TXT e-solutions Group

Interim report

as at 30 September 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

In office until 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

In office until 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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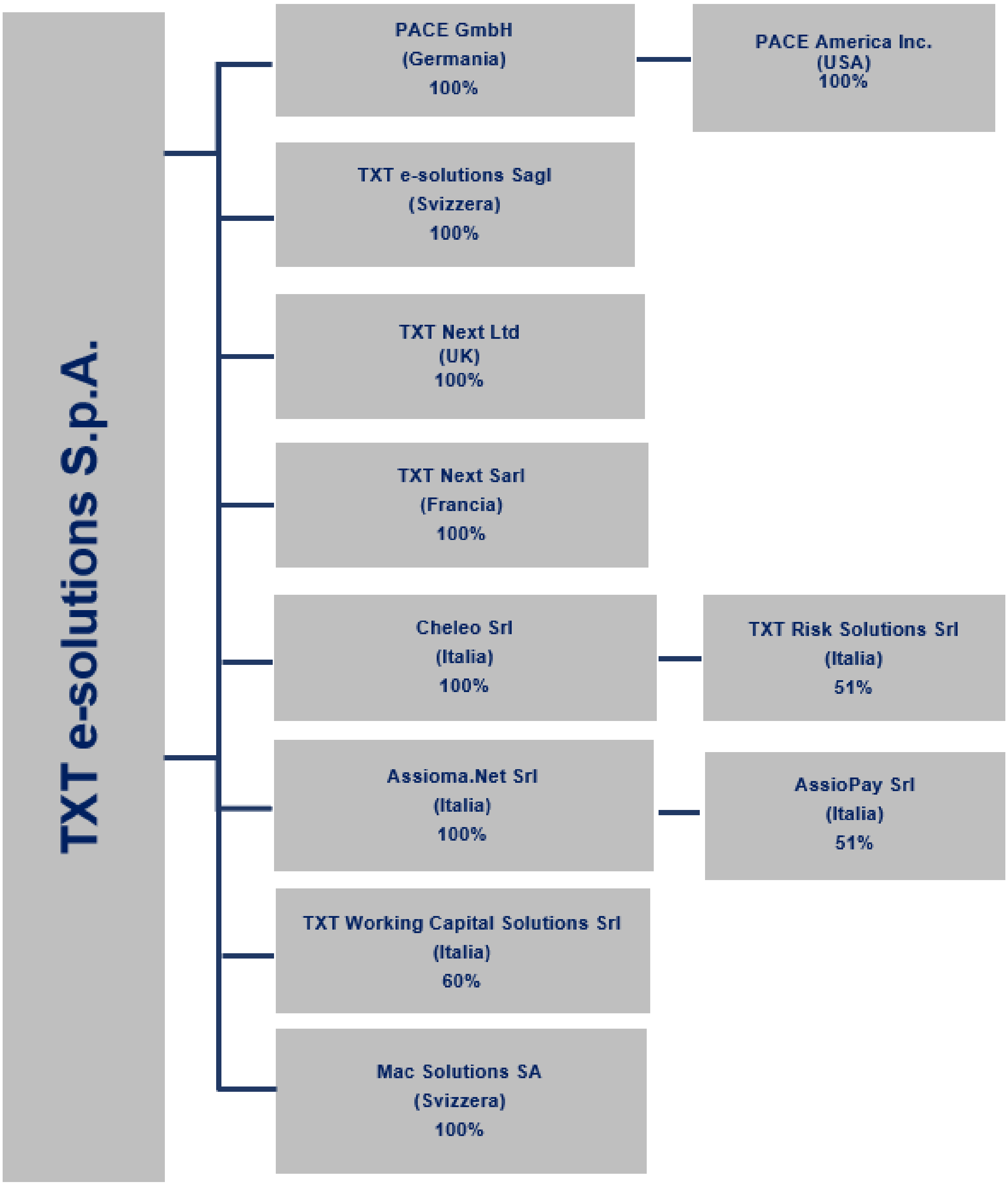

Key data and Directors' Report on Operations for the first nine months of 2020

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	9m 2020	%	9m 2019	%	% CHANGE
REVENUES	**47,826**	**100.0**	**42,534**	**100.0**	**12.4**
EBITDA	**6,118**	**12.8**	**4,799**	**11.3**	**27.5**
CURRENT OPERATING PROFIT (EBITA)	**4,648**	**9.7**	**3,654**	**8.6**	**27.2**
OPERATING PROFIT (EBIT)	**3,379**	**7.1**	**2,231**	**5.2**	**51.5**
NET PROFIT	**3,608**	**7.5**	**3,147**	**7.4**	**14.6**

FINANCIAL DATA (€ thousand)	30/09/2020	31/12/2019	Change
Fixed assets	40,578	34,634	5,944
Net working capital	15,052	9,084	5,968
Post-employment benefits and other non-current liabilities	(1,945)	(3,110)	1,165
Capital employed	**53,685**	**40,608**	**13,077**
Net financial position	(31,885)	(41,412)	9,527
Shareholders' Equity attributable to minority interests	331	168	163
Group shareholders' equity	85,239	81,852	3,387

DATA PER SHARE	30/09/2020	30/09/2019	Change
Average number of shares outstanding	11,683,621	11,787,379	(103,758)
Net earnings per share	0.29	0.27	0.04
Shareholders' equity per share	7.30	6.94	0.35

ADDITIONAL INFORMATION	30/09/2020	31/12/2019	Change
Number of employees	872	786	86
TXT share price	7.36	9.66	(2.30)

Notes on Alternative Performance Measures

In compliance with the indications of the ESMA Guidelines on alternative performance measures (APM) (ESMA/2015/1415), implemented by CONSOB (see CONSOB Communication no. 0092543, 3 December 2015), it should be noted that the reclassified statements presented in this Director's Report on Operations show some differences in the terms used and in the degree of detail with respect to the official statements shown in the financial statements on the following pages and in the explanatory notes.

Specifically, the reclassified consolidated Income Statement makes use of the following terms:
• **EBITDA**, which is equivalent to “Total revenues” net of total operating costs in the official consolidated Income Statement.
• **EBIT**, which is equivalent to “Total revenues” net of total operating costs, depreciation, amortisation and write-downs in the official consolidated Income Statement.

The reclassified consolidated Balance Sheet was prepared based on the items recognised as assets or liabilities in the official consolidated Balance Sheet and makes use of the following terms:
• **FIXED ASSETS**, given by the sum of tangible, intangible fixed assets, goodwill, deferred tax assets/liabilities and other non-current assets.
• **NET WORKING CAPITAL**, given by the sum of inventories, trade receivables/payables, current provisions, tax receivables/payables and other assets/liabilities and current receivables/payables.
• **CAPITAL EMPLOYED**, given by the algebraic sum of fixed assets, net working capital and 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 financial position and economic performance, also by providing comparative data. The APMs adopted are consistent with those used in the previous year.

Directors' Report on Operations for the first nine months of 2020

Dear Shareholders,

in the first nine months of 2020, significantly higher revenues were recorded by the Fintech Division (+20%), also due to the consolidation of the recent acquisition of MAC Solution SA, and by the Aerospace, Aviation & Automotive Division (+8%).

After the acquisition of 60% of TXT Working Capital Solutions Srl concluded in the previous half year, on 13 July 2020 TXT e-solutions Spa finalised the acquisition of the Swiss company MAC Solutions SA.
Mac Solutions SA is a Swiss company which has been on the market for over 20 years and specialises in providing professional ICT services to the bank sector, supplying and integrating financial software and developing innovative software and Apps designed through the software factory for customers on the Swiss market.
At the closing, CHF 5.4 million was paid in cash, of which CHF 2.2 million went in an escrow account linked to Mac Solutions SA's performance over the three-year period 2020-2022.
The results will be consolidated starting from 14 July 2020.

The main consolidated operating and financial results in the first nine months of 2020 were as follows:

- **<u>Revenues</u>** amounted to € 47.8 million, up by 12.4% compared to € 42.5 million in the first nine months of 2019, of which € 1.2 million due to the consolidation of MAC Solutions SA starting from 14 July 2020; on a like-for-like basis, revenues grew by 12.1%. Software revenues in the first nine months of 2020 were € 6.5 million, +9.5% compared to the first nine months of 2019. Revenues from services amounted to € 41.3 million, up 12.9% compared to the first nine months of 2019.
  Revenues in the Aerospace, Aviation and Automotive Division amounted to € 30.7 million, up +8.4% compared to the first nine months of 2019, entirely due to organic growth.
  The Fintech Division recorded revenues of € 17.1 million, up +20.6% compared to the first nine months of 2019, of which € 1.2 million for the consolidation of MAC Solutions SA and € 1.7 million for organic growth.

- Net of direct costs, the **<u>Gross Margin</u>** rose from € 19.0 million to € 21.5 million, marking an increase of 13.2%. Gross margin on revenues was equal to 44.9% in the first nine months of 2020.

- **<u>EBITDA</u>** was € 6.1 million, up by 27.5% compared to the first nine months of 2019 (€ 4.8 million), following significant research and development investment (+13.3%). The margin on revenues was 12.8% against 11.3% in the first nine months of 2019.

- **Operating profit (<u>EBIT</u>)** was € 3.4 million, up 51.5% compared to the first nine months of 2019 (2.2 million). Amortisation and depreciation of assets amounted to € 2.4 million, up € 0.5 million compared to the first nine months of 2019 due to consolidation of the acquisition of the Assioma group.

- **Financial income** amounted to € 1.2 million against € 2.1 million in the first nine months of 2019. The decrease is mainly due to greater financial market volatility in the current year and to lower financial investments in connection with outlays linked to the M&A plan. The prudent and diversified management, with investments mainly in multisegment insurance, has made it possible to mitigate the losses generated by the financial market volatility linked to the COVID-19 pandemics.

- **Net Profit** was € 3.6 million, up compared to € 3.1 million in the first nine months of 2019, mainly due to the Group's ordinary operations.

The consolidated **Net Financial Position** as at 30 September 2020 was positive for € 31.9 million, down by roughly € 9.5 million with respect to 31 December 2019 (€ 41.4 million). This was mainly due to the acquisitions net of the NFP acquired (€ 7.3 million), the payment of the severance for end of term of office set aside (€ 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, the operating flow.

Consolidated shareholders' equity as at 30 September 2020 amounted to € 85.6 million, up by € 3.4 million compared to € 82.0 million as at 31 December 2019, mainly due to the net effect of the trading of treasury shares (- € 0.1 million) and the net profit in the first nine months (€ 3.6 million).

TXT's consolidated results for the first nine months of 2020, compared with those of the same period of the previous year, are presented below:

(€ thousand)	9m 2020	%	9m 2019	%	% Change
REVENUES	**47,826**	**100.0**	**42,534**	**100.0**	**12.4**
Direct costs	26,345	55.1	23,560	55.4	11.8
GROSS MARGIN	**21,482**	**44.9**	**18,974**	**44.6**	**13.2**
Research and development costs	5,045	10.5	4,455	10.5	13.3
Marketing costs	5,755	12.0	5,860	13.8	(1.8)
General and administrative costs	4,562	9.5	3,860	9.1	18.2
GROSS OPERATING PROFIT (EBITDA)	**6,118**	**12.8**	**4,799**	**11.3**	**27.5**
Depreciation	1,470	3.1	1,145	2.7	28.4
CURRENT OPERATING PROFIT (EBITA)	**4,648**	**9.7**	**3,654**	**8.6**	**27.2**
Amortisation	919	1.9	718	1.7	n.s.
Reorganisation and non-recurring charges	350	0.7	705	1.66	n.s.
OPERATING PROFIT (EBIT)	**3,379**	**7.1**	**2,231**	**5.2**	**51.5**
Financial income (charges)	1,168	2.4	2,137	5.0	n.s.
EARNINGS BEFORE TAXES (EBT)	**4,546**	**9.5**	**4,368**	**10.3**	**n.s.**
Taxes	(939)	(2.0)	(1,221)	(2.9)	n.s.
NET PROFIT	**3,608**	**7.5**	**3,147**	**7.4**	**14.6**
Attributable to:					
Parent Company shareholders	3,445		3,019		
Minority interests	163		128		

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs in the first nine months of 2020, compared with those of the previous year, are presented below for each Division:

(€ thousand)	9m 2020	%	9m 2019	%	% Change
	TXT AEROSPACE, AVIATION & AUTOMOTIVE				
REVENUES	**30,705**	**100.0**	**28,332**	**100.0**	**8.4**
Software	5,667	18.5	4,232	14.9	33.9
Services	25,038	81.5	24,100	85.1	3.9
DIRECT COSTS	16,753	54.6	15,577	55.0	7.5
GROSS MARGIN	**13,952**	**45.4**	**12,755**	**45.0**	**9.4**
	TXT FINTECH				
REVENUES	**17,121**	**100.0**	**14,202**	**100.0**	**20.6**
Software	853	5.0	1,723	12.1	(50)
Services	16,268	95.0	12,479	87.9	30.4
DIRECT COSTS	9,592	56.0	7,984	56.2	20.1
GROSS MARGIN	**7,529**	**44.0**	**6,218**	**43.8**	**21.1**
	TOTAL TXT				
REVENUES	**47,826**	**100.0**	**42,534**	**100.0**	**12.4**
Software	6,520	13.6	5,955	14.0	9.5
Services	41,306	86.4	36,579	86.0	12.9
DIRECT COSTS	26,345	55.1	23,561	55.4	11.8
GROSS MARGIN	**21,481**	**44.9**	**18,973**	**44.6**	**13.2**

TXT Aerospace, Aviation & Automotive Division

Revenues in the Aerospace, Aviation and Automotive Division amounted to € 30.7 million, up +8.4% compared to the first nine months of 2019, entirely due to organic growth.

Software revenues in the first nine months of 2020 were € 5.7 million, +33.9% compared to the first nine months of 2019. International revenues accounted for 43% of revenues for the Division (€ 13.1 million as at 30/09/2020), up +15% (€ 11.4 million as at 30/09/2019).

The Gross Margin was € 14.0 million, up by 9.4% compared to the first nine months of 2019 (€ 12.8 million). The gross margin amounted to 45.4% of revenues, compared to 45.0% in the first nine months of 2019, due to the higher software licence component in the revenue mix.

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

Current customers comprise over 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Leonardo (IT), Airbus (DE and FR), Boeing (USA), Pilatus (CH), Saab (SW), Reiser (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 market is under strong pressure 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 and services already 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

The Fintech Division recorded revenues of € 17.1 million, up +20.6% compared to the first nine months of 2019, of which € 1.2 million for the consolidation of MAC Solutions SA. International revenues represent 7% of the revenues of the Division due to the consolidation of MAC Solutions SA.

The Gross margin was € 7.5 million, up by 21.1% compared to the first nine months of 2019 (€ 6.2 million). The gross margin as percentage of revenues was in line with the previous year and equal to 43.8% in 2019 and 44.0% in 2020.

TXT historically operates in the financial and banking sector with an increasing portfolio of proprietary products and innovative solutions. Moreover, TXT specialises in Independent Verification & Validation of supporting IT systems. At the base of the offer is the great experience of market processes accrued over more than twenty years of activity alongside leading banking companies, combined with in-depth knowledge of methods and tools for managing specialist vertical processes such as NPL, digital payments, factoring and compliance.

On 13 July 2020, TXT e-solutions Spa has finalised the purchase of MAC Solutions SA, a Swiss company which has been on the market for over 20 years and specialises in providing professional ICT services to the bank sector, supplying and integrating financial software and developing innovative software and Apps designed through the software factory for customers on the Swiss market.

On 15 April 2020, TXT e-solutions has finalised 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 (company acquired on 30 April 2019 and 100% controlled by TXT e-solutions) was completed on 16 December 2019, with real and accounting effect from 01 January 2020.

The business unit 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. Its 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.

The acquisitions carried out in 2019 and 2020 relating to the Fintech Division have allowed TXT to significantly expand its customer 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 the first nine months of 2020 amounted to € 5.0 million, up 13.3% compared to € 4.5 million in the first nine months of 2019. The € 0.5 million increase is due, for € 0.4 million, to the new investments of the Fintech division in new initiatives and in the development of proprietary products and, for € 0.1 million, to the Aerospace division. The impact on revenues remained unchanged at 10.5%.

Sales costs amounted to € 5.8 million, substantially in line with the first nine months of 2019. As a percentage of revenues, marketing costs amounted to 12.0%, compared to 13.8% in the first nine months of 2019.

General and administrative costs amounted to € 4.6 million, up +18.2% compared to the first nine months of 2019 (€ 3.9 million), mainly due to the consolidation of Assioma and to non-recurring charges resulting from the acquisitions. As a percentage of revenues, these costs amounted to 9.8% in the first nine months of 2020, against 9.1% in 2019.

Financial income in the first nine months of 2020 amounted to € 1.2 million (€ 2.1 million in the first nine months of last year). Financial income also includes the profit deriving from the management of liquidity invested in financial instruments, which was generally positive (in fact, it should be noted that the performance of the financial markets in the second and third 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 recalculated at € 5.1 million based on the agreements subsequently reached by the parties and paid in the second half of June.

Net profit was € 3.6 million compared to € 3.1 million in the first nine months of 2019, with an impact on revenues of 7.5% compared to 7.4% of the previous year. As a percentage of revenues, taxes amounted to 2% in the period considered, against 2.9% in the same period of 2019.

CONSOLIDATED CAPITAL EMPLOYED

As at 30 September 2020, Capital employed totalled € 53.7 million, up by € 13.0 million compared to 31 December 2019 (€ 40.6 million).

The table below shows the details:

(€ thousand)	30/09/2020	31/12/2019	Total change
Intangible assets	30,933	24,380	6,553
Net tangible assets	7,399	7,929	(530)
Other fixed assets	2,246	2,325	(79)
Fixed assets	**40,578**	**34,634**	**5,944**
Inventories	6,505	4,156	2,349
Trade receivables	25,135	19,371	5,764
Sundry receivables and other short-term assets	5,068	4,779	289
Trade payables	(2,250)	(2,122)	(128)
Tax payables	(4,927)	(4,292)	(635)
Sundry payables and other short-term liabilities	(14,479)	(12,808)	(1,671)
Net working capital	**15,052**	**9,084**	**5,968**
Post-employment benefits and other non-current liabilities	**(1,945)**	**(3,110)**	**1,165**
Capital employed	**53,685**	**40,608**	**13,077**
Group shareholders' equity	85,239	81,852	3,387
Shareholders' Equity attributable to minority interests	331	168	163
Net financial position (Cash)	(31,885)	(41,412)	9,527
Financing of capital employed	**53,685**	**40,608**	**13,077**

Intangible assets rose from € 24.4 million to € 30.9 million due to goodwill from the acquisition of TXT Working Capital Solutions Srl (€ 2.7 million) and MAC Solutions SA (€ 4.4 million), as well as the capitalisation of the development costs of the iMole project (€ 0.3 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 (€ 0.9 million).

Tangible assets of € 7.4 million fell by € 0.5 million compared to 31 December 2019. A decrease was recorded due to amortisation of € 1.4 against a net investment of € 0.9 million in the first nine months of 2020.

Other fixed assets amounted to € 2.2 million and are essentially represented by deferred tax assets. The amount is in line with December 2019.

Net working capital increased by € 6.0 million, from € 9.1 million as at 31 December 2019 to € 15.1 million as at 30 September 2020. This variation is given by the difference of the increase in sundry payables and other short-term liabilities (€ 1.7 million) due to the costs allocated for personnel, the increase in receivables due from customers (€ 5.8 million), inventories for work in progress for orders not yet invoiced to customers (€ 2.3 million), tax payables (€ 0.6 million) and sundry receivables and other short-term assets (€ 0.2 million), mainly as a consequence of prepaid expenses for 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 allocated during the years for end of term of office to the Chairman Alvise Braga Illa who was not re-elected in 2020.

Consolidated shareholders' equity as at 30 September 2020 amounted to € 85.6 million, up € 3.4 million compared to € 82.0 million as at 31 December 2019, mainly due to the net effect of the purchase of treasury shares (minus € 0.1 million) and the net profit in the first nine months (€ 3.6 million).

Shareholders' equity attributable to minority interests as at 30 September 2020 of € 0.3 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 September 2020 was positive for € 31.9 million, compared to € 41.4 million as at 31 December 2019, a reduction of roughly € 9.5 million mainly due to the recognition of the PUT/CALL payable connected to TXT Working Capital Solutions net of the NFP acquired (€ 2.5 million), the outlay for the acquisition of MAC Solutions SA net of the NFP acquired (€ 4.8 million), other investments (€ 0.6 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.

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)	30/09/2020	31/12/2019	Change
Cash and cash equivalents	20,021	11,426	8,595
HFT securities at fair value	67,892	87,320	(19,428)
Current financial liabilities	(26,024)	(25,306)	(718)
Short-term financial resources	**61,889**	**73,440**	**(11,551)**
Non-current financial payables - Lessors IFRS 16	(3,785)	(4,517)	732
Other non-current financial liabilities	(26,219)	(27,512)	1,293
Non-current financial liabilities	(30,004)	(32,029)	2,025
Net Available Financial Resources	**31,885**	**41,411**	**(9,526)**

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

- *Cash and cash equivalents* of € 20.0 million are mainly in Euro, held with major Italian banks. The increase of € 8.6 million compared to 31 December 2019 is primarily due to the cash of TXT e-Solutions Spa, that amounted to € 14.0 million as at 30 September 2020.

- *Financial instruments at fair value* of € 67.9 million are comprised by investments in multi-segment insurance funds with partial capital guarantee (€ 59.6 million) and in government securities and bonds with a medium-low risk profile (€ 8.3 million).

- As at 30 September 2020, *current financial liabilities* amounted to € 26.0 million and include € 8.2 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 September 2020 amounted to € 3.8 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 € 26.2 million were mainly represented by: € 20.9 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 which 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 September 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 under which the company cannot create real rights of guarantee or other restrictions on company assets;
3. “*pari passu*” clauses, on the basis of which the loans will have the same degree of priority in the repayment with respect to other financial liabilities and change of control clauses, which are activated in the event of disinvestments by the majority shareholder;

4. limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
5. certain obligations for the issuer that limit, *inter alia*, the ability to pay particular dividends or distribute capital; to consolidate or consolidate certain businesses; to dispose of or transfer its 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.

Q3 2020 ANALYSIS

The analysis of the operating results for the third quarter of 2020, compared with those of the third quarter of the previous year, is presented below:

(€ thousand)	Q3 2020	%	Q3 2019	%	% Change
REVENUES	**15,718**	**100.0**	**15,538**	**100.0**	**1.2**
Direct costs	8,258	52.5	8,296	53.4	(0.5)
GROSS MARGIN	**7,461**	**47.5**	**7,242**	**46.6**	**3.0**
Research and development costs	1,331	8.5	1,781	11.5	(25.2)
Marketing costs	2,497	15.9	2,264	14.6	10.3
General and administrative costs	1,555	9.9	1,186	7.6	31.1
GROSS OPERATING PROFIT (EBITDA)	**2,076**	**13.2**	**2,011**	**12.9**	**3.2**
Depreciation	495	3.1	422	2.7	17.3
CURRENT OPERATING PROFIT (EBITA)	**1,581**	**10.1**	**1,589**	**10.2**	**(0.5)**
Amortisation	303	1.9	244	1.6	n.s.
Reorganisation and non-recurring charges	0	0.0	359	2.3	n.s.
OPERATING PROFIT (EBIT)	**1,278**	**8.1**	**986**	**6.3**	**29.6**
Financial income (charges)	276	1.8	346	2.2	n.s.
EARNINGS BEFORE TAXES (EBT)	**1,553**	**9.9**	**1,332**	**8.6**	**n.s.**
Taxes	(676)	(4.3)	(356)	(2.3)	n.s.
NET PROFIT	**878**	**5.6**	**976**	**6.3**	**(10.1)**
Attributable to:					
Parent Company shareholders	792		901		
Minority interests	86		75		

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

- Net revenues amounted to € 15.7 million, in line with the third quarter of 2019 (€ 15.5 million). Revenues of MAC Solutions SA amounted to € 1.2 million. Revenues from software, subscriptions and maintenance were € 2.1 million, in line with the second quarter of 2019 (€ 2.0 million). Revenues from services amounted to € 13.6 million, against € 13.5 million in the third quarter of 2019.

- The Gross margin in the third quarter of 2020 amounted to € 7.5 million, up 3.0% compared to the third quarter of 2019 (€ 7.2 million). As a percentage of revenues, the margin amounted to 47.5%, compared to 46.6% in the third quarter of 2019 due to the lower percentage of revenues generated by services.

- EBITDA in the third quarter of 2020 amounted to € 2.1 million, up 3% compared to the third

quarter of 2019 (€ 2.0 million). The margin on revenues amounted to 13.2% compared to 12.9% in the third quarter of 2019.
The increase in EBITDA is due for € 0.3 million to the contribution of MAC Solutions SA. while the investment in TXT Working Capital Solutions contributed negatively to EBITDA for € 0.2 million.

- Operating profit (EBIT) was € 1.3 million, up 29.6% compared to the third quarter of 2019 (€ 1.0 million).
- Pre-tax profit came to € 1.6 million, compared to € 1.3 million in the third quarter of 2019.
- Net profit was € 0.9 million, compared to € 1.0 million in the third quarter of 2019. In the third quarter of 2020, taxes amounted to € 0.7 million, equal to 43.5% of earnings before taxes.

EMPLOYEES

As at 30 September 2020, there were 872 employees, an increase of 86 employees compared to 786 staff as at 31 December 2019. It should be noted that 48 people derive from the acquisition of Mac Solutions SA during the third quarter.

PERFORMANCE OF TXT STOCK, 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 September 2020, the share price was € 7.36, € 2.3 below the value of € 9.66 recorded as at 31/12/2019. Average daily trade volumes on the stock market in the first nine months of 2020 amounted to 27,432 shares, an increase against the daily average of 22,878 shares in the previous year.

As at 30 September 2020, 1,288,213 treasury shares were held (1,220,971 as at 31 December 2019), accounting for 9.9045% of shares outstanding, with an average carrying amount of € 3.48 per share. During the first nine months of 2020, 292,846 shares were purchased at an average price of € 7.01. On 23 July 2020, 224,604 shares were sold at an agreed price of € 9.00 per share.

The treasury share buying programme was renewed by the Shareholders' Meeting of 18 June 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, setting their remuneration. The Board of Directors consists of 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. The Board of Statutory Auditors was elected and consists of: 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 Alvise 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 "civil aviation" segment.

Despite the pandemic, the economic results were generally positive, with Revenues up 12.4% compared to the previous year, and EBITDA at € 6.1 million, marking an increase of 27.5% compared to the same period of 2019. The trend is attributable primarily to the specific characteristics of the TXT Group. This is configured as a strategic digital partner for its prestigious clients, which 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,* especially at this time when the pandemic crisis seems to be on the rise again. 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 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 September 2020

On 27 October 2020, the minutes of the extraordinary shareholders' meeting of TXT e-solutions S.p.A. (TXT e-solutions) were registered in the Milan Register of Companies. On 15 October 2020, this had approved, among other things, i) the integration of the corporate purpose in order to allow the company to carry out *holding* activities (so-called *mixed holding company*) and consequent amendment to art. 4 of the Articles of Association and ii) the introduction of a 40% share capital or voting right threshold for the promotion of a take-over bid. The recording of the minutes allows the shareholders of TXT e-solutions who did not contribute to the adoption of the resolution on points 1 and 4 on the agenda of the Shareholders' Meeting (i.e. the shareholders who did not participate in the meeting or who voted against the resolution proposals or who abstained from voting) have the right to withdraw in compliance with the provisions of the law and the documents relating to the Shareholders' Meeting.

On 19 October 2020, TXT e-Solutions S.p.A. signed and finalised the agreement for the acquisition of HSPI S.p.A.
HSPI S.p.A. is a company specialised in the digital transformation of large Italian public and private companies and a leading company in the field of IT governance. The consideration recognised at the closing and agreed between the parties was € 11.6 million, of which € 9.1 million in cash and € 2.5 million to be paid in ordinary TXT shares, of which € 2.3 million to the three selling directors of HSPI for whom a three-year stability agreement from the closing date is envisaged.
With the acquisition of HSPI, the TXT Group continues to diversify and significantly increase the extent and depth of its technological and consulting services mix, inheriting a new broad and diversified client portfolio, which strengthens its presence on the Fintech and Industrial markets and guarantees its access to new sectors (Public Administration, Energy & Utilities). Thanks to HSPI, the TXT Group will acquire a leadership presence throughout Italy, with the addition of new operating centres including Bologna and, especially, Rome.
The Transaction will further strengthen TXT Group know-how in key skills such as Information Risk Management, Process Mining, blockchain, data science and advanced analytics; it will add them to the services offered in the field of cyber-security, expected to expand strongly over the next few

years, and in the public administration sector through an internal department structured for participation in tender procedures.

Outlook for the performance in the fourth quarter of 2020

In the fourth quarter of 2020, the Company expects further revenue growth both through organic growth and because of the contribution of the acquired companies. EBITA is expected to improve on the fourth quarter of 2019, even though R&D and marketing investments will continue, to allow both the Aerospace, Aviation & Automotive and the Fintech divisions to seize market opportunities and to recover after the crisis.

Manager responsible for preparing corporate accounting documents Chairman of the

Board of Directors

Eugenio Forcinito Enrico Magni

Milan, 5 November 2020

Consolidated financial statements as at 30 September 2020

Consolidated Balance Sheet

ASSETS	30/09/2020	Of which with related parties	31/12/2019	Of which with related parties
NON-CURRENT ASSETS				
Goodwill	26,730,153		19,639,673	
Intangible assets with a finite useful life	4,203,265		4,740,503	
Intangible assets	**30,933,419**		**24,380,176**	**-**
Property, plant and equipment	7,399,113		7,928,901	
Tangible assets	**7,399,113**		**7,928,901**	**-**
Investments in associates	-		-	
Sundry receivables and other non-current assets	213,372		258,607	
Deferred tax assets	2,033,036		2,066,759	
Other non-current assets	**2,246,408**		**2,325,366**	
TOTAL NON-CURRENT ASSETS	**40,578,940**		**34,634,443**	
CURRENT ASSETS				
Contractual assets	6,504,518		4,155,631	
Trade receivables	25,134,733		19,370,598	
Sundry receivables and other current assets	5,071,008		4,779,327	
Financial instruments at fair value	67,892,079		87,320,066	
Cash and cash equivalents	20,021,325		11,426,083	
TOTAL CURRENT ASSETS	**124,623,663**		**127,051,704**	
TOTAL ASSETS	**165,202,603**		**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	14,673,238		14,730,521	
Retained earnings (accumulated losses)	60,617,969		60,303,632	
Profit (loss) for the period	3,444,859		314,337	
TOTAL SHAREHOLDERS' EQUITY (Group)	**85,239,191**		**81,851,614**	**-**
Shareholders' Equity attributable to minority interests	331,190		168,226	
TOTAL SHAREHOLDERS' EQUITY	**85,570,381**		**82,019,841**	
NON-CURRENT LIABILITIES				
Non-current financial liabilities	30,003,942		32,029,003	
Provision for post-employment benefits and other employee provisions	1,944,936	-	3,110,062	1,207,217
Deferred tax provision	1,039,708		1,279,762	
Provisions for future risks and charges	118,905		118,905	
TOTAL NON-CURRENT LIABILITIES	**33,107,491**	**-**	**36,537,732**	**1,249,026**
CURRENT LIABILITIES				
Current financial liabilities	26,024,473		25,305,617	
Trade payables	2,249,658		2,122,206	40,870
Tax payables	3,889,110		3,012,776	
Sundry payables and other current liabilities	14,361,490	243,384	12,687,975	123,794
TOTAL CURRENT LIABILITIES	**46,524,731**	**243,384**	**43,128,574**	**164,664**
TOTAL LIABILITIES	**79,632,222**	**243,384**	**79,666,306**	**1,371,881**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**165,202,603**	**243,384**	**161,686,147**	**1,371,881**

Consolidated Income Statement

	30/09/2020	Of which with related parties	30/09/2019	Of which due to related parties
Revenues and other income	47,825,752		42,533,813	
TOTAL REVENUES AND OTHER INCOME	**47,825,752**		**42,533,813**	
Purchases of materials and external services	(9,735,936)	(51,800)	(9,209,976)	
Personnel costs	(32,021,365)	(399,405)	(28,095,296)	
Other operating costs	(300,207)		(429,424)	
Depreciation and amortisation/Impairment	(2,390,331)		(2,568,632)	
OPERATING RESULT	**3,377,913**	**(451,205)**	**2,230,485**	
Financial income (charges)	1,167,610		2,145,983	
Share of profit (loss) of associates	-		(9,196)	
EARNINGS BEFORE TAXES (EBT)	**4,545,523**		**4,367,273**	
Income taxes	(937,701)		(1,220,433)	
NET PROFIT (LOSS) FOR THE PERIOD (group)	**3,607,823**		**3,146,839**	
Attributable to:				
Parent Company shareholders	3,444,859		3,018,997	
Minority interests	162,964		127,842	
EARNINGS PER SHARE	0.29		0.27	

Consolidated Statement of Comprehensive Income

	30/09/2020	30/09/2019
NET PROFIT (LOSS) FOR THE PERIOD	**3,444,859**	**3,018,997**
Profit/(Loss) from foreign currency translation differences	(28,717)	(2,091)
Profit/(loss) on the effective portion of hedging instruments (*cash flow hedge*)	(144,310)	(234,677)
Total items of other comprehensive income that will be subsequently re-classified to profit/(loss) for the year net of taxes	**(173,027)**	**(236,768)**
Defined benefit plans actuarial gains (losses)	(42,958)	(51,027)
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	**(42,958)**	**(51,027)**
Total profit/(loss) of Comprehensive Income net of taxes	**(215,985)**	**(287,795)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,391,838**	**2,859,044**
Minority interests	**162,964**	**127,842**
Parent Company shareholders	**3,228,874**	**2,731,203**

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:

(€ thousand)	Aerospace, A&A	Fintech	Not Allocated	TOTAL TXT
REVENUES	**30,705**	**17,121**	**-**	**47,826**
OPERATING COSTS:				
Direct costs	16,753	9,592	-	26,345
Research and development costs	3,156	1,889	-	5,045
Marketing costs	3,280	2,475	-	5,755
General and administrative costs	3,192	1,370	-	4,562
TOTAL OPERATING COSTS	**26,381**	**15,326**	**-**	**41,708**
EBITDA	**4,324**	**1,795**	**-**	**6,118**
Amortisation of intangible assets	301	615	-	916
Depreciation of tangible assets	944	526	-	1,470
Impairment	228	127	-	355
OPERATING PROFIT (EBIT)	**2,852**	**526**	**-**	**3,377**
Financial income (charges)	750	418		1,168
EARNINGS BEFORE TAXES (EBT)	**3,602**	**944**	**-**	**4,546**
Taxes	(743)	(195)	-	(938)
NET PROFIT	**2,859**	**749**	**-**	**3,608**

(€ thousand)	Aerospace, A&A	Fintech	Not allocat-ed	TOTAL TXT
Intangible assets	6,384	24,549	-	30,933
Tangible assets	4,750	2,649	-	7,399
Other fixed assets	1,442	804	-	2,246
FIXED ASSETS	**12,577**	**28,002**	**-**	**40,578**
Inventories	5,931	574	-	6,505
Trade receivables	18,300	6,835	-	25,135
Sundry receivables and other short-term assets	3,254	1,814	-	5,068
Trade payables	(1,423)	(827)	-	(2,250)
Tax payables	(3,904)	(1,023)	-	(4,927)
Sundry payables and other short-term liabilities	(9,158)	(5,321)	-	(14,479)
NET WORKING CAPITAL	**12,999**	**2,053**	**-**	**15,052**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(829)**	**(1,116)**	**-**	**(1,945)**
CAPITAL EMPLOYED	**24,747**	**28,938**	**-**	**53,685**
Shareholders' Equity			-	85,570
Net financial debt			-	(31,885)
CAPITAL EMPLOYED			**-**	**53,685**

Consolidated Statement of Cash Flows

	30 September 2020	30 September 2019
Net profit (loss) for the period	**3,607,823**	**3,146,839**
Non-monetary costs for Stock Options	24,471	13,596
Non-monetary interest	70,582	62,922
Change in fair value of monetary instruments	(1,398,147)	(2,329.822)
Current income taxes	1,048,334	-
Change in deferred taxes	(206,331)	(125,348)
Depreciation/amortisation, impairment and provisions	2,385,497	1,257,384
Other changes	29,238	-
Cash flows from (used in) operating activities (before change in working capital)	**5,561,467**	**2,025,511**
(Increase) / Decrease in trade receivables	(4,890,023)	(1,742,420)
(Increase) / Decrease in inventories	(2,348.887)	(2,294.296)
Increase / (Decrease) in trade payables	(721,647)	(447,059)
Increase / (Decrease) in other assets/liabilities	1,447,191	(618,369)
Increase / (Decrease) in post-employment benefits	(1,208,084)	(235,384)
Changes in operating assets and liabilities	**(7,721,450)**	**(5,337,428)**
Paid income taxes	(172,000)	-
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**2,331,983**	**(3,311,917)**
of which with related parties	*(1,579,702)*	-
Increase in tangible assets	(620,383)	(556,179)
Increase in intangible assets	(16,422)	(2.170)
Capitalisation of Development expenses	(265,352)	
Decrease in tangible and intangible assets	54,511	30.492
Net cash-flow from acquisition of subsidiaries	4,578,435	(1,803,658)
(Increase) / Decrease in trading securities	20,000,000	31,109,919
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**14,573,919**	**28,778,404**
Loans issued	10,000,000	832,808
Loans repaid	(6,481,125)	(10,341,722)
Payment of lease liabilities	(1,109,311)	(824,011)
Increase/(Decrease) in other financial receivables	-	-
Increase/(Decrease) in financial payables	-	46,428
Net change in financial liabilities	(5,861,138)	-
Distribution of dividends	-	(5,780,767)
Interest expense	(130,926)	(125.698)
Other changes in shareholders' equity	-	(450.000)
(Purchase)/Sale of treasury shares	(35,477)	(1,038,202)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(3,617,977)**	**(17,681,164)**
of which with related parties	-	*(4,900,000)*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**8,623,959**	**7,785,323**
Effect of changes in exchange rates on cash flows	(28,717)	(11,792)
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	**20,021,325**	**13,366,656**

Statement of changes in Equity as at 30 September 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 perido	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						24,471		25,398				49,869		49,869
Distribuzione dividendi												-		-
Aumento di capitale gratuito												-		-
Vendita azioni proprie												-		-
Acquisto azioni proprie			(35,477)									(35,477)		(35,477)
Attualizzazione TFR							(42,958)					(42,958)		(42,958)
Delta cambi									(28,717)			(28,717)		(28,717)
Utile al 30 giugno 2020											3,444,859	3,444,859	162,964	3,607,823
Saldi al 30 settembre 2020	6,503,125	1,300,625	12,535,973	1,911,444	0	48,264	(977,944)	(144,310)	(814)	60,617,969	3,444,859	85,239,190	331,190	85,570,381

	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 perido	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

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 September 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
Mac Solutions SA	CHF	100%	100,000
Txt Working Capital Solutions Srl	EUR	60%	500,000

TXT e-solutions Group’s consolidated financial statements are presented in Euro. The foreign exchange rates used for translating the amounts expressed in foreign currency of the subsidiaries into Euro are as follows:

- Income Statement (average exchange rate for the first nine months)

Currency	30/09/2020	30/09/2019
British Pound (GBP)	0.8851	0.8723
US Dollar (USD)	1.1250	1.1356
Swiss Franc (CHF)	1.0680	1.1325

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

Currency	30/09/2020	31/12/2019
British Pound (GBP)	0.9123	0.8508
US Dollar (USD)	1.1708	1.1234
Swiss Franc (CHF)	1.0804	1.0854

2. Acquisitions

2.1 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, with the name of TXT Working Capital Solutions Srl, a start-up company 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:

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 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 as 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**	

2.2 Mac Solutions SA

On 13 July 2020, the final contract for the acquisition of Mac Solutions SA, with registered office in Chiasso in Switzerland, was executed.
At the closing date, CHF 5.4 million was paid in cash.
The consideration is increased by additional cash payments based on the Net Financial Position of MAC Solutions SA.

Component	**Euro**
Price paid in cash	5,060,162
NFP	1,321,587
Total (100%)	6,381,749

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 as at acquisition date		
Price paid in cash		6,381,749
Net assets (liabilities)	2,015,325	
Goodwill (to be allocated)	**4,366,424**	

3. Basis of preparation of the consolidated financial statements

This interim report was prepared in compliance with IFRSs and pursuant to Article 154-ter of the Consolidated Law on Finance (Legislative Decree 195/2007) implementing Directive 2004/109/EC on disclosure requirements. Such article replaced Article 82 (“Interim management report”) and Annex 3D (“Content of the quarterly report”) of the Issuers’ Regulation.
The assumptions applied to this interim report are also basically in line with those commonly used in the separate and consolidated financial statements.

The interim report for the third quarter of 2020 is not subject to auditing.

The publication and release of this report were approved by the Board of Directors' Meeting held on 5 November 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 the interest rate 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 linked 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 materiality 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. 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 September 2020	Receivables	Payables	Costs	Revenues
Directors and key management personnel	-	233,484	399,405	-
HSPI			6,800	
ICS consortium		9,900	45,000	
Total as at 30 September 2020	**-**	**243,384**	**451,205**	**-**

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 September 2020 are shown for financial transactions:

As at 30 September 2020	Receivables	Payables	Charges	Income
Directors and key management person-nel	-	-	-	-
Total as at 30 September 2020	**-**	**-**	**-**	**-**

At 31 December 2019	Receivables	Payables	Charges	Income
Sense-Immaterial Reality Srl	-	-	-	38,804
Directors and key management person-nel	-	-	-	-
Total as at 31 December 2019	**-**	**-**	**-**	**38,804**

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

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 interim financial statements as at 30 September 2020.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as at 30 September 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 that represents a reference framework that is generally accepted at an international level.

We also certify that the condensed consolidated interim financial statements as at 30 September 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 interim Report on Operations includes a reliable analysis of the important events that occurred in the first three months of the year and how they affected the condensed financial statements, as well as a description of the main risks and uncertainties for the remaining 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, 5 November 2020