TXT e-solutions Group

Half-yearly report

as at 30 June 2019

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 as at 31 December 2019:

Alvise Braga Illa	Chairman	(1)
Enrico Magni	Chief Executive Officer	(2)
Daniele Misani	Director	(3)
Fabienne Anne Dejean Schwalbe	Independent Director	(4)
Stefania Saviolo	Independent Director	(4)
Valentina Cogliati	Independent Director	(5)
Alessandro Arrigoni	Independent Director	(3)

(1) Powers assigned: proxy.
(2) Powers assigned: ordinary and extraordinary administration, except for the purchase and sale of property.
(3) Co-opted on 15 July 2019 to replace Marco Edoardo Guida and Paolo Matarazzo, who resigned. In office until the next Shareholders' Meeting.
(4) Member of the Remuneration Committee, the Risks and Internal Controls Committee and the Related Parties Committee.
(5) Member of the Risks and Internal Controls Committee.

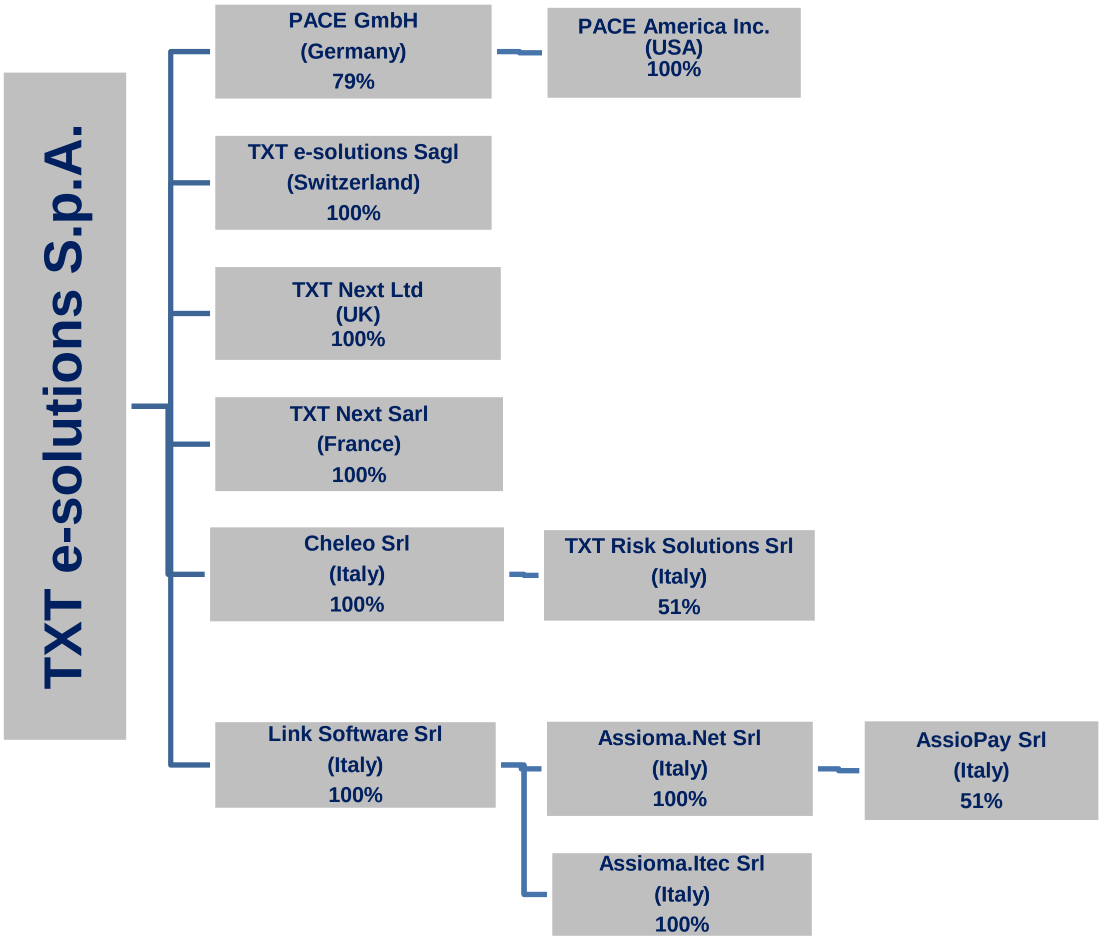
BOARD OF STATUTORY AUDITORS

Members' term of office expires upon approval of the financial statements as at 31 December 2019:

Mario Basilico	Chairman
Luisa Cameretti	Standing auditor
Giampaolo Vianello	Standing auditor
Massimiliano Alberto Tonarini	Alternate auditor
Pietro Antonio Grignani	Alternate auditor
Laura Grimi	Alternate auditor

EXTERNAL AUDITORS	EY S.p.A.
INVESTOR RELATIONS	E-mail: infofinance@txtgroup.com Tel: +39 02 25771.1

Organisational structure and scope of consolidation



Contents

Key data and Directors’ Report on Operations as at 30 June 2019

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	H1 2019	%	H1 2018	%	% CHANGE
REVENUES	26,996	100.0	19,006	100.0	42.0
EBITDA	2,788	10.3	2,069	10.9	34.8
CURRENT OPERATING PROFIT (EBITA)	2,065	7.6	1,373	7.2	50.4
OPERATING PROFIT (EBIT)	1,245	4.6	1,197	6.3	4.0
NET PROFIT	2,171	8.0	870	4.6	149.5

FINANCIAL DATA (€ thousand)	30.6.2019	31.12.2018	Change
Fixed assets	34,319	22,942	11,377
Net w orking capital	8,540	6,006	2,534
Post-employment benefits and other non-current liabilities	(3,371)	(2,957)	(414)
Capital employed	**39,488**	**25,991**	**13,497**
Net financial position	(44,157)	(60,356)	16,199
Shareholders' equity attributable to minority interests	121	-	121
Group shareholders' equity	83,525	86,347	(2,822)

DATA PER SHARE	30.6.2019	30.6.2018	Change
Average number of shares outstanding	11,656,499	11,706,755	(50,256)
Net earnings per share	0.19	0.07	0.11
Shareholders' equity per share	7.17	7.38	(0.21)

ADDITIONAL INFORMATION	30.6.2019	31.12.2018	Change
Number of employees	764	534	230
TXT share price	8.19	8.18	0.01

Notes on Alternative Performance Measures

Pursuant to the ESMA guidelines on alternative performance measures ("APMs") (ESMA/2015/1415), endorsed by Consob (see Consob Communication no. 0092543 dated 3 December 2015), it should be noted that the reclassified statements included in this Directors' Report on Operations show a number of differences from the official statements shown in the accounting tables set out in the following pages and in the notes with regard to the terminology and the level of detail.

Specifically, the reclassified consolidated Income Statement introduces the following terms:

• **EBITDA**, which in the official consolidated Income Statement means "Total revenues" net of total operating costs and does not consider non-recurring income and charges.

• **EBITA**, which in the official consolidated Income Statement means "Total revenues" net of total operating costs and depreciation and does not consider non-recurring income and charges.

• **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 tangible assets, 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 current receivables/payables.
• **CAPITAL EMPLOYED**, the algebraic sum of Fixed Assets, Net Working Capital, post-employment benefits, and other non-current liabilities.

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

Directors' Report on Operations for H1 2019

Dear Shareholders,

In the first half of 2019, the Aerospace, Aviation & Automotive Division recorded significantly higher revenues (+23%), while the Fintech Division, also due to the consolidation of the recent acquisitions of Cheleo, TXT Risk Solutions and Assioma recorded an increase in revenues of 119%.

30 April 2019 marked the completion of the acquisition of the Assioma Group (www.assioma.net), an Italian specialist in the governance of applications' software quality, with specialist know how gained from almost thirty years experience in the industry and with over 160 employees in its Turin, Milan and Bari offices. Assioma's customer base includes numerous banks, including Intesa San Paolo, Unicredit Leasing, UBI, ING Direct, Widiba, BPM Group and leading companies in Telecommunications, Manufacturing and Services.

The acquisition of Assioma enables TXT to strengthen its business for Banking and Financial customers and to expand the range of services of the Fintech Division. Innovation and customer focus are core values of TXT, which it shares with Assioma, with a team of extremely competent professionals, who share its ethical and professional values in providing excellent services and the highest quality software. Assioma's managers are highly motivated to innovate and grow profitably and sustainably. This transaction strengthens the Fintech Division, as a pole of future growth and as a 'player' that creates value for investors, alongside the growing international success of the Aeronautics Division.

The main consolidated operating and financial results for the first half of 2019 were as follows:

- Revenues amounted to € 27.0 million, up 42.0% compared to € 19.0 million in first half of 2018. Within the same consolidation scope, revenues increased by 21.8%, with a € 3.9 million contribution from Cheleo and Assioma. Revenues from software amounted to € 2.9 million in the first half of 2019, up +24.9% compared to the first half of 2018. Revenues from services amounted to € 24.1 million, up +44.5% compared to the first half of 2018.
  The Aerospace, Aviation and Automotive Division reported revenues of € 18.6 million, up +22.7% against the first half of 2018, generated entirely by organic growth, while the Fintech Division posted revenues of € 8.4 million, up +119.0% against the first half of 2018, € 3.9 million of which due to the consolidation of Cheleo and Assioma, and € 0.7 million from organic growth (+18.2%).

- Net of direct costs, the Gross Margin rose from € 8.4 million to € 11.7 million, marking an increase of +38.9%. In the first half of 2019, the gross margin amounted to 43.5% of revenues.

- EBITDA was € 2.8 million, up +34.8% compared to the first half of 2018 (€ 2.1 million), following significant investments in research and development (+84.8%) and commercial investments (+37.2%). The impact of general and administrative costs on revenues fell from 12.1% to 9.9% in the first half of 2019. Of the € 0.7 million increase of EBITDA, € 0.2 million was due to organic growth (+10.2%) and € 0.5 million to the contribution of Cheleo and Assioma. The margin on revenues was 10.3% compared with 10.9% in the first half of 2018.

- Current operating profit after depreciation (EBITA) in the first half of 2019 was € 2.1 million, up by +50.4% compared to the first half of 2018 (€ 1.4 million), with depreciation substantially in line with last year.

- Operating profit (EBIT) was € 1.2 million, essentially in line with the first half of 2018 (+4.0%). The € 0.7 million increase of EBITA was substantially absorbed by higher amortisation on the intangible fixed assets of Cheleo and TXT Risk Solutions (€ 0.3 million) and by reorganisation costs (€ 0.4 million).

- Financial income in the first half of 2019 was € 1.8 million (minus € 0.3 million in the first half of last year), due to the growth of the financial markets, which enables liquidity to be managed with extremely positive results.

- Net profit was € 2.2 million, compared to € 0.9 million in the first half of 2018, and represented 8.0% of revenues compared to 4.6% last year. In the first half of 2019, the impact of taxes on EBT was 28%, while in the first half of 2018, a one-time benefit regarding tax incentives "Patent Box" for previous years had substantially offset the current tax burden.

- The consolidated Net Financial Position as at 30 June 2019 was positive for € 44.2 million, compared to € 60.4 million as at 31 December 2018, down by € 16.2 million mainly due to the dividend distribution (€ 5.8 million), the outlay to acquire Assioma (€ 5.6 million), purchase of treasury shares (€ 1.0 million), recognition of the payable for the new rental agreement for offices in Berlin (€ 2.2 million) and other changes in net working capital (€ 1.6 million).

- Consolidated shareholders' equity as at 30 June 2019 amounted to € 83.5 million, down € 2.8 million compared to € 86.3 million as at 31 December 2018, mainly as a result of the dividend distribution (€ 5.8 million), the purchase of treasury shares (€ 1.0 million), and other changes in reserves (€ 0.5 million). Shareholders' equity increased thanks also to the use of treasury shares for part payment of the price paid for the acquisition of Assioma (€ 2.4 million) and because of the net profit of the first half (€ 2.1 million).

The Board of Directors resolved to simplify the Company's organizational and managerial structure, by eliminating a reporting level between the business units, the Group Chief Executive Officer and the Board of Directors. The management of the Aerospace Division is entrusted to Daniele Misani, an excellent young manager who has successfully held increasingly important technical, commercial and managerial posts in TXT over his almost 20-year career.

In the light of the new managerial and organizational structure, and following notice of termination of his employment contract as Director of the Aerospace, Aviation & Automotive Division, recognising the due notice period, Marco Guida resigned from his post as member of the Company's Board of Directors.

The entire Board of Directors sincerely thanked Marco Guida for his work in various managerial positions of increasing importance within the Company over the course of 25 years, and for his success as Executive Director, a post he has held uninterruptedly over the past ten years, and as member of the Board of Directors.

The Alternative Performance Measures also include EBITA (Current operating profit: Earnings Before Interest, Taxes & Amortisation) as a useful parameter to measure the company's operating performance before the costs for the amortisation of the intangible fixed assets mainly linked to the acquisitions. This new Measure will enable company performance to be measured more specifically also as a function of the TXT's strategy, which seeks to grow by external acquisitions.

TXT's consolidated results for the first half of 2019, compared with those of the first half of last year, are presented below:

(€ thousand)	H1 2019	%	H1 2018	%	% Change
REVENUES	**26,996**	**100.0**	**19,006**	**100.0**	**42.0**
Direct costs	15,264	56.5	10,560	55.6	44.5
GROSS MARGIN	**11,732**	**43.5**	**8,446**	**44.4**	**38.9**
Research and development costs	2,674	9.9	1,447	7.6	84.8
Commercial costs	3,596	13.3	2,621	13.8	37.2
General and administrative costs	2,674	9.9	2,309	12.1	15.8
GROSS OPERATING PROFIT (EBITDA)	**2,788**	**10.3**	**2,069**	**10.9**	**34.8**
Depreciation	723	2.7	696	3.7	3.9
CURRENT OPERATING PROFIT (EBITA)	**2,065**	**7.6**	**1,373**	**7.2**	**50.4**
Amortisation	474	1.8	176	0.9	n.s.
Reorganisation and non-recurring charges	346	1.3	-	-	n.s.
OPERATING PROFIT (EBIT)	**1,245**	**4.6**	**1,197**	**6.3**	**4.0**
Financial income (charges)	1,791	6.6	(287)	(1.5)	n.s.
EARNINGS BEFORE TAXES (EBT)	**3,036**	**11.2**	**910**	**4.8**	**n.s.**
Taxes	(865)	(3.2)	(40)	(0.2)	n.s.
NET PROFIT	**2,171**	**8.0**	**870**	**4.6**	**149.5**
Attributable to:					
Parent Company shareholders	2,084		870		
Minority interests	87		-		

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs for the first half of 2019, compared with those of the previous year for each Division are presented below.

(€ thousand)	H1 2019	%	H1 2018	%	% Change
			TXT AEROSPACE, AVIATION & AUTOMOTIVE		
REVENUES	**18,621**	**100.0**	**15,176**	**100.0**	**22.7**
Software	2,499	13.4	2,357	15.5	6.0
Services	16,122	86.6	12,819	84.5	25.8
DIRECT COSTS	10,343	55.5	8,000	52.7	29.3
GROSS MARGIN	**8,278**	**44.5**	**7,176**	**47.3**	**15.4**
			TXT FINTECH		
REVENUES	**8,375**	**100.0**	**3,824**	**100.0**	**119.0**
Software	445	5.3	-	-	n.s.
Services	7,930	94.7	3,824	100.0	107.4
DIRECT COSTS	4,921	58.8	2,558	66.9	92.4
GROSS MARGIN	**3,454**	**41.2**	**1,266**	**33.1**	**172.8**
			TXT SENSE		
REVENUES			**6**		
Software			-		
Services			6		
DIRECT COSTS			2		
GROSS MARGIN			**4**		
			TOTAL TXT		
REVENUES	**26,996**	**100.0**	**19,006**	**100.0**	**42.0**
Software	2,944	10.9	2,357	12.4	24.9
Services	24,052	89.1	16,649	87.6	44.5
DIRECT COSTS	15,264	56.5	10,560	55.6	44.5
GROSS MARGIN	**11,732**	**43.5**	**8,446**	**44.4**	**38.9**

TXT Aerospace, Aviation & Automotive Division

Revenues of the Aerospace, Aviation & Automotive Division for the first half of 2019 were € 18.6 million, compared to € 15.2 million in the first half of 2018, an increase of 22.7% entirely due to organic growth. Revenues from software for the first half of 2019 were € 2.5 million, up +6.0% on the first half of 2018, and revenues from services were € 16.1 million, up 25.8% compared to the first half of 2018.

International revenues account for 44% of revenues for the Division and were up 22.8%.

The Gross margin was € 8.3 million, +15.4% compared to the first half of 2018 (€ 7.2 million). As a percentage of revenues, the gross margin amounted to 44.5%, compared to 47.3% in the first half of 2018 due to the higher percentage of revenues generated by services.

TXT has decades-long experience in the aerospace sector, particularly in on-board software, flight simulators, training systems, flight support systems and advanced manufacturing solutions. The Division also serves a growing number of aerospace companies and airline operators throughout the world, providing them with software and innovative services to design, configure, produce, acquire and operate their airlines and fleets in an economically optimal manner. The main application areas are the preliminary design of airplanes and technical systems, the configuration of airplanes and cabins, economic management of fleets, and the analysis of flying routes and innovative instruments - such as “Electronic Flight Bags” - to improve operating efficiency during flight.

Current customers comprise over 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Leonardo (I), Airbus (D and F), Boeing (USA), Pilatus (CH), Saab (S), Reiser (D), CAE (D), Safran Group (F), GE Aviation (USA), COMAC (China), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), Lufthansa (D), American Airlines (USA) and Delta Airlines (USA).

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

The Aviation sector is in a phase of rapid consolidation and TXT is well-positioned to take opportunities with regard to work and acquisitions, numbering among its main and most loyal customers some of the biggest players in this consolidation.

TXT FINTECH Division

Revenues amounted to € 8.4 million, up 119.0% compared to € 3.8 million in first half of 2018. Within the same consolidation scope, revenues increased by 18.2%, with a € 3.9 million contribution from the new subsidiaries Cheleo and Assioma. Software revenues in the first half of 2019 were € 0.4 million, entirely due to Cheleo. Revenues from services amounted to € 7.9 million compared to € 3.8 million in the first half of 2018. All revenues were generated in Italy.

The Gross margin was € 3.5 million, +172.8% compared to the first half of 2018 (€ 1.3 million). The impact of the gross margin on revenues improved from 33.1% to 41.2%, thanks to the contribution of Cheleo and Assioma.

TXT has historically operated in the financial and banking sector, where it specialises in Independent Verification & Validation of supporting IT systems. The product range builds on the substantial operating experience acquired by working side-by-side with leading banking companies for over twenty years, combined with in-depth knowledge of the methods and tools to manage software quality, and the testing, assessment and validation of software acquired in the aerospace and aviation sector, a historic precursor in these realms. TXT has strategic partnerships with Microsoft, HP and IBM.

Cheleo, acquired on 31 July 2018, is an Italian specialist in the design and development of products and services for lifecycle management of loans by banking and financial intermediaries. It designs and develops products and services for managing loans: initial inquiries, management and recovery of credit, transfer of credit packages, both performing and non-performing. The types of loans covered are leases, mortgages, salary-backed loans, factoring and Non-Performing Loans (NPLs).

TXT Risk Solutions, acquired on 8 November 2018, develops and markets risk assessment solutions based on predictive probabilistic models using Machine Learning and AI techniques, which can be integrated and customised according to customer needs. The platform created is called FARADAY, and represents a paradigm shift, focusing on subjects connected to each other, to highlight the strong and weak links within the cluster.

In credit institutions, risk management has several facets, but among these there is the need to control behavioural requirements of “Integrity” and “Correctness”, as well as “Solvency” during relations with a customer (or a potential customer). In the first half of 2019, TXT Risk Solutions increased its investments in research and development to consolidate FARADAY and to create a “family” of application solutions dedicated to different operational risks.

The Assioma group, acquired on 30 April 2019, is an Italian specialist in the governance of applications’ software quality, with knowhow gained from almost thirty years experience in the industry and with over 160 employees in its Turin, Milan and Bari offices.

The Assioma Group’s customer base includes numerous banks, including Intesa San Paolo, Unicredit Leasing, UBI, ING Direct, Widiba, BPM Group and leading companies in Telecommunications, Manufacturing and Services.

The aim of the transaction is to strengthen TXT’s existing business for Banking and Financial customers, to improve TXT’s post-acquisition operating margins and to extend its product range by adding new services and solutions. The Assioma Group companies have maintained the same company names and the current management team, under the leadership of the chief executive officer Giovanni Daniele De Stradis, will continue to manage the company’s growth and to develop opportunities to integrate with TXT’s Fintech Division.

The acquisition transactions in 2018 and 2019 relating to the Fintech Division have allowed TXT to significantly expand its customers target and to extend its mix of new products, expertise and high value-added specialisations, strengthening its market presence.

TXT SENSE Division

In the first half of 2018, the TXT Sense Division had incurred research and development costs without generating any significant revenues. During the course of 2018, TXT’s Augmented Reality business outside of the aerospace and automotive industries grew with the acquisition of a minority interest (24%) in the start-up Sense immaterial Reality Srl, not consolidated in 2019.

GROUP REVENUES

Research and development costs in H1 2019 amounted to € 2.7 million, up 84.8% compared to € 1.4 million in the first half of 2018. € 0.6 million of the € 1.3 million increase was due to new investments in proprietary software products for the improvement of operating efficiency during flights, and in the technologies for 3D representation and Augmented Reality, while € 0.8 million was due to investments in the development of Cheleo, TXT Risk Solutions and Assioma, part of the Fintech Division. In H1 2018, investments in research and development for TXT Sense had been € 0.1 million. The impact on revenues increased from 7.6% in the first half of 2018 to 9.9%.

Commercial costs amounted to € 3.6 million, up by +37.2% compared to the first half of 2018, mainly due to commercial investments for the integrated promotion of the solutions of the Fintech Division. As a percentage of revenues, commercial costs amounted to 13.3%, compared to 13.8% in H1 2018.

General and administrative costs amounted to € 2.7 million, up € 15.8 million compared to the first half of 2018 (€ 2.3 million), mainly due to the consolidation of Cheleo, TXT Risk Solutions and Assioma. The impact of these costs on revenues fell from 12.1% in the first half of 2018 to 9.9% in the first half of 2019.

Gross operating profit (EBITDA) in the first half of 2019 was € 2.8 million, up by +34.8% compared to the first half of 2018 (€ 2.1 million). The margin on revenues was 10.3%, against 10.9% in the first half of 2018, due to investments in research and development and commercial investments. In the first half of 2019, the EBITDA margin on revenues was 13.6% for the Aerospace, Aviation & Automotive Division (13.2% in H1 2018) and 3.0% for the Fintech Division (7.8% in H1 2018), which is still making heavy investment in development and the sales structure.
Of the € 0.7 million increase of EBITDA, € 0.2 million was due to organic growth (+10.2%) and € 0.5 million to the contribution of Cheleo and Assioma. The investment in TXT Risk Solutions (€ 0.2 million in H1 2019) actually replaced the investment in TXT Sense in H1 2018 (€ 0.2 million).

Current operating profit after depreciation (EBITA) in the first half of 2019 was € 2.1 million, up by +50.4% compared to the first half of 2018 (€ 1.4 million), with depreciation substantially in line with last year.

The amortisation of intangible assets amounted to € 0.5 million, up € 0.3 million compared to 2018 due to the acquisitions of Cheleo and TXT Risk Solutions. In the first half of 2019, the Reorganisation costs incurred for the settlement of Marco Guida and another two managers of the Fintech Division (€ 0.9 million) were partly offset by Non-recurring income for the recovery of provisions for tax risk on the sale of TXT Retail retained no longer necessary (€ 0.5 million).

Operating profit (EBIT) was therefore € 1.2 million, essentially in line with the € 1.2 million in the first half of 2018 (+4.0%).

Earnings before taxes (EBT) came to € 3.0 million, compared to € 0.9 million in the first half of 2018. Financial income in the first half of 2019 was € 1.8 million due to the recovery of the loss recorded in 2018 (€ 1.3 million) and to an extremely positive first half for the financial markets, which enabled high returns on the liquidity invested.

Net profit was € 2.2 million, compared to € 0.9 million in the first half of 2018. In the first half of 2019, the impact of taxes on EBT was 28%, while in the first half of 2018, a one-time benefit regarding tax incentives “Patent Box” for previous years had substantially offset the current tax burden.

CONSOLIDATED CAPITAL EMPLOYED

As at 30 June 2019, Capital Employed totalled € 39.5 million, up by € 13.5 million compared to 31 December 2018 (€ 26.0 million), due to the acquisition of Assioma (€ 8.1 million) and organic growth (€ 5.4 million).

The table below shows the details:

(€ thousand)	30.6.2019	31.12.2018	Total change	of which Assioma	of which TXT
Intangible assets	24,791	17,751	7,040	7,508	(468)
Net tangible assets	7,876	3,680	4,196	2,018	2,178
Other fixed assets	1,652	1,511	141	13	128
Fixed assets	**34,319**	**22,942**	**11,377**	**9,539**	**1,838**
Inventories	5,581	3,141	2,440	20	2,420
Trade receivables	18,806	14,029	4,777	2,675	2,102
Sundry receivables and other short-term assets	3,481	2,963	518	675	(157)
Trade payables	(2,121)	(1,434)	(687)	(799)	112
Tax payables	(2,167)	(1,662)	(505)	(125)	(380)
Sundry payables and other short-term liabilities	(15,039)	(11,031)	(4,008)	(3,498)	(510)
Net working capital	**8,541**	**6,006**	**2,535**	**(1,052)**	**3,587**
Post-employment benefits and other non-current liabilities	**(3,371)**	**(2,957)**	**(414)**	**(361)**	**(53)**
Capital employed	**39,489**	**25,991**	**13,498**	**8,126**	**5,372**
Group shareholders' equity	83,525	86,347	(2,822)	2,347	(5,169)
Shareholders' equity attributable to minority interests	121	-	121	159	(38)
Net financial position (Cash)	(44,157)	(60,356)	16,199	5,620	10,579
Financing of capital employed	**39,489**	**25,991**	**13,498**	**8,126**	**5,372**

Intangible assets rose from € 17.8 million to € 24.8 million due to goodwill from the acquisition of Assioma (€ 7.5 million), net of the amortisation for the period on intangible assets for the intellectual property of the software and customer portfolio for the acquisitions of Pace, Cheleo and TXT Risk Solutions (-€ 0.5 million).

Tangible assets of € 7.9 million increased by € 4.2 million compared to 31 December 2018, mainly due to the acquisition of Assioma (€ 2.0 million) and to the signature of a new long-term rental agreement for new Pace offices in Berlin (€ 2.2 million). Investments in servers and computers during the first half of 2019 (€ 0.7 million) were essentially in line with the depreciation amounts for the period.

Other fixed assets amounted to € 1.7 million and are essentially represented by deferred tax assets. The € 0.2 million rise with respect to 31 December 2018 (€ 1.5 million) is mainly due to new deposits and deferred tax assets on the fair value of financial hedges.

Net working capital rose by € 2.5 million, from € 6.0 million as at 31 December 2018 to € 8.5 million as at 30 June 2019, due to organic growth (€ 3.6 million), net of the consolidation of Assioma, with negative Net working capital of € 1.1 million. The organic growth of working capital is mainly due to the increase in inventories for work in progress for orders not yet invoiced to customers (€ 2.4 million) and trade receivables (€ 2.1 million), particularly as regards an important aerospace customer.

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 3.4 million, increased by € 0.4 million compared with the end of 2018 mainly due to the acquisition of Assioma.

Consolidated shareholders' equity as at 30 June 2019 amounted to € 83.2 million, down € 3.1 million compared to € 86.3 million as at 31 December 2018, mainly as a result of the dividend distribution (€ 5.8 million), the purchase of treasury shares (€ 1.0 million), the purchase of the minority interest in Assioma.Itec Srl (€ 0.4 million) and the change in the provision for the accounting of the fair value of derivative hedging instruments (€ 0.1 million). Shareholders' equity increased thanks also to the use of treasury shares for part payment of the price paid for the acquisition of Assioma (€ 2.4 million) and because of the net profit of the first half (€ 2.1 million).

Shareholders’ equity attributable to minority interests as at 30 June 2019 of € 0.1 million regards the minority interest of 49% in Assiopay Srl, not held by the group.

The consolidated Net Financial Position as at 30 June 2019 was positive for € 44.2 million, compared to € 60.4 million as at 31 December 2018, down by € 16.2 million mainly due to the dividend distribution (€ 5.8 million), the outlay to acquire Assioma as illustrated below (€ 5.6 million), the purchase of treasury shares (€ 1.0 million), the purchase of the minority interest in Assioma.Itec (€ 0.4 million), the recognition of the payable for the new rental agreement for offices in Berlin according to accounting standard IFRS 16 (€ 2.2 million) and other changes in working capital (€ 1.2 million).

On 30 April 2019, the final agreement was signed for the acquisition of 100% of the Assioma Group’s share capital. TXT acquired 100% of the share capital of Link Software S.r.l., which holds (i) a 100% stake in the share capital of Assioma.Net S.r.l., which in turn holds a 51% stake in the share capital of Assiopay S.r.l. and (ii) 70% of the share capital of Assioma.Itec S.r.l.

The total investment was € 8.1 million, broken down as follows:

- € 2.3 million for the value of the TXT shares delivered (253,846 treasury shares).
- € 5.6 million, broken down as follows:
    - € 4.5 million paid in cash;
    - € 1.6 million paid in cash as a function of the financial position as defined contractually on the Closing date;
    - a payment of € 2.4 million envisaged for two Earn-outs dependent on specific operating objectives, insofar as price components deferred over a medium-term period of time, subject to the fulfilment of specific conditions envisaged in the purchase agreement;
    - (€ 2.9) million as the benefit from the net financial position of the Assioma group acquired.
- € 0.2 million as Shareholders’ equity attributable to minority interests.

On 12 June 2019, Link Software S.r.l. purchased the remaining 30% of Assioma.Itec S.r.l. unacquired to date, paying € 0.4 million in cash.

Pursuant to Consob communication dated 28 July 2006 and in compliance with the structure envisaged by 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 as at 30 June 2019 is as follows:

(€ thousand)	30.6.2019	31.12.2018	Change
Cash and cash equivalents	15,004	5,593	9,411
HFT securities at fair value	81,772	103,949	(22,177)
Short-term financial receivables	-	5,000	(5,000)
Current financial liabilities	(16,523)	(17,304)	781
Short-term financial resources	**80,253**	**97,238**	**(16,985)**
Non-current financial payables - Lessors IFRS 16	(4,830)	(2,055)	(2,775)
Other non-current financial liabilities	(31,266)	(34,827)	3,561
Non-current financial liabilities	(36,096)	(36,882)	786
Net Available Financial Resources	**44,157**	**60,356**	**(16,199)**

The Net Financial Position as at 30 June 2019 is detailed as follows:

- Cash and cash equivalents of € 15.0 million are mainly in euro, held with major Italian banks. The increase of € 9.4 million as at 31 December 2018 (€ 5.6 million) is mainly due to the cash of Assioma (€ 4.3 million) and to the reallocation at the end of the half year of investments to multi-segment insurance funds.

- HFT securities at fair value of € 81.8 million are comprised by investments in partial return multi-segment insurance funds (€ 76.2 million) and in government securities and bonds with a medium-low risk profile (€ 5.6 million). The partial disposal of investments was used to fund the payment of dividends, to acquire Assioma and to repay mortgage loan instalments due. As at 31 December 2018, short-term financial receivables of € 5.0 million referred to a time deposit account maturing in January 2019.

- As at 30 June 2019, Current financial liabilities amounted to € 16.5 million and include € 9.3 million for the short-term share of new medium-long term loans, € 3.0 million for short-term "hot money" loans, € 1.7 million for the estimated outlay for the exercise of the Put/Call option in 2020-2021 for the acquisition of Pace, € 1.5 million for the estimated outlay for the Earn-out in 2020 for the acquisition of Cheleo and € 1.0 million for the short-term portion of the payable for the payment of rents and leasing of offices, cars and printers (accounting standard IFRS 16).

- Non-current financial payables - Lessors IFRS 16 as at 30 June 2019 amounted to € 4.8 million and refer to the medium/long-term portion of payables for the payment of rentals and lease instalments for offices, cars and printers including all amounts up to expiry of the related contracts ("Lessors – IFRS 16") and rose by virtue of the acquisition of Assioma (€ 0.9 million) and the new office rental agreement in Berlin.

- Non-current financial liabilities for € 31.21 million were mainly represented by: € 27.2 million for the portion of medium-long term loans due after 12 months; € 2.4 million for the estimated outlay for the payment of the Earn-out option for the acquisition of Assioma, € 1.6 million for the estimated outlay for the exercise of the Put/Call option in 2021 for the acquisition of TXT Risk Solutions.

The medium-long term loans are unsecured for a residual amount as at 30 June 2019 of € 27.2 million and are represented by:

- a € 13.1 million loan of the Parent Company with Unicredit, 5 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap to hedge interest rate risk.
- a € 6.3 million loan of the Parent Company with BNL, 5 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap to hedge interest rate risk.
- a € 5.9 million loan of the Parent Company with UBI, 4 years, with a quarterly amortisation plan and fixed interest rates.
- a € 1.9 million loan of Assioma with BNL, 3 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap to hedge interest rate risk.

In line with market practice, the loan agreements require compliance with:

1. financial covenants based on which the company undertakes to comply with certain levels of financial indexes, contractually defined, the most significant of which relate the gross or net financial indebtedness with the gross operating margin (EBITDA) or the Shareholders' equity, measured on the basis of the consolidated scope of the Group according to the definitions agreed upon with the financing counterparties;
2. negative pledge commitments pursuant to which the company may not create security interests or other restrictions on the corporate assets;
3. pari-passu clauses based on which the loans have the same degree of priority for their repayment as the other financial liabilities and clauses for change of control, which are activated in the event of a divestment by the majority shareholder;
4. limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
5. some obligations toward the issuers that restrict, inter alia, the payment of particular dividends or the distribution of capital; as well as to merging or consolidating with other companies; selling or transferring the company's assets.

The measurement of financial covenants and other contractual obligations is constantly monitored by the Group.

The non-compliance with the covenants and the other contractual commitments, if not adequately corrected within the agreed upon time frame, may involve the obligation of an early repayment of the residual amount.

In the first half of 2019, cash management generated an extremely positive result (€ 1.8 million), which fully offset the loss of € 1.3 million recorded in 2018.

Q2 2019 ANALYSIS

Analysis of the operating results for the second quarter of 2019, compared with those of the second quarter of the previous year, are presented below:

(€ thousand)	Q2 2019	%	Q2 2018	%	% Change
REVENUES	**15,111**	**100.0**	**9,609**	**100.0**	**57.3**
Direct costs	8,593	56.9	5,397	56.2	59.2
GROSS MARGIN	**6,518**	**43.1**	**4,212**	**43.8**	**54.7**
Research and development costs	1,511	10.0	735	7.6	105.6
Commercial costs	2,011	13.3	1,393	14.5	44.4
General and administrative costs	1,500	9.9	1,198	12.5	25.2
GROSS OPERATING PROFIT (EBITDA)	**1,496**	**9.9**	**886**	**9.2**	**68.8**
Depreciation	392	2.6	358	3.7	9.5
CURRENT OPERATING PROFIT (EBITA)	**1,104**	**7.3**	**528**	**5.5**	**109.1**
Amortisation	241	1.6	88	0.9	n.s.
Reorganisation and non-recurring charges	346	2.3	-	-	n.s.
OPERATING PROFIT (EBIT)	**517**	**3.4**	**440**	**4.6**	**17.5**
Financial income (charges)	513	3.4	(304)	(3.2)	n.s.
EARNINGS BEFORE TAXES (EBT)	**1,030**	**6.8**	**136**	**1.4**	**n.s.**
Taxes	(284)	(1.9)	192	2.0	n.s.
NET PROFIT	**746**	**4.9**	**328**	**3.4**	**127.4**
Attributable to:					
Parent Company shareholders	659		328		
Minority interests	87		-		

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

- <u>Net revenues</u> amounted to € 15.1 million, up 57.3% compared to the second quarter of 2018 (€ 9.6 million). Within the same consolidation scope, revenues increased by 26.1%, with a € 3.0 million contribution from Cheleo and Assioma. Software revenues, subscriptions and maintenance were € 1.4 million, up +18.4% compared to the second quarter of 2018 (€ 1.2 million) due to the consolidation of Cheleo. Revenues from services amounted to € 13.7 million, up 62.9% compared to the second quarter of 2018 (€ 8.4 million). Within the same consolidation scope, revenues increased by 29.9%, with a € 2.8 million contribution from Cheleo and Assioma.

- The Gross margin for the second quarter of 2019 amounted to € 6.5 million, +54.7% over the second quarter of 2018 (€ 4.2 million). As a percentage of revenues, the margin amounted to 43.1%, compared to 43.8% in the second quarter of 2018 due to the higher percentage of revenues generated by services.
- EBITDA in the second quarter of 2019 was € 1.5 million, up +68.8% compared to the second quarter of 2018 (€ 0.9 million), following significant investments in research and development (+105.6%) and commercial investments (+44.4%). The impact of general and administrative costs on revenues fell from 12.5% to 9.9% in the second quarter of 2019. The margin on revenues was 9.9% compared with 9.2% in the second quarter of 2018.
  Of the € 0.6 million increase of EBITDA, € 0.3 million was due to organic growth (+27.2%) and € 0.3 million to the contribution of Cheleo and Assioma. The investment in TXT Risk Solutions (€ 0.1 million in the second quarter of 2019) was substantially aligned to the investment in TXT Sense in the second quarter of 2018 (€ 0.1 million).
- Current operating profit after depreciation (EBITA) in the second quarter of 2019 was € 1.1 million, up by +109.1% compared to the second quarter of 2018 (€ 0.5 million), with depreciation substantially in line with last year. Within the same consolidation scope, EBITA increased by 68.1%, with a € 0.2 million contribution from Cheleo and Assioma.
- Operating profit (EBIT) was € 0.5 million, up 17.5% compared to the second quarter of 2018 (€ 0.4 million), after the amortisation of the intangible assets of the acquisitions (€ 0.2 million) and Reorganisation costs (€ 0.4 million).
- Earnings before taxes was € 1.0 million, compared to € 0.1 million in the second quarter of 2018, due to financial income of € 0.5 million, against financial losses in the second quarter of 2018 of -€ 0.3 million.
- Net profit was € 0.7 million, compared to € 0.3 million in the second quarter of 2018 (+101.2%). The net profit for the second quarter of 2018 included the recognition of a one-off tax incentive called “Patent Box” for 2015-2017. In the second quarter of 2019, taxes amounted to € 0.3 million, equal to 27.6% of EBT.

EMPLOYEES

As at 30 June 2019, there were 764 employees, with an increase of 230 employees compared to 31 December 2018 (534 employees), due to the acquisition of Assioma (163 employees) and the growth in business activities in both the Aerospace Division and the Fintech Division (67 employees).

PERFORMANCE OF TXT STOCK, TREASURY SHARES AND EVOLUTION OF SHAREHOLDERS AND DIRECTORS

In the first half of 2019, the share price of TXT e-solutions reached an official high of € 9.97 on 28 January 2019 and a low of € 8.16 on 9 May 2019. As at 30 June 2019, the share price was € 8.19, substantially in line with the price at the end of 2018 (€ 8.18). Average daily trading volumes in the first half of 2019 amounted to 17,200 shares.

As at 30 June 2019, 1,213,171 treasury shares were held (1,359,717 as at 31 December 2018), accounting for 9.33% of shares outstanding, and were purchased at an average price of € 3.29 per share. During the first half of 2019, 107,300 shares were purchased at an average price of € 9.08

and 253,846 shares were assigned to sales staff as part of the payment for the acquisition of Assioma at an agreed price of € 8.98.

The purchase of treasury shares was again authorised by the Shareholders' Meeting of 18 April 2019 for an 18-month period. The plan provides for the purchase of shares up to a maximum of 20% of the share capital.

The Shareholder's Meeting held on 19 April 2019 examined and approved the 2018 financial statements and resolved on the distribution of a € 0.50 ordinary dividend per share (extraordinary dividend of € 1.00 in 2018). The dividend was paid for each outstanding share, excluding treasury shares, starting from 8 May 2019, with record date 7 May 2019 and ex-dividend date 6 May 2019. Total dividends therefore amounted to € 5.8 million, paid in relation to 11.6 million shares.

The Shareholders' Meeting approved the new 2019-2023 Stock Options plan for management, for up to a maximum of 600,000 shares and subject to the achievement of growth objectives for revenues and operating profit. On 27 May 2019, the Board of Directors, following the approval of the Remuneration Committee, assigned 135,000 Stock Options for the purchase of an equal number of shares of the Company at a price of € 8.67 per share to 8 managers of the Company and the international subsidiaries of the Aerospace Division, including Daniele Misani, as an executive with strategic responsibilities. Exercising of the rights is subject to the achievement of predetermined revenue and current operating profit (EBITA) objectives of the Aerospace Division cumulatively in the three-year period 2019-2021. For a description of the rationale of the 2019 Stock Option Plan and its essential elements, readers should refer to the Disclosure drawn up pursuant to article 84-bis of the Consob Issuers' Regulation and available on the Company's website.

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

On 29 January 2019, following the exercise of the Put option by Laserline, TXT acquired the remaining 49% interest in Cheleo, paying the contractually envisaged consideration of € 4.9 million, already allocated to financial liabilities at 31 December 2018. The price was paid in part directly to the seller (€ 4.4 million) and in part to an escrow account (€ 0.5 million) to protect the contractual guarantees. Laserline Spa is controlled by Enrico Magni, the majority shareholder and CEO of TXT, and the latter payment was also subject to assessment, approval and disclosure, in the context of the Cheleo acquisition transaction, by a Related Party.

On 31 May 2019, a settlement agreement was signed related to the termination of the employment contract of Marco Guida, following notice of termination of his position as director of the Aerospace, Aviation and Automotive Division and his resignation from the position of executive member of the Company's Board of Directors, as well as from other positions held by the same within the boards of directors of subsidiaries TXT Next Sarl, TXT Next Ltd and TXT e-solutions Sagl.

As regards the termination of the position of executive director and of Marco Guida's contract of employment, no indemnity is envisaged at the end of the term in office, nor are there any non-competition clauses, while as regards the termination of the contract of employment as an executive of the Company and due to the waiver to appeal against the termination, the settlement agreement agreed entailed: (i) the lump-sum payment by 15 September 2019 of an amount corresponding to € 225,000 gross; (ii) the payment of an amount, merely as a settlement, including an all-inclusive exceptional one-off amount that may not be repeated, of € 5,000 gross; and (iii) keeping the company car until 31 May 2020. The Company contributed € 3,000 gross to Marco Guida's legal expenses.

In the above-mentioned agreement, it is specified that by virtue of the termination by the employer, on 31 July 2019, the contract of employment was terminated, and Marco Guida was exonerated from having to work for the remainder of the notice period (10 months) and with the consequent right to receive the relative substitute indemnity calculated in accordance with Law and the applicable CCNL (National Collective Labour Contract).

There are no mechanisms envisaged that would place restrictions or adjustments to the amount agreed and no requests are envisaged that would entail returning the amounts already paid; the amount of the settlement agreement is in line with the indications contained by the remuneration policy adopted by the Company.

On 31 May 2019, Marco Guida held 200,000 Company shares and was not an addressee of the 2019 Stock Options Plan. On 6 June 2019, Marco Guida sold 120,000 shares to Enrico Magni at a price of € 8.10 and on 12 June 2019, he sold 50,000 shares outside of the open markets (block trade) at a price of € 8.15.

As an executive director and executive with strategic responsibilities, Marco Guida is a Related Party of the Company; the above-cited settlement agreement is considered a Related Party transaction of lesser significance; the Transactions with related parties Committee approved the above-cited transaction. The replacement of the former executive director is not disciplined by succession plans.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

On 9 July 2019, the Director and Chief Financial Officer Paolo Matarazzo tendered his resignation from the position of executive director of the Company and of the subsidiary companies and as an employee. At the time of his resignation, Paolo Matarazzo owned 85,168 TXT shares and was not an addressee of the Stock Options Plan. His justification for resignation was new professional and business opportunities. As regards the termination of the office of executive director and of the contract of employment, no indemnity is envisaged at the end of the term in office, nor are there any non-competition clauses, or benefits of any nature as envisaged in the remuneration policy. No requests are envisaged that would entail returning the amounts already paid. The contract of employment of Paolo Matarazzo will terminate on 30 September 2019 and the replacement of the former executive director is not disciplined by succession plans.

On 15 July 2019, the Board of Directors coopted Daniele Misani as Executive Director and Alessandro Arrigoni (lawyer) as Independent Director.

Daniele Misani has spent his entire career in TXT, contributing significantly to the growth of the Company's range of products and services in the aeronautical segment and to its international development, most recently appointed Director of the Aerospace Division.

Alessandro Arrigoni has forged a distinguished professional and university career in contractual, commercial and financial law, and is currently a lecturer of Advanced Business Law at the Bicocca University in Milan.

The two new Directors replace Marco Guida and Paolo Matarazzo, both resigning executive directors, whom the Board unanimously thanks and voiced its appreciation for their many years of service to the Company.

The Board appointed Eugenio Forcinito as the new CFO of the Group to replace Paolo Matarazzo. Eugenio Forcinito trained and has forged his career in TXT, reaching, after various promotions, the position of the second in command of the Company's administrative and financial structure and holding the same for many years. The handover with the former CFO, as the Director responsible for the Group's consolidation, is envisaged by 30 September. Luigi Piccinno, a key member of staff of TXT, responsible for Supervision, Treasury and Management Control, will take on the additional responsibility of corporate governance, also to assist the Board of Directors and the Committees.

TXT is striving to achieve a growth in internal and external lines, as envisaged in the aforementioned business plans, while focusing on sectors using high-intensity innovative software and with a business model including integrated services with high added value. The Business plan envisages investing significant liquidity, with the treasury shares held, in new acquisition opportunities that contribute to strengthening the range of TXT technologies and services and that can generate value for customers, society and shareholders.

In the third quarter of 2019, the Company expects further high revenue growth both in terms of organic development and the contribution of the acquired companies Cheleo and Assioma. EBITA is expected to be considerably higher than that of the third quarter of 2018, even though major investment in research, development and commercial aspects will continue, to be able to take advantage of market opportunities in both Aerospace, Aviation & Automotive and Fintech divisions.

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

Milan, 1 August 2019

Condensed consolidated half-yearly financial statements as at 30 June 2019

Consolidated Balance Sheet

ASSETS	Notes	30.06.2019	Of which with related parties	31.12.2018	Of which with related parties
NON-CURRENT ASSETS					
Goodwill	7.1	20,212,384		12,784,544	
Intangible assets with a finite useful life	7.2	4,578,177		4,966,064	
Intangible assets		**24,790,561**	**0**	**17,750,608**	**0**
Property, plant and equipment		7,875,857		3,680,046	
Tangible assets	**7.3**	**7,875,857**	**0**	**3,680,046**	**0**
Investments in associates	7.4	0	0	9,196	9,196
Sundry receivables and other non-current assets	7.5	253,941		73,780	
Deferred tax assets	7.6	1,398,271		1,428,441	
Other non-current assets		**1,652,212**	**0**	**1,511,417**	**9,196**
TOTAL NON-CURRENT ASSETS		**34,318,630**	**0**	**22,942,071**	**9,196**
CURRENT ASSETS					
Contractual assets/Final inventories	7.7	5,580,895		3,140,913	
Trade receivables	7.8	18,806,426	0	14,028,655	89,426
Sundry receivables and other current assets	7.9	3,482,600		2,963,467	
Other short-term financial receivables	7.10	0		5,000,000	
HFT securities at fair value	7.11	81,772,160		103,948,873	
Cash and cash equivalents	7.12	15,003,347		5,593,125	
TOTAL CURRENT ASSETS		**124,645,428**	**0**	**134,675,033**	**89,426**
TOTAL ASSETS		**158,964,058**	**0**	**157,617,103**	**98,622**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes		Of which with related parties		Of which with related parties
SHAREHOLDERS' EQUITY					
Share capital		6,503,125		6,503,125	
Reserves		14,638,506		13,439,139	
Retained earnings (accumulated losses)		60,298,917		65,840,063	
Profit (loss) for the period		2,084,554		564,947	
TOTAL SHAREHOLDERS' EQUITY (Group)	**8.1**	**83,525,102**	**0**	**86,347,274**	**0**
Shareholders' equity attributable to minority interests		121,182		0	
TOTAL SHAREHOLDERS' EQUITY		**83,646,284**	**0**	**86,347,274**	**0**
NON-CURRENT LIABILITIES					
Non-current financial liabilities	8.2	36,095,674		36,882,347	
Provision for post-employment benefits and other employee provisions	8.3	3,370,700	1,261,527	2,956,922	1,249,026
Deferred tax provision	7.6	1,222,719		1,344,340	
Provisions for future risks and charges	8.4	118,905		718,905	
TOTAL NON-CURRENT LIABILITIES		**40,807,998**	**1,261,527**	**41,902,514**	**1,249,026**
CURRENT LIABILITIES					
Current financial liabilities	8.5	16,523,005	0	17,304,435	4,900,000
Trade payables	8.6	2,120,935		1,434,446	
Tax payables	8.7	944,639		317,197	
Sundry payables and other current liabilities	8.8	14,921,197	518,135	10,311,238	172,250
TOTAL CURRENT LIABILITIES		**34,509,776**	**518,135**	**29,367,315**	**5,072,250**
TOTAL LIABILITIES		**75,317,774**	**1,779,662**	**71,269,830**	**6,321,276**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**158,964,058**	**1,779,662**	**157,617,103**	**6,321,276**

Income Statement

	Notes	30.06.2019	Of which with related parties	30.06.2018	Of which with related parties
Revenues and other income		26,995,519	1,900	19,005,646	
TOTAL REVENUES AND OTHER INCOME	**9.1**	**26,995,519**	**1,900**	**19,005,646**	
Purchases of materials and external services	9.2	(5,293,213)	(996)	(2,996,198)	
Personnel costs	9.3	(18,971,434)	(1,020,194)	(13,818,456)	(583,414)
Other operating costs	9.4	(288,842)		(122,373)	
Depreciation and amortisation/Impairment	9.5	(1,196,755)		(871,251)	
OPERATING RESULT		**1,245,276**	**(1,019,290)**	**1,197,368**	**(583,414)**
Financial income (charges)	9.6	1,800,012		(287,147)	
Share of profit (loss) of associates		(9,196)	(9,196)	-	
EARNINGS BEFORE TAXES (EBT)		**3,036,092**		**910,221**	
Income taxes	9.7	(864,903)		(40,281)	
NET PROFIT (LOSS) FOR THE PERIOD		**2,171,189**		**869,940**	
Attributable to:					
Parent Company shareholders		2,084,555		869,940	
Minority interests		(86,634)		-	
EARNINGS PER SHARE		0.19		0.07	
DILUTED EARNINGS PER SHARE		0.19		0.07	

Statement of Comprehensive Income

	30.06.2019	30.06.2018
NET PROFIT (LOSS) FOR THE PERIOD	**2,171,189**	**869,941**
Attributable to:		
Minority interests	**86,634**	
Parent Company shareholders	**2,084,555**	
Profit/(Loss) from foreign currency translation differences	3,459	304,143
Gain/(Loss) on the effective part of hedging instruments (cash flow hedge)	(102,723)	-
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	**(99,264)**	**304,143**
Defined benefit plans actuarial gains (losses)	(82,159)	1,278
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	**(82,159)**	**1,278**
Total profit/(loss) of Comprehensive Income net of taxes	**(181,423)**	**305,421**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,989,766**	**1,175,362**
Attributable to:		
Minority interests	**86,634**	
Parent Company shareholders	**1,903,132**	**1,175,362**

Segment disclosures

For management purposes, the Group is organised into two Divisions based on the final application of the products and services provided; the "Unallocated" column includes the activities of the former Sense Division for technologies in Augmented Reality, activities then disposed of with the establishment of "Sense immaterial Reality Srl", as well as other Corporate operating and financial amounts. The main financial and operating data broken down by business segment were as follows:

INCOME STATEMENT BY BUSINESS UNIT - PRIMARY SEGMENT at 30.06.2019

(€ thousand)	Aerospace	Fintech	Unallocated	TOTAL TXT
REVENUES	**18,621**	**8,375**	**-**	**26,996**
OPERATING COSTS:				
Direct costs	10,343	4,921	-	15,264
Research and development costs	1,827	847	-	2,674
Commercial costs	2,239	1,357	-	3,596
General and administrative costs	1,679	995	-	2,674
TOTAL OPERATING COSTS	**16,088**	**8,120**	**-**	**24,208**
EBITDA	**2,533**	**255**	**-**	**2,788**
% of Revenues	13.6%	3.0%		10.3%
Depreciation	487	236	-	723
EBITA	**2,046**	**19**	**0**	**2,065**
Amortisation	206	268	-	474
Reorganisation and non-recurring charges (income)	517	373	(544)	346
OPERATING PROFIT (EBIT)	**1,323**	**(622)**	**544**	**1,245**
Financial income (charges)			1,791	1,791
EARNINGS BEFORE TAXES (EBT)			**2,335**	**3,036**
Taxes			(865)	(865)
NET PROFIT			**1,470**	**2,171**

(€ thousand)	Aerospace	Fintech	Unallocated	TOTAL TXT
Intangible assets	6,823	17,967	-	24,791
Tangible assets	5,433	2,443	-	7,876
Other fixed assets	1,140	513	-	1,652
FIXED ASSETS	**13,396**	**20,923**	**-**	**34,319**
Inventories	5,552	29	-	5,581
Trade receivables	14,449	4,357	-	18,806
Sundry receivables and other short-term assets	2,402	1,080	-	3,483
Trade payables	(1,410)	(711)	-	(2,121)
Tax payables	-	-	(945)	(945)
Sundry payables and other short-term liabilities	(9,917)	(5,005)	-	(14,922)
NET WORKING CAPITAL	**11,077**	**(251)**	**(945)**	**9,882**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(3,131)**	**(1,580)**	**-**	**(4,711)**
CAPITAL EMPLOYED	**21,342**	**19,092**	**(945)**	**39,490**
Shareholders' Equity			83,646	83,646
Net financial debt			(44,157)	(44,157)
CAPITAL EMPLOYED			**39,489**	**39,489**

Statement of Cash Flows

	30 June 2019	31 December 2018
Net profit (loss) for the period	**2,171,189**	**564,947**
Non-monetary costs for Stock Options	3,399	-
Non-monetary interest	43,597	278,642
Change in fair value of monetary instruments	(2,025,329)	971,127
Current income taxes	-	274,663
Change in deferred taxes	(91,452)	(367,373)
Depreciation and amortisation, impairment and provisions	596,786	1,911,442
Other non-monetary expenses	-	2,280
Cash flows from (used in) operating activities (before change in working capital)	**698,190**	**3,635,728**
(Increase) / Decrease in trade receivables	(2,105,623)	1,234,849
(Increase) / Decrease in inventories	(2,420,284)	(318,406)
Increase / (Decrease) in trade payables	(112,798)	(90,425)
Increase / (Decrease) in other assets/liabilities	1,613,011	(2,562,347)
Increase / (Decrease) in post-employment benefits	(68,661)	51,147
Changes in operating assets and liabilities	**(3,094,355)**	**(1,685,182)**
Paid income taxes	-	(535,626)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**(2,396,165)**	**1,414,920**
of which due to related parties	-	*(1,075,797)*
Increase in tangible assets	(433,317)	(439,737)
Increase in intangible assets	(2,170)	(85,805)
Decrease in tangible and intangible assets	30,492	-
Net cash-flow from acquisition of subsidiaries	(1,783,708)	1,314,141
(Increase) / Decrease in trading securities	30,197,205	(110,010,118)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**28,008,502**	**(109,221,519)**
Loans issued	857,052	42,979,140
Loans repaid	(9,213,523)	(2,172,541)
Payment of lease liabilities	(594,124)	(963,404)
(Increase) / Decrease in other financial receivables	-	3,156,172
Increase / (Decrease) in financial payables	32,439	19,807
Distribution of dividends	(5,780,767)	(11,709,799)
Interest expense	(125,698)	(35,013)
Other changes in shareholders' equity	(450,000)	-
(Purchase)/Sale of treasury shares	(930,962)	(4,377,109)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(16,205,583)**	**26,897,253**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,406,754**	**(80,909,346)**
Effect of exchange rate changes on cash flows	3,459	(25,017)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5,593,125**	**86,527,488**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**15,003,338**	**5,593,125**
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	(2,495,754)	(3,751,131)
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	2,495,754	3,751,131

Statement of Changes in Equity as at 30 June 2019

	Share capital	Legal reserve	Share premium reserve	Merger surplus	Stock options	Actuarial differences on post-employment benefits	Cash flow hedge reserve	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity (Group)	Total shareholders' equity (Minority interests)	Total shareholders' equity
Balances as at 31 December 2018	6,503,125	1,300,625	11,223,612	1,911,444	-	(883,407)	(127,640)	14,504	65,840,063	564,947	86,347,274	-	86,347,274
Profit as at 31 December 2018									564,947	(564,947)	(0)		(0)
Purchase of minority interests						-			(325,326)		(325,326)	34,548	(290,778)
Increase/purchase					3,399		(102,723)				(99,324)		(99,324)
Distribution of dividends									(5,780,767)		(5,780,767)		(5,780,767)
Assignment of treasury shares			2,386,146								2,386,146		2,386,146
Purchase of treasury shares			(969,858)								(969,858)		(969,858)
Discounting of post-employment benefits						(121,056)					(121,056)		(121,056)
Exchange differences								3,459			3,459		3,459
Profit as at 30 June 2019										2,084,554	2,084,554	86,634	2,171,188
Balances as at 30 June 2019	6,503,125	1,300,625	12,639,900	1,911,444	3,399	(1,004,462)	(230,363)	17,963	60,298,917	2,084,554	83,525,102	121,182	83,646,284

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time application	Stock options	Actuarial differences on post-employment benefits	Cash flow hedge reserve	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity
Balances as at 31 December 2017	6,503,125	1,005,000	12,136,607	1,911,444	140,667	1,164,184	(913,844)	0	(300,045)	9,691,188	68,555,495	99,893,822
Profit as at 31 December 2017		295,625							327,517	67,932,354	(68,555,495)	-
Allocation of Reserves					(140,667)	(1,164,184)				1,304,851		-
Distribution of dividends										(11,709,799)		(11,709,799)
Sale of treasury shares			221,309									221,309
Purchase of treasury shares			(4,598,419)									(4,598,419)
Business combinations			3,464,115									3,464,115
Discounting of post-employment benefits							30,438					30,438
Exchange differences									(12,968)			(12,968)
Change in accounting standards										(1,378,531)		(1,378,531)
Other Statement of Comprehensive Income components								(127,640)				(127,640)
Profit as at 31 December 2018											564,947	564,947
Balances as at 31 December 2018	6,503,125	1,300,625	11,223,612	1,911,444	0	0	(883,406)	(127,640)	14,504	65,840,063	564,947	86,347,274

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 as at 30 June 2019 (see also the organisational chart in the section “Organisational structure and scope of consolidation”):

Company name of the subsidiary	Currency	% holding	Share capital
PACE GmbH	EUR	79%	295,000
PACE America Inc.	USD	79%	10
TXT e-solutions SagL	CHF	100%	40,000
TXT NEXT Sarl	EUR	100%	100,000
TXT NEXT Ltd	GBP	100%	100,000
Cheleo S.r.l.	EUR	100%	99,000
TXT Risk Solutions S.r.l.	EUR	51%	79,592
Link Solutions Srl	EUR	100%	25,000
Assioma.Itec Srl	EUR	100%	10,000
Assioma.Net Srl	EUR	100%	30,000
AssioPay Srl	EUR	51%	10,000

The Group has signed option contracts for minority interests in PACE GMBH, which directly controls PACE America Inc., and in TXT Risk Solutions S.r.l. which, following an assessment of the terms and conditions of exercise, were deemed capable of attributing a present ownership interest on the same as at 31 December 2019. Consequently, for the purposes of presenting the consolidated financial statements, no third party rights have been restated in the shareholders' equity with reference to said interests. However, these rights are recorded as liabilities with regard to potential payments, including contingent considerations, still to be made on the basis of the aforementioned option contracts.

TXT e-solutions Group’s 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 into Euro:

- Income statement (average exchange rate in the year)

Currency	30.06.2019	30.06.2018
British Pound (GBP)	0.8736	0.8797
US Dollar (USD)	1.1298	1.2108
Swiss Franc (CHF)	1.1294	1.1697

- Balance sheet (exchange rates as at 30 June 2019 and 31 December 2018)

Currency	30.06.2019	31.12.2018
British Pound (GBP)	0.8965	0.8945
US Dollar (USD)	1.1380	1.1450
Swiss Franc (CHF)	1.1105	1.1269

2. Acquisition of the Assioma Group

On 30 April 2019, the Company signed an agreement for the acquisition of the share capital of Link Software S.r.l., which at said date held (i) a 100% stake in the share capital of Assioma.Net S.r.l., which in turn held a 51% stake in the share capital of Assiopay S.r.l. and (ii) 70% of the share capital of Assioma.Itec S.r.l. (www.assioma.net). This Italian group specialises in the governance of applications' software quality, with knowhow gained from almost thirty years experience in the industry and with around 150 employees in its Turin, Milan and Bari offices.
The fair value of the consideration for the purchase of 100% of the share capital of Link Software Srl was agreed upon by the parties to be in the amount of € 10.9 million, structured as follows:

Component	**Euro**
Price paid in cash	4,530,000
Price paid in shares	2,386,146
Earn-Out 2019-2020	2,354,112
Contractual NFP	1,592,020
Total (100%)	10,862,278

- The countervalue of the treasury shares of TXT e-solutions Spa has been calculated considering the Fair Value of the share on the Closing date, corresponding to € 9.40 for the number of treasury shares 253,846.
- The amount paid as a function of the Net Financial Position (NFP) as defined contractually in the purchase agreement;
- The amount envisaged for the Earn-out is estimated on the basis of specific operating objectives, insofar as price components deferred over a medium-term period of time, subject to the fulfilment of specific conditions envisaged in the purchase agreement, considered likely, such as the completion of projects underway and the surpassing of specific sales volumes of certain categories of products and services.

On 12 June 2019, Link Software S.r.l. purchased the remaining 30% of Assioma.Itec S.r.l. unacquired to date, paying € 450,000 in cash.

The net assets acquired and the recognition of the goodwill, which should still be allocated, according to IFRS 3, is the following:

Allocation as at acquisition date		
Total price		10,862,278
Net financial position	2,857,098	
Net assets (liabilities)	654,927	
Goodwill to be allocated	**7,427,840**	

For the purposes of the acquisition, a total of € 0.1 million in consulting and legal fees were incurred and were fully expensed in the second quarter of 2019.

The cash flow statement, under item "Net cash flow from acquisition" shows a net amount of € 1.8 million, represented by the financial disbursement actually made (€ 6.2 million) in the second quarter of 2019, net of the Cash acquired on the acquisition date (€ 4.3 million).

3. Basis of preparation of the consolidated financial statements

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union at the date of drafting these financial statements, as well as with the implementing measures for Article 9 of Italian Legislative Decree no. 38/2005 and with any other applicable provisions and Consob regulations on financial statements. This half-yearly report was prepared, regarding both form and content, in accordance with the provisions contained in IAS 34 "Interim Financial Reporting" and in accordance with International Accounting Standards ("IAS - IFRS") issued by the International Accounting Standards Board and adopted by the EU, including all the interpretations of the IFRS Interpretations Committee, previously called Standing Interpretations Committee ("SIC").

The half-yearly report as at 30 June 2019 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 2018. 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 2018. They have been prepared based on accounting records as at 30 June 2019 and on a going concern basis. As for further information relating to the nature of the company's activities, business areas, operations and outlook, reference should be made to the Directors' Report on Operations.

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 1 August 2019.

4. Accounting standards and interpretations applied from 1 January 2019

The accounting standards adopted in preparing the condensed consolidated half-yearly financial statements are consistent with those used in drawing up the consolidated financial statements as at 31 December 2018 and illustrated in the Annual Report under note 3.1 "Accounting standards and basis of consolidation", with the exception of standards, interpretations and amendments whose application was compulsory from 1 January 2019. Also note that the Group chose the option of early application of IFRS 16 "Leases" in accordance with the provisions of paragraph C1 of said standard, therefore this standard was applied for the first time in the half-yearly report as at 30 June 2018. Detailed descriptions of these new standards, interpretations and amendments are provided below.

Moreover, there were no transfers of fair value among hierarchical levels during the first half of 2019 with regard to the existing financial instruments.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments
The interpretation defines the accounting treatment for income tax when the tax treatment entails uncertainties, which impact IAS 12 and does not apply to taxes or duties that do not fall within the scope of IAS 12, nor does it include specific requirements relating to interest or sanctions relating to uncertainty in tax treatments.
The interpretation specifically regards the following points:

- Whether an entity considers uncertain tax treatments separately
- The assumptions of the entity on the examination of the tax treatments by the tax authorities

- How an entity calculates taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity treats changes in facts and circumstances.

An entity must decide whether to consider each uncertain tax treatment separately or together with others (one or more) uncertain tax treatments. It should adopt an approach that provides the best predictions of the resolution of the uncertainty.
The Group applies a significant judgement to identify uncertainties in income tax treatments. Given that the Group operates in a complex multinational context, it has assessed whether the interpretation may have had an impact on its consolidated half-yearly financial statements.
At the time of the adoption of the interpretation, the Group examined the existence of uncertain tax positions, with specific reference to transactions between group companies, associates and related parties and not independently of the relative transfer pricing policy.
The Company and its subsidiaries submit tax returns in various jurisdictions, deducting certain costs relating to transfer prices; this approach could be challenged by the relevant tax authorities.
Based on studies conducted on transfer pricing, and to the best of its knowledge, the Group has decided that there is no reason to retain it likely that its tax treatments (including those of its subsidiaries) do not comply with the tax regulations of the competent authorities. Therefore, the interpretation had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument may be measured at amortised cost or at fair value through other comprehensive income (FVOCI), on condition that the contractual cash flows are "solely payments of principal and interest on the reference amount" (the SPPI criterion) and that the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion regardless of the event of the circumstance that caused the early termination of the contract and regardless of which is the party paying or receiving a reasonable compensation for the early termination of the contract. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
The amendments to IAS 19 endorse the accounting rules in cases in which, during the reference period, an amendment, curtailment or settlement of the plan occurs. The amendments specify that when an amendment, curtailment or settlement of the plan take place during the year, the entity is obliged to determine the cost of the service for the rest of the period following the amendment, curtailment or settlement, adopting the reference actuarial assumptions to remeasure the net liabilities (assets) for defined benefits so that they reflect the benefits offered by the plan and the assets of the plan after said event. The entity is also obliged to determine the net interest for the remaining period after the amendment, curtailment or settlement of the plan: the net liability (asset) for defined benefits so that they reflect the benefits offered by the plan and the assets of the plan after said event; and the discounting rate used to remeasure the net liability (asset) for defined benefits.
These amendments had no impact on the consolidated financial statements insofar as the Group, in the reference period, did hot record any amendment, curtailment or settlement of the plans.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments specify that an entity applies IFRS 9 to long-term interests in associates and joint ventures, for which the equity method is not applied, but that are substantially part of the net investment in the associate or joint venture (long-term interests).
This clarification is important because it implies that the model of expected losses on receivables of IFRS 9, applies to these long-term investments.
The amendments also clarify that, when applying IFRS 9, an entity must not consider any losses of the associated company or joint venture or any impairment of the interest, recognised as adjustments of the net interest in the associate or joint venture that result from the application of IAS 28 Investments in Associates and Joint Ventures.
These amendments did not have a significant impact on the consolidated financial statements, insofar as the Group does not have significant interests in associates or joint ventures that are not measured with the equity method.

Annual improvements 2015-2017 Cycle

- *IFRS 3 Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination, which is carried out in different stages, including the remeasurement of the fair value of the interest previously held in the assets and liabilities of the joint operation. In doing this, the acquirer reassess the interest previously held in the joint operation.
The entity applies these amendments to business combinations whose date of acquisition coincides with or is later than the first financial year starting from 1 January 2019, with early application permitted.
This amendment had no impact on the Group's consolidated financial statements insofar as no business combination took place in which joint control was obtained.

- *IFRS 11 Joint Arrangements*

An entity that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if the activity of the same constitutes a business as defined in IFRS 3.
The amendments clarify that the interests previously held in said joint operation are not remeasured.
The entity applies these amendments to operations in which it has joint control from the start of the financial year starting from 1 January 2019 or later, with early application permitted.
This amendment had no impact on the Group's consolidated financial statements insofar as no business combination took place in which joint control was obtained.

- *IAS 12 Income Taxes*

The amendments clarify that the tax consequences of dividends are related to past transactions or to events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognises the income tax consequences of dividends in the profit/loss statement for the year, under other comprehensive income components or in shareholders' equity consistent with the way in which the entity previously recognised said past transactions or events.
The entity applies said amendments to financial years beginning on or after 1 January 2019, and early application is permitted. When an entity applies these amendments for the first time, its applies them to the tax consequences of dividends recognised from the start of the first financial year. As the Group's current practice is in line with these amendments, the Group did not recognise any impact resulting from said amendments on its consolidated financial statements.

- *IAS 23 Borrowing Costs*

The amendments clarify that any borrowing made, which right from the start was intended to improve an asset, must be treated by the entity as non-specific if all of the measures needed to prepare said asset for use or sale have been completed.
The entity applies said amendments to financial charges incurred from the beginning of the year in which the entity applies these amendments for the first time. The entity applies said amendments to financial years beginning on or after 1 January 2019, and early application is permitted. The Group has no such cases.

5. Financial risk management

With regard to business risks, the main financial risks identified and monitored by the Group are as follows:

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity and investment 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 2018, to which reference should be made.

6. Use of estimates

The preparation of the consolidated half-yearly financial statements and the relevant notes in conformity with IFRSs requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and any changes are immediately recognised in profit or loss. Here below are the assumptions made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenues from contracts with customers

The Group has carried out the following assessments, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

Identification of the performance obligation in a joint sale

The Group provides maintenance and assistance services to customers who have been sold, either separately or together, licenses for use, as well as professional services.

The Group has determined that for the product types offered for which it is reasonable to expect that the customer requires a level of continuous involvement from the Group over a period of time, and which require a certain period of implementation by the customer, the maintenance and assistance service contract cannot be considered separately from the license contract, even if the latter exclusively envisages an up-front fee. The fact that the Group does not regularly grant the right to use its licences separately from the signing of a first maintenance contract, together with the consideration that maintenance services cannot reasonably be provided by other suppliers, are indicators that the customer does not tend to separately benefit from both products independently.

The Group, on the other hand, has established that professional services must be distinguished within the context of the contract and that a price must be independently allocable to them.

Determination of the method for estimating the value of the recognisable variable fee

In estimating any variable fee, the Group must use the expected value method or the most likely quantity method to estimate which method best determines the value of the fee to which it is entitled.

Before including any value of the variable fee in the transaction price, the Group shall assess whether a portion of the variable fee is subject to recognisability limits. The Group has determined that, on the basis of its past experience, economic forecasts and current economic conditions, the variable fee is not subject to uncertainties that could limit its recognisability. Furthermore, the uncertainty to which the variable fee is exposed will be subsequently resolved within a short period of time. Considerations on the significant financing component in a contract

The Group does not usually sell with formal or expected extension of payment terms exceeding one year, for which it believes that there are no significant financing components in the commercial transactions.

Determination of the time frame for project service satisfaction

The Group has determined that the input method is the best method for determining the progress of services provided for projects (for example, the development of technological solutions, consultancy, integration services, training) since there is a direct relationship between the Group's activities (for example, the hours worked and costs incurred) and the transfer of the service to the customer. The Group recognises revenues on a cost-to-cost basis (including the total costs expected to be incurred to complete the service). Depending on the contractual clauses, orders can be managed on a Time & Material or Fixed Price basis. With the former type, revenues are recognised on the basis of the hours actually spent on the project, calculated and accepted by the customer. The agreement with the customer is essentially based on a number of hours to be invested in the project, which can be revised, including upwards, depending on the actual use of resources. Revenues for Fixed Price orders, for which a price is fixed in advance with no subsequent adjustments, are instead determined by applying the completion percentage to the amount of the fee for the project. The calculation of the completion percentage, determined using the Cost to Cost method, i.e. the ratio between the costs incurred and the total expected costs, takes into account the hours spent by personnel involved in the project on the reference date and any other direct costs.

Impairment of non-financial assets

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is measured based on data available from binding sale agreements between knowledgeable, willing parties for similar assets or observable market prices, less the costs of disposal. Value in use is calculated using a discounted cash flow model. Cash flow projections are based on the plan for the next five years and include neither restructurings for which the Group does not have a present obligation, nor significant future investments that will increase the return on the assets of the cash-generating unit subject to measurement. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model, as well as on the expected future cash inflows and the growth rate used to extrapolate.

Taxes

Deferred tax assets are recognised for all unused tax losses, to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilised. Management is required to make significant estimates to determine the amount of tax assets that can be recognised based on the level of future taxable profits, when they will arise, and tax planning strategies.

Pension funds

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation requires assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates, and future benefit increases. Because of the long-term nature of these plans, the estimates are subject to a significant degree of uncertainty. All assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the interest rate of corporate bonds with average terms corresponding to the estimated term of the defined-benefit obligation. The bonds are subject to further qualitative analysis and those that present a credit spread deemed excessive are removed from the population of bonds on which the discount rate is based, as they do not represent high-quality bonds.

The mortality rate is based on mortality tables available for each country. Future salary and benefit increases are based on the expected inflation rates for each country.

Fair value measurement of contingent considerations for business combinations

Contingent considerations associated with business combinations are measured at the acquisition-date fair value within the scope of the business combination. Whenever the contingent consideration is a financial liability, its value is subsequently re-measured at each reporting date.

Fair value is measured using discounted cash flows. Key assumptions take account of the probability of achieving each performance objective and the discount rate.

7. Balance sheet

7.1. Goodwill

Goodwill increased by € 7,427,840 compared to 31 December 2018.

The Group is comprised by two Divisions, "*Aerospace, Aviation & Automotive*" and "*Fintech*". The Aerospace Cash Generating Unit (CGU) includes Pace as well as the operating segment of the parent company, while Fintech includes Cheleo, TXT Risk Solutions Srl, Assioma Group as well as the operating segment of the parent company.

A breakdown of the item as at 30 June 2019 and the comparison with 31 December 2018 is shown below:

Goodwill	Amount at 30 June 2019	Amount as at 31 December 2018
Acquisition of PACE	5,369,231	5,369,231
Acquisition of Cheleo	6,002,072	6,002,072
Acquisition of TXT Risk Solutions	1,413,241	1,413,241
Acquisition of Assioma	7,427,840	0
TOTAL GOODWILL	**20,212,384**	**12,784,544**

Goodwill derives from the acquisition of Pace, which took place in 2016, and the two acquisitions in 2018 of Cheleo Srl and TXT Risk Solutions Srl, and from the acquisition of the Assioma group in 2019, and was determined, in its various components, as follows.

- The goodwill of Pace of € 5,369 thousand, derives from the acquisition price of € 9,097 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,352 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 1,112 thousand, "Intellectual property of software" of € 1,350 thousand and deferred tax assets and liabilities of € 86 thousand. The purchase price was determined by including the fixed price agreed in the contract and earn-outs linked to changes in variables such as revenues and EBITDA and by applying the corresponding multiples, and the other variable figures linked to PACE's greater available liquidity on the acquisition date. Furthermore, for the purpose of drafting the Consolidated Financial Statements, the directors decided to classify the signing of the put/call option contract with PACE's minority shareholders as the acquisition of a present ownership interest in the residual 21% of PACE capital and consequently to designate the liabilities for exercising this option at fair value on the initial recognition date (obtained by means of maturity estimate based on forecast data and the updating of this estimate to take account of the time factor). These price components are to be considered definitively determined, except for variations in the valuation of financial liabilities for exercising the option on PACE minority shares (these variations in the year, linked only to the updating component, have impacted the income statement).
- Cheleo's goodwill of € 6,002 thousand, derives from the acquisition price of € 10,951 thousand, net of the fair value of shareholders' equity on the acquisition date of € 2,613 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 3,239 thousand and deferred tax assets and liabilities of € 904 thousand.
- The goodwill of TXT Risk Solutions of € 1,413 thousand derives from the acquisition price of € 1,910, net of the fair value of shareholders' equity on the acquisition date, a negative of € 21 thousand, the valuation of "Intellectual property" intangible assets with a finite useful life of € 287 thousand and deferred tax assets and liabilities of € 80 thousand.
- Assioma's goodwill of € 7,338 thousand, derives from the acquisition price of € 10,862 thousand, net of the fair value of shareholders' equity on the acquisition date of € 3,434 thousand.

The measurement of the fair value of the assets and liabilities acquired and the relative allocation of the purchase price is underway.

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 2018, to which reference should be made for the relative details.

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 2019, the Group's market capitalisation was not lower than equity.

No recoverability test was conducted as at 30 June 2019, since there was no indicator of impairment such as to highlight significant risks with regard to the possible existence of impairment for the reported goodwill.

7.2. Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 4,578,177 as at 30 June 2019. The changes during the period are reported below:

Intangible assets	Software licences	Intellectual Property	Customer Relationship	TOTAL
Balances as at 31 December 2018	**147,639**	**1,097,078**	**3,721,347**	**4,966,064**
Acquisitions	85,669	0	0	85,669
Amortisation	(37,641)	(125,129)	(310,786)	(473,556)
Balances as at 30 June 2019	**195,667**	**971,949**	**3,410,561**	**4,578,177**

The breakdown of the item is as follows:

- Software licences: these included software licences acquired mainly by the Parent Company for operating in-house instruments. Investments in the period of € 85,669 referred mainly to the purchase of software licences of the Assioma Group.
- Intellectual Property and Customer Relationship: these intangible assets were acquired as part of company acquisitions.
  - The value of these assets relating to PACE was allocated in 2016 by the directors with the help of an independent expert. Intellectual Property represents the intellectual property rights over the software developed and owned by Pace; the Pace Group's Customer Relationship was also considered in the allocation of the higher price paid. As at 30 June 2019, the residual value of the intellectual property in question was € 723,216, net of 2019 amortisation of € 96,429. The residual value as at 30 June 2019 of the Customer Relationship is equal to € 595,716 net of 2019 amortisation equal to € 79,429.
  - The value of Cheleo's Customer Relationship was allocated this year with the help of an independent expert. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 30 June 2019 is equal to € 2,814,845 net of 2019 amortisation equal to € 231,357.
  - The value of TXT Risk Solutions' Intellectual Property was allocated this year. Intellectual property was valued as part of the allocation of the higher price paid. The residual value as at 30 June 2019 is equal to € 248,733 net of 2019 amortisation equal to € 28,700.

7.3. Tangible assets

Tangible assets as at 30 June 2019 amounted to € 7,875,857, net of depreciation, rising € 4,195,811 in the half year mainly due to the signature of new rental contracts in application of international accounting standard IFRS 16 and to the acquisition of the Assioma group. The changes during the half year and a summary schedule of the results of the application of the new standard are reported below:

Tangible assets	Buildings (lease)	Vehicles (lease)	Electronic machinery (lease)	Buildings	Electronic machinery	Furniture and fixtures	Other tangible assets	TOTAL
Balances as at 31 December 2018	**1,894,268**	**855,513**	**49,070**	**0**	**816,123**	**51,355**	**13,717**	**3,680,046**
Business Combinations IFRS3	1,141,974	12,624	3,817	616,450	142,645	48,942	51,439	2,017,891
Acquisitions	2,238,969	256,785	0	12,479	346,605	2,704	71,529	2,929,071
Disposals	0	(10,027)	0	0	(19,337)	(1,133)	0	(30,497)
Depreciation	(280,123)	(210,813)	(8,195)	(3,119)	(202,896)	(5,612)	(9,896)	(720,654)
Balances as at 30 June 2019	**4,995,088**	**904,082**	**44,692**	**625,810**	**1,083,140**	**96,256**	**126,789**	**7,875,857**

Investments in the “Electronic machinery” category mainly refer to the purchase of computer systems and hardware to bolster productive capacity.

The increases in the “Buildings (lease)” category are mainly attributable to the right to use the buildings in which the registered office of the subsidiary company PACE GmbH is located, which is finalising renewal of the lease contract on the registered office for 6 years, renewable for a further 6.

The increases in the “Vehicles (lease)” category refer to TXT e-solutions S.p.A.’s vehicle fleet for a total net of depreciation of € 256,785.

7.4. Investments in associates

In 2017 TXT Sense was launched with the aim of developing proprietary technologies for a 3D representation and New Augmented Reality with applications designed for the industry, communication and service sectors.

On 11 October 2018, TXT participated in the establishment of the start-up Sense immaterial Reality Srl by subscribing shares representing 24% of the share capital for a total value of € 48 thousand. TXT intends to maintain a minority investment in the research project, formerly managed internally and fully consolidated in the TXT Sense Division. TXT has entered into an anti-dilution shareholders agreement up to a € 1 million investment by the majority shareholder Alvise Braga Illa. TXT shall remain free to operate directly in the Augmented Reality and Virtual Reality technologies, in particular in the Aeronautical and Transportation sectors, with the possible cooperation of Sense immaterial Reality. Within the scope of this transaction, about 10 expert researchers, previously employed within the TXT Division, are now employed at Sense immaterial Reality S.r.l.

The value of the investment as at 31 December 2018 was € 9,196. The investment, measured with the equity method, was entirely written down as at 30 June 2019 due to the negative economic result of the investee company.

7.5. Sundry receivables and other non-current assets

“Sundry receivables and other non-current assets” as at 30 June 2019 amounted to € 253,941 compared with € 82,976 as at 31 December 2018. The item included security deposits paid by the Group companies as part of their operations and relating to rent, motor vehicle rentals and bids in public tenders. The increase is mainly attributable to the payment of the deposit by the subsidiary company PACE GmbH for the lease of the new offices in Berlin (€ 160,317).

7.6. Deferred tax assets/liabilities

The breakdown of deferred tax assets and liabilities as at 30 June 2019, compared to the figures as at the end of 2018, is shown below:

	Balances as at 30 June 2019	Balances as at 31 December 2018	Change
Deferred tax assets	1,398,271	1,428,441	(30,170)
Deferred tax provision	(1,222,719)	(1,347,009)	124,290
Total	**175,552**	**81,432**	**94,120**

Deferred tax assets mainly refer to the recognition of prepaid taxes on previous tax losses, and to temporary differences (deductible in future years) for which recovery in the next few years is deemed to be likely.

The recognition of deferred tax assets on the previous losses was based on company plans that consider future profitability and within the limits of the capacity to absorb previous losses within a short, medium-term time period and in any case not exceeding five years.

The change is attributable to the provision for deferred tax assets of € 28,977 on the Market To Market of the Fair Value of the Interest Rate Swap hedge set forth in paragraph “8.2 Non-Current Financial Liabilities” and to the use of the deferred tax assets allocated to provisions last year of € 62,809 and to temporary deferred tax assets of the Assioma group for the remainder.

The provision for deferred taxes refers mainly to the recognition of deferred taxes on assets acquired in 2016 in the Pace acquisition (Customer List and Intellectual Property) and in 2018 in the Cheleo acquisition (Customer List) and the TXT Risk Solutions acquisition (Intellectual Property).

The main changes in deferred tax liabilities refer mainly to the use of € 121 thousand of deferred tax liabilities on acquisitions; more specifically, the allocation of part of the higher price paid to Customer Relationship and Intellectual Property for the Cheleo S.r.l. and TXT Risk Solutions S.r.l. acquisitions and a utilisation following the related amortisation process.

7.7. Contractual assets/Final inventories

Final inventories as at 30 June 2019 amounted to € 5,580,895 and recorded an increase of € 2,439,982 compared with the end of 2018.

The increase of inventories is due in particular to the launch of new important foreign and several domestic “fixed price” projects for which the invoicing of the services rendered to customers was delayed with respect to the actual advancement of the service.

7.8. Trade receivables

Trade receivables as at 30 June 2019, net of the provision for bad debts, amounted to € 18,806,425, down € 4,777,770 compared with the end of 2018. The item is detailed in the table below:

Trade receivables	30 June 2019	31 December 2018	Change
Gross value	19,363,521	14,415,677	4,947,844
Provision for bad debts	(557,096)	(387,022)	(170,074)
Net value	**18,806,425**	**14,028,655**	**4,777,770**

The breakdown of trade receivables into coming due and past due as at 30 June 2019, compared to 31 December 2018, is shown below:

Due date	Total	Coming due	Past due	
			0-90 days	More than 90 days
30 June 2019	**18,806,425**	11,427,603	5,002,843	2,375,981
31 December 2018	**14,028,655**	10,090,735	3,231,219	706,701

The increase of trade receivables is due partly to the consolidation of the Assioma group and partly due to the different timing of payments received from an important customer of the parent company.

Considering the breakdown of the receivables portfolio based on maturity and the absence of changes to the receivables already written down, no changes to the provision for bad debts were deemed necessary.

7.9. Sundry receivables and other current assets

The item "Sundry receivables and other current assets" recorded a balance of € 3,482,600 as at 30 June 2019, compared to a balance of € 2,963,467 as at 31 December 2018. The breakdown is shown below:

Sundry receivables and other current assets	30 June 2019	31 December 2018	Change
Receivables due from EU	646,036	602,129	43,907
Tax receivables	1,257,109	1,143,650	113,459
Other receivables	233,573	265,821	(32,247)
Accrued income and prepaid expenses	1,345,882	951,868	394,014
Total	**3,482,600**	**2,963,467**	**519,133**

The item "receivables due from EU" to the TXT Group included receivables for research grants from the European Union to support research and development activities, subject to specific grant competitions; such grants will be disbursed upon completion of the development stages for the projects concerned. The balance is substantially unchanged with respect to 31 December 2018.

Tax receivables, amounting to € 1,257,109, include the IRES credit due from tax authorities deriving from the tax-deductibility of IRAP on personnel costs relating to the years 2007-2011 amounting to € 405,147, withholding taxes paid on self-employment and employment income, bank interest income, and tax credits for post-employment benefits.

Accrued income and prepaid expenses, amounting to € 1,345,882, consist of reversals of prepaid expenses that did not relate to the half-year. The increase with respect to the previous year is mainly due to the consolidation of the Assioma Group (€ 316,515).

Other receivables amount to € 233,573 and show a decrease of € 32,247. As at 30 June 2019, the item mainly referred to receivables due from employees (€ 126,706) and advances to suppliers (€ 104,076).

7.10. Other short-term financial receivables

Short-term financial receivables amounted to € 5,000,000 as at 31 December 2018. The amount referred to a time deposit account maturing in January 2019, reinvested in other financial products.

7.11. Financial instruments at fair value

As at 30 June, the item included financial instruments designated at fair value for € 81.8 million (the amount includes a positive change in fair value of € 2 million from the date of subscription).

Financial instruments are represented by investments in partial return multi-segment insurance funds (€ 76 million) and in Italian government securities and bonds with a medium-low risk profile (€ 5.8 million). The fair value hierarchy for multi-segment insurance instruments, hybrid or otherwise, was classified as level 3, while Italian government securities and bonds were classified as level 1.

The figure reported by the issuer was adopted as confirmation of the fair value, where possible (level 1 instruments) comparing this with the market values.

7.12. Cash and cash equivalents

The Group's cash and cash equivalents amount to € 15,003,347, up € 9,410,222 from 31 December 2018, mainly as a result of the divestment of absolute return balanced funds, reinvested in July.

Cash and cash equivalents refer to ordinary current accounts held with Italian banks, amounting to € 14,055,588, as well as with foreign banks for € 745,406.

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.

8.1. Shareholders' Equity

The company's share capital as at 30 June 2019 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totalling € 6,503,125.

The reserves and retained earnings include the legal reserve (€ 1,300,625), the share premium reserve (€ 12,639,900), the merger surplus reserve (€ 1,911,444), the “reserves for actuarial differences on post-employment benefits” (negative € 1,004,462), the “Cash flow hedge reserve” (negative € 230,363), the “translation reserve” (€ 17,963), the reserve for stock options (€ 3,399) and reserves for retained earnings (€ 60,298,917).

Shareholders' Equity attributable to minority interests amounts to € 121,182.

Incentive plans

The Shareholders' Meeting held on 18 April 2019 approved a stock option plan for the Group’s executive directors and senior managers, involving up to 600,000 shares subject to the achievement of specific performance objectives, such as performance of revenues, profit or specific individual performance objectives.

On 27 May 2019, the Board of Directors, upon favourable opinion by the Remuneration Committee, assigned 135.00 options for the purchase of an equal number of shares of the company to 8 individuals, comprising executive directors, managers with strategic responsibilities and other directors and managers of the Group, for the period 2019-2021, at the exercise price of € 8.67.

Treasury shares

In the first half of 2019, the share price of TXT e-solutions reached an official high of € 10.06 on 29 January 2019 and a low of € 8.04 on 3 June 2019. In June 2019, the share price was € 8.19, substantially unchanged with respect to that recorded as at 31 December 2018 of € 8.18.

Average daily trade volumes in the first half of 2019 amounted to 17,200 shares, a net decrease against the daily average of 56,800 shares in the previous year.

As at 30 June 2019, 1,213,171 treasury shares were held (1,359,717 in December 2018), accounting for 9.3276% of shares outstanding, at an average carrying amount of € 3.29 per share. In the first half of 2019, 107,300 treasury shares were purchased at an average price of € 9.08. Last May, to acquire the shareholding of Link software engineering Srl, part of the price agreed with the shareholders of the same was covered by the sale of 253,846 shares for a countervalue of € 2,386,146.

8.2. Non-current financial liabilities

"Non-current financial liabilities" amounted to € 36,095,674 (€ 36,882,347 as at 31 December 2018).

Non-current financial liabilities	30 June 2019	31 December 2018	Change
Earn-out	2,357,936	1,492,727	865,209
Put-call payable	1,609,292	3,293,225	(1,683,933)
Bank loans	26,954,795	29,873,162	(2,918,367)
Non-current monetary flow swaps	343,010	167,947	175,063
Non-current payables to suppliers for leasing	4,830,642	2,055,285	2,775,356
Total non-current financial liabilities	**36,095,674**	**36,882,347**	**(394,746)**

This item includes: a) medium/long-term loans taken out in 2018 for the amount due after 12 months, b) the valuation of the amount payable for the Put/Call option for € 1,609,292, for the acquisition of TXT Risk Solutions, as an estimate of the additional outlay for exercising the put/call option in the period 2020-2021 for the purchase of the remaining 49% of the interest in the company, c) the debt for an amount of € 2,357,936 for the Earn-Out to be paid to Assioma shareholders on fulfilment of the contractual conditions (see § 2.), d) the non-current part of the financial debt for € 4,858,589 in accordance with IFRS 16 and e) the non-current portion of bank loans entered into in 2018 for € 26,954,795 and the payable for hedging against exchange rate risk (fair value Interest Rate Swap) for € 343,010.

Note that to calculate the present value of the liabilities related to the lease agreements within the scope of IFRS 16, in the absence of a readily-available implicit rate, the present value of the liabilities was determined using the Group's marginal lending rate, taking into account the duration, amount funded and underlying asset for each type of contract. The Group has established that the differences between the rates to be applied for the different contract categories do not lead to significant differences in impact.

The loans referred to in point a) consist of:

- A loan for € 20,000,000.00 at a 3-month EURIBOR floating rate (360) + 0.53% spread, granted to the parent company on 01/08/2018 by UNICREDIT SPA. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.17% for a quarter. As at 30 June, the residual portion amounted to € 13,026,138.
- A loan for € 10,000,000.00 at a 3-month EURIBOR floating rate (360) + 0.60% spread, granted to the parent company on 27/07/2018 by BANCA NAZIONALE DEL LAVORO SPA. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.08% for a quarter. As at 30 June, the residual portion amounted to € 6,500,000.00.
- A loan for € 10,000,000.00 at a fixed rate of 0.50, granted to the parent company on 01/08/2018 by UNIONE DI BANCHE ITALIANE SpA. As at 30 June, the residual portion amounted to € 6,022,405.00.
- A loan for € 1,700,000 at a 3-month EURIBOR floating rate (360) + 1% spread, granted to Assioma.Net Srl on 01/10/2018 by BANCA NAZIONALE DEL LAVORO SPA. A derivative

product was taken out on the same loan to protect the floating rate, setting it at 0.68% for a quarter. As at 30 June, the residual portion amounted to € 1,250,000.

- A loan for € 500,000 at a 3-month EURIBOR floating rate (360) + 0.75% spread, granted to Assioma.Net Srl on 29/06/2017 by BANCA NAZIONALE DEL LAVORO SPA. As at 30 June, the residual portion amounted to € 156,250.

In line with market practice, the loan agreements require compliance with:

- financial covenants based on which the company undertakes to comply with certain levels of financial indexes, contractually defined, the most significant of which relate the gross or net financial indebtedness with the gross operating margin (EBITDA) or the Shareholders' equity, measured on the basis of the consolidated scope of the Group according to the definitions agreed upon with the financing counterparties;
- negative pledge commitments pursuant to which the company may not create security interests or other restrictions on the corporate assets;
- pari-passu clauses based on which the loans have the same degree of priority for their repayment as the other financial liabilities and clauses for change of control, which are activated in the event of a divestment by the majority shareholder;
- limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
- some obligations toward the issuers which may make the distribution of reserves or capital, inter alia, subject to prior notification to and consent by the lending party; certain extraordinary transactions; certain transactions for the transfer or assignment of its assets.

The measurement of Financial covenants and other contractual obligations is constantly monitored by the Group; as at 30 June 2019 the following requirements were met.

Below is the table required by IAS 7 on changes in liabilities linked to financing activities.

	31 December 2018	Reclassify Current - Non-Current	Business Combinations IFRS3	Change in fair value	New contracts IFRS 16	30 June 2019
Payable for PACE PUT/CALL option	1,691,763	(1,691,763)		0	0	0
Payable for PUT/CALL TXT Risk Solutions option	1,601,462	0	0	7,830	0	1,609,292
Payable for Cheleo Earn-Out	1,492,727	(1,492,727)	0	0	0	0
Payable for Assioma Earn-Out	0	0	2,354,112	3,824	0	2,357,936
Obligations for financial leases and rental contracts with purchase option	2,055,285	0	970,366	0	1,804,991	4,830,642
Interest-bearing loans and borrowings	30,041,109	(4,239,517)	1,321,150	175,063	0	27,297,805
Other	0	0	0	0	0	0
Total liabilities deriving from financial assets	**36,882,346**	**(7,424,007)**	**4,645,628**	**186,717**	**1,804,991**	**36,095,674**

8.3. Provision for post-employment benefits and other employee provisions

The item "Provision for post-employment benefits and other employee provisions" as at 30 June 2019 amounted to € 3,370,700, of which € 1,382,428 relating to obligations to employees of the Parent Company for defined-benefit plans.

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

Provision for post-employment benefits and other employee provisions	31 December 2018	Business Combinations IFRS3	Provisions	Uses/Payments	Actuarial gains/losses and other	Financial income/charges	30 June 2019
Post-employment benefits	1,774,705	361,383	634,354	(724,209)	121,055	8,695	2,175,983
Provision for severance for end of term of office	1,182,217		12,500	0			1,194,717
Total non-current provisions relating to employees	**2,956,922**	**361,383**	**646,854**	**(724,209)**	**121,055**	**8,695**	**3,370,700**

The significant use in the period (€ 724,209) was the result of payments to the INPS treasury fund and supplementary pension funds.

Below is the reconciliation of the provision for post-employment benefits based on Italian statutory regulations and the IAS/IFRS carrying amount:

	2019	2018
Provision for post-employment benefits	**1,936,050**	**1,641,346**
Current cost	(23,176)	(27,720)
Financial charges	8,695	9,630
Actuarial differences	82,158	(30,438)
Actuarial differences following acquisitions	38,897	50,543
Retained earnings	133,359	131,344
Total	**2,175,983**	**1,774,705**

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

- The probability of death was estimated based on the census of the Italian population by age and gender taken in 2000 by ISTAT [Italy's National Institute for Statistics], reducing it by 25%.
- The probability of removal due to total and permanent disability of the employee, such as becoming disabled and leaving the company, was estimated based on disability tables currently used in the reinsurance sector, differentiated by age and gender.
- The retirement age of a generic worker was estimated assuming that the first retirement requirement for the purpose of obtaining the Mandatory General Insurance was satisfied and that the employees started paying into INPS [Italy's Social Security Institute] no later than 28 years of age. This measurement accounts for the changes to the retirement age introduced by the Monti reform in late 2011.
- As for the probability of termination of employment due to resignations and dismissals, as at the measurement date an annual 5% staff turnover rate was calculated.
- With regard to requests for advance payment of benefits, an annual 1.00% advance payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.

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

The discount rate used for measurement purposes was 0.1028% per year, i.e. the rate on Bonds issued by AA-rated European Companies as at 30 June 2019 with maturities of between 5 and 7 years. The average liability duration for the company is 6.07 years.

The table below shows the impact on post-employment benefits of the increase/decrease of certain “key” variables used for the actuarial calculation:

Sensitivity analysis as at 30 June 2019	% Change in liabilities (DBO)			
Type of change for the specific assumption	**Decrease**	**Increase**	**Decrease**	**Increase**
Decrease or increase of 50% in company staff turnover	1.14%	-1.74%	2,200,789	2,138,121
Decrease or increase of 50% in frequency of advance payments	-0.78%	-0.96%	2,159,010	2,155,094
Decrease or increase of inflation by one percentage point	-2.28%	0.56%	2,126,371	2,188,169
Decrease or increase of discount rate by one percentage point	1.49%	-3.14%	2,208,405	2,107,657

8.4. Provisions for future risks and charges

"Provisions for future risks and charges" at 30 December 2019 amounted to € 118,905 and mainly includes provisions for contingent liabilities of a contractual nature. It decreased due to the release of the allocation to provisions for potential liabilities relating to the sale of the Retail Division in 2017, for which, following new information gathered by Directors, the likelihood that the same could result in a financial outlay by the Group was no longer deemed to exist.

8.5. Current financial liabilities

"Current financial liabilities" amounted to € 16,045,058 (€ 17,304,435 as at 31 December 2018).

Current financial liabilities	30 June 2019	31 December 2018	Change
Bank loans	12,235,348	11,657,394	577,954
Payable for the purchase of equity investments	0	4,900,000	(4,900,000)
Earn-out	1,499,955	0	1,499,955
Put-call payable	1,703,883	0	1,703,883
Loans for leases	1,044,324	747,041	297,283
Payables to EU partners	39,493	0	39,493
Total current financial liabilities	**16,523,003**	**17,304,435**	**(781,432)**

Bank loans amounting to € 12,235,348 includes:

- the short-term portion of medium/long-term loans of the Parent Company, and in particular includes the following:
  - € 3,988,500 on the loan granted by UNICREDIT SPA
  - € 2,654,884 on the loan granted by UNIONE BANCHE ITALIANE SPA
  - € 2,000,000.00 on the loan granted by BANCA NAZIONALE DEL LAVORO SPA
  - € 575,000 on the loan granted by BANCA NAZIONALE DEL LAVORO to Assioma.Net Srl
- Short-term payables due to banks/hot money of € 3,000,000 of the Parent Company.
- Short-term payables due to banks of € 16,965 of TXT Risk Solutions Srl.

The payables item for the purchase of holdings of € 4.9 million represented the payable, recognised for the purchase of the shares representing 49% of the capital of Cheleo, to Laserline to be exercised through a PUT/CALL option by 31 January 2019 and exercised on 29 January 2019.

The payable for the Earn-out refers to the debt to pay to Cheleo shareholders The Earn-out is linked to the EBITDA performance of the company acquired and the application of a multiple. The Earn-out, of € 1.5 million, was measured on the basis of the Business Plan approved by the Board of Directors of TXT e-solutions S.p.A. The main causes of uncertainty that could lead to a change in the value of the corresponding liability are linked to the actual performance of the company with respect to the approved plan and to a lesser extent, to market value. The adopted Business Plan represents a reasonable estimate of the most likely scenario.

The amount of the PUT/CALL option payable referred to the residual liability associated with the 2016 acquisition of the PACE Group. This liability predominantly comprises the estimated outlay to acquire the residual minority stake through exercising of the put/call option in 2020-2021 to purchase the remaining 21% of the company's shares. The recognition of this liability follows identification by the directors of the existence of a present ownership interest of the TXT Group with regard to the minority interests.

The IFRS16 Loans item includes the € 1,044,324 payable to the Lessors due to the application of IFRS 16, relating to the amount due within 12 months.

The payable of € 39,493 for advances on research projects funded by the European Union and received by the subsidiary company PACE GmbH as lead manager, to be reimbursed to the project partners. This payable will be paid off during 2019.

Below is the table required by IAS 7 on changes in liabilities linked to financing activities.

	31 December 2018	Cash flows	Reclassify Current - Non-Current	Business Combinations IFRS3	Change in fair value	New leasing contracts	30 June 2019
Interest-bearing loans and borrowings - current portion	8,632,289	(3,636,458)	4,239,517	0	0	0	9,235,348
Current account overdraft	3,025,105	(25,105)	0	0	0		3,000,000
Payable for PACE PUT/CALL option	0	0	1,691,763	0	12,120	0	1,703,883
Payable for Cheleo Earn-Out	0	0	1,492,727	0	7,228	0	1,499,955
Obligations for financial leases and rental contracts with purchase option - current portion	747,041	(765,744)	0	188,049	0	874,978	1,044,324
Payable for the purchase of equity investments	4,900,000	(4,900,000)	0	0	0	0	0
Other current liabilities	0	39,493	0	0	0	0	39,493
Total liabilities deriving from financial assets	**17,304,435**	**(9,287,814)**	**7,424,007**	**188,049**	**19,348**	**874,978**	**16,523,003**

8.6. Trade payables

Trade payables amounted to € 2,120,935 as at 30 June 2019 and rose by € 686,489 compared to 31 December 2018, mainly due to the consolidation of the Assioma group (€ 669,099) Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months.

8.7. Tax payables

Tax payables totalled € 944,639 as at 30 June 2019 and mainly refer to the Parent Company's IRAP (Regional Tax on Productive Activities) and IRES (Corporate Income Tax) payables amounting to € 487,056, to the Assioma group amounting to € 244,603, income taxes of the subsidiary company PACE GmbH and VAT differences for the remainder.

8.8. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 14,921,196 as at 30 June 2019, compared to € 10,311,238 as at 31 December 2018, as shown in the table below:

Sundry payables and other current liabilities	30 June 2019	31 December 2018	Change
Other payables	1,423,723	993,028	430,695
Accrued expenses and deferred income	5,981,971	2,046,409	3,935,563
Advance payments for multi-year orders	1,483,443	2,481,879	(998,437)
Payables due to social security institutions	1,456,726	1,139,330	317,396
Payables due to employees and external staff	4,575,333	3,650,592	924,741
Sundry payables and other current liabilities	**14,921,196**	**10,311,238**	**4,609,958**

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 net change of € 4 million refers mainly to the effect of the consolidation of the Assioma group of € 1.8 million and to the deferment of revenues invoiced in advance by the subsidiary company PACE GmbH on software contracts for € 2 million in application of international accounting standard IFRS15.

The item "Payables due to employees and external staff" included payables for wages and salaries relating to June 2019 as well as payables due to employees for unused annual leave. The difference of € 924,741 compared to the end of last year is due to the consolidation of the Assioma group and to the payment of the 2018 bonus to employees in April 2019.

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

The item "Advance payments from customers for professional services" included the advance payments received from customers against orders currently being processed.

9. Income Statement

9.1. Total revenues and other income

Consolidated revenues and other income for the first half of 2019 amounted to € 26,995,519, up 42% compared with the first half of the previous year, as detailed below:

	30 June 2019	30 June 2018	Change	% change
Revenues and other income	26,995,519	19,005,646	7,989,873	42.04%
Total	**26,995,519**	**19,005,646**	**7,989,873**	**42.04%**

The increase compared to the first half of 2018 is mainly due to the consolidation of Cheleo Srl and the Assioma group, of € 1,477,600 and € 2,377,064 respectively (not present at 30 June 2018) and to the positive result of the Aerospace & Aviation division.

A breakdown of revenues into categories, that essentially reflect how their nature, total, distribution over time and any uncertainties affect the recognition of revenues and related cash flows, as well as the analysis of changes and performance compared to the first half of the previous year, is described in the Report on Operations to which reference should be made for further details.

9.2. Purchases of materials and external services

Purchases of materials and external services for the first half of 2019 amounted to € 5,293,213, up from the first half of 2018, when they totalled € 2,966,199.

The item is detailed below:

	30 June 2019	30 June 2018	Change
Consumables and resale items	443,950	128,147	315,803
Technical consulting	1,880,482	642,811	1,237,671
Travel expenses	822,758	798,632	24,126
Utilities	244,476	142,301	102,175
Media & marketing services	226,605	175,986	50,619
Canteen and ticket services	329,761	195,896	133,865
Administrative and legal services	808,314	567,932	240,382
Directors' fees	536,867	344,494	192,373
Total	**5,293,213**	**2,996,199**	**2,297,014**

The overall change of € 2,297,014 against the first half of 2018 is mainly due to the increase of technical consulting costs of the parent company and of the subsidiaries PACE, Cheleo and Assioma.

9.3. Personnel costs

Personnel costs for the first six months of 2019 amounted to € 18,971,434, up by € 5,152,978 (37%) compared with the first half of 2018.

This increase is mainly due to the consolidation of the subsidiaries (Cheleo Srl, TXT Risk solutions Srl and Assioma group) and the expansion of the workforce.

This item also includes non-recurring reorganisation costs for personnel of € 890 thousand; for further details refer to the Directors' Report on Operations and to paragraph 12 of these notes.

The employees of the TXT e-solutions Group, excluding directors and external consultants, numbered 760 as at 30 June 2019 (492 as at 30 June 2018), with an increase of 268 employees.

The table below shows the breakdown of employees by level:

	White-collar staff	Middle managers	Executives	Total
30/06/2019	691	55	14	760
30/06/2018	451	30	11	492

9.4. Other operating costs

The item "other operating costs" in the first half of 2019 amounted to € 288,842, up € 166,469 compared to the corresponding period in 2018.

This item mainly included expenses for miscellaneous rentals, not recognised in the accounts according to IFRS16 and sundry operating costs (including contingent liabilities and deductible taxes).

	30 June 2019	30 June 2018	Change
Other expenses and extraordinary income adjustments	117,351	(4,669)	122,020
Rental expense for motor vehicles	32,767	44,063	(11,296)
Other tax (other than income tax)	24,640	11,329	13,310
Contingent liabilities	28,300	-	28,300
Other lease and rental expense	46,739	24,435	22,304
Fines and penalties	2,562	25,807	(23,245)
Magazine and subscription expenses	36,483	21,407	15,076
Total	**288,841**	**122,372**	**166,469**

9.5. Depreciation, amortisation and impairment

Depreciation and amortisation amounted to € 1,196,755 as at 30 June 2019, up € 325,504 compared with the corresponding period of the prior year.

They have been calculated based on the useful life of the capitalised asset or cost and its use in production.

The increase is due to the consolidation of the subsidiaries Cheleo and Assioma group.

9.6. Financial income and charges

The positive balance of financial income and charges amounted to € 1,800,012 at 30 June 2019, compared with a negative balance of € 287,147 in the first half of 2018. The difference is mainly due to the positive performance of investments in liquidity, which last year had suffered negative financial market performance. For further details, reference should be made to the Report on Operations.

9.7. Income taxes

Income taxes as at 30 June 2019 were equal to € 864,903, detailed as follows:

	30 June 2019	30 June 2018	Change
Total current taxes	923,915	83,193	840,722
Total deferred tax assets	62,609	0	62,609
Total deferred tax liabilities	(121,621)	(42,912)	(78,709)
Total taxes	**864,903**	**40,281**	**824,622**

Deferred tax assets and liabilities correspond to the change in the respective balance sheet items with the exception of those that did not have an impact on the income statement, such as those relating to the value of cash flow hedging instruments linked to interest on loans.

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

For the Group, related parties are:

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

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

c) The joint ventures in which TXT e-solutions S.p.A. holds an interest.

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

e) Close family members of the 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

Trade transactions with related parties of the Group exclusively refer to amounts paid to the directors and to key management personnel.

As at 30 June 2019	Receivables	Payables	Costs	Revenues
Sense immaterial Reality Srl	0	1,215	996	1,900
Directors and key management personnel	0	1,778,447	1,020,194	0
Total as at 30.06.2019	**0**	**1,779,661**	**1,021,190**	**1,900**

As at 31 December 2018	Receivables	Payables	Costs	Revenues
Sense immaterial Reality Srl	89,426	0	0	77,345
Directors and key management personnel	0	1,421,276	1,153,142	0
Total as at 31.12.2018	**89,426**	**1,421,276**	**1,153,142**	**77,345**

Financial transactions

As at 30 June 2019, financial transactions with related parties of the Group considered as a whole refer to the write-down of the equity investment in Sense immaterial Reality Srl, measured with the equity method.

As at 30 June 2019	Receivables	Payables	Charges	Income
Sense immaterial Reality Srl	0	0	9,196	0
Total as at 30.06.2019	**0**	**0**	**9,196**	**0**

As at 31 December 2018	Receivables	Payables	Charges	Income
Sense immaterial Reality Srl	0	0	38,804	0
Directors and key management personnel	0	4,900,000	0	0
Total as at 31.12.2018	**0**	**4,900,000**	**38,804**	**0**

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 as at 30 June 2019 is as follows:

(€ thousand)	30.06.2019	31.12.2018	Change
Cash and cash equivalents	15,003,347	5,593,125	9,410,223
Financial instruments at fair value	81,772,160	108,948,873	(27,176,713)
Current financial assets	0	0	0
Current bank loans	(12,235,348)	(11,657,394)	(577,954)
Options related to acquisitions (PUT/CALL - Earn-Out)	(3,203,838)	(4,900,000)	1,696,162
Current financial liabilities - IFRS16	(1,044,325)	(747,041)	(297,284)
Payables to EU partners	(39,493)	0	(39,493)
Short-term financial resources	**80,252,503**	**97,237,563**	**(16,985,060)**

Non-current financial liabilities - IFRS16	(4,830,641)	(2,055,285)	(2,775,356)
Non-current bank loans	(27,297,805)	(30,041,110)	2,743,305
Options related to acquisitions (PUT/CALL - Earn-Out)	(3,967,228)	(4,785,952)	818,724
Financial resources - non-current portion	**(36,095,674)**	**(36,882,347)**	**786,673**
Net Available Financial Resources	**44,156,829**	**60,355,216**	**(16,198,387)**

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

13. Other significant events in the year and subsequent events

In May, the Board of Directors resolved to simplify the Company's organizational and managerial structure, by eliminating a reporting level between the business units, the Group Chief Executive Officer and the Board of Directors. The management of the Aerospace Division is entrusted to Daniele Misani.

In the light of the new managerial and organizational structure, Marco Guida resigned from his post as member of the Company's Board of Directors.

On 9 July 2019, the Director and Chief Financial Officer Paolo Matarazzo tendered his resignation from the position of executive director of the Company and of the subsidiary companies and as an employee. At the time of his resignation, Paolo Matarazzo owned 85,168 TXT shares and was not an addressee of the Stock Options Plan. His justification for resignation was new professional and business opportunities. As regards the termination of the office of executive director and of the contract of employment, no indemnity is envisaged at the end of the term in office, nor are there any non-competition clauses, or benefits of any nature as envisaged in the remuneration policy. No requests are envisaged that would entail returning the amounts already paid. The contract of employment of Paolo Matarazzo will terminate on 30 September 2019 and the replacement of the former executive director is not disciplined by succession plans.

On 15 July 2019, the Board of Directors coopted Daniele Misani as Executive Director and Alessandro Arrigoni (lawyer) as Independent Director.

Daniele Misani has spent his entire career in TXT, contributing significantly to the growth of the Company's range of products and services in the aeronautical segment and to its international development, most recently appointed Director of the Aerospace Division.

Alessandro Arrigoni has forged a professional and university career in contractual, commercial and financial law, and is currently a lecturer of Advanced Business Law at the Bicocca University in Milan.

The two new Directors replace Marco Guida and Paolo Matarazzo, both resigning executive directors, whom the Board unanimously thanks and voiced its appreciation for their many years of service to the Company.

The Board appointed Eugenio Forcinito as the new CFO of the Group to replace Paolo Matarazzo. The handover with the former CFO, as the Director responsible for the Group's consolidation, is envisaged by 30 September. Luigi Piccinno will take on the additional responsibility of corporate governance, also to assist the Board of Directors and the Committees.

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

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

The undersigned Alvise Braga Illa as Chairman of the Board of Directors and Paolo Matarazzo as Manager responsible for preparing corporate accounting documents for TXT e-solutions 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 2019.

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 2019 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 2019:

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

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

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

Milan, 1 August 2019