F and USA), Monoprix (F), Alinea (F), Kenzo (F), Orange (F) and Ubisoft (F).

In 2015, implementation of the End-to-End Retail solutions continued, via AgileFit, exclusive, innovative and proprietary TXT solution. These now constitute the heart of commercial offers and are at the basis of all customer projects. AgileFit speeds up installation and return on investments for TXT customers. About 50 customers, including Thirty-One Gifts (USA), Damartex (F), Lacoste (F), Fat Face (UK), Hamm Reno (D), Apollo Optik (D), Yamamay (I), Lavazza (I), Peek & Cloppenburg (D), La Halle (F) and Urban Outfitters (USA) implemented new TXT solutions. Furthermore, numerous projects were launched for Louis Vuitton (F), with extensions in Europe, America and Asia for Burberry's (UK).

Customers of the Luxury, Fashion, and Retail sectors contributing to revenues in 2015 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 of Europe and North America includes approximately 1,500 large Retailers.

On 14 May 2015, associate TXT Retail AsiaPacific Ltd was established in Hong Kong, in order to develop and provide direct support to international customers in the Asia Pacific area. The new Hong Kong company, wholly-owned by TXT e-solutions, will lead TXT's growth in the large, dynamic Asia Pacific market, with local business managers, directly connected to the TXT Solution Center in Milan and TXT's international organisation in Europe, North America and Australia. A first licence contract was signed in the Asia Pacific area for more than € 1 million, to manage the over forty DFS “Duty Free & Galleries” in the main airport and tourist hubs around the world.

On 18 August 2015, associate TXT Singapore Pte Ltd was established in Singapore, to work alongside the Hong Kong-based associate on the development of business opportunities in the Asia Pacific area.

A commercial and operational partnership was launched with Ebp Management Consulting, global company with ample experience in the retail sector; this agreement is aimed at supporting TXT's growth in Asia. Ebp Management Consulting will provide consulting and support to the TXT team in the sale and implementation of TXT Retail end-to-end planning solutions.

In 2015, TXT organised several Thinking Retail events, notably in New York and Paris, with numerous retailers, including Adidas, Pandora, Sephora, Levi’s, Tod’s, Desigual, Coast Guard Exchange, Modell’s Sporting Goods, and Roots as testimonials of ideas and experiences in end-to-end planning, with over 150 leaders in international retail and planning professionals present. The following key points emerged on these occasions:

- End-to-end planning of assortment, as defined by TXT, is destined to become the reference model: from the collection to the shop, from the physical channels to online, supported by simulation tools and just a click away.

1. Rapid adoption, with “AgileFit” methods, enables quicker results than with traditional methods: less than 8 weeks to make a complex project of collections planning operational. Speed is essential in multi-channel retail.

The Thinking Retail Summits of TXT establish new standards for retailers, increasingly seeking to discuss their views on key processes and technologies: a drive that arises from the development of e-commerce and the multi-channel system, which is now the “new norm”, and from the constantly evolving demand for value by consumers. These are the challenges faced by retailers of all kinds, throughout the world.

Planning must be end-to-end, integrative, collaborative and fast. The capacity to stock and quickly restock products and manage stock during the season in a reactive manner is a must in order to stay competitive and maintain the right margins through geography, sales channels and supply models.

TXT Next Division

Revenues for the TXT Next Division in 2015 amounted to € 24.9 million, up 14.2% compared to € 21.8 million in 2014, due to good sales results across all sectors in which the Division operates. The Division’s revenues accounted for 40% of the Group's revenues.

The Division’s gross margin, net of direct costs, increased from € 8.3 million to € 8.7 million. The impact of gross margin over revenues went from 38.0% to 34.9%, due to the increase in direct costs, pressures on the margins of a number of orders and the costs to train new teams in order to support the high growth rates during the period.

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

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

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

The product range builds on the substantial operating experience acquired 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 in 2015 amounted to € 5.1 million, up 8.9% compared to € 4.7 million in 2014, due to work on the new AgileFit, Cloud and Omnichannel solutions. As a percentage of revenues, they amounted to 8.3%, compared to 8.6% in 2014. These costs were sustained to ensure constant updating of existing software products.

Commercial costs amounted to € 12.7 million, increasing by +14.3% compared to 2014 and aimed at bolstering of the commercial network in North America and in Europe, as well as to the new initiatives to promote TXT Perform products at the NRF event in New York and the Thinking Retail conference in Paris and New York. As a percentage of revenues, commercial costs amounted to 20.6%, compared to 19.9% in 2014.

General and administrative costs amounted to € 7.9 million, up 15.4% compared to € 6.8 million in 2014, due to investment in a new Group ERP management system, legal fees and due diligence for the Pace acquisition (discussed in the "Subsequent events" paragraph of this report), and opening of the new branches in Hong Kong and Singapore. Their impact on revenues was 12.8%, compared to 12.6% in 2014.

Operating profit (EBITDA) before the Stock Grant costs was € 6.7 million, up by 16.2% on the "Normalised" 2014 (€ 5.7 million). As a percentage of revenues, it stood at 10.8%. EBITDA for 2014, amounting to € 6.8 million, included € 1.1 million in non-recurring income and charges.

Stock Grant costs of € 0.7 million refer to the 2015 vesting of 102,519 stock grants for management, following the achievement of predetermined earnings before taxes objectives. The fair value of the stock grants is € 7.22 each, calculated based on the price of TXT shares on the day in which Board of Directors set the 2015 objectives (11 December 2014).

EBITDA was € 5.9 million (€ 6.8 million in 2014). Compared to the "Normalised" 2014 (€ 5.7 million), growth was +3.3%.

Operating profit (EBIT) amounted to € 4.8 million (€ 5.5 in 2014, which also included non-recurring income of € 1.1 million). Compared to the "Normalised" 2014 (€ 4.4 million), growth was +8.8%, also due to the decrease in amortisation, particularly with regard to the research and development costs capitalised in prior years. EBIT as a percentage of revenues came to 7.8%, compared to the 8.1% of the "Normalised" 2014.

Earnings before taxes were € 4.6 million, equal to 7.5% of revenues (€ 5.2 million in 2014, which also included non-recurring income and charges of € 1.1 million). Compared to the "Normalised" 2014 (€ 4.2 million), growth was +11.7%.

Net profit, after tax charges of € 0.8 million (16% of the earnings before taxes) was € 3.9 million (€ 4.2 million in 2014, which included net non-recurring income of € 0.9 million). Compared to the "Normalised" 2014 (€ 3.3 million), growth was 17.4%, with a margin on revenues improving from 6.1% to 6.3%.

CAPITAL EMPLOYED

At 31 December 2015, Capital Employed totalled € 25.4 million, compared to € 20.5 million as at 31 December 2014, mainly due to the increase in net working capital (+€ 4.7 million).

The table below shows the details:

(€ thousand)	31 Dec. 2015	31 Dec. 2014	Change
Intangible assets	14,692	15,079	(387)
Net property, plant and equipment	1,361	1,249	112
Other fixed assets	2,079	1,692	387
Fixed assets	**18,132**	**18,020**	**112**
Inventories	2,075	1,821	254
Trade receivables	25,032	18,571	6,461
Sundry receivables and other short-term assets	2,759	2,197	562
Trade payables	(1,422)	(1,540)	118
Tax payables	(1,291)	(1,117)	(174)
Sundry payables and other short-term liabilities	(16,090)	(13,606)	(2,484)
Net working capital	**11,063**	**6,326**	**4,737**
Post-employment benefits and other non-current liabilities	**(3,830)**	**(3,841)**	**11**
Capital employed	**25,365**	**20,505**	**4,860**
Group shareholders' equity	33,624	28,970	4,654
Net financial position (Cash)	(8,259)	(8,465)	206
Capital employed	**25,365**	**20,505**	**4,860**

Intangible assets fell by € 0.4 million compared to 31 December 2014 as a result of amortisation of research and development costs, intellectual property rights to software and the customer portfolio. These assets include goodwill allocated to the subsidiaries and regarding the Maple Lake acquisition.

Property, plant and equipment amounted to € 1.4 million, up € 0.1 million compared to year-end 2014, due to investments made in servers and computers.

Other assets amounted to € 2.1 million, essentially comprising deferred tax assets which increased by € 0.4 million compared to the end of 2014, upon recognition of deferred tax assets on prior tax losses.

Net working capital increased by € 4.8 million to € 11.1 million, essentially due to growth in trade receivables (€ 6.5 million), only partially offset by growth in Sundry payables and other liabilities (€ 2.5 million).

Inventories for customer orders completed and not yet invoiced grew from € 1.8 million to € 2.1 million, up 14%, in line with the growth in revenues (+13%).

Trade receivables increased from € 18.6 million as at 31 December 2014 to € 25.0 million as at 31 December 2015. The increase of € 6.5 million comprises € 3.0 million in receivables not yet due, following the increase in business volume and concentration of invoicing in the last part of the year. The remainder of the change (€ 3.5 million) is mainly due to growth in receivables due within the range of 0-90 days, particularly for customers in the aeronautics and banking sector in Italy and fashion sector in France. A significant portion of receivables past due were collected in the first few weeks of 2016.

Sundry receivables and other short-term assets increased from € 2.2 million to € 2.8 million, due to growth in activity.

Tax payables increased by € 0.2 million, due to the tax burden for the period.

Sundry payables and other short-term liabilities increased by € 2.5 million (from € 13.6 million to € 16.1 million as at 31 December 2015) and mainly regard provisions for personnel costs, up significantly (+103 individuals) and advance payments received from customers for orders currently being processed.

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities remained substantially unchanged at € 3.8 million.

Consolidated shareholders' equity amounted to € 33.6 million, up € 4.6 million compared to € 29.0 million as at 31 December 2014, mainly due to the net profit in 2015 (€ 3.9 million) and to the accounting of stock grant costs (+ € 0.7 million). In 2015, a block of treasury shares was sold to the US fund Kabouter (€ 3.2 million), dividends of were paid (€ 2.7 million) and treasury shares were purchased on the market (€ 1.0 million).

The consolidated Net Financial Position as at 31 December 2015 was positive at € 8.3 million, compared to € 8.5 million as at 31 December 2014, due to the positive cash flow generated during the year, net of the increase in net working capital.

Pursuant to Consob communication dated 28 July 2006 and in conformity with the CESR's recommendation dated 10 February 2005, “Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses”, it is noted that the TXT e-solutions Group's Net Financial Position at 31 December 2015 is as follows:

(€ thousand)	31 Dec. 2015	31 Dec. 2014	Change
Cash and bank assets	9,080	12,304	(3,224)
Short-term financial payables	(821)	(2,154)	1,333
Short-term financial resources	**8,259**	**10,150**	**(1,891)**
Payables due to banks with maturity beyond 12 months	-	(1,685)	1,685
Net Available Financial Resources	**8,259**	**8,465**	**(206)**

The Net Financial Position as at 31 December 2015 is detailed as follows:

- Cash and bank assets of € 9.1 million: the group's cash and bank assets were largely invested in euro-denominated short-term bank deposits, with the rest being held as cash for operating activities. This item also includes grants for research projects (€ 0.8 million) received by TXT as coordinator and lead manager; these amounts will be subsequently distributed to the other participating companies and the amounts were therefore recognised under short-term financial payables. The overall effect of these advances on net financial position is therefore zero.

- The € 0.8 million in short-term financial payables essentially consist of the financial payable for grants to be paid to research project partners.

Payables due to banks with maturity beyond 12 months were eliminated due to early repayment of a medium-term loan stipulated at the end of 2012, the terms of which were no longer competitive in the new scenario of interest rate reduction.

Q4 2015 ANALYSIS

An analysis of the fourth quarter of 2015 is provided in the table below:

(€ thousand)	Q4 2015	%	Q4 2014	%	Change % vs 2014
REVENUES	**16,137**	**100.0**	**14,196**	**100.0**	**13.7**
Direct costs	7,530	46.7	7,004	49.3	7.5
GROSS MARGIN	**8,607**	**53.3**	**7,192**	**50.7**	**19.7**
Research and development costs	1,280	7.9	1,310	9.2	(2.3)
Commercial costs	3,362	20.8	2,901	20.4	15.9
General and administrative costs	2,310	14.3	1,776	12.5	30.1
EBITDA pre Stock Grant	**1,655**	**10.3**	**1,205**	**8.5**	**37.3**
Stock Grant	740	4.6			
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**915**	**5.7**	**1,205**	**8.5**	**(24.1)**
Depreciation, amortisation and impairment	298	1.8	345	2.4	(13.6)
OPERATING PROFIT (LOSS) [EBIT]	**617**	**3.8**	**860**	**6.1**	**(28.3)**
Financial income (charges)	(23)	(0.1)	(57)	(0.4)	(59.6)
EARNINGS BEFORE TAXES (EBT)	**594**	**3.7**	**803**	**5.7**	**(26.0)**
Taxes	(147)	(0.9)	(239)	(1.7)	(38.5)
NET PROFIT (LOSS)	**447**	**2.8**	**564**	**4.0**	**(20.7)**

Performance compared to the fourth quarter of the prior year was as follows:

- Revenues amounted to € 16.1 million, up 13.7% compared to fourth quarter 2014 (€ 14.2 million). Revenues of the TXT Perform division were € 9.4 million, up 13.7%, while those of the TXT Next division were € 6.7 million, up 13.6% compared to fourth quarter 2014. Revenues from software (licences and maintenance) were € 3.9 million, up 18.1% compared to fourth quarter 2014, while revenues from services were € 12.2 million, up 12.3%.
- The gross margin for fourth quarter 2015 amounted to € 8.6 million, up 19.7% over fourth quarter 2014. As a percentage of revenues, it was 53.3%, compared to 50.7% in fourth quarter 2014 due to the mix, with a higher component of revenues from the TXT Perform software.
- Operating profit (EBITDA) before Stock Grant costs for fourth quarter 2015 amounted to € 1.7 million, up 37.3% compared to fourth quarter 2014, following significant commercial investments (+15.9%) and general investments (+30.1%), particularly for the costs of the new company ERP and in connection with the Pace acquisition. Gross profit amounted to 10.3% as a percentage of revenues, compared to 8.5% in fourth quarter 2014.
- Operating profit (EBIT) was € 0.6 million, compared to € 0.9 million in fourth quarter 2014, essentially due to the allocation of Stock Grant costs (€ 0.7 million) accrued upon achievement of the 2015 profit objectives. Amortisation of € 0.3 million was essentially in line with the prior year and refers to depreciation of property, plant and equipment, R&D costs capitalised in previous years and intellectual property rights to software and the

customer portfolio deriving from the Maple Lake acquisition.

- Net profit amounted to € 0.4 million, compared to € 0.6 million in fourth quarter 2014, net of tax charges of € 0.2 million (25% of the earnings before taxes).

EMPLOYEES

At 31 December 2015, the Group had 672 employees, compared to 569 at 31 December 2014, for an increase of 103 employees essentially in the TXT Next division, given the growth in business volume and the hiring of young graduates, following the contractual incentives introduced in Italy by the Jobs Act. Personnel costs in 2015 amounted to € 41.8 million, compared to € 34.1 million in 2014, mainly due to growth in staff.

TXT SHARE PERFORMANCE AND TREASURY SHARES

On 20 May 2015, one new share was granted for every 10 shares held. In accordance with the adjustment made by Borsa Italiana, an adjustment factor of 0.9091x was applied to the 2014 and 2015 prices, to align them to current prices that reflect the higher number of shares.

In 2015, the share price of TXT e-solutions reached a high of € 9.36 (adjusted) on 27 March 2015 and a low of € 6.76 (adjusted) on 6 January 2015. As at 31 December 2015, the share price was € 8.13.

Trade volumes in 2015 had a daily average of 29,324 shares traded.

At 31 December 2015, treasury shares amounted to 1,345,700 (1,570,635 at 31 December 2014), accounting for 10.35% of shares outstanding, and were purchased at an average price of € 2.42 per share.

In 2015, the Company purchased 125,965 treasury shares at an average price of € 7.56 and on 25 March 2015 it sold 319,000 shares outside of the open markets (block trade) for a total of € 3.2 million. These were purchased by Kabouter Management LLC, an institutional investor based in Chicago (USA), specialised in small to mid-cap international companies, already shareholder of TXT with approximately 5% of share capital.

A dividend of € 0.25 per share was paid on 20 May 2015 (unchanged compared to the prior year). Total dividends amounted to € 2.7 million, paid in relation to 10.7 million shares (excluding treasury shares held at that date). The Shareholders' Meeting also approved a free share capital increase through the issue of one new share for every 10 shares held (assigned on 20 May 2015, using € 0.6 million in reserves).

On 5 May 2015, the Board of Directors unanimously co-opted Fabienne Anne Dejean Schwalbe as independent director of the Company, replacing Franco Cattaneo, who resigned. Ms. Fabienne Dejean Schwalbe graduated in 1985 with a Master's Degree from HEC Paris, with subsequent specialisations at the IMD Business School in Lausanne (2003) and Harvard Business School (2012). She acquired significant experience in the Media & Digital sectors, beginning in the United States, with growing responsibility in the Bertelsmann Group in Paris, subsequently holding the position of CEO in the Bertelsmann Gruner+Jahr/Mondadori Joint Venture in Italy. She provides consulting on digital transformation in Media and Fashion companies in France and Italy.

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.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES AND RISK MANAGEMENT

Transactions by TXT e-solutions S.p.A. with related parties, as identified by IAS 24, essentially refer to the provision of services and the funding and lending activities with the Group's subsidiaries. All transactions fall within the course of ordinary activities and are conducted at arm's length, i.e. under the conditions that would apply between two independent parties, and are carried out in the interest of the Group companies.

On a half-yearly basis, directors and managers with strategic responsibilities declare any transactions with the parent company and with subsidiaries, including through third parties, in accordance with the provisions of IAS 24.

Amounts of transactions with related parties for trading, financial or other purposes are highlighted in Note 5 of the "Notes to the consolidated financial statements". Identification, approval and execution of transactions with related parties by TXT are governed by the "Procedure governing transactions with related parties" approved on 8 November 2010 and published on the web site: www.txtgroup.com/it/governance.
With regard to the description of risks, reference should be made to the relevant "Financial Risk Management" section of the Notes.

CORPORATE GOVERNANCE AND REMUNERATION REPORT

The Parent Company's By-Laws comply with the provisions of the Corporate Governance Code issued by the Corporate Governance Committee for Listed Companies. The Annual Report on Corporate Governance and Shareholding Structures is included in Appendix 2.

Appendix 3 includes the corporate policy for the remuneration of directors.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

On 29 February 2016, the signing of an agreement to purchase PACE Aerospace Engineering and Information Technology GmbH, with headquarters in Berlin, was announced. In 2015, PACE earned revenues of approximately € 7.3 million (+20.4% compared to 2014) - of which 57% for licences, maintenance and other recurring fees - and EBITDA of € 0.8 million, after research and development costs of € 1.7 million.

The consideration for the transaction, in which TXT will initially acquire 79% of the shares of PACE from its financial investors eCAPITAL AG, Strategic European Technologies NV and IBB Beteiligungsgesellschaft mbH, will be € 5.6 million, paid in cash upon closing by using the available liquidity of TXT. Signing of the definitive agreement (closing), which is conditional on completion of the regular corporate provisions, is envisaged for 1 April 2016, or in the immediately following days. PACE's Net Financial Position upon closing is expected to be positive for approximately € 1.7 million. The consideration will be increased by additional cash payments in 2016 and 2017, estimated at approximately € 1.9 million, based on the financial and economic results of PACE's business. The financial statements of PACE and TXT will be consolidated starting from second quarter 2016.

The three founders and directors of PACE, Michael Kokorniak, Oliver Kranz and Alexander Schneegans, shall continue as shareholders for the remaining 21%. A put-call option for their shares will be exercisable in the period 2020-2021, at a price based on the future results of PACE, with multiples essentially in line with those of the initial transaction.

Following acquisition, the company will keep the name PACE and the three founders will continue to work in their current roles to promote future growth of the company. PACE currently employs 70 professionals, mainly in the headquarters of Berlin, with activities in the aerospace hubs of Toulouse (F) and Seattle (USA).

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

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

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

The market difficulties and uncertainties, including the Luxury and Fashion market, in 2016 will lead to an expected slowdown for TXT Retail in the first quarter of the new year, also due to the high rate of conversion into contracts of the commercial pipeline in fourth quarter 2015, but the overall prospects for 2016 do not change.

In 2016, the Company will continue to invest in research and development and in strengthening the international sales structure. The portfolio of negotiations for new licences and contracts for the second quarter is good, but it is subject to uncertainties on the outcome of negotiations and decision times.

The Company's Net Financial Position has improved significantly from € 8.3 million as at 31 December 2015 to € 14.0 million as at 29 February 2016.

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

Milan, 8 March 2016