



TXT e-solutions Group

Interim report
as at 31 March 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)
Marco Edoardo Guida	Chief Executive Officer	(3)
Paolo Matarazzo	Director	(3)
Fabienne Anne Dejean Schwalbe	Independent Director	(4)
Stefania Saviolo	Independent Director	(4)
Valentina Cogliati	Independent Director	(5)

(1) Powers assigned: proxy

(2) Powers assigned: ordinary and extraordinary administration, except for the purchase and sale of property.

(3) Powers assigned: ordinary administration.

(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.

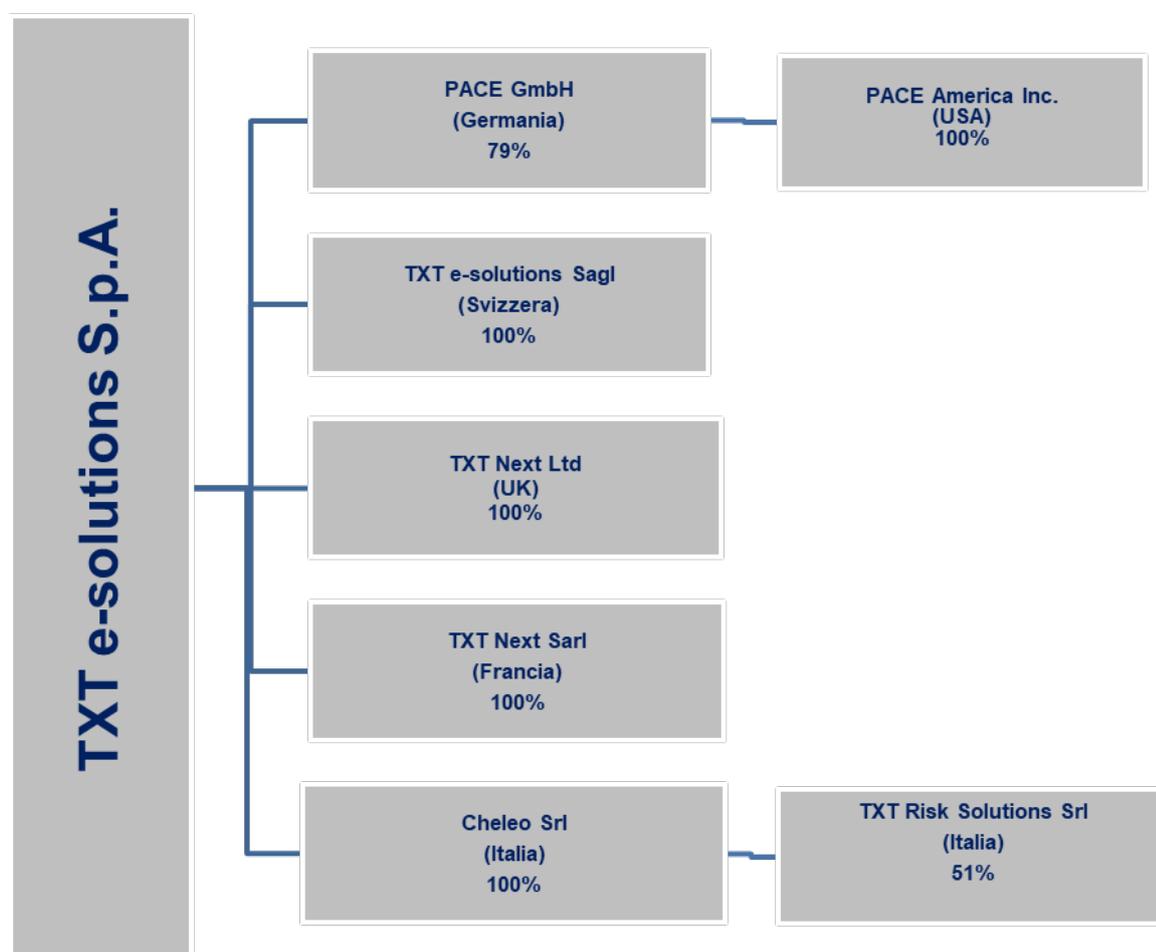
INVESTOR RELATIONS

E-mail: infofinance@txtgroup.com
+39 02 25771.1

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Organisational structure and scope of consolidation



Key data and Directors' Report on Operations for the first three months of 2019

TXT e-solutions Group – Key data

Income data (€thousand)	Q1 2019	%	Q1 2018	%	VAR %
REVENUES	11,885	100.0	9,397	100.0	26.5
EBITDA	1,292	10.9	1,183	12.6	9.2
Current Operating Profit (EBITA)	961	8.1	845	9.0	13.7
Operating Profit (EBIT)	728	6.1	757	8.1	(3.8)
Net Profit	1,425	12.0	542	5.8	162.9
Financial data (€thousand)	31.3.2019		31.12.2018		Var
Fixed assets	22,895		(47)		22,942
Net working capital	5,832		(174)		6,006
Severance & other non-current liabilities	(2,901)		56		(2,957)
Capital employed	25,826		(165)		25,991
Net Financial Position - Cash	61,099		743		60,356
Shareholder's equity	86,925		578		86,347
Data per share (in €)	31.3.2019		31.3.2018		Var
Number of shares outstanding *	11,593,400		11,734,445		(141,045)
Operating profit per share *	0.12		0.05		0.08
Shareholder's equity per share *	7.50		0.05		7.45
Additional information	31.3.2019		31.12.2018		Var
Number of employees	564		534		30
TXT share price *	9.00		8.18		0.82

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.
- **EBITA**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs and of depreciation.
- **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 the first 3 months of 2019

Dear Shareholders,

in the first quarter of 2019 the activities of the Aerospace, Aviation & Automotive Division grew significantly (Revenue +24%) as did those of the Fintech Division, thanks to the consolidation of the recent acquisitions of Cheleo and TXT Risk Solutions (Revenue +58%).

Analysis and assessment activities were carried out for the Assioma Group acquisition, completed on 30 April 2019, at the closing of the transaction.

Assioma (www.assioma.net) is an Italian specialist company in the governance of application software, with specialist skills consolidated by an experience of almost 30 years and organised with around 150 employees in offices in Turin, Milan and Bari. Assioma's customers include, among others, several banks, including Intesa San Paolo, Unicredit Leasing, UBI, ING Direct, Widiba, Gruppo BPM, and leading companies in the Telecommunication, Industry and Services sectors.

In 2018, the Assioma Group achieved revenues of € 9.4 million, consolidated pro-forma in accordance with Italian accounting standards, EBITDA of € 1.3 million (13.9% of Revenue) and net profit of € 0.9 million.

The acquisition of Assioma allows to strengthen TXT's activities for Banks and Finance customers and to expand the range of services offered by the Fintech Division. Innovation and attention to customers are founding values that TXT shares with Assioma, with a highly competent team of staff which share its ethical and professional values in providing software and services of the highest quality. Assioma's managers are deeply motivated to innovate and grow profitably and sustainably. This operation strengthens the Fintech Division, as future pole of growth and as a player in creating value for investors, alongside the growing international success of the Aeronautical Division.

The main consolidated economic and financial results for the first quarter of 2019 were as follows:

- **Revenues** amounted to €11.9 million, up 26.5% compared to €9.4 million in first quarter of 2018. Within the same consolidation scope, revenues increased by 17.3%, with a € 0.9 million contribution from Cheleo. Revenues from software amounted to € 1.5 million in the first quarter of 2019, up +31.8% compared to first quarter 2018. Revenues from services amounted to € 10.4 million, up 25.7% compared to the first quarter of 2018. The Aerospace, Aviation and Automotive Division reported revenues of € 8.9 million, up +20.3% compared to the first quarter of 2018, entirely from organic growth, and the Fintech Division posted revenues of € 3.0 million, up +49.2% compared to the first quarter of 2018, of which € 0.8 million for the consolidation of Cheleo and € 0.2 million from organic growth (+6.6%).
- Net of direct costs, the **Gross Margin** rose from € 4.2 million to € 5.2 million, an increase of +23.1%. The EBITDA margin amounted to 43.9% of revenues in the first quarter of 2019.
- **EBITDA** was €1.3 million, up +9.2% compared to the first quarter of 2018 (€1.2 million), following significant investments in research and development, up +63.3%, and commercial investments, up +29.1%. The impact on revenues of general and administrative expenses decreased from 11.8% to 9.9% in first quarter of 2019. The margin on revenues was 10.9% compared with 12.6%

in 2018.

- Operating profit after depreciation (EBITDA) for the first quarter of 2019 amounted to €1.0 million, up by +13.7% on the first quarter of 2018 (€0.8 million), with depreciation essentially in line with the previous year.
- Operating profit (EBIT) amounted to €0.7 million, down compared to the first quarter of 2018 (€0.8 million) as a result of amortisation of the intangible fixed assets of the acquisitions of Cheleo and TXT Risk Solutions.
- Financial income in the first quarter of 2019 was €1.3 million (essentially zero in the first quarter of last year). The positive performance of financial markets in the first three months of the financial year has allowed to manage liquidity with a significantly positive result which has fully offset the loss of a similar amount recorded in 2018.
- Net profit came to €1.4 million compared to €0.5 million in the first quarter of 2018. In the first quarter of 2019 taxes accounted for 29% of pre-tax profit, essentially in line with the 30% recorded last year.
- The consolidated Net Financial Position as at 31 March 2019 was positive for €1.1 million, an improvement of €0.7 million compared to as at 31 December 2018 (€0.4 million), mainly due to the net profit for the quarter (€1.4 million) net of the purchase of treasury shares (€0.7 million).
- Shareholders' Equity as at 31 March 2019 amounted to €86.9 million, up €0.6 million compared to the €86.3 million as at 31 December 2018, due to the net profit for the quarter (€1.4 million), net of the purchase of treasury shares (€0.7 million) and other change in reserves (€0.1 million).

Following the exercise of the Put option by Laserline, on 29 January 2019 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.

Alternative Performance Indicators also include EBITA (current operating profit: Earning Before Interest, Taxes & Amortisation) as useful parameter to evaluate the company's operational performance before amortisation of acquisitions-related intangible fixed assets. This new indicator will allow an improved evaluation of the company's performance also as a function of TXT's strategy, which aims to grow by external lines, as already announced.

TXT's results for first quarter 2019, compared with the previous year's figures, are presented below:

<i>(Amounts in € thousand)</i>	Q1 2019	%	Q1 2018	%	% Change
REVENUES	11,885	100.0	9,397	100.0	26.5
Direct costs	6,671	56.1	5,163	54.9	29.2
GROSS MARGIN	5,214	43.9	4,234	45.1	23.1
Research and development costs	1,163	9.8	712	7.6	63.3
Commercial costs	1,585	13.3	1,228	13.1	29.1
General and administrative costs	1,174	9.9	1,111	11.8	5.7
EBITDA	1,292	10.9	1,183	12.6	9.2
Depreciation of property, plant and equipment	331	2.8	338	3.6	(2.1)
OPERATING PROFIT (EBITA)	961	8.1	845	9.0	13.7
Amortisation	233	2.0	88	0.9	164.8
OPERATING PROFIT (EBIT)	728	6.1	757	8.1	3.8
Financial income (charges)	1,278	10.8	17	0.2	N.S.
EARNINGS BEFORE TAXES (EBT)	2,006	16.9	774	8.2	159.2
Taxes	(581)	(4.9)	(232)	(2.5)	150.4
NET PROFIT (LOSS)	1,425	12.0	542	5.8	162.9

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs for the first quarter of 2019, compared with the previous year's figures related to each Division, are presented below:

€ thousand	Q1 2019	%	Q1 2018	%	Var %
TXT AEROSPACE, AVIATION & AUTOMOTIVE					
Revenues	8,867	100.0	7,373	100.0	20.3
Software	1,283	14.5	1,142	15.5	12.3
Services	7,584	85.5	6,231	84.5	21.7
Direct costs	4,761	53.7	3,840	52.1	24.0
Gross margin	4,106	46.3	3,533	47.9	16.2
TXT FINTECH					
Revenues	3,018	100.0	2,023	100.0	49.2
Software	222	7.4	-	-	n.s.
Services	2,796	92.6	2,023	100.0	38.2
Direct costs	1,910	63.3	1,323	65.4	44.4
Gross margin	1,108	36.7	700	34.6	58.3
TXT SENSE					
Revenues			1		
Software			-		
Services			1		
Direct costs			-		
Gross margin			1		
TOTAL TXT					
Revenues	11,885	100.0	9,397	100.0	26.5
Software	1,505	12.7	1,142	12.2	31.8
Services	10,380	87.3	8,255	87.8	25.7
Direct costs	6,671	56.1	5,163	54.9	29.2
Gross margin	5,214	43.9	4,234	45.1	23.1

TXT Aerospace, Aviation & Automotive Division

Revenues of the Aerospace, Aviation & Automotive Division were € 8.9 million in the first quarter of 2019, compared to € 7.4 million in the first quarter of 2018, an increase of 20.3% entirely due to organic growth. Revenues from software for the first quarter of 2019 were € 1.3 million, up +12.3% compared to the first quarter of 2018, and revenues from services were € 7.6 million, up 21.7% compared to the first quarter of 2018.

International revenues account for 43% of revenues for the Division +12.0%.

The gross margin was €4.1 million, +16.2% compared to the first quarter of 2018 (€3.5 million). As a percentage of revenues, the gross margin amounted to 46.3%, compared to 47.9% in the first quarter of 2018 as a result of the greater percentage of services in the revenue mix.

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 €3.0 million, up 49.2% compared to €2.0 million in first quarter of 2018. Within the same consolidation scope, revenues increased by 6.6%, with a €0.9 million contribution from the new subsidiary Cheleo. Software revenues in the first quarter of 2019 were €0.2 million, entirely due to Cheleo. Revenues from services amounted to €2.8 million compared to €2.0 million in the first quarter of 2018. All revenues were generated in Italy.

The Gross Margin was €1.1 million, +58.3% compared to the first quarter of 2018 (€0.7 million). The impact of the gross margin on revenues improved from 34.6% to 36.7%, thanks to the contribution of Cheleo.

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. Cheleo 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.

FARADAY is used within the daily activities and real risks that the bank's operators encounter, providing effective tools to support decisions, making the system more efficient.

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 quarter of 2019, TXT Risk Solutions increased investments in research and development to consolidate FARADAY and create a "family" of application solutions dedicated to different operational risks.

The acquisitions in 2018 and 2019 in the context of the Fintech Division allow TXT to significantly expand its customers target and likewise its mix of new products, expertise and high value-added specialisations, strengthening its market presence.

TXT SENSE Division

In the first quarter of 2018, the TXT Sense Division sustained research and development costs without generating any revenue. During 2018 the TXT activities in the context of Augmented Reality outside of the aerospace and automotive sectors was configured with a non-controlling interest (24%) in the Sense immaterial Reality Srl start-up, not consolidated in 2019.

GROUP REVENUES

Research and development costs in first quarter 2019 amounted to €1.2 million, up 63.3% compared to €0.7 million in first quarter 2018. The growth of €0.5 million is due for €0.3 million to new aerospace investments in proprietary software products for the improvement of operating efficiency during flights, and in the technologies for 3D active representation and Augmented Reality, and for €0.2 million to development investments for Cheleo and TXT Risk Solutions, in the context of the Fintech Division. The impact on revenues increased from 7.6% in first quarter 2018 to 9.8%.

Commercial costs amounted to €1.6 million, up +29.1% compared to the first quarter of 2018, mainly due to trade investments for the integrated promotion of solutions of the Fintech Division. As a percentage of revenues, commercial costs amounted to 13.3%, compared to 13.1% in the first quarter of 2018.

General and administrative costs amounted to €1.2 million, up +5.7% compared to first quarter of 2018 (€1.1 million), mainly due to the consolidation of Cheleo and TXT Risk Solutions. The impact on revenues decreased from 11.8% in the first quarter of 2018 to 9.9% in the first quarter of 2019.

Operating profit (EBITDA) for Q1 2019 amounted to €1.3 million, up by +9.2% on Q1 2018 (€1.2 million). Profit as a percentage of revenues amounted to 10.9% compared to 12.6% in first quarter 2018, due to research, development and commercial investments. In the first quarter of 2019, EBITDA margin on revenues was 14.5% for the Aerospace, Aviation & Automotive Division (15.0% in the first quarter of 2018) and 0.1% for the Fintech Division (9.4% in the first quarter of 2018), still at the stage of making significant investment in development and commercial structure.

Operating profit after depreciation (EBITDA) for the first quarter of 2019 amounted to €1.0 million, up by +13.7% on the first quarter of 2018 (€0.8 million), with depreciation essentially in line with the previous year.

Operating profit (EBIT) amounted to €0.7 million, down compared to the first quarter of 2018 (€0.8 million) as a result of amortisation of the intangible fixed assets of the acquisitions of Cheleo and TXT Risk Solutions.

Pre-tax profit came to €2.0 million, compared to €0.8 million in the first quarter of 2018. Financial income in the first quarter of 2019 was €1.3 million due to the recovery of the loss of a similar amount suffered in 2018 following the marked volatility of financial markets.

Net profit came to €1.4 million compared to €0.5 million in the first quarter of 2018. In the first quarter of 2019, taxes accounted for 29% of pre-tax profit, essentially in line with the 30% recorded last year.

CONSOLIDATED CAPITAL EMPLOYED

As at 31 March 2019, Capital Employed totalled € 25.8 million, essentially in line with that as at 31 December 2018 (€ 26.0 million).

The table below shows the details:

<i>(Amounts in € thousand)</i>	31/3/2019	31/12/2018	Change
Intangible assets	17,518	17,751	(233)
Net tangible fixed assets	3,817	3,680	137
Other fixed assets	1,560	1,511	49
Fixed assets	22,895	22,942	(47)
Inventories	5,126	3,141	1,985
Trade receivables	13,360	14,029	(669)
Sundry receivables and other short-term assets	3,280	2,963	317
Trade payables	(1,091)	(1,434)	343
Tax payables	(2,055)	(1,662)	(393)
Sundry payables and other short-term liabilities	(12,788)	(11,031)	(1,757)
Net working capital	5,832	6,006	(174)
Post-employment benefits and other non-current liabilities	(2,901)	(2,957)	56
Capital employed	25,826	25,991	(165)
Group shareholders' equity	86,925	86,347	578
Net financial position (Liquidity)	(61,099)	(60,356)	(743)
Financing of capital employed	25,826	25,991	(165)

Intangible assets decreased from € 17.8 million to € 17.5 million, due to amortisation for the period on the intellectual property rights on software and on the customer portfolio of the acquisitions for Pace, Cheleo and TXT Risk Solutions.

Property, plant and equipment amounted to € 3.8 million, up € 0.1 million compared to 31 December 2018, mainly due to investments in servers and computers during the quarter (€ 0.4 million), higher than the amortisation amounts that accrued during the quarter (€ 0.3 million).

Other fixed assets amounted to € 1.6 million essentially comprise deferred tax assets, and are substantially in line with the figure as at 31 December 2018 (€ 1.5 million).

Net working capital decreased by € 0.2 million, from € 6.0 million as at 31 December 2018 to € 5.8 million as at 31 March 2019. The main cause of the reduction in working capital is the increase in sundry payables and other short-term liabilities (€ 1.8 million) due to provisions for personnel costs and the decrease in receivables from customers (€ 0.7 million) due to effective receivables recovery actions from important Italian customers in the aeronautical sector. Among the other main changes

in net working capital, the most significant refers to the increase in inventories for work in progress for orders not yet invoiced to customers (€2.0 million).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of €2.9 million were essentially in line with those at the end of 2018 (€3.0 million).

Shareholders' Equity as at 31 March 2019 amounted to €86.9 million, up €0.6 million compared to the €86.3 million as at 31 December 2018, due to the net profit for the quarter (€1.4 million), net of the purchase of treasury shares (€0.7 million) and the change in reserves for the accounting treatment of the fair value of hedging derivatives (€0.1 million).

The consolidated Net Financial Position as at 31 March 2019 was positive for €61.1 million, compared to €60.4 million as at 31 December 2018, up €0.7 million mainly due to the net profit for the quarter (€1.4 million) net of the purchase of treasury shares (€0.7 million).

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 31 March 2019 is as follows:

<i>(Amounts in € thousand)</i>	31/3/2019	31/12/2018	Change
Cash and cash equivalents	8,521	5,593	2,928
HFT securities at fair value	100,343	103,949	(3,606)
Short-term financial payables	-	5,000	(5,000)
Current financial liabilities	(12,837)	(17,304)	4,467
Short term Financial Resources	96,027	97,238	(1,211)
Non-current financial liabilities - IFRS 16 Lessors	(2,025)	(2,055)	30
Other non-current financial liabilities	(32,903)	(34,827)	1,924
Non-current financial liabilities	(34,928)	(36,882)	1,954
Net Available Financial Resources	61,099	60,356	743

The Net Financial Position as at 31 March 2019 is detailed as follows:

- Cash and cash equivalents of €8.5 million are mainly in euro, held with major Italian banks.
- HFT securities at fair value of €100.3 million are composed of investments in partial return multi-segment insurance funds (€95.3 million) and in bond, balanced and absolute return funds with a medium-low risk profile (€5.0 million) and were fully entered into by the parent company TXT e-solutions S.p.A. As at 31 December 2018 short-term financial receivables of €5.0 million referred to a time deposit account maturing in January 2019.
- At 31 March 2019, current financial liabilities amounted to €12.8 million and include €8.6 million for the short-term share of new medium-long term loans, €3.0 million for short-term

hot money borrowings, for €0.8 million for the short-term portion of the payable for the payment of rents and leasing of offices, cars and printers (IFRS 16 accounting standard), as well as €0.4 million for the portion of subsidised loans received and to be paid to partners in publicly-funded research projects. The reduction compared to 31 December 2018 was mainly due to the payment of €4.9 million for the acquisition of the residual 49% portion of Cheleo in January 2019.

- Non-current financial payables - Lessors IFRS 16 as at 31 March 2019 amounted to €2.0 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”).
- Non-current financial liabilities for €32.9 million were mainly represented by: €28.1 million for portion of medium/long-term loans due after 12 months, €1.7 million estimated outlay for the exercise of the Put/Call option in 2020-2021 for the acquisition of Pace, €1.5 million estimated outlay for the Earn-out option in 2020 for the acquisition of Cheleo and €1.6 million estimated outlay for the exercise of the Put/Call option in 2021 for the acquisition of TXT Risk Solutions.

In 2018, the parent company TXT e-solutions S.p.A. took out medium-long term loans at fixed rates between 0.60% and 0.70% per annum, all without guarantees for a residual amount of €36.7 million as at 31 March 2019:

- €18.2 million loan with Unicredit, 5 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap for covering the interest rate risk.
- €9.1 million loan with BNL, 5 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap for covering the interest rate risk.
- €9.4 million loan with UBI, 4 years, with a quarterly amortisation plan and fixed interest rates.

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 net 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.

As at 31 March 2019, most of the HFT securities (€100.3 million) had been invested in multi-segment insurance products (€95.3 million) from which the company can decide to divest at any time and without specific charges to deal with investment opportunities.

Multi-segment insurance products allow the combination of Separate Management - First Line (€76.7 million), which has the characteristic of a substantial guarantee on invested capital, stability of returns over time, as investments are made in high quality securities, easily liquidated, with minimum exposure to strong and rapid fluctuations in value. Bond, balanced and unit-linked insurance funds - Third Line (€18.6 million) that allow for participation in the performance of financial markets.

During the first quarter of 2019, liquidity management generated a markedly positive result (€1.3 million) which fully offset the loss of a similar amount recorded in 2018.

EMPLOYEES

As at 31 March 2019, there were 564 employees, an increase of 30 employees compared to 534 personnel units at 31 December 2018 due to a growth in the business both in the Aerospace and the Fintech Divisions.

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

In first quarter of 2019, the share price of TXT e-solutions reached a high of €9.97 on 28 January 2019 and a low of €8.38 on 2 January 2019. As at 31 March 2019, the share price was €9.00, equal to an appreciation of +10% compared to the end of 2018.

As at 31 March 2019, treasury shares amounted to 1,434,117 (1,359,717 as at 31 December 2018), accounting for 11.03% of shares outstanding, and were purchased at an average price of €4.09 per share. In the first quarter of 2019, 74,400 treasury shares were purchased at an average price of €9.28.

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

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

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

On 30 April 2019, a final contract was signed for the acquisition of the whole share capital of the Assioma Group. The transfer of shares included in the contract led to TXT acquiring the entire share capital of Link Software S.r.l. which holds (i) the entire share capital of Assioma.Net s.r.l., in turn holder of a 51% portion of the share capital of Assiopay s.r.l., and (ii) a 70% portion of the share capital of Assioma.ltec s.r.l. (www.assioma.net). The results of the Assioma Group will be consolidated with the TXT results as from 1 May 2019.

In 2018 the Assioma Group - an innovative Italian specialist in the governance of the quality of application software - achieved revenues of €9.4 million, consolidated pro-forma in accordance with Italian accounting standards, EBITDA of €1.3 million (13.9% of revenue) and net profit of €0.9 million.

€4.3 million was paid in cash at Closing, with further payments of €0.3 million in cash and €2.3 million in TXT shares to be made by the end of May in guarantee accounts, cash and shares, using the available liquidity and treasury shares in portfolio. Each TXT share to be transferred (a total of 253,846 treasury shares) was conventionally valued at the sum of the parts of €8.982.

The consideration will be increased by further cash payments linked to Assioma Group's Net financial position at the date of Closing (anticipated to be a positive amount of €1.5 million) and by two Earn-out payments linked to specific operating objectives, estimated at around €2.4 million in total

and paid later, as components of a deferred price over a medium-term time period, subordinate to the occurrence of determined conditions anticipated in the acquisition contract.

The Shareholder's Meeting held on 19 April 2018 examined and approved the 2018 financial statements and resolved on the distribution of a € 0.50 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 renewed the authorisation to purchase treasury shares for a period of 18 months of up to 20% of the share capital. Has approved the new 2019-2023 Stock option for management up to a maximum of 600,000 shares and subordinate to the achievement of revenue and operating profits growth targets.

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 anticipates the investment of significant liquidity, together with the treasury shares, in new opportunities that contribute to strengthening the range of TXT technologies and services and that can generate value for customers, society and shareholders.

In the second quarter of 2019, the Company expects revenue to grow further, both in terms of organic growth and the contribution of the acquired companies Cheleo and Assioma. EBITDA is expected to be significantly improve compared to the second quarter of 2018, even though continuing to make important investments in research, development and commerce 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, 13 May 2019

Consolidated financial statements as at 31 March
2019

Consolidated Balance Sheet

ASSETS	31/3/2019	31/12/2018
NON-CURRENT ASSETS		
Goodwill	12,784,544	12,784,544
Definite life intangible assets	4,733,759	4,966,064
Intangible assets	17,518,303	17,750,608
Property, plant and machinery	3,817,000	3,680,046
Tangible assets	3,817,000	3,680,046
Investment in associates	-	9,196
Sundry receivables and other non-current assets	78,230	73,780
Deferred tax liabilities	1,482,196	1,428,441
Other non-current assets	1,560,426	1,511,417
TOTAL NON-CURRENT ASSETS	22,895,729	22,942,071
CURRENT ASSETS		
Closing inventories	5,126,227	3,140,913
Trade receivables	13,360,043	14,028,655
Sundry receivables and other current assets	3,279,798	2,963,467
Other short-term financial receivables	0	5,000,000
HFT securities at fair value	100,342,689	103,948,873
Cash and cash equivalents	8,520,777	5,593,125
TOTAL CURRENT ASSETS	130,629,534	134,675,033
TOTAL ASSETS	153,525,263	157,617,103
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	12,592,088	13,439,139
Profit (loss) carried forward	66,405,009	65,840,063
Profit (loss) for the year	1,424,674	564,947
TOTAL SHAREHOLDERS' EQUITY (Group)	86,924,896	86,347,274
NON-CURRENT LIABILITIES		
Non-current financial liabilities	34,927,810	36,882,347
Employee severance indemnities and other provisions for employees	2,901,295	2,956,922
Provision for deferred tax liabilities	1,283,530	1,344,340
Provisions for future risks and charges	718,905	718,905
TOTAL NON-CURRENT LIABILITIES	39,831,540	41,902,514
CURRENT LIABILITIES		
Current financial liabilities	12,837,013	17,304,435
Trade payables	1,090,714	1,434,446
Tax payables	771,539	317,197
Sundry payables and other short-term liabilities	12,069,561	10,311,238
TOTAL CURRENT LIABILITIES	26,768,827	29,367,315
TOTAL LIABILITIES	66,600,367	71,269,830
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	153,525,263	157,617,103

Consolidated Income Statement

	31/3/2019	31/3/2018
TOTAL REVENUES AND OTHER INCOME	11,884,639	9,396,659
Purchases of materials and services	(2,215,268)	(1,393,602)
Personnel costs	(8,267,111)	(6,799,232)
Other operating costs	(109,969)	(20,655)
Depreciation and amortisation/Impairment	(564,629)	(426,656)
OPERATING RESULT	727,662	756,514
Financial income (charges)	1,287,222	17,302
Share of profit/(loss) of associates	(9,196)	-
EARNINGS BEFORE TAXES	2,005,688	773,816
Income taxes	(581,014)	(231,364)
NET PROFIT (LOSS) FOR THE YEAR (group)	1,424,674	542,452
EARNINGS PER SHARE	0.12	0.05
DILUTED EARNINGS PER SHARE	0.12	0.05

Consolidated Statement of Comprehensive Income

	31/3/2019	31/3/2018
NET PROFIT (LOSS) FOR THE PERIOD	1,424,674	542,452
Profit/(Loss) from foreign currency translation differences	(2,890)	12,352
Gain/(Loss) on the effective part of hedging instruments (cash flow hedge)	297,864	-
Total items of other comprehensive income that will be subsequently re-classified to profit/(loss) for the year net of taxes	(300,754)	12,352
Defined benefit plans actuarial gains (losses)	-	-
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	-	-
Total profit/(loss) of Comprehensive Income net of taxes	(300,754)	12,352
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,123,920	554,804

Consolidated Statement of Cash Flows

	31 March 2019	31 March 2018
Net profit (loss) for the period	1,424,674	542,452
Non-monetary interests	42,054	-
Change in the Fair Value of Monetary Instruments	(1,393,814)	-
Current income taxes	454,342	243,061
Change in deferred tax	(114,566)	(21,451)
Depreciation/amortisation, impairments and provisions	564,721	426,752
Other non-monetary charges	33,804	-
Cash flows from (used in) operating activities (before change in working capital)	1,011,215	1,190,814
(Increases) / decreases in trade receivables	352,281	2,596,236
(Increases) / decreases in inventories	(1,985,314)	66,811
Increases / (decreases) in trade payables	(343,732)	(918,399)
Increases/(decreases) in other assets and liabilities	1,763,069	2,685,489
Increases / (decreases) in employee severance indemnity	(55,627)	44,080
Changes in operating assets and liabilities	(269,323)	4,474,217
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	741,892	5,665,031
Increases in tangible fixed assets	(260,650)	(1,465,287)
Increases in intangible fixed assets	(1,037)	(1,630)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(261,687)	(1,466,917)
Loans issued	429,582	-
Repayment of borrowings	(7,055,867)	-
Payments for leasing liabilities	(238,989)	(240,851)
Increases / (decreases) in other financial receivables	9,966,194	-
Increases / (decreases) in financial payables	53,754	823,686
Distribution of dividends	-	-
Interest paid	(30,401)	-
(Purchase) / Disposal of treasury shares	(673,937)	(442,162)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	2,450,336	140,673
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,930,541	4,338,787
Effect of foreign exchange changes on cash flows	(2,890)	12,352
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	8,520,776	90,878,627

Consolidated Statement of Changes in Equity as at 31 March 2019

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Riserva cash flow Hedge	Riserva di traduzione	Utili a nuovo	Utile (perdita) del periodo	Totale patrimonio netto
Saldi al 31 Dicembre 2018	6.503.125	1.300.625	11.223.612	1.911.444	-	-	(883.406)	-127.640	14.504	65.840.063	564.947	86.347.275
Utile al 31 dicembre 2018										564.947	(564.947)	
Destinazione Riserve												
Distribuzione dividendi												
Vendita azioni proprie												
Acquisto azioni proprie			(673.937)									(673.937)
Aggregazioni aziendali												
Attualizzazione TFR												
Delta cambi									(2.890)			(2.890)
Cambiamento Principi contabili												
Altri componenti conto economico complessivo								(170.224)				(170.224)
Utile al 31 marzo 2019											1.424.674	1.424.674
Saldi al 31 marzo 2019	6.503.125	1.300.625	10.549.675	1.911.444	0	0	(883.406)	(297.864)	11.614	66.405.010	1.424.674	86.924.898

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Riserva cash flow Hedge	Riserva di traduzione	Utili a nuovo	Utile (perdita) del periodo	Totale patrimonio netto
Saldi al 31 dicembre 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
Utile al 31 dicembre 2017		295.625							327.517	67.932.354	(68.555.495)	
Destinazione Riserve					(140.667)	(1.164.184)				1.304.851		
Distribuzione dividendi										(11.709.799)		(11.709.799)
Vendita azioni proprie			221.309									221.309
Acquisto azioni proprie			(4.598.419)									(4.598.419)
Aggregazioni aziendali			3.464.115									3.464.115
Attualizzazione TFR							30.438					30.438
Delta cambi									(12.968)			(12.968)
Cambiamento Principi contabili										(1.378.531)		(1.378.531)
Altri componenti conto economico complessivo								(127.640)				(127.640)
Utile al 31 dicembre 2018											564.947	564.947
Saldi al 31 Dicembre 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 31 March 2019:

Company name of the subsidiary	Currency	% of direct interest	Share capital
PACE GmbH	EUR	79%	295,000
TXT Next Ltd	GBP	100%	100,000
TXT Next Sarl	EUR	100%	100,000
TXT e-solutions SagL	CHF	100%	40,000
Cheleo srl	EUR	100%	99,000

TXT e-solutions Group's consolidated 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 for the first three months)

Average			
Currency		31/03/2019	31/03/2018
British Pound (GBP)		0.8723	0.8834
US Dollar (USD)		1.1356	1.2295
Swiss Franc (CHF)		1.1325	1.1650

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

Spot			
Currency		31/03/2019	31/12/2018
British Pound (GBP)		0.8583	0.8945
US Dollar (USD)		1.1235	1.1450
Swiss Franc (CHF)		1.1181	1.1269

2. Accounting standards and measurement bases

This interim report was prepared in compliance with IFRSs and pursuant to Article 154-ter of the Consolidated Law on Finance (Legislative Decree 195/2007) implementing Directive 2004/109/EC on disclosure requirements. Such article replaced Article 82 (“Interim management report”) and Annex 3D (“Content of the quarterly report”) of the Issuers’ Regulation.

The assumptions applied to this interim report are also in line with those used in the separate and consolidated financial statements.

The interim report for the first quarter of 2019 is not subject to auditing.

3. Financial risk management

As for business risks, the main financial risks identified and monitored by the Group are as follows:

- Credit risk
- Market risk
- Liquidity risk
- Operational 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.

4. 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, with the objective of developing technologies in Augmented Reality, activities then disposed of with the establishment of "Sense immaterial Reality Srl", as well as other corporate operating and financial values. The main financial and operating data broken down by business segment were as follows:

INCOME STATEMENT BY BUSINESS UNIT - PRIMARY SEGMENT as at 31 March 2019

<i>(Amounts in € thousand)</i>	Aerospace	Fintech	Unallocated	TOTAL TXT
REVENUES	8,867	3,018	-	11,885
Software	1,283	222	-	1,505
Services	7,584	2,796	-	10,380
OPERATING COSTS:				
Direct costs	4,761	1,910	-	6,671
Research and development costs	949	214	-	1,163
Commercial costs	1,046	539	-	1,585
General and administrative costs	822	352	-	1,174
TOTAL OPERATING COSTS	7,578	3,015	-	10,593
EBITDA	1,289	3	-	1,292
% of Revenues	14.5%	0.1%		10.9%
Depreciation	239	92	-	331
EBITA	1,050	(89)	0	961
Amortisation	99	134	-	233
OPERATING PROFIT (LOSS) [EBIT]	951	(223)	0	728
Financial income (charges)			1,278	1,278
EARNINGS BEFORE TAXES			1,278	2,006
Taxes			(581)	(581)
NET PROFIT (LOSS)			697	1,425

INCOME STATEMENT BY BUSINESS UNIT - PRIMARY SEGMENT as at 31 March 2018

<i>(Amounts in € thousand)</i>	Aerospace	Fintech	Unallocated	TOTAL TXT
REVENUES	7,373	2,023	1	9,397
Software	1,142	0	-	1,142
Services	6,231	2,023	1	8,255
OPERATING COSTS:				
Direct costs	3,840	1,323	-	5,163
Research and development costs	622	20	70	712
Commercial costs	962	223	43	1,228
General and administrative costs	845	266	-	1,111
TOTAL OPERATING COSTS	6,269	1,832	113	8,214
EBITDA	1,104	191	(112)	1,183
% of Revenues	15.0%	9.4%		12.6%
Depreciation	276	62	-	338
EBITA	828	129	(112)	845
Amortisation	88	-	-	88
OPERATING PROFIT (LOSS) [EBIT]	740	129	(112)	757
Financial income (charges)			17	17
EARNINGS BEFORE TAXES			(95)	774
Taxes			(232)	(232)
NET PROFIT (LOSS)			(327)	542

SEGMENT INFORMATION as at 31 March 2019
BALANCE SHEET BY BUSINESS UNIT

<i>(€ thousand)</i>	Aerospace	Fintech	Unallocated	TOTAL TXT
Intangible assets	6,876	10,643	-	17,518
Tangible assets	2,848	969	-	3,817
Other fixed assets	1,164	396	-	1,560
FIXED ASSETS	10,887	12,008	-	22,896
Inventories	5,076	50	-	5,126
Trade receivables	11,482	1,878	-	13,360
Sundry receivables and other short-term assets	2,447	833	-	3,280
Trade payables	(780)	(310)	-	(1,091)
Tax payables	-	-	(2,055)	(2,055)
Sundry payables and other short-term liabilities	(9,149)	(3,640)	-	(12,788)
NET WORKING CAPITAL	9,076	(1,189)	(2,055)	5,832
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	(2,076)	(826)	-	(2,901)
CAPITAL EMPLOYED	17,888	9,994	(2,055)	25,826
Shareholders' Equity			86,925	86,925
Net financial debt			(61,099)	(61,099)
CAPITAL EMPLOYED			25,826	25,826

5. Certification of the Interim report pursuant to Article 154-bis of Legislative Decree 58/98

Pursuant to paragraph 2 of Article 154-bis, part IV, title III, heading II, section V-bis of Legislative Decree 58 dated 24 February 1999, the Manager responsible for preparing corporate accounting documents certifies that financial information included in this document corresponds to the accounting books and records.

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Milan, 13 May 2019