

PRESS RELEASE

TXT e-solutions – second quarter of 2006: consolidated revenues +7.8%, pre-tax profit €0.2 million

Milan, August 4th 2006

Today the BoD of **TXT e-solutions** - an international company specialised in Demand & Supply Chain Management and Content Management software products, listed in the STAR segment of the Milan Bourse (TXTS) - approved figures for the second quarter of 2006 (2Q06). These show consolidated revenues of € 15.2 million (mn) (vs. € 14.1 mn in 2Q05, +7.8% YoY), EBITDA of some € 1.4 m (€2.1 mn), and pre-tax profit of €0.2 mn (€1.2 mn).

Particular points to note are that:

- Consolidated revenues in 2Q06 grew by 6.7% vs. 1Q06, mainly thanks to the buoyant growth of international business (+72.4%), of proprietary Demand & Supply Chain Management products in the Industry & Retail Division, and of the Aerospace & Defence Division.
- Total revenues in the first half of 2006 (1H06) totalled € 29.5 mn, growing by 10.8% over 1H05 (€26.6 mn).
- R&D activities were further intensified, with a total investment of € 4.5 mn in 1H06, mainly for development of TXT Perform Demand & Supply Chain Management products and of the TXT Polymedia platform.
- 1H06 orders totalled € 33.8 mn, with a 7% increase over 1H05. New customers of the Industry & Retail division include: the Armani Group (I), Veneta Cucine (I), Orangina-Schweppes (F), Delta Lingerie (F), Bruno Steinhoff (D), and Banca Popolare di Verona e Novara (I).
- In addition a major new global agreement called “Industry Builder Initiative” was signed with the Microsoft Corporation. The agreement envisages distribution in Microsoft’s catalogue of medium/high-end TXT Perform products, integrated with Dynamics AX, for consumer-driven companies (consumer goods, fashion, apparel, and retail).
- The net financial position as at 30/06/06 was positive by some € 4.8 mn, down vs. € 7.1 mn as at March 31st 2006. The decrease was due to the growth of trade receivables and to consequent financing of working capital and capital employed, as well as to payments of €0.4 mn in 2Q06 for quotas in the company Tecno Team Srl, acquired during 1Q06, and to dividends of some € 1 mn.



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“On the positive side” – stated the company’s Chairman, Alvise Braga Illa – “there is the fact the today TXT is the leading company for Demand & Supply Chain Management software – and is the only one with strong skills also in the multimedia sector and new mobility applications. The company thus believes that it has major growth and profit opportunities, which it is committed to exploiting, accelerating the launch of innovative products and expanding its commercial relationships with premier operators”.

***TXT e-solutions** (www.txt.it) is leader in Europe in strategic enterprise solutions and related proprietary software, in particular for Content Management and for Demand & Supply Chain Management. Listed in the TechStar and All Stars segments of the Milan Bourse (TSTS and TXT MI), TXT employs some 500 professionals. TXT has its registered HQ in Milan and offices in Genoa, Turin, Vicenza, Bari, Naples, Rome, Paris, Lyon, Barcelona, Chemnitz (Dresden), Halle (Leipzig), London, and New York.*

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| CONSOLIDATED BALANCE SHEET: ASSETS | | | | |
|---|-------------------------|-------------------|------------------|-------------------|
| (Amounts in euro) | 30/06/2006 | 31/12/2005 | Change | 30/06/2005 |
| NON-CURRENT ASSETS | | | | |
| Intangible assets | 11.283.768 | 9.237.103 | 2.046.666 | 8.358.331 |
| - Goodwill | 4.794.828 | 4.403.214 | 391.614 | 4.403.214 |
| - R&D | 5.267.781 | 3.932.259 | 1.335.522 | 3.495.998 |
| - Intangible assets with finite life | 1.221.159 | 901.630 | 319.529 | 316.062 |
| Property, plant, and equipment | 2.586.301 | 2.928.743 | (342.442) | 3.354.354 |
| - Owned property, plant, and equipment | 1.939.244 | 1.906.513 | 32.731 | 2.123.210 |
| - Assets held via finance leases | 647.057 | 1.022.230 | (375.173) | 1.418.719 |
| Other non-current assets | 366.505 | 366.674 | (169) | 362.864 |
| - Investments | 224.494 | 215.494 | 9.000 | 235.495 |
| - Sundry receivables and other non-current assets | 142.011 | 151.181 | (9.169) | 127.370 |
| Deferred tax assets | 1.844.103 | 1.804.565 | 39.538 | 2.050.788 |
| TOTAL NON-CURRENT ASSETS | (A) 16.080.677 | 14.337.085 | 1.743.593 | 14.126.337 |
| CURRENT ASSETS | | | | |
| Inventories | 5.845.616 | 2.203.024 | 3.642.592 | 2.740.876 |
| Trade, sundry and other current receivables | 26.502.765 | 27.971.950 | (1.469.185) | 24.979.924 |
| Available-for-sale securities | 5.401.305 | 5.821.988 | (420.683) | 5.249.309 |
| Cash & cash equivalents | 4.186.254 | 4.387.405 | (201.151) | 6.967.336 |
| TOTAL CURRENT ASSETS | (B) 41.935.941 | 40.384.367 | 1.551.574 | 39.937.445 |
| TOTAL ASSETS | (A+B) 58.016.618 | 54.721.451 | 3.295.167 | 54.063.782 |

| CONSOLIDATED BALANCE SHEET: LIABILITIES | | | | |
|---|---------------------------|-------------------|------------------|-------------------|
| (Amounts in euro) | 30/06/2006 | 31/12/2005 | Change | 30/06/2005 |
| EQUITY | | | | |
| Share capital | 1.311.556 | 1.300.652 | 10.904 | 1.285.824 |
| Reserves | 27.374.371 | 39.291.495 | (11.917.124) | 39.615.319 |
| Retained earnings (losses carried forward) | 1.075.452 | (10.663.109) | 11.738.561 | (11.050.130) |
| Profit (loss) for period | 420.036 | 604.770 | (184.734) | 272.046 |
| TOTAL EQUITY | (A) 30.181.415 | 30.533.808 | (352.393) | 30.123.060 |
| NON-CURRENT LIABILITIES | | | | |
| Non-current financial liabilities | 2.782.823 | 2.000.000 | 782.823 | 0 |
| Post-employment benefits and other employee obligations | 6.112.738 | 5.562.144 | 550.594 | 4.587.471 |
| Deferred tax liabilities | 0 | 0 | 0 | 0 |
| Long-term provision for future risks & charges | 0 | 0 | 0 | 0 |
| Sundry and other non-current liabilities | 120.000 | 120.000 | 0 | 200.000 |
| TOTAL NON-CURRENT LIABILITIES | (B) 9.015.561 | 7.682.143 | 1.333.417 | 4.787.471 |
| CURRENT LIABILITIES | | | | |
| Current financial liabilities | 1.961.065 | 1.227.373 | 733.692 | 1.053.829 |
| Trade payables | 7.677.483 | 7.801.736 | (124.253) | 5.409.914 |
| Taxes payable | 1.653.112 | 1.176.671 | 476.440 | 2.219.386 |
| Sundry and other current liabilities | 7.527.985 | 6.299.720 | 1.228.265 | 2.346.547 |
| TOTAL CURRENT LIABILITIES | (C) 18.819.644 | 16.505.500 | 2.314.144 | 19.153.251 |
| TOTAL LIABILITIES | (E=B+C) 27.835.205 | 24.187.643 | 3.647.562 | 23.940.722 |
| TOTAL EQUITY AND LIABILITIES | (A+E) 58.016.619 | 54.721.451 | 3.295.168 | 54.063.782 |

TXT e-solutions Group
RESTATED CONSOLIDATED INCOME STATEMENT as up to 30/06/2006

| (€ '000) | 2Q06 | | 2Q05 | | Chg. 06/05 | | 1H06 | | 1H05 | | Chg. 06/05 | |
|---|---------------|--------------|---------------|--------------|---------------|---------------|--------------|---------------|--------------|---------------|---------------|--|
| | | % | | % | % | | % | | % | % | % | |
| REVENUES | 15.233 | 100,0 | 14.134 | 100,0 | 7,8 | 29.507 | 100,0 | 26.638 | 100,0 | 10,8 | | |
| Licenses & maintenance contracts | 1.545 | 10,1 | 1.775 | 12,6 | (13,0) | 3.210 | 10,9 | 3.667 | 13,8 | (12,4) | | |
| Services | 6.249 | 41,0 | 5.628 | 39,8 | 11,0 | 11.732 | 39,8 | 9.822 | 36,9 | 19,4 | | |
| Projects | 7.169 | 47,1 | 5.761 | 40,8 | 24,4 | 13.915 | 47,2 | 11.596 | 43,5 | 20,0 | | |
| Other revenues and income | 270 | 1,8 | 970 | 6,9 | (72,2) | 649 | 2,2 | 1.553 | 5,8 | (58,2) | | |
| DIRECT AREA COSTS: | | | | | | | | | | | | |
| Direct payroll and project staff costs | 4.843 | 31,8 | 4.155 | 29,4 | 16,6 | 9.132 | 30,9 | 8.256 | 31,0 | 10,6 | | |
| Outside services and subcontractors | 2.468 | 16,2 | 1.743 | 12,3 | 41,6 | 4.452 | 15,1 | 3.364 | 12,6 | 32,4 | | |
| Materials procurement | (48,0) | (0,3) | (10,0) | (0,1) | 380,0 | 239 | 0,8 | 80 | 0,3 | 198,3 | | |
| Travel and miscellaneous expenses | 347 | 2,3 | 345 | 2,4 | 0,6 | 700 | 2,4 | 630 | 2,4 | 11,1 | | |
| TOTAL DIRECT AREA COSTS | 7.610 | 50,0 | 6.233 | 44,1 | 22,1 | 14.523 | 49,2 | 12.330 | 46,3 | 17,8 | | |
| GROSS MARGIN | 7.623 | 50,0 | 7.901 | 55,9 | (3,5) | 14.984 | 50,8 | 14.308 | 53,7 | 4,7 | | |
| INDIRECT AREA COSTS: | | | | | | | | | | | | |
| R&D | | | | | | | | | | | | |
| Indirect payroll costs | 730 | 4,8 | 885 | 6,3 | (17,5) | 1.496 | 5,1 | 1.759 | 6,6 | (14,9) | | |
| Outside services and miscellaneous items | 207 | 1,4 | 122 | 0,9 | 70 | 411 | 1,4 | 297 | 1,1 | 38,5 | | |
| Total R&D costs | 937 | 6,2 | 1.007 | 7,1 | (7,0) | 1.907 | 6,5 | 2.055 | 7,7 | (7,2) | | |
| (Capitalised development costs) | (1.469) | 0 | (829) | 0 | 77,2 | (2.593) | 0 | (1.607) | 0 | 61,4 | | |
| <i>Total R&D</i> | <i>2.406</i> | | <i>1.836</i> | | | <i>4.500</i> | | <i>3.662</i> | | | | |
| Marketing & Sales | | | | | | | | | | | | |
| Indirect payroll costs | 1.867 | 12,3 | 1.932 | 13,7 | (3,4) | 3.724 | 12,6 | 3.326 | 12,5 | 12,0 | | |
| Outside services | 518 | 3,4 | 394 | 2,8 | 31,5 | 1.178 | 4,0 | 777 | 2,9 | 51,7 | | |
| Travel and miscellaneous expenses | 260 | 1,7 | 329 | 2,3 | (21,0) | 505 | 1,7 | 665 | 2,5 | (24,1) | | |
| Total M&S | 2.645 | 17,4 | 2.655 | 18,8 | (0,4) | 5.407 | 18,3 | 4.768 | 17,9 | 13,4 | | |
| TOTAL INDIRECT AREA COSTS | 3.582 | 23,5 | 3.662 | 25,9 | (2,2) | 7.314 | 24,8 | 6.823 | 25,6 | 7,2 | | |
| BUSINESS UNIT OPERATING PROFIT | 4.041 | 26,5 | 4.239 | 30,0 | (4,7) | 7.671 | 26,0 | 7.485 | 28,1 | 2,5 | | |
| Corporate Marketing & Sales | 671 | 4,4 | 510 | 3,6 | 31,6 | 1.252 | 4,2 | 1.007 | 3,8 | 24,3 | | |
| General & Administrative costs | | | | | | | | | | | | |
| Indirect payroll costs | 448 | 2,9 | 411 | 2,9 | 9,0 | 928 | 3,1 | 755 | 2,8 | 22,9 | | |
| Outside services | 860 | 5,6 | 708 | 5,0 | 21,5 | 1.743 | 5,9 | 1.517 | 5,7 | 14,9 | | |
| Rents and sundry hires | 502 | 3,3 | 456 | 3,2 | 10,1 | 977 | 3,3 | 881 | 3,3 | 10,9 | | |
| Other operating costs | 201 | 1,3 | 80 | 0,6 | 151,3 | 309 | 1,0 | 240 | 0,9 | 29,0 | | |
| Total G&A | 2.011 | 13,2 | 1.655 | 11,7 | 16,6 | 3.957 | 13,4 | 3.392 | 12,7 | 16,6 | | |
| TOTAL INDIRECT CORPORATE COSTS | 2.682 | 17,6 | 2.165 | 15,3 | 23,9 | 5.209 | 17,7 | 4.399 | 16,5 | 18,4 | | |
| EBITDA | 1.359 | 8,9 | 2.074 | 14,7 | (34,5) | 2.462 | 8,3 | 3.085 | 11,6 | (20,2) | | |
| Depreciation, amortisation, and write-downs | 1.039 | 6,8 | 833 | 5,9 | 24,7 | 1.868 | 6,3 | 1.585 | 6,0 | 17,9 | | |
| EBIT | 320 | 2,1 | 1.241 | 8,8 | (74,2) | 594 | 2,0 | 1.500 | 5,6 | (60,4) | | |
| Financial income (expense) and provisions | (114) | (0,7) | (33) | (0,2) | 245,5 | (172) | (0,6) | (15) | (0,1) | 1.046,7 | | |
| Non-recurring income/(charges) | - | - | - | - | - | - | - | - | - | - | | |
| PRE-TAX PROFIT | 206 | 1,4 | 1.208 | 8,5 | (82,9) | 422 | 1,4 | 1.485 | 5,6 | (71,6) | | |