



TXT e-solutions Group

**Half-yearly report
as at 30 June 2020**

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' terms of office expire upon approval of the financial statements as at 31 December 2022:

| | | |
|-------------------------------|------------------------|-------------|
| Enrico Magni | Chairman | |
| Daniele Misani | Chief Executive Office | |
| Matteo Magni | Director | (2) |
| Fabienne Anne Dejean Schwalbe | Independent Director | (1) |
| Stefania Saviolo | Independent Director | (1) (2) (3) |
| Valentina Cogliati | Independent Director | (2) (3) |
| Paola Generali | Independent Director | (1) (2) (3) |

(1) Member of the Remuneration and Appointments Committee.

(2) Member of the Risks and Internal Controls Committee.

(3) Member of Related Parties Committee.

BOARD OF STATUTORY AUDITORS

Members' terms of office expire upon approval of the financial statements as at 31 December 2022:

| | |
|-------------------------------|-------------------|
| Mario Basilico | Chairman |
| Luisa Cameretti | Standing auditor |
| Franco Vergani | Standing auditor |
| Massimiliano Alberto Tonarini | Alternate auditor |
| Fabio Maria Palmieri | Alternate auditor |
| Giada d'Onofrio | Alternate auditor |

EXTERNAL AUDITORS

EY S.p.A.

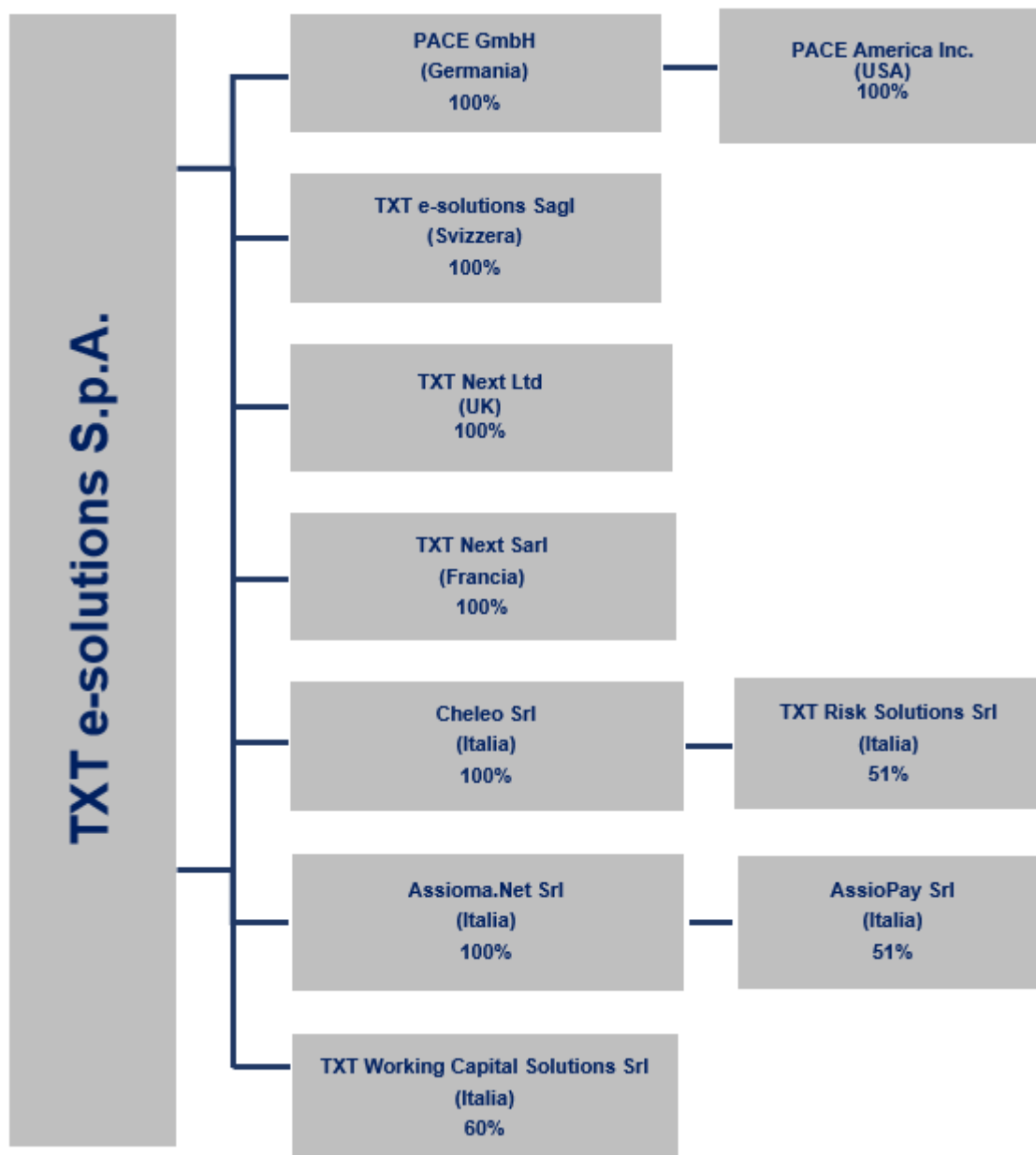
INVESTOR RELATIONS

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Organisational structure and scope of consolidation



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**Key data and Directors' Report on Operations as at 30
June 2020**

TXT e-solutions Group – Key data

| INCOME DATA | | | | | |
|--|-------------------|--------------|-------------------|--------------|-----------------|
| (€ thousand) | H1 2020 | % | H1 2019 | % | % CHANGE |
| REVENUES | 32.108 | 100.0 | 26.996 | 100.0 | 18.9 |
| EBITDA | 4.042 | 12.6 | 2.788 | 10.3 | 45.0 |
| CURRENT OPERATING PROFIT (EBITA) | 3.067 | 9.6 | 2.065 | 7.6 | 48.5 |
| OPERATING PROFIT (EBIT) | 2.101 | 6.5 | 1.245 | 4.6 | 68.8 |
| NET PROFIT | 2.730 | 8.5 | 2.171 | 8.0 | 25.7 |
| FINANCIAL DATA | | | | | |
| (€ thousand) | 30.06.2020 | | 31.12.2019 | | Change |
| Fixed assets | 36.551 | | 34.634 | | 1.917 |
| Net working capital | 10.019 | | 9.084 | | 935 |
| Post-employment benefits and other non-current liabilities | (1.956) | | (3.110) | | 1.154 |
| Capital employed | 44.614 | | 40.608 | | 4.006 |
| Net financial position | (38.334) | | (41.412) | | 3.078 |
| Shareholders' Equity attributable to minority interests | 245 | | 168 | | 77 |
| Group shareholders' equity | 82.703 | | 81.852 | | 851 |
| DATA PER SHARE | | | | | |
| | 30.06.2020 | | 30.06.2019 | | Change |
| Average number of shares outstanding | 11,660,285 | | 11,656,499 | | 3.786 |
| Net earnings per share | 0.23 | | 0.19 | | 0.05 |
| Shareholders' equity per share | 7.09 | | 7.02 | | 0.07 |
| ADDITIONAL INFORMATION | | | | | |
| | 30.06.2020 | | 31.12.2019 | | Change |
| Number of employees | 816 | | 786 | | 30 |
| TXT share price | 7.56 | | 9.66 | | (2.10) |

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 2020

Dear Shareholders,

In the first half of 2020, both the Aerospace, Aviation & Automotive Division (+12%) and the Fintech Division recorded growth in revenues, thanks also due to the full contribution of the acquisition of Assioma (Revenues +34.3%) in the second quarter of 2019.

On 15 April 2020, TXT e-solution formalised the purchase of 60% of a FinTech start-up, *TXT Working Capital Solutions Srl*, an innovative start-up dedicated to the development of solutions for the Factoring and Supply Chain Finance market.

The investment in innovation at this particularly historic moment confirms the growth ambitions of the TXT Group and its desire to quickly capitalise on significant strategic opportunities, in a market sector with huge room for growth.

The mix of more than thirty years of technical expertise re-introduced to the solution by its founding member and TXT's proven expertise in software and processes, together with TXT's consolidated relationships with some of the major Italian financial and industrial operators, are the main strategic levers of the proprietary platform we will place on the market.

The purchase of the 60% shareholding took place via the subscription by TXT e-Solutions of a capital increase for € 0.3 million, plus € 0.5 million of share premium, paid in cash using available liquidity. TXT e-solutions SpA and the shareholders also entered into a Put/Call option contract to purchase the remaining 40% at a price commensurate with the financial and economic results of TXT Working Capital Solutions activities in 2024. Today the company reports negative economic results linked to the development costs of the platform in the presence of zero revenues. The first FinTech range for Supply Chain Finance will be on the market as from June 2020.

The main consolidated operating and financial results for the first half of 2020 were as follows:

- **Revenues** amounted to € 32.1 million, up 18.9% compared to € 27.0 million in the first half of 2019. Within the same consolidation scope, revenues increased by 5.9% (€ 30.3 million in 2019). Revenues from software amounted to € 4.4 million in the first half of 2020, up +48.8% compared to the first half of 2019. Revenues from services amounted to € 27.7 million, up +15.3% compared to the first half of 2019.

The Aerospace, Aviation and Automotive Division reported revenues of € 20.9 million, up +12% against the first half of 2019, generated entirely by organic growth, while the Fintech Division posted revenues of € 11.2 million, up +34.3% against the first half of 2019.

- The **Gross Margin**, net of direct costs, increased from € 11.7 million to € 14.0 million, an increase of +19.5%. In the first half of 2020, the gross margin amounted to 43.7% of revenues.
- **EBITDA** was € 4.0 million, up +45% compared to the first half of 2019 (€ 2.8 million), following significant investments in research and development (+38.9%). The impact of general and administrative costs on revenues fell from 9.9% to 9.4% in the first half of 2020. € 1.3 million increase of EBITDA consists of € 0.7 million due to organic growth (+10.2%) and € 0.6 million to the contribution of Assioma. The margin on revenues was 12.6% compared with 10.3% in the first half of 2019.

EBITA in the first half of 2020 came to € 3.1 million, as a result of the depreciation (€ 1.0 million), growth compared to € 2.1 million in the first half of 2019.

- **Operating profit (EBIT)** was € 2.1 million, compared to € 1.2 million in the first half of 2019 (+68.8%).
The amortisation of intangible assets and depreciation of tangible assets amounted to € 1.6 million, up € 0.4 million compared to the first quarter of 2019 due to the acquisition of the Assioma group.
- **Financial income** in the first half of 2020 was € 0.9 million (€ 1.8 million in the first half of last year). Financial income also includes the profit deriving from the management of liquidity invested in financial instruments, which was generally positive in the first half (in fact, it should be noted that the performance of the financial markets in the second quarter made it possible to recover the losses recorded in the first quarter). Under financial income, as non-recurring items and with a greater net impact on the item, note should be taken of the adjustment of the fair value of the liability linked to the acquisition of the ownership interest in the residual 21% of the Pace capital. This amount booked at fair value for € 5.9 million as at 31 December 2019 was redetermined at € 5.1 million based on the agreements subsequently defined between the parties and paid in the second half of June.
- **Net profit** was € 2.7 million, compared to € 2.2 million in the first half of 2019, and represented 8.5% of revenues compared to 8.0% last year. In the first half of 2020, the impact of taxes on EBT was 9%, while in the first half of 2019, it was 28%. The reduction in the actual tax rate is due primarily to the permanent difference connected with the capital gain of € 0.8 million relating to the Pace Put-Call option exercised in June 2020 and the prepaid taxes linked to revenues deriving from the application of the new accounting standard, IFRS 15.
- The consolidated **Net Financial Position** as at 30 June 2020 was positive for € 38.3 million, compared to € 41.4 million as at 31 December 2019, a reduction of roughly € 3.0 million mainly due to the purchase of treasury shares (€ 1.8 million), the recognition of the PUT/CALL payable connected to TXT Working Capital Solutions net of the NFP acquired (€ 2.5 million), other investments (€ 0.4 million), the payment of the severance for end of term of office allocated (€ 1.2 million), the positive effect of the reduction of the value of the liability for the Pace PUT/CALL option settled definitively in the year (€ 0.8 million), and, for the difference, due to the operating flow (€ 2 million net of the change in working capital).
- Consolidated **shareholders' equity** as at 30 June 2020 amounted to € 82.9 million, up € 0.9 million compared to € 82.0 million as at 31 December 2019, mainly as a result of the purchase of treasury shares (€ 1.8 million) and the positive contribution to the growth in shareholders' equity of the net profit in the first half (€ 2.7 million).

TXT's consolidated results for the first half of 2020, compared with those of the first half of last year, are presented below:

| (€ thousand) | H1 2020 | % | H1 2019 | % | % CHANGE |
|--|---------------|--------------|---------------|--------------|-------------|
| REVENUES | 32.108 | 100.0 | 26.996 | 100.0 | 18.9 |
| Direct costs | 18.087 | 56.3 | 15.264 | 56.5 | 18.5 |
| GROSS MARGIN | 14.021 | 43.7 | 11.732 | 43.5 | 19.5 |
| Research and development costs | 3.714 | 11.6 | 2.674 | 9.9 | 38.9 |
| Commercial costs | 3.258 | 10.1 | 3.596 | 13.3 | (9.4) |
| General and administrative costs | 3.007 | 9.4 | 2.674 | 9.9 | 12.5 |
| GROSS OPERATING PROFIT (EBITDA) | 4.042 | 12.6 | 2.788 | 10.3 | 45.0 |
| Depreciation | 975 | 3.0 | 723 | 2.7 | 34.9 |
| CURRENT OPERATING PROFIT (EBITA) | 3.067 | 9.6 | 2.065 | 7.6 | 48.5 |
| Amortisation | 616 | 1.9 | 474 | 1.8 | n.s. |
| Reorganisation and non-recurring charges | 350 | 1.1 | 46.00 | 1.28 | n.s. |
| OPERATING PROFIT (EBIT) | 2.101 | 6.5 | 1.245 | 4.6 | 68.8 |
| Financial income (charges) | 892 | 2.8 | 1.791 | 6.6 | n.s. |
| EARNINGS BEFORE TAXES (EBT) | 2.993 | 9.3 | 3.036 | 11.2 | n.s. |
| Taxes | (263) | (0.8) | (865) | (3.2) | n.s. |
| NET PROFIT | 2.730 | 8.5 | 2.171 | 8.0 | 25.7 |

Attributable to:

Parent Company shareholders

2.653

2.084

Minority interests

77

87

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs for the first half of 2020, compared with those of the previous year for each Division are presented below.

| (€ thousand) | H1 2020 | % | H1 2019 | % | % CHANGE |
|---|---------------|--------------|---------------|--------------|-------------|
| TXT AEROSPACE, AVIATION & AUTOMOTIVE | | | | | |
| REVENUES | 20.860 | 100.0 | 18.621 | 100.0 | 12.0 |
| Software | 3.763 | 18.0 | 2.499 | 13.4 | 50.6 |
| Services | 17.097 | 82.0 | 16.122 | 86.6 | 6.0 |
| DIRECT COSTS | 11.774 | 56.4 | 10.343 | 55.5 | 13.8 |
| GROSS MARGIN | 9.086 | 43.6 | 8.278 | 44.5 | 9.8 |
| TXT FINTECH | | | | | |
| REVENUES | 11.248 | 100.0 | 8.375 | 100.0 | 34.3 |
| Software | 619 | 5.5 | 445 | 5.3 | 39 |
| Services | 10.629 | 94.5 | 7.930 | 94.7 | 34.0 |
| DIRECT COSTS | 6.313 | 56.1 | 4.921 | 58.8 | 28.3 |
| GROSS MARGIN | 4.935 | 43.9 | 3.454 | 41.2 | 42.9 |
| TOTAL TXT | | | | | |
| REVENUES | 32.108 | 100.0 | 26.996 | 100.0 | 18.9 |
| Software | 4.382 | 13.6 | 2.944 | 10.9 | 48.8 |
| Services | 27.726 | 86.4 | 24.052 | 89.1 | 15.3 |
| DIRECT COSTS | 18.087 | 56.3 | 15.264 | 56.5 | 18.5 |
| GROSS MARGIN | 14.021 | 43.7 | 11.732 | 43.5 | 19.5 |

TXT Aerospace, Aviation & Automotive Division

Revenues of the Aerospace, Aviation & Automotive Division for the first half of 2020 were € 20.8 million, compared to € 18.6 million in the first half of 2019, an increase of 12% entirely due to organic growth. Revenues from software for the first half of 2020 were € 3.7 million, up +50.6% on the first half of 2019, and revenues from services were € 17.1 million, up +6% compared to the first half of 2019.

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

The Gross margin was € 9.1 million, up +9.8% compared to the first half of 2019 (€ 8.3 million). As a percentage of revenues, the gross margin amounted to 43.6%, compared to 44.5% in the first half of 2019 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 (IT), Airbus (DE and FR), Boeing (USA), Pilatus (CH), Saab (ES), Reiser (DE), CAE (DE), Safran Group (FR), GE Aviation (USA), COMAC (China), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), Lufthansa (DE), 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 Aerospace & Aviation Division is more impacted by COVID-19, with civil aviation in crisis, airlines with fleets on the ground (in 2019 they accounted for 6% of the Group revenues), and a medium-long term impact on aircraft manufacturers and the entire production chain. The impact in the short/medium-term is mitigated by revenues from software licenses contractually agreed at the end of 2019, by the focus on strategic customers (in any case leaders in the sector, even during the crisis) and by the acquisition of new multi-year contracts in the defence aeronautics sector, which is not particularly affected by the current crisis.

TXT FINTECH Division

Revenues amounted to € 11.2 million, up 34.3% compared to € 8.4 million in first half of 2019. Within the same consolidation scope, revenues decreased by 3.8% and, in particular, after the transfer of the B&F division, Assioma made a negative contribution of € 1.0 million. Software revenues in the first half of 2020 were € 0.6 million, compared to € 0.4 million in the first half of 2019. Revenues from services amounted to € 10.6 million compared to € 7.9 million in the first half of 2019. All revenues were generated in Italy.

The Gross margin was € 4.9 million, up +42.9% compared to the first half of 2019 (€ 3.5 million). The impact of the gross margin on revenues improved from 41.2% to 43.9%.

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.

On 15 April 2020, TXT e-solutions formalised the purchase of 60% of a FinTech start-up, TXT Working Capital Solutions Srl, an innovative start-up dedicated to the development of solutions for the Factoring and Supply Chain Finance market.

The transfer of its Banking & Finance business unit to the subsidiary Assioma.Net Srl (100% controlled by TXT e-solutions) was completed on 16 December 2019, with real and accounting effect from 01 January 2020.

The business unit to be transferred consists of an autonomously organised complex, already identified and independent in TXT e-solutions, with 121 employees and revenues of € 8.7 million as at 31 December 2019 and whose activity is characterised by the provision of services dedicated to financial operators to accompany them in the "digital transformation" process aimed at "Quality Excellence" and specifically: design of test processes, software quality control service, design and development of "business critical" applications in the financial sector, "Application Maintenance" services.

The transaction is aimed at simplifying the organisational and managerial structure.

In fact, the transfer aims to develop the synergies of similar or complementary activities, concentrating them in the company Assioma.Net Srl, so as to offer customers an even wider and more complete, more sophisticated and cutting-edge service, optimising the synergies and capabilities of the group.

The Assioma Group, acquired on 30 April 2019, is an Italian specialist in the governance of applications' software quality, with know-how gained from almost thirty-year experience in the industry and with over 160 employees in its Turin, Milan and Bari offices. Assioma's customer base includes numerous banks, such as Intesa San Paolo, Unicredit Leasing, UBI, ING Direct, Widiba, BPM Group and leading companies in Telecommunications, Manufacturing and Services. The acquisition of the Assioma Group strengthened TXT's existing business for Banking and Financial customers, extending its product range with new services and solutions.

The acquisition transactions in 2019 and 2020 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.

GROUP REVENUES

Research and development costs in H1 2020 amounted to € 3.7 million, up 38.9% compared to € 2.7 million in the first half of 2019. € 0.4 million of the € 1.0 million increase was due to new aerospace investments in the Aerospace division in proprietary software products for the improvement of operating efficiency during flights and in the technologies for 3D active representation and Augmented Reality, while € 0.7 million was due to investments in the development of the Fintech Division. The impact on revenues increased from 9.9% in first quarter of 2019 to 11.1% in the first quarter of 2020.

Commercial costs amounted to € 3.3 million, down by 9.4% compared to the first half of 2019, mainly due to the organisational restructuring implemented in 2019. As a percentage of revenues, commercial costs amounted to 10.1%, compared to 13.3% in H1 2019.

General and administrative costs amounted to € 3.0 million, up +12.5% compared to the first half of 2019 (€ 2.7 million), mainly due to the consolidation of Assioma. The impact of these costs on revenues fell from 9.9% in the first half of 2019 to 9.4% in the first half of 2020.

Gross operating profit (EBITDA) in the first half of 2020 was € 4.0 million, up +45% compared to the first half of 2019 (€ 2.7 million). As a percentage of revenues, it stood at 12.6%, compared to 10.3% in the first half of 2019, due to employee and external personnel growth.

Financial income in the first half of 2020 was € 0.9 million (€ 1.8 million in the first half of last year). Financial income also includes the profit deriving from the management of liquidity invested in financial instruments, which was generally positive in the first half (in fact, it should be noted that the performance of the financial markets in the second quarter made it possible to recover the losses recorded in the first quarter). Under financial income, as non-recurring items and with a greater net impact on the item, note should be taken of the adjustment of the fair value of the liability linked to the acquisition of the ownership interest in the residual 21% of the Pace capital. This amount booked at fair value for € 5.9 million as at 31 December 2019 was redetermined at € 5.1 million based on the agreements subsequently defined between the parties and paid in the second half of June.

Net profit was € 2.7 million, compared to € 2.2 million in the first half of 2019, and represented 8.5% of revenues compared to 8.0% last year. In the first half of 2020, the impact of taxes on EBT was 9%, while in the first half of 2019, it was 28%. The reduction in the actual tax rate is due primarily to the permanent difference connected with the change in the liability relating to the Pace Put-Call option exercised in June 2020 and the prepaid taxes linked to the deferred recognition of some types of software revenues.

CONSOLIDATED CAPITAL EMPLOYED

As at 30 June 2020, Capital Employed totalled € 44.6 million, up by € 4.0 million compared to 31 December 2019 (€ 40.6 million).

The table below shows the details:

| (€ thousand) | 30.06.2020 | 31.12.2019 | Total change |
|---|----------------|----------------|--------------|
| Intangible assets | 26.532 | 24.380 | 2.152 |
| Net tangible assets | 7.602 | 7.929 | (327) |
| Other fixed assets | 2.417 | 2.325 | 92 |
| Fixed assets | 36.551 | 34.634 | 1.917 |
| Inventories | 6.508 | 4.156 | 2.352 |
| Trade receivables | 20.196 | 19.371 | 825 |
| Sundry receivables and other short-term assets | 6.403 | 4.779 | 1.624 |
| Trade payables | (2.516) | (2.122) | (394) |
| Tax payables | (4.424) | (4.292) | (132) |
| Sundry payables and other short-term liabilities | (16.148) | (12.808) | (3.340) |
| Net working capital | 10.019 | 9.084 | 935 |
| Post-employment benefits and other non-current liabilities | (1.956) | (3.110) | 1.154 |
| Capital employed | 44.614 | 40.608 | 4.006 |
| Group shareholders' equity | 82.703 | 81.852 | 851 |
| Shareholders' Equity attributable to minority interests | 245 | 168 | 77 |
| Net financial position (Cash) | (38.334) | (41.412) | 3.078 |
| Financing of capital employed | 44.614 | 40.608 | 4.006 |

Intangible assets rose from € 24.3 million to € 26.5 million due to goodwill from the acquisition of TXT Working Capital Solutions Srl (€ 2.7 million), net of the amortisation for the period on the intellectual property of the software and customer portfolio for the acquisitions of Pace, Cheleo, TXT Risk Solutions and Assioma.Net Srl (€ 0.6 million).

Tangible assets of € 7.6 million fell by € 0.3 million compared to 31 December 2019. They recorded a net decrease of € 0.3 million, compared to an investment of € 0.7 million in the half.

Other fixed assets amounted to € 2.4 million and are essentially represented by deferred tax assets. The amount is in line with December 2019.

Net working capital increased by € 0.9 million, from € 9.1 million as at 31 December 2019 to € 10.0 million as at 30 June 2020. This variation is given by the difference of the increase in sundry payables and other short-term liabilities (€ 3.3 million) due to the costs allocated for personnel, the increase in receivables due from customers (€ 0.8 million), inventories for work in progress for orders not yet invoiced to customers (€ 2.3 million) and sundry receivables and other short-term assets (€ 1.6 million), mainly as a consequence of the prepaid expenses for the costs invoiced at the start of the year but accrued in the subsequent quarters.

Liabilities arising from post-employment benefits and other non-current liabilities of € 1.9 million, fell by € 3.1 million at the end of 2019 due to the payment of Severance for end of term of office.

Consolidated shareholders' equity as at 30 June 2020 amounted to € 82.9 million, up € 0.9 million compared to € 82.0 million as at 31 December 2019, mainly due to the net effect of the purchase of treasury shares (€ 1.8 million) and the net profit in the first half (€ 2.7 million).

Shareholders' equity attributable to minority interests as at 30 June 2020 of € 0.2 million regards the minority interest of 49% in Assiopay Srl, not held by the group. It should be noted that, taking into account the forward purchase/sale option agreements, minority interests for TXT Working Capital Solutions Srl were not reported. For further information reference should be made to paragraph 2 "Acquisition of TXT Working Capital Solutions Srl".

The consolidated Net Financial Position as at 30 June 2020 was positive for € 38.3 million, compared to € 41.4 million as at 31 December 2019, a reduction of roughly € 3.0 million mainly due to the purchase of treasury shares (€ 1.8 million), the recognition of the PUT/CALL payable connected to TXT Working Capital Solutions net of the NFP acquired (€ 2.5 million), other investments (€ 0.4 million), the payment of the severance for end of term of office allocated (€ 1.2 million), the positive effect of the reduction of the value of the liability for the Pace PUT/CALL option settled definitively in the year (€ 0.8 million), and, for the difference, due to the operating flow (€ 2 million net of the change in working capital).

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 2020 is as follows:

| (€ thousand) | 30.06.2020 | 31.12.2019 | Change |
|--|---------------|---------------|----------------|
| Cash and cash equivalents | 16.981 | 11.426 | 5.555 |
| Financial instruments at fair value | 77.628 | 87.320 | (9.692) |
| Short-term financial receivables | - | - | - |
| Current financial liabilities | (23.658) | (25.306) | 1.648 |
| Short-term financial position | 70.951 | 73.440 | (2.489) |
| Non-current financial payables - Lessors IFRS 16 | (4.042) | (4.517) | 475 |
| Other non-current financial liabilities | (28.575) | (27.512) | (1.063) |
| Non-current financial liabilities | (32.617) | (32.029) | (588) |
| Net Financial Position | 38.334 | 41.411 | (3.077) |

The Net Financial Position as at 30 June 2020 is detailed as follows:

- Cash and cash equivalents of € 16.9 million are mainly in Euro, held with major Italian banks. The increase of € 5.6 million compared to 31 December 2019 is primarily due to the cash of TXT e-Solutions Spa, that amounted to € 12.2 million as at 30 June 2020.
- Financial instruments at fair value of € 77.6 million are comprised by investments in partial return multi-segment insurance funds (€ 69.3 million) and in government securities and bonds with a medium-low risk profile (€ 8.3 million).
- As at 30 June 2020, Current financial liabilities amounted to € 23.7 million and include € 5.8

million for the short-term share of new medium-long term loans, € 14.9 million for short-term "hot money" loans, € 1.6 million for the estimated outlay for the exercise of the Put/Call option in 2020-2021 for the acquisition of TXT Risk Solutions Srl and € 1.3 million for the short-term portion of the payable for the payment of rents and leases of offices, cars and printers (accounting standard IFRS 16).

- Non-current financial payables - Lessors IFRS 16 as at 30 June 2019 amounted to € 4.0 million and refer to the medium/long-term portion of payables for the payment of rents and leases for offices, cars and printers including all amounts up to expiry of the related contracts ("Lessors – IFRS 16").
- Non-current financial liabilities for € 28.6 million were mainly represented by: € 23.3 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, € 2.7 million for the estimated outlay for the exercise of the Put/Call option in 2025 for the acquisition of TXT Working Capital Solutions Srl and € 0.2 million related to the fair value of the non-current monetary interest rate swaps.

In May 2020, TXT e-solutions Spa and Assioma.Net Srl requested and obtained, from the financial institutions with whom they signed medium/long-term loan agreements, BNL, UBI and Unicredit, the deferment of the payment of solely the principal portions for the third and fourth quarters of 2020. This transaction will make it possible to deal with any delays in collections from customers with an impact on current operations.

The medium-long term loans are unsecured for a residual amount as at 30 June 2020 of € 29.0 million and are represented by:

- a € 14.0 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 € 6.5 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 € 6.0 million loan of the Parent Company with UBI, 4 years, with a quarterly amortisation plan and fixed interest rates.
- a € 2.5 million loan of the subsidiary Assioma.Net Srl with BNL, 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 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. In particular, the financial covenants are measured on an annual basis as provided for contractually.

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.

Q2 2020 ANALYSIS

Analysis of the operating results for the second quarter of 2020, compared with those of the second quarter of the previous year, are presented below:

| (€ thousand) | Q2 2020 | % | Q2 2019 | % | CHANGE | % |
|--|---------------|--------------|---------------|--------------|--------------|---|
| REVENUES | 15.853 | 100.0 | 15.111 | 100.0 | 4.9 | |
| Direct costs | 9.106 | 57.4 | 8.593 | 56.9 | 6.0 | |
| GROSS MARGIN | 6.747 | 42.6 | 6.518 | 43.1 | 3.5 | |
| Research and development costs | 1.911 | 12.1 | 1.511 | 10.0 | 26.5 | |
| Commercial costs | 1.386 | 8.7 | 2.011 | 13.3 | (31.1) | |
| General and administrative costs | 1.373 | 8.7 | 1.500 | 9.9 | (8.5) | |
| GROSS OPERATING PROFIT (EBITDA) | 2.077 | 13.1 | 1.496 | 9.9 | 38.8 | |
| Depreciation | 488 | 3.1 | 392 | 2.6 | 24.5 | |
| CURRENT OPERATING PROFIT (EBITA) | 1.589 | 10.0 | 1.104 | 7.3 | 43.9 | |
| Amortisation | 310 | 2.0 | 241 | 1.6 | n.s. | |
| Reorganisation and non-recurring charges | 350 | 2.2 | 346.0 | 2.3 | n.s. | |
| OPERATING PROFIT (EBIT) | 929 | 5.9 | 517 | 3.4 | 79.7 | |
| Financial income (charges) | 1.564 | 9.9 | 513 | 3.4 | n.s. | |
| EARNINGS BEFORE TAXES (EBT) | 2.493 | 15.7 | 1.030 | 6.8 | n.s. | |
| Taxes | (15) | (0.1) | (284) | (1.9) | n.s. | |
| NET PROFIT | 2.478 | 15.6 | 746 | 4.9 | 232.2 | |
| Attributable to: | | | | | | |
| Parent Company shareholders | 2.416 | | 659 | | | |
| Minority interests | 62 | | 87 | | | |

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

- Net revenues amounted to € 15.9 million, up 4.9% compared to the second quarter of 2019 (€ 15.1 million). Within the same consolidation scope, revenues are in line with the previous half. Revenues from software, subscriptions and maintenance were € 2.1 million, up +47% compared to the second quarter of 2019 (€ 1.4 million). Revenues from services amounted to € 13.7 million, in line with the second quarter of 2019.
- The Gross margin for the second quarter of 2020 amounted to € 6.7 million, up +3.5% over the second quarter of 2019 (€ 6.5 million). As a percentage of revenues, the margin amounted to 42.6%, compared to 43.1% in the second quarter of 2019 due to the higher percentage of revenues generated by services.
- EBITDA in the second quarter of 2020 was € 2.1 million, up +38.8% compared to the second quarter of 2019 (€ 1.5 million), following investments in research and development (+26.5%). The impact of commercial costs and general and administrative costs on revenues fell from 13.3% to 8.7% and from 9.9% to 8.7% in the second quarter of 2020, compared to the first quarter of 2019. The margin on revenues was 13.1% compared with 9.9% in the second

quarter of 2019.

The investment in the two start-ups TXT Risk Solutions and TXT Working Capital Solutions generated a negative EBITDA of € 0.5 million in the second quarter of 2020.

- Operating profit (EBIT) was € 0.9 million, up 79.7% compared to the second quarter of 2019 (€ 0.5 million), after the depreciation of the tangible assets and amortisation of the intangible assets (€ 0.8 million) and Reorganisation costs (€ 0.4 million).
- Earnings before taxes (EBT) was € 2.4 million, compared to € 1.0 million in the second quarter of 2019, due to financial income of € 1.6 million, compared to € 0.5 million in the second quarter of 2019.
- Net profit was € 2.4 million, compared to € 0.7 million in the second quarter of 2019 (+232%).

EMPLOYEES

As at 30 June 2020, there were 816 employees, an increase of 30 employees compared to 786 staff as at 31 December 2019.

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

On 10 January 2020, the share price of TXT e-solutions reached an official high of € 10.10 and a low of € 4.63 on 18 March 2020. On 30 June 2020, the share price was € 7.56, a value of € 2.1 lower than € 9.66 recorded as at 31/12/2019. Average daily trade volumes on the stock market in the first six months 2020 amounted to 35,463 shares, an increase against the daily average of 22,878 shares in the previous year.

As at 30 June 2020, 1,479,037 treasury shares were held (1,220,971 as at 31 December 2019), accounting for 11.37% of shares outstanding, at an average carrying amount of € 3.95 per share. In the first half of 2020, 258,066 treasury shares were purchased at an average price of € 6.93.

The treasury share buying programme was renewed by the Shareholders' Meeting of 18 April 2020 for an 18-month period. The plan provides for the purchase of shares up to a maximum of 20% of the share capital.

The Shareholders' Meeting held on 18 June 2020 examined and approved the 2019 financial statements and resolved not to distribute any dividends.

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 135,000 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. In 2019, 27,000 options were cancelled in relation to the resignation of two managers.

On 18 June 2020, the TXT Shareholders' Meeting appointed the members of the Board of Directors and Board of Statutory Auditors, who will hold office for three years until approval of the financial statements for the year ending 31 December 2022, along with their relative remuneration. The Board of Directors comprises 7 directors: Enrico Magni, Daniele Stefano Misani, Matteo Magni, Stefania

Saviolo (independent) and Valentina Cogliati (independent), belonging to the majority list, and Fabienne Anne Dejean Schwalbe (independent) and Paola Generali (independent), belonging to the minority list. It elected the Board of Statutory Auditors, comprising the following individuals: Mario Basilico (Chairman) and Massimiliano Alberto Tonarini (alternate auditor), belonging to the minority list, and Luisa Cameretti (standing auditor), Franco Vergani (standing auditor), Fabio Maria Palmieri (alternate auditor) and Giada D'Onofrio (alternate auditor), belonging to the majority list. The curricula of the newly appointed Directors and Statutory Auditors are available at the Company's website www.txtgroup.com, under "Corporate Governance".

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 19 June 2020, the severance for end of term of office was paid to Alvisè Braga Illa, following the termination of office of the Chairman of the Board of Directors.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

Growth strategies in the Covid-19 period

The COVID-19 emergency is impacting the regular and ordinary performance of Group activities, in a global context of a serious economic recession and heightened uncertainty.

The TXT Group, like the entire market, has found itself having to react so as to mitigate the impacts and rethink the ambitious and challenging growth targets set for the year 2020.

The resilience of our model, based on a solid outlook for orders and on the ability to react to the new scenario, has enabled us to offset the slowdown in activities related to sectors hit particularly hard by the pandemic such as, for example, the "automotive" segment.

The impact of the ongoing pandemic on the first half is considered insignificant. In fact, the economic results were generally positive, with Revenues up 18.9% compared to the previous year, and EBITDA at € 4 million, marking an increase of 44.9% compared to the same period of 2019. The trend is attributable primarily to the specific characteristics of the TXT Group, which is configured as a strategic digital partner for its prestigious clients, who are seeking and investing as never before in the digitalisation of processes and advanced technological solutions to benefit their efficiency and productivity. In addition, although the outlet markets in which TXT operates are among those that stand to be, potentially, impacted by the market situation, such as airlines, the Group has been able to benefit from a significant order backlog.

The organisation and all operational resources responded promptly to the crisis, with actions aimed at ensuring the safety of workers and continuity in the provision of services. The digital nature of the services and the Group's solid IT infrastructure, combined with a work method that has already been based, for some time, on advanced individual productivity tools and, on systems entirely on cloud, has enabled the transition to smart working of almost the entire workforce, with minimal drops in efficiency.

It is still too soon to estimate the overall impact of the crisis beyond the short term and the effects of a possible reduction in companies' budget for investment in Information Technology. However, the Group's management is defining a plan, already partially implemented, aimed at supporting company growth in the current context and based on the following strategic levers.

In the first place, continuing with the policy of differentiation of the business on the different markets. 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. The other strategic levers identified are: focus on the optimisation of the organisational and corporate structure also through the use of new technologies, in addition to the gradual recovery of adequate productivity levels, savings on controllable costs and on the cost of labour, as well as a reduction in investments not considered strategic.

Significant events after 30 June 2020

On 13 July 2020, a definitive contract was signed for the acquisition of Mac Solutions SA with registered office in Chiasso in Switzerland. An amount of CHF 5.4 million was paid in cash at closing, of which CHF 2.2 million into a guarantee account linked to the performances of Mac Solutions SA in the three-year period 2020-2022; the latter amount is the equivalent of the maximum value of the Clawback clause agreed between the parties and aimed at maximising the counterparty's commitment to achieving the objectives of the newly acquired company. The consideration will be increased by further cash payments based on the net financial position of MAC Solutions SA, as defined contractually, at the closing date, expected to be positive for approximately CHF 1.2 million.

In 2019, Mac Solutions SA - a Swiss company present on the market for over 20 years and specialised in the provision of professional ICT services for the banking world, the supply and integration of financial software and the development of innovative software and Apps designed through the software factory, serving customers on the Swiss market - generated revenues of around CHF 4.8 million, with EBITDA of CHF 1.08 million.

On 23 July 2020, TXT sold 224,604 treasury shares in blocks, at a price of € 9.00 each, for a total consideration of € 2.0 million as part of the extraordinary acquisition of Mac Solutions SA - a Swiss company that joined TXT's scope of consolidation on 14 July 2020.

The transaction allows TXT to increase its already positive financial position by € 2.0 million, which, as at 31 March 2020, stood at € 42.1 million. The average purchase price of the treasury shares was € 3.93 per share, for a carrying value of € 0.9 million.

The purchaser converted the amount paid in cash by TXT in its favour into a 3-year term account to TXT shares transferred under the conditions reported above; through this transaction, the purchaser became a shareholder of TXT with roughly 1.7% of the share capital.

Forecasts for the performance in the third quarter of 2020

In the third quarter of 2020, the Company expects further revenue growth both in terms of personnel development and the contribution of the acquired companies. EBITA is expected to be higher than that of the third quarter of 2019, even though investments 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

Eugenio Forcinito

Enrico Magni

Milan, 6 August 2020

Condensed consolidated half-yearly financial statements as at 30 June 2020

Consolidated Balance Sheet

| ASSETS | Notes | 30.06.2020 | Of which with related parties | 31.12.2019 | Of which with related parties |
|--|-------|--------------------|-------------------------------|--------------------|-------------------------------|
| NON-CURRENT ASSETS | | | | | |
| Goodwill | 7.1 | 22,363,729 | | 19,639,673 | |
| Intangible assets with a finite useful life | 7.2 | 4,168,462 | | 4,740,503 | |
| Intangible assets | | 26,532,191 | | 24,380,176 | - |
| Property, plant and equipment | 7.3 | 7,602,864 | | 7,928,901 | |
| Tangible assets | | 7,602,864 | | 7,928,901 | - |
| Investments in associates | 7.4 | - | | - | |
| Sundry receivables and other non-current assets | 7.5 | 208,132 | | 258,607 | |
| Deferred tax assets | 7.6 | 2,208,066 | | 2,066,759 | |
| Other non-current assets | | 2,416,198 | | 2,325,366 | |
| TOTAL NON-CURRENT ASSETS | | 36,551,253 | | 34,634,443 | |
| CURRENT ASSETS | | | | | |
| Contractual assets | 7.7 | 6,508,255 | | 4,155,631 | |
| Trade receivables | 7.8 | 20,195,452 | | 19,370,598 | |
| Sundry receivables and other current assets | 7.9 | 6,405,297 | | 4,779,327 | |
| Financial instruments at fair value | 7.10 | 77,628,054 | | 87,320,066 | |
| Cash and cash equivalents | 7.11 | 16,981,200 | | 11,426,083 | |
| TOTAL CURRENT ASSETS | | 127,718,259 | | 127,051,704 | |
| TOTAL ASSETS | | 164,269,512 | | 161,686,147 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| | | | Of which with related parties | | Of which with related parties |
| SHAREHOLDERS' EQUITY | | | | | |
| Share capital | | 6,503,125 | | 6,503,125 | |
| Reserves | | 12,928,547 | | 14,730,521 | |
| Retained earnings (accumulated losses) | | 60,617,969 | | 60,303,632 | |
| Profit (loss) for the period | | 2,652,819 | | 314,337 | |
| TOTAL SHAREHOLDERS' EQUITY (Group) | | 82,702,460 | | 81,851,614 | - |
| Shareholders' Equity attributable to minority interests | | 245,357 | | 168,226 | |
| TOTAL SHAREHOLDERS' EQUITY | 7.12 | 82,947,817 | | 82,019,841 | |
| NON-CURRENT LIABILITIES | | | | | |
| Non-current financial liabilities | 7.13 | 32,616,760 | | 32,029,003 | |
| Provision for post-employment benefits and other employee provisions | 7.14 | 1,956,795 | - | 3,110,062 | 1,207,217 |
| Deferred tax provision | 7.6 | 1,119,630 | | 1,279,762 | |
| Provisions for future risks and charges | 7.15 | 118,905 | | 118,905 | |
| TOTAL NON-CURRENT LIABILITIES | | 35,812,090 | - | 36,537,732 | 1,249,026 |
| CURRENT LIABILITIES | | | | | |
| Current financial liabilities | 7.16 | 23,658,745 | | 25,305,617 | |
| Trade payables | 7.17 | 2,515,884 | | 2,122,206 | 40,870 |
| Tax payables | 7.18 | 3,304,257 | | 3,012,776 | |
| Sundry payables and other current liabilities | 7.19 | 16,030,719 | 131,200 | 12,687,975 | 123,794 |
| TOTAL CURRENT LIABILITIES | | 45,509,605 | 131,200 | 43,128,574 | 164,664 |
| TOTAL LIABILITIES | | 81,321,695 | 131,200 | 79,666,306 | 1,371,881 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 164,269,512 | 131,200 | 161,686,147 | 1,371,881 |

Income Statement

| | Notes | 30.06.2020 | Of which with related parties | 30.06.2019 | Of which with related parties |
|--|-----------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| Revenues and other income | | 32,108,628 | - | 26,995,519 | 1.900 |
| TOTAL REVENUES AND OTHER INCOME | 8.1 | 32,108,628 | - | 26,995,519 | 1.900 |
| Purchases of materials and external services | 8.2 | (6,649,747) | - | (5,293,213) | (996) |
| Personnel costs | 8.3 | (21,575,823) | (250,502) | (18,971,434) | (1,020,194) |
| Other operating costs | 8.4 | (191,496) | | (288.842) | |
| Depreciation and amortisation/Impairment | 8.5 | (1,589,919) | | (1,196,755) | |
| OPERATING RESULT | | 2,101,642 | (250,502) | 1,245,276 | (1,019,290) |
| Financial income (charges) | 8.6 | 891,747 | | 1,800,012 | |
| Share of profit (loss) of associates | | - | - | (9,196) | (9.196) |
| EARNINGS BEFORE TAXES (EBT) | | 2,993,389 | | 3,036,092 | |
| Income taxes | 8.7 | (263,439) | | (864.903) | |
| NET PROFIT (LOSS) FOR THE PERIOD | | 2,729,950 | | 2,171,189 | |
| | Attributable to: | | | | |
| | Parent Company shareholders | 2,652,819 | | 2,084,555 | |
| | Minority interests | 77,131 | | 86.634 | |
| EARNINGS PER SHARE | | 0.23 | | 0.19 | |
| DILUTED EARNINGS PER SHARE | | 0.23 | | 0.19 | |

Consolidated Statement of Comprehensive Income

| | 30.06.2020 | 30.06.2019 |
|--|-----------------------------|------------------|
| NET PROFIT (LOSS) FOR THE PERIOD | 2,729,950 | 2,171,189 |
| | Attributable to: | |
| | Minority interests | 86.634 |
| | Parent Company shareholders | 2,084,555 |
| Profit/(Loss) from foreign currency translation differences | (2,052) | 3.459 |
| Gain/(Loss) on the effective part of hedging instruments (cash flow hedge) | (153,410) | (102.723) |
| Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the period net of taxes | (155,462) | (99.264) |
| Defined benefit plans actuarial gains (losses) | (42,958) | (82.159) |
| Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the period net of taxes | (42,958) | (82.159) |
| Total profit/(loss) of Comprehensive Income net of taxes | (198,420) | (181.423) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 2,531,530 | 1,989,766 |
| | Attributable to: | |
| | Minority interests | 86.634 |
| | Parent Company shareholders | 1,903,132 |

Segment disclosures

For operating purposes, the Group is organised into two Business Units based on the end-use of the products and services provided.

The main financial and operating data broken down by business segment were as follows:

| <i>(€ thousand)</i> | Aerospace, A&A | Fintech | Not Allocated | TOTAL TXT |
|---|-------------------|----------------|--------------------|----------------|
| REVENUES | 20,860 | 11,248 | - | 32,108 |
| OPERATING COSTS: | | | | |
| Direct costs | 11,774 | 6,313 | - | 18,087 |
| Research and development costs | 2,214 | 1,500 | - | 3,714 |
| Commercial costs | 1,896 | 1,362 | - | 3,258 |
| General and administrative costs | 2,122 | 886 | - | 3,008 |
| TOTAL OPERATING COSTS | 18,006 | 10,061 | - | 28,067 |
| EBITDA | 2,854 | 1,187 | - | 4,041 |
| Amortisation of intangible assets | 190 | 406 | - | 595 |
| Depreciation of tangible assets | 633 | 341 | - | 974 |
| Impairment and restructuring costs | 240 | 130 | - | 370 |
| OPERATING PROFIT (EBIT) | 1,790 | 310 | - | 2,102 |
| Financial income (charges) | 580 | 312 | | 892 |
| EARNINGS BEFORE TAXES (EBT) | 2,370 | 623 | - | 2,993 |
| Taxes | (208) | (55) | - | (263) |
| NET PROFIT | 2,162 | 568 | - | 2,730 |
| <i>(€ thousand)</i> | Aerospace, A&A | Fintech | Not Allo- cated | TOTAL TXT |
| Intangible assets | 6,437 | 20,096 | - | 26,532 |
| Tangible assets | 4,939 | 2,663 | - | 7,602 |
| Other fixed assets | 1,570 | 847 | - | 2,417 |
| FIXED ASSETS | 12,946 | 23,605 | - | 36,551 |
| Inventories | 6,173 | 335 | - | 6,508 |
| Trade receivables | 13,591 | 6,605 | - | 20,196 |
| Sundry receivables and other short-term assets | 4,160 | 2,243 | - | 6,403 |
| Trade payables | (1,614) | (902) | - | (2,516) |
| Tax payables | (3,503) | (921) | - | (4,424) |
| Sundry payables and other short-term liabilities | (10,360) | (5,788) | - | (16,148) |
| NET WORKING CAPITAL | 8,447 | 1,572 | - | 10,019 |
| POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES | (856) | (1,101) | - | (1,956) |
| CAPITAL EMPLOYED | 20,537 | 24,076 | - | 44,614 |
| Shareholders' Equity | | | - | 82,948 |
| Net financial debt | | | - | (38,334) |
| CAPITAL EMPLOYED | | | - | 44,614 |

Statement of Cash Flows

| | 30 June 2020 | 30 June 2019 |
|--|--|---------------------|
| Net profit (loss) for the period | 2,729,950 | 2,171,189 |
| Non-monetary costs for Stock Options | 16,314 | 3,399 |
| Non-monetary interest | 49,185 | 43,597 |
| Change in fair value of monetary instruments | (1,134,122) | (2,025,329) |
| Current income taxes | 463,481 | - |
| Change in deferred taxes | (301,439) | (91,452) |
| Depreciation/amortisation, impairment and provisions | 1,569,802 | 596,786 |
| Other changes | 16,614 | - |
| Cash flows from (used in) operating activities (before change in working capital) | 3,409,785 | 698,190 |
| (Increase) / Decrease in trade receivables | (824,854) | (2,105,623) |
| (Increase) / Decrease in inventories | (2,352,624) | (2,420,284) |
| Increase / (Decrease) in trade payables | 152,751 | (112,798) |
| Increase / (Decrease) in other assets/liabilities | 1,755,342 | 1,613,011 |
| Increase / (Decrease) in post-employment benefits | (1,196,224) | (68,661) |
| Changes in operating assets and liabilities | (2,465,609) | (3,094,355) |
| Paid income taxes | (172,000) | - |
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | 772,176 | (2,396,165) |
| | <i>of which due to related parties</i> | <i>(1,358,000)</i> |
| Increase in tangible assets | (454,830) | (433,317) |
| Increase in intangible assets | (6,386) | (2,170) |
| Decrease in tangible and intangible assets | 17,051 | 30,492 |
| Net cash-flow from acquisition of subsidiaries | 198,657 | (1,783,708) |
| (Increase) / Decrease in trading securities | 10,000,000 | 30,197,205 |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | 9,754,491 | 28,008,502 |
| Loans issued | 10,000,000 | 857,052 |
| Loans repaid | (6,525,724) | (9,213,523) |
| Payment of lease liabilities | (716,049) | (594,124) |
| Increase/(Decrease) in other financial receivables | - | - |
| Increase/(Decrease) in financial payables | - | 32,439 |
| Net change in financial liabilities | (5,852,038) | - |
| Distribution of dividends | - | (5,780,767) |
| Interest expense | (86,107) | (125,698) |
| Other changes in shareholders' equity | - | (450,000) |
| (Purchase)/Sale of treasury shares | (1,789,577) | (930,962) |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES | (4,969,495) | (16,205,583) |
| | <i>of which due to related parties</i> | <i>(4,900,000)</i> |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 5,557,172 | 9,406,754 |
| Effect of changes in exchange rates on cash flows | (2,052) | 3,459 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 11,426,083 | 5,593,125 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 16,981,200 | 15,003,338 |
| Assets acquired that did not generate cash flows (initial recognition IFRS 16) | (227,873) | (2,495,754) |
| Liabilities acquired that did not generate cash flows (initial recognition IFRS 16) | 227,873 | 2,495,754 |

Statement of Changes in Shareholders' Equity as at 30 June 2020

| | Capitale sociale | Riserva legale | Riserva da sovrapprezzo azioni | Avanzo di fusione | First time application | Stock options | Differenze attuariali TFR | Fair Value Swap | Riserva di traduzione | Utili a nuovo | Utile (perdita) del periodo | Totale patrimonio netto | Totale patrimonio netto (Terzi) | Totale patrimonio netto |
|----------------------------------|------------------|----------------|--------------------------------|-------------------|------------------------|---------------|---------------------------|-----------------|-----------------------|---------------|-----------------------------|-------------------------|---------------------------------|-------------------------|
| Saldi al 31 dicembre 2019 | 6,503,125 | 1,300,625 | 12,571,450 | 1,911,444 | - | 23,793 | (934,986) | -169,708 | 27,903 | 60,303,632 | 314,337 | 81,851,614 | 168,226 | 82,019,840 |
| Utile al 31 dicembre 2019 | | | | | | | | | | 314,337 | (314,337) | - | | - |
| Acquisizioni minoranze | | | | | | | | | | | | | | - |
| Incremento/acquisto | | | | | | 16,314 | | 16,299 | | | | 32,613 | | 32,613 |
| Distribuzione dividendi | | | | | | | | | | | | | | - |
| Aumento di capitale gratuito | | | | | | | | | | | | | | - |
| Vendita azioni proprie | | | | | | | | | | | | | | - |
| Acquisto azioni proprie | | | (1,789,577) | | | | | | | | | (1,789,577) | | (1,789,577) |
| Attualizzazione TFR | | | | | | | (42,958) | | | | | (42,958) | | (42,958) |
| Delta cambi | | | | | | | | | (2,052) | | | (2,052) | | (2,052) |
| Utile al 30 giugno 2020 | | | | | | | | | | | 2,652,819 | 2,652,819 | 77,131 | 2,729,950 |
| Saldi al 30 giugno 2020 | 6,503,125 | 1,300,625 | 10,781,873 | 1,911,444 | 0 | 40,107 | (977,944) | (153,409) | 25,851 | 60,617,969 | 2,652,819 | 82,702,459 | 245,357 | 82,947,817 |

| | 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 | Totale patrimonio netto (Terzi) | 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 | 86,347,274 | | 86,347,274 |
| Utile al 31 dicembre 2018 | | | | | | | | | | 564,947 | (564,947) | - | | - |
| Acquisizioni minoranze | | | | | | | | | | (325,326) | | (325,326) | 34,548 | (290,778) |
| Incremento/acquisto | | | | | | 23,793 | | (42,068) | | 4,715 | | (13,560) | | (13,560) |
| Distribuzione dividendi | | | | | | | | | | (5,780,767) | | (5,780,767) | | (5,780,767) |
| Vendita azioni proprie | | | 2,386,146 | | | | | | | | | 2,386,146 | | 2,386,146 |
| Acquisto azioni proprie | | | (1,038,309) | | | | | | | | | (1,038,309) | | (1,038,309) |
| Attualizzazione TFR | | | | | | | (51,579) | | | | | (51,579) | | (51,579) |
| Delta cambi | | | | | | | | | 13,398 | | | 13,398 | | 13,398 |
| Utile al 31 dicembre 2019 | | | | | | | | | | | 314,337 | 314,337 | 133,678 | 448,015 |
| Saldi al 31 dicembre 2019 | 6,503,125 | 1,300,625 | 12,571,449 | 1,911,444 | 0 | 23,793 | (934,985) | (169,708) | 27,902 | 60,303,632 | 314,337 | 81,851,614 | 168,226 | 82,019,840 |

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 2020 (see also the organisational diagram in the section "Organisational structure and scope of consolidation") and the relative share of legal interest in the share capital:

| Company name of the subsidiary | Currency | % holding | Share capital |
|-----------------------------------|----------|-----------|---------------|
| PACE GmbH | EUR | 100% | 295,000 |
| PACE America Inc. | USD | 100% | 10 |
| TXT e-solutions SagL | CHF | 100% | 40,000 |
| TXT NEXT Sarl | EUR | 100% | 100,000 |
| TXT NEXT Ltd | GBP | 100% | 100,000 |
| Cheleo Srl | EUR | 100% | 99,000 |
| TXT Risk Solutions Srl | EUR | 51% | 79,592 |
| Assioma.Net Srl | EUR | 100% | 100,000 |
| AssioPay Srl | EUR | 51% | 10,000 |
| TXT Working Capital Solutions Srl | EUR | 60% | 500,000 |

The Group signed option contracts for the minority interests of TXT Working Capital Solutions Srl and TXT Risk Solutions Srl.

Following assessment of the terms and conditions of exercise, they were deemed capable of attributing a present ownership interest as at 30 June 2020. 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 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 | 30.06.2020 | 30.06.2019 |
|---------------------|------------|------------|
| British Pound (GBP) | 0.87463 | 0.8736 |
| US Dollar (USD) | 1.10200 | 1.1298 |
| Swiss Franc (CHF) | 1.06420 | 1.1294 |

- Balance sheet (exchange rates as at 30 June 2020 and 31 December 2019)

| Currency | 30.06.2020 | 31.12.2019 |
|---------------------|------------|------------|
| British Pound (GBP) | 0.91243 | 0.8508 |
| US Dollar (USD) | 1.11980 | 1.1234 |
| Swiss Franc (CHF) | 1.06510 | 1.0854 |

2. Acquisition of TXT Working Capital Solutions Srl

On 15 April 2020, TXT e-Solutions formalised the entry, via a capital increase it financed 60% of, in a FinTech start-up, whose company name is TXT Working Capital Solutions Srl, an innovative start-up dedicated to the study and development of solutions for the Factoring and Supply Chain Finance market.

At the time of the initial recognition, the fair value of the total consideration was structured as follows:

| Description of component | Euro |
|--|-----------|
| Paid share capital increase with premium (60%) | 800,000 |
| Put-Call Option (40%) | 2,682,426 |
| Total (100%) | 3,482,426 |

The purchase of the 60% shareholding took place via the subscription by TXT e-solutions of a capital increase for € 0.3 million, plus € 0.5 million of share premium, of which € 0.6 million already paid in cash using available liquidity at the date of this half-yearly report. TXT e-solutions and the shareholders also entered into a Put/Call option contract to purchase the remaining 40% at a price commensurate with the financial and economic results of TXT Working Capital Solutions activities in 2024.

For the purposes of drawing up the Consolidated Financial Statements, the directors also deemed the signing of the put/call option contract to be the acquisition of a present ownership interest also in the residual 40% of the capital of TXT Working Capital Solutions Srl.

The fair value of the net assets acquired and the recognition of the goodwill, for which the temporary allocation was carried out (therefore, to be confirmed by the end of the so-called measurement period) is the following:

| Allocation at acquisition date | | |
|---|------------------|-----------|
| Consideration (net of paid share capital increase with premium) | | 2,682,426 |
| Net financial position (net of capital injection) | 198,657 | |
| Net assets (liabilities) | (240,287) | |
| Goodwill (to be allocated) | 2,724,056 | |

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 2020 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 2019. 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 2019. They have been prepared based on accounting records as at 30 June 2020 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 6 August 2020.

4. Accounting standards and interpretations applied from 1 January 2020

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 2019 and illustrated in the Annual Financial Report under note 4. "Accounting standards and basis of consolidation", with the exception of standards, interpretations and amendments, whose application is compulsory from 1 January 2020. Detailed descriptions of the newly applied standards, interpretations and amendments are provided below.

Moreover, there were no transfers of fair value among hierarchical levels during the first half of 2020 with regard to the existing financial instruments.

- Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 clarify that, in order to be considered a business, an integrated set of activities and assets must include at least one input and an underlying process that, together, contribute significantly to the ability to create an output. Furthermore, it was clarified that a business can exist without including all inputs and processes necessary for creating an output. The Group's directors applied their judgment and took into account the updated definitions to identify and evaluate the business subject to a combination in the year as such. These amendments must also be considered at the time of upcoming acquisitions in order to evaluate whether the set of assets and activities acquired constitute a business or not pursuant to IFRS 3 and, subsequently, whether the acquisition method is deemed applicable.

- Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of interest rates benchmark

The amendments to IFRS 9 and IAS 39 Financial instruments provide a series of expedients, which apply to all hedging relations that are directly concerned by the reform of the interest rates benchmark. A hedging relationship is influenced if the reform generates uncertainties over the timing and/or extent of the cash flows based on the benchmarks of the hedged element or the hedging instrument.

The Group currently has the following hedges in place on floating interest rates commensurate to the Euribor:

- a € 14.0 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 € 6.5 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.

The application of the expedients would allow, if the requirements of the standard are confirmed and the uncertainties over the hedged risk, the instrument or the underlying are resolved, the modification of the formal designation of a hedging relationship in response to a change in the reference benchmark rate without this constituting neither an interruption of the hedging relationship nor the designation of a new hedging relationship.

- Amendments to IAS 1 and IAS 8: Definition of material

The amendments provide a new definition of material in which it is reiterated that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information.

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
- Other risks (COVID-19)

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 2019, 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 IFRS 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 as 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 € 2,724,056 compared to 31 December 2019. The increase is linked to the acquisition of TXT Working Capital Solutions Srl, described in paragraph 2.

A breakdown of the item as at 30 June 2020 and the comparison with 31 December 2019 is shown below:

| Goodwill | Amount as at 30 June 2020 | Amount as at 31 December 2019 |
|--|----------------------------------|--------------------------------------|
| 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 | 6,855,129 | 6,855,129 |
| Acquisition of Working Capital Solutions | 2,724,056 | - |
| TOTAL GOODWILL | 22,363,729 | 19,639,673 |

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 TXT Working Capital Solutions Srl in 2020, 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 had 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). This liability was extinguished during the year, with the exercise of the option, with the effects specified in notes 7.16 and 8.7.
- 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 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 € 6,855 thousand, derives from the acquisition price of € 10,882 thousand, net of the fair value of shareholders' equity on the acquisition date of € 3,439 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 822 thousand and deferred tax of € 229 thousand. It should be noted that, with the measurement period having elapsed, the preliminary allocation of the values was confirmed definitively by the directors in the current year.
- TXT Working Capital Solutions Srl's goodwill of € 2,724 thousand derives, as described in paragraph 2, from the acquisition price (not considering the increase in share capital with premium) of € 2,682 thousand, net of the fair value of shareholders' equity on the acquisition date of a negative € 42 thousand.

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 2019, 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 reporting shareholders' equity. As at 30 June 2020, the Group's market capitalisation was not lower than the reported shareholders' equity.

Taking into account the economic performance recorded and the business outlook, described in the "Directors' Report on Operations for H1 2020", accompanying these financial statements. No impairment test was conducted as at 30 June 2020, 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 € 4,168,462 as at 30 June 2020. The changes during the half are reported below:

| Intangible assets | Software licences | Development costs | Intellectual Property | Customer Relationship | TOTAL |
|--|-------------------|-------------------|-----------------------|-----------------------|------------------|
| Balances as at 31 December 2019 | 154,573 | | 846,821 | 3,739,109 | 4,740,503 |
| Acquisitions | 6.386 | 16,640 | - | - | 23,026 |
| Disposals | | | | | |
| Amortisation | (20,074) | (2,080) | (125,129) | (447,786) | (595,068) |
| Balances as at 30 June 2020 | 140,885 | 14,560 | 721,692 | 3,291,323 | 4,168,462 |

The breakdown of the item is as follows:

- Software licences: relate to software use licences acquired by the Company for the enhancement of software programs and for the development of advanced technologies for business purposes.
- Development costs: refer to the design and feasibility studies of the Bari (I-mole) project.
- Intellectual Property e 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 2020, the residual value of the intellectual property was € 530,359, net of 2020 amortisation of € 96,429. The residual value as at 30 June 2020 of the Customer Relationship is equal to € 436,859 net of 2020 amortisation equal to € 79,429.
 - The value of Cheleo's Customer Relationship was allocated in 2018 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 2020 is equal to € 2,352,130 net of 2020 amortisation equal to € 231,357.
 - The value of TXT Risk Solutions' Intellectual Property was allocated in 2018. Intellectual property was valued as part of the allocation of the higher price paid. The residual value as at 30 June 2020 is equal to € 191,333 net of 2020 amortisation equal to € 28,700.
 - The value of Assioma's Customer Relationship was allocated in the previous 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 2020 is equal to € 502,333 net of 2020 amortisation equal to € 137,000.

7.3. Tangible assets

Net of depreciation, tangible assets amounted to € 7,602,864 as at 30 June 2020. 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 2019 | 4,947,022 | 826,961 | 34,799 | 614,373 | 1,142,168 | 247,524 | 116,050 | 7,928,901 |
| Acquisitions | 133,005 | 94,868 | | | 417,120 | 37,709 | | 682,703 |
| Disposals | | (15,825) | | | (1,226) | | | (17,051) |
| Depreciation | (488,225) | (213,764) | (7,771) | (9,358) | (221,166) | (23,073) | (11,375) | (974,733) |
| Other changes | (312) | (1,313) | | (16,640) | 3,838 | | (2,525) | (16,952) |
| Balances as at 30 June 2020 | 4,591,491 | 690,928 | 27,028 | 588,375 | 1,340,735 | 262,161 | 102,150 | 7,602,864 |

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 of use of the properties in Palermo for AssioPay Srl, in Seattle per Pace America Inc and the new lease for the Turin office.

The increases in the “vehicles (lease)” category relate to TXT e-solutions S.p.A.’s vehicle fleet.

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.

As at 30 June 2019, the item was zero given that the value had been written down due to losses realised.

On 27 November 2019, TXT sold its equity investment in the start-up Sense immaterial Reality Srl, representing 24% of its share capital, for a total value of € 48,000 to its shareholder Alvisè Braga IIIa.

7.5. Sundry receivables and other non-current assets

“Sundry receivables and other non-current assets” as at 30 June 2020 amounted to € 208,132 compared with € 258,607 as at 31 December 2019. The item included security deposits paid by the Group companies as part of their operations and relating to motor vehicle rentals and bids in public tenders.

7.6. Deferred tax assets/liabilities

The breakdown of deferred tax assets and liabilities as at 30 June 2020, compared to the figures as at the end of 2019, is shown below:

| | Balances as at 30 June 2020 | Balances as at 31 December 2019 | Change |
|------------------------|-----------------------------|---------------------------------|----------------|
| Deferred tax assets | 2,208,066 | 2,066,759 | 141,307 |
| Deferred tax provision | (1,119,630) | (1,279,762) | 160,132 |
| Total | 1,088,436 | 786,996 | 301,439 |

Deferred tax assets mainly refer to the emergence of temporary differences with respect to the international tax framework applicable at consolidated level, deriving from the deferment of Revenue Recognition in accordance with IFRS 15 for Boeing and America Airlines licenses.

The deferred tax provision mainly refers to the recognition of deferred taxes on assets acquired in 2016 with the acquisition of Pace GmbH (Customer List and Intellectual Property), in 2018 with the acquisition of Cheleo (Customer List), with the acquisition of TXT Risk Solutions (Intellectual Property) and in 2019 with the acquisition of the Assioma Group.

The total net change of € 301,439 is the result of different movements: a) provision for deferred tax assets on revenues deriving from the application of the new international accounting standard IFRS 15, b) reversal of deferred tax liabilities based on the depreciation of tangible assets described previously c) provision for deferred tax assets on the fair value of interest rate hedging instruments.

Not all changes in equity were offset by the income statement. For further details, reference should be made to note 7.12 on shareholders' equity and note 8.7 taxes in the income statement. It should also be noted that as at 30 June 2020 the Group had no tax losses that could be carried forward for which there are no allocations for deferred tax assets.

7.7. Contractual assets

Contractual assets as at 30 June 2020 amounted to € 6,508,255 and recorded an increase of € 2,352,624 compared with the end of 2019.

Contract work in progress is recognised on the basis of the stage of completion, using the cost-to-cost method for each order. This is mainly attributable to the Parent Company, and relates to a multitude of projects.

7.8. Trade receivables

Trade receivables as at 30 June 2020, net of the provision for bad debts, amounted to € 20,195,452, up € 824,854 compared with the end of 2019.

The average DSO for the half-year in 2020 is higher than at the end of the previous year, due to the average delay in collections in view of the temporary situation.

The item is detailed in the table below:

| Trade receivables | 30 June 2020 | 31 December 2019 | Change |
|-------------------------|-------------------|-------------------|----------------|
| Gross value | 20,566,905 | 19,725,878 | 841,027 |
| Provision for bad debts | (371,453) | (355,280) | (16,173) |
| Net value | 20,195,452 | 19,370,598 | 824,854 |

The provision for bad debts changed as follows during the year:

| Provision for bad debts | 31 June 2020 |
|-------------------------|------------------|
| Opening amount | (355,280) |
| Allocation | (16,173) |
| Use | - |
| Closing amount | (371,453) |

The breakdown of trade receivables between falling due and past due as at 30 June 2020, compared to 31 December 2019, is shown below:

| Due date | Total | Falling due | Past due | |
|------------------|-------------------|-------------|-----------|-------------------|
| | | | 0-90 days | More than 90 days |
| 30 June 2020 | 20,195,452 | 12,210,587 | 5,859,135 | 2,125,730 |
| 31 December 2019 | 19,370,598 | 14,696,990 | 3,951,705 | 721,903 |

Considering the breakdown of the receivables portfolio and, in particular, the concentration of receivables on large customers, 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”, which included receivables for funded research, tax and other receivables, as well as accrued income and prepaid expenses, amounted to € 6,405,297 as at 30 June 2020, compared to € 4,779,327 as at 31 December 2019. The breakdown is shown below:

| Sundry receivables and other current assets | 30 June 2020 | 31 December 2019 | Change |
|---|------------------|------------------|------------------|
| Receivables for research grants | 1,728,373 | 1,056,392 | 671,981 |
| Tax receivables | 1,016,839 | 1,576,414 | (559,575) |
| Other receivables | 1,227,620 | 820,333 | 407,287 |
| Other current assets | 2,432,465 | 1,326,188 | 1,106,277 |
| Total | 6,405,297 | 4,779,327 | 1,625,970 |

The item “receivables for research grants” includes receivables for research financed by various institutes relating to contributions to expenditure 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 down from the previous year, as a result of the reduction in research activities carried out with grants.

The decrease in the item tax receivables, amounting to € 1,016,839, is due mainly to the collection of the receivables due from taxation authorities for IRES credit deriving from the tax-deductibility of IRAP on personnel costs relating to the years 2007-2011 amounting to € 405,147.

Other receivables amounted to € 1,227,620 and show an increase of € 407,287. The item includes the VAT credit for an amount of € 940,406.

Other current assets, amounting to € 2,432,465, consist of accrued income and prepaid expenses (adjustments of costs paid in advance not pertaining to the period) and other contractual assets (€ 0.6 million).

7.10. Financial instruments at fair value

As at 30 June 2020, this item included Financial instruments at fair value of € 77,628,054 million. In particular, the net change with respect to 31 December 2019 is attributable primarily to the partial disinvestments carried out in the period.

They consist of investments in multi-segment life insurance contracts with partially guaranteed capital for a fair value of € 69,286,156, bond loan for € 489,304 and treasury management for € 7,852,594.

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.

7.11. Cash and cash equivalents

The Group's cash and cash equivalents amounted to € 16,981,200 (€ 11,426,083 as at 31 December 2019). Please refer to the statement of cash flows for details about cash flow generation and changes.

The main impacts, aside from the operating flow in the year, concern:

- disinvestment in financial instruments (note 7.10)
- operations in treasury shares (note 7.12)

- obtainment of loans and settlement of financial liabilities, including the Pace PUT/CALL option (notes 7.13 and 7.16)

Cash and cash equivalents refer to ordinary current accounts held with Italian banks, amounting to € 15,345,046, as well as with foreign banks, totalling € 1,632,727.

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.

7.12 Shareholders' Equity

The company's share capital as at 30 June 2020 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 (€ 10,781,873), the merger surplus reserve (€ 1,911,444), the "reserves for actuarial differences on post-employment benefits" (negative € 977,944), the "Cash flow hedge reserve" (negative by € 153,410 net of the related tax effect), the "translation reserve" (€ 25,851), the reserve for stock options (€ 40,107) and reserves for retained earnings (€ 60,617,969).

Shareholders' Equity attributable to minority interests amounted to € 245,357.

| Description | Free | Required | Established by | TOTAL |
|---|-------------------|------------------|-----------------------|-------------------|
| | | by Law | Shareholders' Meeting | |
| Share premium reserve | 10,781,873 | - | - | 10,781,873 |
| Legal reserve | - | 1,300,625 | - | 1,300,625 |
| Merger surplus | - | - | 1,911,444 | 1,911,444 |
| Reserve for actuarial differences on post-employment benefits | - | - | (977,944) | (977,944) |
| IRS Fair Value | (153,410) | - | - | (153,410) |
| Reserve for retained earnings | - | - | 60,617,969 | 60,617,969 |
| Stock option reserve | - | - | 40,107 | 40,107 |
| Translation reserve | - | - | 25,851 | 25,851 |
| Total | 10,628,463 | 1,300,625 | 61,617,428 | 73,546,516 |

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

On 10 January 2020, the share price of TXT e-solutions reached an official high of € 10.10 and a low of € 4.63 on 18 March 2020. On 30 June 2020, the share price was € 7.56, a value of € 2.1 lower than € 9.66 recorded as at 31/12/2019. Average daily trade volumes on the stock market in the first six months 2020 amounted to 35,463 shares, an increase against the daily average of 22,878 shares in the previous year.

As at 30 June 2020, 1,479,037 treasury shares were held (1,220,971 as at 31 December 2019), accounting for 11.37% of shares outstanding, at an average carrying amount of € 3.95 per share. In the first half of 2020, 258,066 treasury shares were purchased at an average price of € 6.93.

7.13 Non-current financial liabilities

“Non-current financial liabilities” amounted to € 32,616,760 (€ 32,029,003 as at 31 December 2019).

| Non-current financial liabilities | 30 June 2020 | 31 December 2019 | Change |
|--|-------------------|-------------------|----------------|
| Assioma Earn-Out | 2,380,880 | 2,369,408 | 11,472 |
| WKS Put-call payable | 2,690,201 | - | 2,690,201 |
| TXT RISK Put/Call payable | - | 1,617,121 | (1,617,121) |
| Bank loans | 23,268,456 | 23,268,457 | - |
| Non-current monetary flow swaps | 235,353 | 256,997 | (21,644) |
| Non-current payables to suppliers for leasing | 4,041,870 | 4,517,020 | (475,150) |
| Total non-current financial liabilities | 32,616,760 | 32,029,003 | 587,758 |

This item includes: a) the payable for € 2,380,880 for the earn-out to be paid to Assioma shareholders on verification of the contractual conditions, b) the valuation of the amount payable for the Put/Call option for € 2,690,201, for the acquisition of TXT Working Capital Solutions Srl, as an estimate of the additional outlay for exercising the put/call option in the period 2021-2025 for the purchase of the remaining 40% of the interest in the company, c) the non-current portion of bank loans entered into in 2018 for € 23,268,456, d) the payable for the hedging against interest rate risk (fair value Interest Rate Swap) for € 235,353 and e) the non-current portion of the financial debt of € 4,041,870 pursuant to IFRS 16.

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.

In May 2020, TXT e-solutions Spa and Assioma.Net Srl requested and obtained, from the financial institutions with whom they signed medium/long-term loan agreements, BNL, UBI and Unicredit, the deferment of the payment of solely the principal portions for the third and fourth quarters of 2020. This transaction will make it possible to deal with any delays in collections from customers with an impact on current operations.

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% per annum. As at 30 June, the residual portion amounted to € 14,024,124, the non-current portion was € 11,028,450.

- 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, the non-current portion was € 5,500,000.

- 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 € 6,022,407, the non-current portion was € 4,690,008.

- 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 € 1,345,833.

- A loan for € 1,100,000 at a 3-month EURIBOR floating rate (360) with a minimum of 1% paid to Assioma.Net Srl on 17/07/2019 by BANCA NAZIONALE DEL LAVORO SPA. A derivative product was taken out on the same loan to protect the floating rate, setting it at -0.20% for a quarter. As at 30 June, the residual portion amounted to € 641,666.

- 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 € 62,500.

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 (annually). These were respected at the measurement date.

Details are presented below:

| UNICREDIT SPA Loan | 30.06.2020 | 31.12.2019 | Change |
|--------------------|-------------------|-------------------|--------|
| Maturity 1-2 years | 8,013,772 | 8,013,772 | - |
| Maturity 2-5 years | 3,014,678 | 3,014,678 | - |
| Total | 11,028,450 | 11,028,450 | - |

| BANCA NAZIONALE DEL LAVORO SPA Loan | 30.06.2020 | 31.12.2019 | Change |
|-------------------------------------|------------------|------------------|--------|
| Maturity 1-2 years | 4,000,000 | 4,000,000 | - |
| Maturity 2-5 years | 1,500,000 | 1,500,000 | - |
| Total | 5,500,000 | 5,500,000 | - |

| UNIONE BANCHE ITALIANE SPA Loan | 30.06.2020 | 31.12.2020 | Change |
|---------------------------------|------------------|------------------|--------|
| Maturity 1-2 years | 4,690,008 | 4,690,008 | - |
| Maturity 2-5 years | - | - | - |
| Total | 4,694,807 | 4,690,008 | - |

| BANCA NAZIONALE DEL LAVORO (Assioma) Loan | 30.06.2020 | 31.12.2020 | Change |
|---|------------------|------------------|--------|
| Maturity 1-2 years | 1,270,833 | 1,270,833 | - |
| Maturity 2-5 years | 779,166 | 779,166 | - |
| Total | 2,050,000 | 2,050,000 | - |

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

| | 01.01.2019 | Cash flows | Current - Non-Current Reclassification | Business Combinations IFRS 3 | Change in fair value | New funding | 30.06.2020 |
|--|-------------------|------------|--|------------------------------|----------------------|------------------|-------------------|
| Payable for WKS PUT/CALL option | - | - | - | - | - | 2,690,201 | 2,690,201 |
| Payable for TXT RISK Put/CALL option | 1,617,121 | - | (1,617,121) | - | - | - | - |
| Payable for Assioma Earn-Out | 2,369,408 | - | - | - | 11,472 | - | 2,380,880 |
| Obligations for financial leases and rental contracts with purchase option - NON-current | 4,517,020 | - | (703,022) | - | - | 227,873 | 4,041,870 |
| Interest-bearing loans and financing - NON-current | 23,525,455 | - | - | - | (21,647) | - | 23,503,809 |
| Total liabilities deriving from financial assets | 32,029,003 | - | (2,320,143) | | 10,175 | 2,918,074 | 32,616,760 |

7.14 Provision for post-employment benefits and other employee provisions

The “Provision for post-employment benefits and other employee provisions” item as at 30 June 2020 amounted to € 1,956,795, relating mainly to obligations to employees of the Parent Company.

The breakdown of and changes in the Post-employment benefits/Severance for end of term of office item over the period are presented below:

| Provision for post-employment benefits and other employee provisions | 31 December 2019 | Provisions | Uses/Payments | Actuarial gains/losses and other | Financial income/charges | 30 June 2020 |
|--|------------------|----------------|--------------------|----------------------------------|--------------------------|------------------|
| Post-employment benefits | 1,902,845 | 754,878 | (747,471) | 42,958 | 3,586 | 1,956,795 |
| Provision for severance for end of term of office | 1,207,217 | | (1,207,217) | | | - |
| Total provisions for employee benefits | 3,110,062 | 754,878 | (1,997,245) | 42,958 | 3,586 | 1,956,795 |

Post-employment benefits for personnel of € 1,956,795 as at 30 June 2020 (€ 1,902,845 as at 31 December 2019) were measured as a defined benefit provision.

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

| | 06.2020 | 12.2019 |
|---|------------------|------------------|
| Statutory provision for post-employment benefits | 1,723,812 | 1,708,895 |
| Current cost | (7,509) | (8,824) |
| Financial charges | 3,586 | 17,836 |
| Actuarial differences | 42,958 | 12,682 |
| Actuarial differences following acquisitions | - | 38,897 |
| Retained earnings | 193,949 | 133,359 |
| Total | 1,956,795 | 1,902,845 |

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 to become disabled and leave the company, was estimated based on disability tables currently used in the reinsurance practice, 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 6% staff turnover rate was calculated.

- As for the probability of requests for advance payment of benefits in TXT, an annual 2.00% advance payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.

The estimated trend in salaries of an annual nominal all-inclusive 2% has only an impact on the valuation for the companies AssioPay and Cheleo. Future salaries do not have an impact on the valuation of TXT and Assioma.Net.

The estimated inflation rate used for measurement purposes was 1.5% per year.

The discount rate used for the valuation of TXT was 0.3030% per year, i.e. the rate on Bonds issued by AA-rated European Companies as at 30 June 2020 with maturities of between 7 and 10 years. The average duration of the liability was calculated at 8.56 years.

The table below shows the potential impact on post-employment benefits of the increase/decrease of certain "key" variables used for the actuarial calculation, and the consequent absolute values of the liability in alternate scenarios compared to the base scenario (which resulted in a carrying amount of € 1,956,795):

| Sensitivity analysis as at 30 June 2020 | % Change in liabilities (DBO) | | | |
|---|-------------------------------|----------|-----------|-----------|
| | Decrease | Increase | Decrease | Increase |
| Type of change for the specific assumption | Decrease | Increase | Decrease | Increase |
| Decrease or increase of 50% in company staff turnover | 1.62% | -1.10% | 1,988,495 | 1,935,270 |
| Decrease or increase of 50% in frequency of advance payments | 0.12% | -0.10% | 1,959,143 | 1,954,838 |
| Decrease or increase of inflation by one percentage point | -1.51% | 1.54% | 1,927,247 | 1,986,930 |
| Decrease or increase of discount rate by one percentage point | 0.42% | -0.41% | 1,965,014 | 1,948,772 |

The payable for severance for end of term office, relating to the fee for the Chairperson of the Board of Directors to be paid when the term of office ends, was paid at the end of the term of office.

7.15 Provisions for future risks and charges

"Provisions for future risks and charges" as at 30 June 2020 amounted to € 118,905 and mainly includes provisions for contingent liabilities of a contractual nature.

7.16 Current financial liabilities

The "current financial liabilities" item amounted to € 23,658,745 (€ 25,305,617 as at 31 December 2019).

| Current financial liabilities | 30 June 2020 | 31 December 2019 | Change |
|--|-------------------|-------------------|--------------------|
| Bank loans | 20,728,637 | 17,353,014 | 3,375,623 |
| IFRS 16 loans | 1,305,157 | 1,304,999 | 158 |
| Pace Put/Call option | - | 5,920,000 | (5,920,000) |
| TXT RISK Put/Call option | 1,624,951 | - | 1,624,951 |
| Short-term Cheleo Earn-Out | - | 727,604 | (727,604) |
| Total current financial liabilities | 23,658,745 | 25,305,617 | (1,646,872) |

The item Bank loans, amounting to € 20,728,637, includes:

- the short-term portion of medium/long-term loans, and in particular primarily include the following:

- € 2,995,674 on the loan granted by UNICREDIT SPA
- € 1,332,398 on the loan granted by UNIONE BANCHE ITALIANE SPA
- € 1,000,000 on the loan granted by BANCA NAZIONALE DEL LAVORO SPA
- Short-term payables due to banks/hot money of € 14,900,000
- € 489,583 on the loan granted by BANCA NAZIONALE DEL LAVORO SPA for the Assioma Group

The payable for the earn-out relating to the liability for the shareholders of Cheleo and the payable for the Put/Call option relating to the liability connected with the Pace Group were paid in the first half of 2020.

The IFRS 16 Loans item includes € 1,305,157 of payable to the Lessors due to the application of IFRS 16, relating to the amount due within 12 months.

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

| | 1 January 2019 | Decision on distribution of dividends | Cash flows | % change | Current – Non-Current Reclassification | Interest | New loan agreements | 30.06.2020 |
|---|-------------------|---------------------------------------|---------------------|------------------|--|---------------|---------------------|-------------------|
| Interest-bearing loans and borrowings - current portion | 9,453,014 | - | (3,624,377) | - | | | | 5,828,637 |
| Pace Put/Call payable | 5,920,000 | - | (5,100,000) | (820,000) | - | - | - | - |
| "Hot Money" | 7,900,000 | - | (3,000,000) | - | - | | 10,000,000 | 14,900,000 |
| Obligations for financial leases and rental contracts - current portion | 1,304,999 | - | (716,049) | | 703,022 | 13,185 | | 1,305,157 |
| RISK Put/Call Payable | | | | | 1,624,951 | | | 1,624,951 |
| Cheleo Earn-Out payable | 727,604 | - | (727,604) | | | | | - |
| Total liabilities deriving from financial assets | 25,305,617 | - | (10,168,030) | (820,000) | 2,327,973 | 13,185 | 7,000,000 | 23,658,745 |

7.17 Trade payables

Trade payables amounted to € 2,515,884 as at 30 June 2020 and increased by € 393,678 compared to 31 December 2019. Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months.

7.18 Tax payables

Tax payables as at 30 June 2020 totalled € 3,304,257 and refer to VAT payables of the subsidiary PACE GmbH and income taxes of the parent company and other Group companies net of advances paid during the year.

7.19 Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 16,030,719 as at 30 June 2020, compared with € 12,687,975 as at 31 December 2019, as detailed in the table below:

| Sundry payables and other current liabilities | 30 June 2020 | 31 December 2019 | Change |
|--|-------------------|-------------------|------------------|
| Other payables | 1,692,176 | 1,594,516 | 97,660 |
| Accrued expenses and deferred income | 6,197,854 | 3,493,160 | 2,704,694 |
| Advance payments for multi-year orders | 1,748,902 | 1,469,995 | 278,907 |
| Payables due to social security institutions | 1,336,795 | 1,722,238 | (385,443) |
| Payables due to employees and external staff | 5,054,992 | 4,408,065 | 646,927 |
| Sundry payables and other current liabilities | 16,030,719 | 12,687,975 | 3,342,745 |

“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 “Accrued expenses and deferred income” essentially referred to adjustments to maintenance and service invoices made to recognise only revenues for the period.

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

The item “Payables due to employees and external staff” included payables for wages and salaries relating to June 2020 as well as payables due to employees for unused annual leave.

8 Income Statement

8.1 Total revenues and other income

Consolidated revenues and other income for the first half of 2020 amounted to € 32,108,628, up 18.94% compared with the first half of the previous year, as detailed below:

| | 30 June 2020 | 30 June 2019 | Change | % change |
|---------------------------|-------------------|-------------------|------------------|------------|
| Revenues and other income | 32,108,628 | 26,995,519 | 5,113,109 | 19% |
| Total | 32,108,628 | 26,995,519 | 5,113,109 | 19% |

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 “Directors’ Report on Operations for H1 2020”, to which reference should be made for further details.

8.2 Purchases of materials and external services

Purchases of materials and external services for the first half of 2020 amounted to € 6,649,747, up from the first half of 2019, when they totalled € 5,837,753.

The item is detailed below:

| | 30 June 2020 | 30 June 2019 | Change |
|-----------------------------------|------------------|------------------|------------------|
| Consumables and resale items | 729,019 | 443,950 | 285,069 |
| Technical consulting | 3,394,794 | 1,880,482 | 1,514,312 |
| Travel expenses | 411,684 | 822,758 | (411,074) |
| Utilities | 243,722 | 244,476 | (754) |
| Media & marketing services | 136,123 | 226,605 | (90,482) |
| Maintenance and repair | 506,973 | - | 506,973 |
| Canteen and ticket services | 220,921 | 329,761 | (108,840) |
| Administrative and legal services | 67,170 | 808,314 | (741,144) |
| Directors' fees | 592,033 | 536,867 | 55,166 |
| Subcontractors | 9,444 | - | 9,444 |
| Others | 337,864 | - | 337,864 |
| Total | 6,649,747 | 5,293,213 | 1,356,534 |

As a percentage of consolidated revenues, costs for purchasing materials and services were 20.71%, 1% higher than the previous year (19.61% as at 30 June 2019).

The item, which recorded the biggest increase, is connected with IT and administrative consulting, in particular, for Assioma.Net Srl and Pace GmbH.

8.3 Personnel costs

Personnel costs for the first six months of 2020 amounted to € 21,575,823, up € 2,604,390 (14%) compared to the first half of 2019.

This item also includes personnel reorganisation costs of € 350 thousand; for further details refer to the Directors' Report on Operations.

The employees of the TXT e-solutions Group, excluding directors and external consultants, numbered 816 as at 30 June 2020 (760 as at 30 June 2019), marking an increase of 30 employees compared to December 2019.

The table below shows the breakdown of employees by level:

| | White-collar staff | Middle managers | Executives | Total |
|------------|--------------------|-----------------|------------|-------|
| 30/06/2020 | 757 | 51 | 8 | 816 |
| 31/12/2019 | 726 | 52 | 8 | 786 |
| 30/06/2019 | 691 | 55 | 14 | 760 |

8.4 Other operating costs

The item "other operating costs" in the first half of 2020 amounted to €191,496, down € 97,347 compared to the corresponding period of 2019.

This item mainly included expenses for miscellaneous rentals, not recognised in the accounts according to IFRS 16 and sundry operating costs (including contingent liabilities and deductible taxes).

| | 30 June 2020 | 30 June 2019 | Change |
|---|----------------|----------------|-----------------|
| Other expenses and extraordinary income adjustments | 45,115 | 117.351 | (72,236) |
| Rental expense for motor vehicles | 18,990 | 32.767 | (13,777) |
| Other tax (other than income tax) | 16,120 | 24.640 | (8,520) |
| Contingent liabilities | 54,579 | 28.300 | 26,279 |
| Other lease and rental expense | 34,442 | 46.739 | (12,298) |
| Fines and penalties | 74 | 2.562 | (2,488) |
| Magazine and subscription expenses | 22,176 | 36.483 | (14,307) |
| Total | 191,496 | 288.841 | (97,347) |

8.5 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment amounted to € 1,589,919 as at 30 June 2020, up € 393,164 compared to the corresponding period of the prior year.

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

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

8.6 Financial income and charges

The positive balance of financial income and charges amounted to € 891,747 as at 30 June 2020, compared with a positive balance of € 1,800,013 at the end of the first half of 2019. Financial income also includes the profit deriving from the management of liquidity invested in financial instruments, which was generally positive in the first half (in fact, it should be noted that the performance of the financial markets in the second quarter made it possible to recover the losses recorded in the first quarter). Under financial income, as non-recurring items and with a greater net impact on the item, note should be taken of the adjustment of the fair value of the liability linked to the acquisition of the ownership interest in the residual 21% of the Pace capital. This amount booked at fair value for €

5.9 million as at 31 December 2019 was redetermined at € 5.1 million based on the agreements subsequently defined between the parties and paid in the second half of June.

8.7 Income taxes

Income taxes as at 30 June 2020 were equal to € 263,439, detailed as follows:

| | 30 June 2020 | 30 June 2019 | Change |
|--------------------------------|----------------|----------------|------------------|
| Total current taxes | 570,224 | 923.915 | (353,691) |
| Total deferred tax assets | (146,653) | 62.609 | (209,262) |
| Total deferred tax liabilities | (160,132) | (121.621) | (38,511) |
| Total taxes | 263,439 | 864.903 | (601,464) |

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.

Please refer to the “Directors' Report on Operations for H1 2020” for more details.

9 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.

10 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 2020 | Receivables | Payables | Costs | Revenues |
|--|-------------|----------------|----------------|----------|
| Directors and key management personnel | - | 131,200 | 250,502 | - |
| Total as at 30 June 2020 | - | 131,200 | 250,502 | - |

| At 31 December 2019 | Receivables | Payables | Costs | Revenues |
|--|-------------|------------------|------------------|----------|
| HSPI | - | 39,040 | 52,000 | - |
| AN-LIGHT Srl | - | - | 1,500 | - |
| Paradis Srl | - | 1,830 | 4,816 | - |
| Directors and key management personnel | - | 1,331,011 | 1,004,551 | - |
| Total as at 31 December 2019 | - | 1,371,881 | 1,062,867 | - |

Financial transactions

The amounts with Related Parties as at 30 June 2020 are shown for financial transactions:

| As at 30 June 2020 | Receivables | Payables | Charges | Income |
|--|-------------|----------|----------|----------|
| Directors and key management personnel | - | - | - | - |
| Total as at 30 June 2020 | - | - | - | - |

| At 31 December 2019 | Receivables | Payables | Charges | Income |
|--|-------------|----------|----------|---------------|
| Sense immaterial Reality Srl | - | - | - | 38,804 |
| Directors and key management personnel | - | - | - | - |
| Total as at 31 December 2019 | - | - | - | 38,804 |

11 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 2020 is as follows:

| Amounts in € | 30.06.2020 | 31.12.2019 | Change |
|---|---------------------|---------------------|--------------------|
| Cash and cash equivalents | 16,981,200 | 11,426,083 | 5,555,117 |
| Financial instruments at fair value | 77,628,054 | 87,320,066 | (9,692,012) |
| Current financial assets | - | - | - |
| Current bank loans | (20,728,636) | (17,353,014) | (3,375,624) |
| Liabilities related to acquisitions (PUT/CALL - Earn-Out) | (1,624,951) | (6,647,604) | (5,022,653) |
| Current financial liabilities - IFRS 16 | (1,305,157) | (1,304,999) | (157) |
| Other short-term financial payables | - | - | - |
| Short-term financial position | 70,950,510 | 73,440,532 | (2,490,022) |
| Non-current financial liabilities - IFRS 16 | (4,041,870) | (4,517,020) | 475,150 |
| Non-current bank loans | (23,503,809) | (23,525,454) | 21,645 |
| Liabilities related to acquisitions (PUT/CALL - Earn-Out) | (5,071,081) | (3,986,529) | (1,084,552) |
| Financial position - non-current portion | (32,616,760) | (32,029,003) | (587,758) |
| Net Financial Position | 38,333,749 | 41,411,529 | (3,077,781) |

For additional information on changes in the Group's Net Financial Position, see the "Directors' Report on Operations for H1 2020".

12 Other significant events in the year and subsequent events

Please refer to the paragraph *Significant events after the reporting period and outlook* included in the Directors' Report on Operations.

13 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 Enrico Magni, as Chairman of the Board of Directors, and Eugenio Forcinito, 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 Italian 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 2020.

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 2020 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 2020:

- 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 Italian 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 interim 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

Eugenio Forcinito

Enrico Magni

Milan, 6 August 2020