

TXT e-solutions: H1 2018**Revenues € 19.0 million (+6.1% compared to H1 2017),****EBITDA € 2.1 million (+8.8%),****Net Income € 0,9 million (-10.6%).**

- *Revenues € 19.0 million (+6.1%), of which € 2.4 million from Software (+57.8%) and € 16.6 million from Services (+1.4%).*
- *EBITDA € 2.1 million (+8.8%) with growing R&D investments (+15.0%).*
- *Net Financial Position: € 74,0 million positive (€ 87.3 million as of December 31, 2017), after € 12.9 million dividends and purchase of treasury shares and € 2.5 million Cash flow from Operations.*

Milan – August 2, 2018 – 18:34

The Board of Directors of TXT e-solutions Spa, chaired by Alvise Braga Illa, today approved the first-half financial results for the period ended as of June 30, 2018.

The Chairman Alvise Braga Illa has commented: *“In First Half 2018 TXT continued the organic development of its software business at a faster speed than market and completed the first acquisition of the new growth strategy”.*

Key economic and financial results in H1 2018 were:

Revenues were € 19.0 million in H1 2018, up +6.1% compared to H1 2017 (€ 17.9 million). Software revenues from licences, subscriptions and maintenance were € 2.4 million, up +57.8% compared to H1 2017 and Service revenues were € 16.6 million, up +1.4% compared to H1 2017.

International Revenues rose from € 5.8 million in H1 2017 to € 6.7 million (+14.8%) or 35% of total sales (33% in H1 2017).

Net of direct costs, the **Gross Margin** came to € 8.4 million, up +8.2% over H1 2017. The margin on revenues was 44.4%, up compared to 43.6% in H1 2017.

EBITDA was € 2.1 million, up +8.8% compared to H1 2017 (€ 1.9 million). R&D expenses rose +15.0% and Commercial expenses rose +8.5%. G&A expenses grew +3.4% due to higher corporate costs, distributed on a reduced perimeter after the sale of TXT Retail,

partially compensated by the adoption of new IFRS 16 which treats operating leases costs as amortisation of relevant contracts. The margin on revenues was 10.9%, up compared to 10.6% in H1 2017.

Operating Income (EBIT) was € 1.2 million, compared to € 1.6 million in H1 2017, after expensing depreciation of € 0.5 million following the adoption of new accounting standard IFRS 16 "Leases".

Net Income was € 0.9 million, compared to € 1.0 million Net Income from Continuing Operations in H1 2017, due to capital losses on liquidity and reduced income taxes for the one off benefit of "Patent Box" tax relief. Net Income in H1 2017 (€ 1.6 million) included Net Income of both Continuing Operations (€ 1.0 million) and Discontinued Operations - TXT Retail Division (€ 0.6 million).

Net Financial Position as at 30 June 2018 was positive by € 74.0 million, compared to € 87.3 million as at 31 December 2017, down € 13.3 million, due to payment of dividends (€ 11.7 million), purchase of treasury shares (€ 1.2 million) and debt towards lessors of offices, cars and printers according to new accounting principle IFRS 16 (€ 2.9 million). Cash generated by operations remained strong in the first semester (€ 2.5 million)

Shareholders' Equity as of June 30, 2018 was € 86.5 million. The € 13.4 million decrease compared to € 99.9 million as of December 31, 2017 is due payment of dividends (€ 11.7 million), purchase of treasury shares (€ 1.2 million), first time application of new accounting principle IFRS 15 "Revenue recognition" on software licences, net of taxes (€ 1.4 million). Net Income in H1 2018 contributed positively by € 0.9 million.

As of June 30, 2018, TXT owned 1,363,651 treasury shares or 10.48% of issued shares, purchased at an average price of € 2.80.

Second Quarter 2018

Revenues were € 9.6 million in Q2 2018, up +7.2% compared to Q2 2017 (€ 9.0 million). Software revenues from licences, subscriptions and maintenance were € 1.2 million, up +61.1% compared to Q2 2017 and Service revenues were € 8.4 million, up +2.3% compared to Q2 2017.

EBITDA was € 0.9 million, up +12.2% compared to Q2 2017 (€ 0.8 million). R&D expenses rose +14.3% and Commercial expenses rose +12.4%. G&A expenses as percentage of Revenues were substantially flat (12.5%). The margin on revenues was 9.2%, up compared to 8.8% in Q2 2017.

Net Income was € 0.3 million, compared to € 0.4 million Net Income from Continuing Operations in Q2 2017 (-28.2%). Net Income in Q2 2017 (€ 0.9 million) included Net Income of both Continuing Operations (€ 0.4 million) and Discontinued Operations - TXT Retail Division (€ 0.5 million).

Outlook and Subsequent Events

On July 31, 2018 the agreement for the acquisition of 100% of Cheleo has been executed. Cheleo is an Italian specialist in the field of design and development of products and services for the life cycle management of financing by financial and banking intermediaries: preliminary investigations, credit management and collection, disposal of credit packages, both "performing" and "non-performing". The types of covered financing are: leasing, loans, salary-backed loans, factoring and Non Performing Loans (NPL). The acquisition will allow TXT to significantly broaden its customer base and its offering with new products, competences and high value added know-how.

Cheleo in 2017 had revenues of € 2.8 million and an EBITDA of € 0.95 million and forecasts an increase of revenues and EBITDA in 2018 of 25%. Financial results will be consolidated in TXT since August 1, 2018.

The Company foresees in Q3 2018 a positive organic development of revenues and a profitability substantially in line with last year. The strategy of acquisitions focused on Transportation and Fintech will continue.

Declaration of the designated officer in charge of drafting the company's accounting documents

The Designated Officer in charge of drafting the company's accounting documents, Paolo Matarazzo, herein declares, pursuant to Article 154-bis, Paragraph 2 of Legislative Decree no. 58 of 24 February 1998 that the accounting information contained in this press release corresponds to the documentary records, books and accounting entries.

As from today, this press release is available also on the company's website www.txtgroup.com

TXT e-solutions is an international software products and solutions vendor. Specialized in the most dynamic and agile markets with the highest degree of innovation and renewal that require state-of-the art solutions, TXT is focused on two main business areas: specialized software products and advanced Software-related Engineering Services for companies in the Aerospace, Aviation and Automotive; testing and quality services in Banking. Through its newly created internal start-up TXT Sense, it also develops and market innovative applications of Augmented Reality to other service & industrial sectors. The company has been listed on the Italian Stock Exchange - STAR segment (TXT.MI) - since July 2000. TXT is based in Milan and has subsidiaries in Italy, Germany, United Kingdom, France, Switzerland and USA.

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Management Income Statement as of 30 June 2018

<i>€ thousand</i>	I SEM 2018	%	I SEM 2017	%	Var %
REVENUES	19.006	100,0	17.919	100,0	6,1
Direct costs	10.560	55,6	10.111	56,4	4,4
GROSS MARGIN	8.446	44,4	7.808	43,6	8,2
Research and Development costs	1.447	7,6	1.258	7,0	15,0
Commercial costs	2.621	13,8	2.416	13,5	8,5
General and Administrative costs	2.309	12,1	2.233	12,5	3,4
EBITDA	2.069	10,9	1.901	10,6	8,8
Amortization, depreciation	872	4,6	343	1,9	n.m.
OPERATING PROFIT (EBIT)	1.197	6,3	1.558	8,7	(23,2)
Financial income (charges)	(287)	(1,5)	(153)	(0,9)	87,6
EARNINGS BEFORE TAXES (EBT)	910	4,8	1.405	7,8	(35,2)
Taxes	(40)	(0,2)	(432)	(2,4)	(90,7)
NET PROFIT CONTINUING OPERATIONS	870	4,6	973	5,4	(10,6)
Net Profit Discontinued Operations (sale of TXT Retail)	-		594		
NET PROFIT	870		1.567		

Income Statement as of 30 June 2018

Euro	30.06.2018	30.06.2017
TOTAL REVENUES AND INCOME	19,005,646	17,919,000
Purchases of materials and services	(2,996,198)	(3,190,302)
Personnel costs	(13,818,456)	(12,476,119)
Other operating costs	(122,373)	(351,579)
Amortizations, depreciation and write downs	(871,251)	(343,129)
OPERATING RESULT	1,197,369	1,557,871
Financial income/charges	(287,147)	(152,747)
PRE-TAX RESULT	910,221	1,405,124
Income Taxes	(40,281)	(432,155)
NET INCOME CONTINUING OPERATIONS	869,941	972,969
Net Income Discontinued Operations (sale of TXT Retail)	-	594,365
NET INCOME	869,941	1,567,334
PROFIT PER SHARE (Euro)	0,07	0,13

Net Financial Position as of 30 June 2018

.000 Euro	30.6.2018	31.12.2017	Var
Cash	9.103	86.527	(77.424)
Trading securities at fair value	69.583		69.583
Other Short Term Financial Assets	-	3.156	(3.156)
Short term Financial Debts	(664)	(675)	11
Short term Financial Resources	78.022	89.008	(10.986)
Non current Financial Debts - Lessors IFRS 16	(2.312)	-	(2.312)
Other Non current Financial Debts	(1.680)	(1.668)	(12)
Non current Financial Debts	(3.992)	(1.668)	(2.324)
Net Available Financial Resources	74.030	87.340	(13.310)

Consolidated Balance Sheet as of 30 June 2018

ASSETS (Euro)	30.06.2018	31.12.2017
NON-CURRENT ASSETS		
Goodwill	5,369,231	5,369,231
Definite life intangible assets	1,781,333	1,962,454
Intangible Assets	7,150,564	7,331,685
Buildings, plants and machinery owned	3,656,673	793,444
Tangible Assets	3,656,673	793,444
Other non-current assets	73,766	75,173
Deferred tax assets	1,203,501	659,656
Other non-current assets	1,277,267	734,828
TOTAL NON-CURRENT ASSETS	12,084,504	8,859,957
CURRENT ASSETS		
Inventories	3,178,329	2,527,917
Trade receivables	9,736,292	14,680,812
Other current assets	2,663,902	5,690,021
Trading securities at fair value	69,583,088	0
Cash and other liquid equivalents	9,103,268	86,527,488
TOTAL CURRENT ASSETS	94,264,879	109,426,238
TOTAL ASSETS	106,349,383	118,286,195
EQUITY AND LIABILITIES (Euro)		
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	13,253,706	15,144,014
Retained earnings	65,847,865	9,691,188
Profit (Loss) for the period	869,941	68,555,495
TOTAL SHAREHOLDERS' EQUITY	86,474,637	99,893,822
NON-CURRENT LIABILITIES		
Non-current financial liabilities	3,991,831	1,688,023
Severance and other personnel liabilities	2,628,825	2,589,776
Deferred tax liabilities	460,102	503,014
TOTAL NON-CURRENT LIABILITIES	7,080,758	4,780,813
CURRENT LIABILITIES		
Current financial liabilities	663,607	674,861
Trade payables	704,685	1,341,308
Tax payables	794,084	548,642
Other current liabilities	10,631,613	11,046,750
TOTAL CURRENT LIABILITIES	12,793,989	13,611,560
TOTAL LIABILITIES	19,874,747	18,392,373
TOTAL EQUITY AND LIABILITIES	106,349,384	118,286,195

Consolidated Statement of Cash Flows as of 30 June 2018

Euro	I Semester 2018	I Semester 2017
Net Income continued operations	869,941	972,969
Net Income discontinued operations	-	594,365
Net Income	869,941	1,567,334
Non cash costs	-	161,925
Financial interest paid	8,146	-
Paid taxes	416,912	-
Current income taxes	245,442	174,833
Variance in deferred taxes	-42,917	-353,901
Amortization, depreciation and write-downs	871,346	684,854
Cash flows generated by operations before working capital	2,368,870	2,235,045
(Increase) / Decrease in trade receivables	7,970,638	4,113,072
(Increase) / Decrease in inventories	(650,412)	(785,218)
(Increase) / Decrease in trade payables	(636,623)	(346,519)
(Increase) / Decrease in severance and other personnel liabilities	(2,325,948)	(1,156,535)
(Increase) / Decrease in other current assets/liabilities	37,771	(1,563)
Changes in working capital	4,395,426	1,823,237
Income taxes paid	-	-
CASH FLOW GENERATED BY OPERATIONS	6,764,296	4,058,282
Increase in tangible assets	(153,679)	(432,274)
Increase in intangible assets	(18,880)	(19,830)
Net Cash flow from acquisition	815	-
(Increase) / Decrease in other financial assets/liabilities	(70,000,000)	-
CASH FLOW GENERATED BY INVESTING ACTIVITIES	(70,171,744)	(452,104)
Repayment of borrowings	(1,097,302)	(312,753)
Payment dividends	(11,709,799)	(3,495,636)
(Purchase)/Sale of Treasury Shares	(1,191,755)	-
CASH FLOW GENERETED BY FINANCIAL ACTIVITIES	(13,998,856)	(3,808,389)
INCREASE / (DECREASE) IN CASH	(77,406,304)	(202,211)
Difference in Currency Translation	(17,916)	(12,348)
Cash at beginning of the period	86,527,488	7,570,479
Cash at the end of the period	9,103,268	7,355,920
Assets acquired with no effect on cash flow (first adoption IFRS 16)	(3,381,710)	-
Liabilities acquired with no effect on cash flow (first adoption IFRS 16)	3,381,710	-

Income Statement - Management Reporting Second Quarter as of 30 June 2018

<i>€ thousand</i>	Q2 2018	%	Q2 2017	%	Var %
REVENUES	9.609	100,0	8.960	100,0	7,2
Direct costs	5.397	56,2	5.167	57,7	4,5
GROSS MARGIN	4.212	43,8	3.793	42,3	11,0
Research and Development costs	735	7,6	643	7,2	14,3
Commercial costs	1.393	14,5	1.239	13,8	12,4
General and Administrative costs	1.198	12,5	1.121	12,5	6,9
EBITDA	886	9,2	790	8,8	12,2
Amortization, depreciation	446	4,6	164	1,8	n.m.
OPERATING PROFIT (EBIT)	440	4,6	626	7,0	(29,7)
Financial income (charges)	(304)	(3,2)	21	0,2	n.m.
EARNINGS BEFORE TAXES (EBT)	136	1,4	647	7,2	(79,0)
Taxes	192	2,0	(190)	(2,1)	n.m.
NET PROFIT CONTINUING OPERATIONS	328	3,4	457	5,1	(28,2)
Net Profit Discontinued Operations (sale of TXT Retail)	-		472		
NET PROFIT	328		929		