TXT e-solutions Group

Interim report

as at 31 March 2021

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	Chair	
Daniele Misani	Chief Executive Officer	
Matteo Magni	Director	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(1)
Stefania Saviolo	Independent Director	(1) (2) (3)
Valentina Cogliati	Independent Director	(2) (3) (4)
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.
(4) Director resigned from 27 April 2021

BOARD OF STATUTORY AUDITORS

In office until approval of the financial statements as at 31 December 2022:

Mario Basilico	Chair
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 Crowe Bompani S.p.A.

INVESTOR RELATIONS

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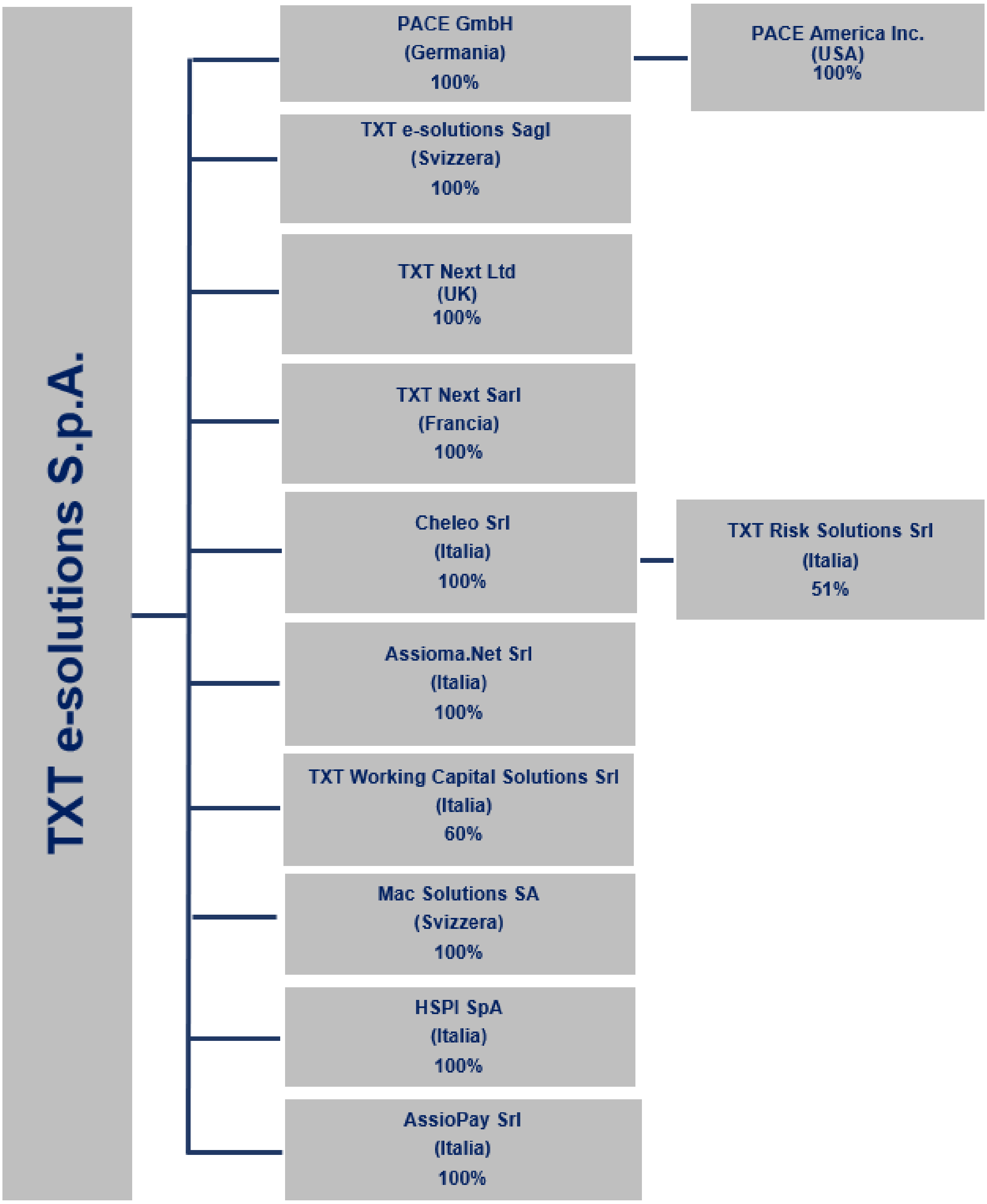
Organisational structure and scope of consolidation



Key data and Directors’ Report on Operations for the first 3 months of 2021

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	Q1 2021	%	Q1 2020	%	% CHANGE
REVENUES	**21,481**	**100.0**	**16,255**	**100.0**	**32.2**
EBITDA	**2,703**	**12.6**	**1,965**	**12.1**	**37.6**
OPERATING PROFIT (EBIT)	**1,728**	**8.0**	**1,172**	**7.2**	**47.4**
PROFIT (LOSS) FOR THE PERIOD	**1,238**	**5.8**	**252**	**1.6**	**391.3**
Profit for the year attributable to non-controlling interests			(15)		
NET PROFIT ATTRIBUTABLE TO TXT SHAREHOLDERS	**1,238**		**237**	**12.1**	**422.4**

FINANCIAL DATA (€ thousand)	31.03.2021	31.03.2020	Change
Fixed assets	61,057	34,222	26,835
Net working capital	16,811	8,845	7,966
Post-employment benefits and other non-current liabilities	(2,770)	(3,224)	454
Capital employed	**75,098**	**39,843**	**35,255**
Net financial position	10,838	42,127	(31,289)
Group shareholders' equity	85,936	81,787	4,149
Shareholders' Equity attributable to minority interests	0	183	(183)

DATA PER SHARE	31.03.2021	31.03.2020	Change
Average number of shares outstanding	11,680,203	11,759,257	(79,054)
Net earnings per share	0.11	0.02	0.08
Shareholders' equity per share	7.36	6.96	0.40

ADDITIONAL INFORMATION	31.03.2021	31.03.2020	Change
Number of employees	1,031	788	243
TXT share price	7.42	6.08	1.34

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 3 months of 2021

Dear Shareholders,

In the first quarter of 2021, despite the COVID-19 pandemic, the Aerospace, Aviation & Automotive Division recorded higher revenues (+4.4% compared to 31 March 2020) and the Fintech Division as well recorded growth, also due to the consolidation of the recent 2020 acquisitions (Revenues +83.3%).

During the quarter, the integration activities of HSPI S.p.A. were carried out. This company was acquired on 19 October 2020 and it is specialised in the digital transformation of large Italian public and private companies, a leader in the field of "IT governance". The Transaction further strengthens TXT Group know-how in key skills such as Information Risk Management, Process Mining, block-chain, data science and advanced analytics; it adds 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.

On 11 January 2021, the TXT Group purchased from Andrea Serra its shareholding in Assiopay S.r.l., representing 49% of its share capital, for a consideration of € 1.6 million. The Price for purchase of the shareholding was agreed by the parties to be the algebraic sum of the following amounts:

- an amount of € 1.6 million ("Price") of which:
  - € 0.8 million in cash ("Cash Price") and
  - € 0.8 million through the payment of ordinary TXT treasury shares ("Share Price");
- an amount - which may be negative (and therefore due from the seller to the buyer) or positive (and therefore due from the buyer to the sellers) - equal to the NFP Closing (defined as the value of Assiopay's NFP recorded on the last day immediately prior to the closing date);

On 28 January 2021, as part of its policy to optimize the asset allocation of available liquidity, it made a financial investment of approximately € 14.3 million in the share capital of Banca del Fucino S.p.A. ("Bank"), against the issue of new shares equal to approximately 9% of the share capital (post-money). The share capital increase reserved for TXT took place on the basis of a delegation granted to the Bank's Board of Directors, which today has accepted TXT's investment proposal. Banca del Fucino is the parent company of the Igea Banca Banking Group and, inter alia, fully controls Igea Digital Bank S.p.A., a digital bank with excellent growth prospects in the current market context. The capital strengthening of the Bank, which in the last month recorded a total of more than € 45 million in capital increase paid in cash, is aimed at implementing the 2020-2023 business plan, focused on the business model of a specialty bank with a strong Fintech vocation. In line with the business plan, the management's objective is to promote the Bank's listing.

TXT's strategy is to invest net liquidity and shares in new acquisitions in sectors with a high intensity of innovative software and an integrated services business model with high added value.

TXT aims to be an important international player in the provision of innovative services, software and solutions for the 'digital transformation' of primary sectors, such as Transportation and Fintech.

GROWTH STRATEGIES IN THE COVID-19 PERIOD

The global economic situation recorded a recovery in the first quarter of 2021, albeit in the presence of divergent situations among the various countries. In fact, in many economies, in particular in Europe, the impact of lockdown policies, social distancing and other restrictions adopted to deal with the COVID-19 epidemic is still significant. Overall, the general scenario is improving thanks, in particular, to an acceleration of the vaccination campaigns. In Europe, the second wave of COVID-19 infections had a significant impact on the economies of some countries, in particular Germany and the UK, leading to negative results as a result of the lockdowns and restrictions imposed, particularly in the first two months of 2021. However, Europe recorded a positive overall result, mainly driven by the performance of Eastern Europe. The USA also showed a recovery in the first quarter of 2021, thanks to progress in the vaccination campaign and significant economic stimuli. In Latin America, however, the resumption of a significant number of infections at the beginning of 2021 led to the reintroduction of restrictive measures, slowing the recovery. In Asia, the Chinese economy recorded significant growth compared to the first quarter of 2020, which, however, had been significantly impacted by the COVID-19 pandemic, while in Japan the second wave of contagions caused a slowdown in the economy. Lastly, in India, although economic activity has shown a rebound, this recovery has so far been inconstant. In a global context marked by a high degree of 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. 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.

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 main consolidated operating and financial results for the first quarter of 2021 were as follows:

- Revenues amounted to € 21.5 million, up +32.2% compared to € 16.3 million in first quarter of 2020. The Aerospace, Aviation and Automotive Division reported revenues of € 11.0 million, up +4.4% against the first quarter of 2020, while the Fintech Division posted revenues of € 10.5 million, up +83.3% against the first quarter of 2020, € 5.0 million of which due to the consolidation of the acquisitions made in 2020.

- The Gross Margin, net of direct costs, increased from € 7.3 million to € 8.3 million, an increase of 13.7%. In the first quarter of 2021, the gross margin amounted to 38.5% of revenues.

- EBITDA was € 2.7 million, up by + 37.6% compared to the first quarter of 2020 (€ 2.0 million), after investments mainly in commercial expenses (+ 34.2%) due to the effect of the increase in volumes, greater operating efficiency and the result of synergies between Group companies. The margin on revenues amounted to 12.6% compared to 12.1% in the first quarter of 2020.

- EBIT (Operating profit) was € 1.7 million, up +47.4% compared to the first quarter of 2020 (€1.2 million). The amortisation of intangible assets and depreciation of tangible assets amounted to € 1.0 million, up € 0.2 million compared to the first quarter of 2020 due to the acquisitions of the year 2020.

- Financial income and charges amounted to € 0.3 million compared to the negative balance of the first quarter of 2020 of € 0.7 million, mainly due to the higher returns generated by the financial markets in the first quarter of 2021 compared to the same period of 2020.

- Net profit was € 1.2 million, up compared to € 0.3 million in the first quarter of 2020 (+391%), and represented 5.8% of revenues compared to 1.6% last quarter.

- The consolidated Net Financial Position as at 31 March 2021 was positive by € 10.8 million, down by € 11.2 million compared to 31 December 2020 (€ 22.1 million), mainly due to the purchase of a financial investment in Banca del Fucino for € 14.3 million and the acquisition of the minority shareholding of AssioPay (€ 1.0 million) offset by the positive effect of cash generation deriving from operating activities.

- Consolidated shareholders' equity as at 31 March 2021 is € 85.9 million, substantially in line with the value as at 31 December 2020 (€ 85.5 million). Changes during the quarter mainly concern the recognition of net profit (€ 1.2 million), the net effect of the purchase and sale of treasury shares (€ 0.9 million) and the recognition of the higher value relating to the purchase of the minority interest in AssioPay (negative for € 1.6 million).

TXT's consolidated results for the first quarter of 2021, compared with those of the first quarter of last year, are presented below:

(€ thousand)	1Q 2021	%	1Q 2020	%	% Change
REVENUES	**21,481**	**100.0**	**16,255**	**100.0**	**32.2**
Direct costs	13,210	61.5	8,981	55.3	47.1
GROSS MARGIN	**8,271**	**38.5**	**7,274**	**44.7**	**13.7**
Research and development costs	1,650	7.7	1,803	11.1	(8.5)
Commercial costs	2,513	11.7	1,872	11.5	34.2
General and administrative costs	1,405	6.5	1,634	10.1	(14.0)
GROSS OPERATING PROFIT (EBITDA)	**2,703**	**12.6**	**1,965**	**12.1**	**37.6**
Depreciation, amortisation and impairment	975	4.5	793	4.9	23.0
Reorganisation charges	0	0.0	0	0.0	0.0
OPERATING PROFIT (EBIT)	**1,728**	**8.0**	**1,172**	**7.2**	**47.4**
Financial income (charges)	256	1.2	(672)	(4.1)	(138.1)
EARNINGS BEFORE TAXES (EBT)	**1,984**	**9.2**	**500**	**3.1**	**296.8**
Taxes	(746)	(3.5)	(248)	(1.5)	200.8
NET PROFIT	**1,238**	**5.8**	**252**	**1.6**	**391.3**

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs for the first quarter of 2021, compared with those of the previous year for each Division are presented below.

(€ thousand)	Q1 2021	%	Q1 2020	%	% Change
			TXT AEROSPACE, AVIATION & AUTOMOTIVE		
REVENUES	**10,998**	**100.0**	**10,536**	**100.0**	**4.4**
Software	1,618	14.7	1,956	18.6	(17.3)
Services	9,380	85.3	8,580	81.4	9.3
DIRECT COSTS	6,611	60.1	5,797	55.0	14.0
GROSS MARGIN	**4,387**	**39.9**	**4,739**	**45.0**	**(7.4)**
			TXT FINTECH		
REVENUES	**10,483**	**100.0**	**5,719**	**100.0**	**83.3**
Software	334	3.2	304	5.3	9.9
Services	10,149	96.8	5,415	94.7	87.4
DIRECT COSTS	6,599	62.9	3,184	55.7	107.3
GROSS MARGIN	**3,884**	**37.1**	**2,535**	**44.3**	**53.2**
			TOTAL TXT		
REVENUES	**21,481**	**100.0**	**16,255**	**100.0**	**32.2**
Software	1,952	9.1	2,260	13.9	(13.6)
Services	19,529	90.9	13,995	86.1	39.5
DIRECT COSTS	13,210	61.5	8,981	55.3	47.1
GROSS MARGIN	**8,271**	**38.5**	**7,274**	**44.7**	**13.7**

TXT Aerospace, Aviation & Automotive Division

Revenues of the Aerospace, Aviation & Automotive Division, which include Pace CGU and TXT e-solutions CGU, were € 11.0 million, compared to € 10.5 million in 2020, an increase of 4.4% entirely due to organic growth. Revenues from software were € 1.6 million, down 17.3% compared to 2020, and revenues from services were € 9.4 million, up by 9.3% compared to 2020. International revenues account for 35% of revenues for the Division (€ 3.8).

The Gross Margin was € 4.4 million compared to € 4.7 million in 2020, mainly due to the reduction in software sales and the reduction in margins on activities in the automotive sector.

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.

<u>TXT FINTECH Division</u>

Revenues of the TXT Fintech Division, which include the Assioma CGU, AssioPay CGU, Cheleo CGU, HSPI CGU, Mac Solutions CGU, TXT Risk Solutions CGU and TXT Working Capital CGU, amounted to € 10.5 million, up by 83.3 % compared to € 5.7 million in 2020, of which € 5.0 million deriving from the consolidation of the new companies that joined the TXT Group during the year.

International revenues account for 15% of revenues for the Division (€ 1.6 million).

The gross margin was € 3.9 million, +53.2% compared to 2020 (€ 2.5 million). The impact of the gross margin on revenues was 37.1%, due to the contribution of acquisitions.

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.

The FARADAY™ product designed for compliance with solutions for the assessment of the risk of financing of terrorism, corruption and money laundering, which aim to meet the needs of all those who are subject to European and national legislation on the subject, allows to manage different types of data and to support the calculation of the risk in the various areas.

Polaris is the B2B digital platform (Marketplace) designed to dynamically and centrally manage the Supply Chain Finance programs, aimed at responding in a flexible and integrated manner to the needs of the buyers, suppliers and Financial Partners; ideal tool for large companies and multinationals that manage large and diversified supplies. Polaris gives the possibility to financial partners, banks specialised in trade finance and Factors, investment funds and family offices, of expanding their reference market with centralised management of the onboarding processes and contractual formalisation. A simple tool to proactively manage commercial debt within its supply chains, supporting the liquidity of suppliers in collaboration with a wide range of possible financial partners. Polaris digitalises the main operating processes in the area of reverse factoring and confirming and dynamic discounting, making it possible to include both smaller suppliers and financial partners other than large commercial banks in the support programs of large companies.

Assiopay, focused on the development of software for the world of payments and payment-related systems (meal vouchers and rechargeable), has developed a proprietary platform (gateway) that allows access to various service providers, and has also developed an Android SmartPOS application, able to integrate various issuers and enable payment on international credit circuits in addition to their management software (Assiopay Terminal Management System). Assiopay designs and develops software and Apps for payment, loyalty, ticketing, meal vouchers and many other solutions at Banks, Financial Institutions, System Integrators, service providers, large-scale distribution chains, etc. through customised solutions.

GROUP REVENUES

The main consolidated operating and financial results for the first quarter of 2021 were as follows:

Revenues for the first quarter of 2021 amounted to € 21.5 million. Within the same consolidation scope, revenues increased by 1.2%. Revenues from services amounted to € 19.5 million, up 39.5% compared to the first quarter of 2020, which offset the slowdown in revenues from software, which in the first quarter of 2021 were € 2.0 million, down by 13.6% compared to the same period of 2020, mainly due to the slowdown in investments by airlines in the civil sector due to the COVID pandemic.

Research and Development Costs in the first quarter of 2021 amounted to € 1.7 million, compared to € 1.8 million in the first quarter of 2020. The impact on revenues was 7.7%, compared to 11.1% in the first quarter of 2020. R&D spending was optimized in relation to the contraction of the civil aviation market, the main target for sales of our revenues from licenses.

Commercial costs amounted to € 2.5 million, up by +34.2% compared to the first quarter of 2020, mainly due to commercial investments for the diversification in new markets and the integration of the offer of solutions of the Fintech Division. As a percentage of revenues, commercial costs amounted to 11.7%, compared to 11.5% in the first quarter of 2020.

General and administrative costs amounted to € 1.4 million, down 14.0% compared to the first quarter of 2020 (€ 1.6 million), mainly due to the optimisation of the activities. The impact of costs on revenues fell from 10.1% in the first quarter of 2020 to 6.5% in the first quarter of 2021. General and administrative expenses accounted for 6.5% of revenues, down compared to the 10.1% incidence recorded in the first quarter of 2020.

Operating profit (EBITDA) for Q1 2021 amounted to € 2.7 million, up by +37.6% on Q1 2020 (€ 2.0 million). Profitability on revenues amounted to 12.6% compared to 12.1% in the first quarter of 2020.

EBIT (Operating profit) was € 1.7 million, up compared to the first quarter of 2020 (€ 1.2 million). The amortisation of intangible assets and depreciation of tangible assets amounted to € 1.0 million, up € 0.2 million compared to the first quarter of 2020 due to the acquisitions of 2020.

Earnings before taxes (EBT) came to € 2.0 million, compared to € 0.5 million in the first quarter of 2020.

Net profit was € 1.2 million, compared to € 0.3 million in the first quarter of 2020.

CONSOLIDATED CAPITAL EMPLOYED

The Capital Employed as at 31 March 2021 was € 75.1 million, compared to € 63.8 million as at 31 December 2020:

The table below shows the details:

(€ thousand)	31.03.2021	31.12.2020	Total variance
Intangible assets	37,312	37,653	(341)
Net tangible assets	7,054	7,460	(406)
Other fixed assets	16,691	2,299	14,392
Fixed assets	**61,057**	**47,412**	**13,645**
Inventories	5,827	4,749	1,078
Trade receivables	34,070	35,411	(1,341)
Sundry receivables and other short-term assets	6,678	5,782	896
Trade payables	(4,206)	(4,176)	(30)
Tax payables	(5,622)	(5,147)	(475)
Sundry payables and other short-term liabilities	(19,936)	(17,471)	(2,465)
Net working capital	**16,811**	**19,148**	**(2,337)**
Post-employment benefits and other non-current liabilities	**(2,770)**	**(2,757)**	**(13)**
Capital employed	**75,098**	**63,803**	**11,295**
Group shareholders' equity	85,936	85,454	482
Shareholders' Equity attributable to minority interests		409	(409)
Net financial position (Cash)	(10,838)	(22,060)	11,222
Financing of capital employed	**75,098**	**63,803**	**11,295**

Intangible assets decreased from € 37.7 million to € 37.3 million, due to amortisation for the period on the intellectual property rights on software and on the customer portfolio of the acquisitions of Pace, Cheleo, TXT Risk Solutions, Assioma S.r.l. and Mac Solutions SA.

Tangible fixed assets of € 7.1 million are substantially in line with the figures as at 31 December 2020, except for the decrease in depreciation for the period.

Other fixed assets of € 16.7 million recorded an increase compared to the 2.3 million of December 2020, mainly due to a financial investment in the capital of Banca del Fucino of € 14.3 million.

Net working capital decreased by € 2.3 million, from € 19.1 million as at 31 December 2020 to € 16.8 million as at 31 March 2021. The main cause of the reduction in Net working capital is the € 2.5 million increase in sundry payables and other short-term liabilities as a result of costs allocated for personnel and the € 1.3 million decrease in receivables due from customers as a result of effective credit collection actions with major Italian customers in the aeronautical sector. Of the other changes in net working capital, the most important refers to the increase in inventories for work in progress for orders not yet invoiced to customers (€ 1.1 million) and sundry receivables and other short-term assets (€ 0.9 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 of Italian employees and other non-current liabilities of € 2.8 million were essentially in line with those at the end of 2020 (€ 2.7 million).

Consolidated shareholders' equity as at 31 March 2021 is substantially in line with the value as at

31 December 2020 (€ 85.9 and € 85.5, respectively). Changes during the quarter mainly concern the recognition of net profit (€ 1.2 million), the net effect of the purchase and sale of treasury shares (€ 0.9 million) and the recognition of the higher value relating to the purchase of the minority interest in AssioPay (negative for € 1.6 million).

The consolidated Net Financial Position as at 31 March 2021 was positive at € 10.8 million (€ 22.1 million as at 31 December 2020). The decrease of € 11.2 million is mainly due to the purchase of an equity investment in Banca del Fucino for € 14.3 million and the acquisition of the minority shareholding in AssioPay (€ 1.0 million) offset by the positive effect of 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 31 March 2021 is as follows:

(€ thousand)	31.03.2021	31.12.2020	Change
Cash and cash equivalents	13,461	11,933	1,528
HFT securities at fair value	53,469	68,161	(14,692)
Current bank loans	(28,992)	(28,181)	(811)
Current financial liabilities	(2,434)	(2,454)	20
Short-term financial resources	**35,504**	**49,459**	**(13,955)**
Non-current financial payables - Lessors IFRS 16	(3,279)	(3,580)	301
Other non-current financial liabilities	(21,388)	(23,818)	2,430
Non-current financial liabilities	(24,667)	(27,398)	2,731
Net Available Financial Resources	**10,837**	**22,061**	**(11,224)**

The Net Financial Position as at 31 March 2021 is detailed as follows:

- Cash and cash equivalents of € 13.5 million are mainly in euro.

- HFT securities at fair value of € 53.5 million are composed of investments in partial return multi-segment insurance funds (€ 44 million) and in bonds, balanced and absolute return funds with a medium-low risk profile (€ 8.4 million) and were entered into by the parent company TXT e-solutions S.p.A. and by the subsidiary Assioma Net S.r.l. (€ 1.1 million).

- Current financial liabilities as at 31 March 2021 amounted to € 31.4 million and refer for € 10.1 million to the short-term portion of medium / long-term loans, for € 18.9 million to "hot money" short-term loans, € 0.8 million related to the Assioma Net S.r.l. Group earn-out (short-term portion) and € 0.2 million related to the short-term portion of the Put / Call linked to the acquisition of TXT Risk Solutions S.r.l. as an estimate of the disbursements for the purchase of the residual minority interest. This item also includes € 1.5 million relating to the short-term portion of the payable for the payment of rental and leasing of offices, cars and printers (IFRS 16).

- Non-current financial liabilities of € 24.7 million mainly consist of: € 16.4 million for the portion due beyond 12 months of medium / long-term loans, € 1.6 million Assioma Net S.r.l. Group earn-out (long-term portion), € 0.5 million HSPI Payable for “Restricted Share Price Adjustment”, € 0.1 million the long-term portion of the Put / Call linked to the acquisition of TXT Risk Solutions S.r.l. as an estimate of the disbursements for the purchase of the residual minority interest, € 2.7 million for the acquisition of TXT WORKING CAPITAL SOLUTIONS as an estimate of the additional disbursements for the exercise of the PUT / CALL option in the period 2021-2025 for the purchase of the remaining 40% of the company’s shares. Lastly, € 3.3 million 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”).

Medium/long-term euro loans were taken out by the parent company TXT e-solutions S.p.A. in 2018, by the subsidiary Assioma Net S.r.l. between 2018 and 2019 and by the subsidiary HSPI S.p.A. in Euro, at fixed rates between 0.60% and 0.70% per annum, without guarantees for a residual amount of € 26.3 million as at 31 March 2021:

- € 12 million 5-year loan with Unicredit, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap for covering the interest rate risk.
- € 6 million 5-year loan with BNL, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap for covering the interest rate risk.
- € 5.4 million 4-year loan with BPER, with a quarterly amortisation plan and fixed interest rates.
- € 2.2 million 4-year loan with BNL subscribed by the subsidiary Assioma Net S.r.l. with a quarterly amortisation plan and fixed interest rates.
- a € 0.7 million 2-year loan with Intesa San Paolo subscribed by the subsidiary HSPI S.p.A. 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 merge with 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.

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

As at 31 March 2021, most of the HFT securities (€ 53.5 million) had been invested in multi-segment insurance products (€ 44 million) from which the company can decide to divest at any time and without specific charges to deal with investment opportunities.

Multi-segment insurance products allow the combination of Separate Management - First Line (€ 39.4 million), which has the characteristic of a substantial guarantee on invested capital, stability of returns over time, as investments are made in high quality securities that are easily liquidated, with minimum exposure to strong and rapid fluctuations in value; Bonds, balanced and unit-linked insurance funds - Third Line (€ 4.6 million) that allow for participation in the performance of financial markets.
€ 9.5 million are invested in government securities and bonds of global leading companies.

During the first quarter of 2021, liquidity management generated a positive result (€ 0.3 million).

EMPLOYEES

As at 31 March 2021, there were 1,031 employees, an increase of 35 employees compared to 996 personnel units as at 31 December 2020.

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

In first quarter 2021, the share price of TXT e-solutions reached a high of € 7.83 on 29 March 2021 and a low of € 6.76 on 19 March 2021. As at 31 March 2021, the share price was € 7.42.

Average daily trade volumes in the first quarter of 2021 amounted to 35,954 shares, showing a growth compared to the average of 24,916 shares in 2020.

As at 31 March 2021, 1,288,062 treasury shares were held (1,401,429 as at 31 December 2020), accounting for 9.90% of shares outstanding, at an average carrying amount of € 3.42 per share. In the first half of 2021, 16,130 shares were purchased at an average price of € 7,61.

On 12 February 2021, in exchange for the acquisition of the shares of the company AssioPay S.r.l., as partial consideration for the price agreed with its shareholders, 129,497 shares were transferred at the agreed price of € 7.59 each.

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

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

Growth strategies

In a global context of a high degree of uncertainty, the resilience of the TXT model, based on a diversification strategy, solid outlook for orders and on the ability to react to the new scenario, enabled the Group to offset the slowdown in activities related to sectors hit particularly hard by the pandemic such as, for example, the civil aviation segment.

In the Aerospace & Aviation division, the growth of the defence segment continued in the second quarter, where our customers continue to reward us with new orders and significant contracts, while in the civil aviation sector, in April, the TXT Group signed an important commercial agreement with NAVBLUE (Airbus) for the integrated offer of the proprietary solution TXT Pacelab FPO. Commercial investments for the proprietary Extended Reality (XR) platform WEAVR continue, with the signing of new strategic partnerships such as the collaboration with the Canadian start-up Paladin AI and with the Turin Polytechnic.

In the Fintech division, the development and marketing of proprietary software solutions continues; in April, Cheleo - a TXT Group company specialised in the supply of modular financial software for the management of NPLs, leases and other financial products - started a collaboration with AMCO aimed at managing a portfolio of lease receivables sold to AMCO in March 2021.
TXT Working Capital Solutions - start-up established in 2020 and focused on providing a proprietary solution for the Supply Chain Finance market - on 10 May formalised its first partnership agreement with the Maire Tecnimont Group for the supply of the proprietary platform Polaris, the multifunder digital platform developed by the TXT Group as a flexible tool for the management of Reverse Factoring, Confirming and Dynamic Discounting transactions that focuses on the objectives of large buyers and at the same time strengthens the financial stability of their suppliers, generating a community able to to interact collaboratively.

Significant events after 31 March 2021

The Shareholders' Meeting held on 21 April 2021 examined and approved the 2020 financial statements and approved the distribution of a € 0.04 dividend per share. The dividend was paid for each outstanding share, excluding treasury shares, starting from 12 May 2021, with record date 11 May 2021 and ex-dividend date 10 May 2021. Total dividends amounted to € 468,620, paid in relation to 11,715,488 million shares. The Shareholders' Meeting renewed the authorisation to purchase treasury shares for a period of 18 months of up to 20% of the share capital.

Following the Shareholders' Meeting held on 21 April 2021, the Board of Directors appointed Stefania Saviolo as Lead Independent Director; appointed Paola Generali (Chair), Stefania Saviolo, Matteo Magni and Valentina Cogliati as members of the Risks and Internal Controls Committee; confirmed the Remuneration Committee, made up by Stefania Saviolo (Chair), Paola Generali and Fabienne Schwalbe; confirmed the Related Parties Committee, made up by Paola Generali (Chair), Valentina Cogliati and Stefania Saviolo.

On 27 April 2021, the company received the resignation, for personal reasons, of Director Valentina Cogliati.

Forecasts for the performance in the second quarter of 2021

After the transfer of TXT Retail, the Company is striving to achieve a growth in internal and external lines, as envisaged in the already mentioned business plans, while focusing on sectors using high-intensity innovative software and with a business model including integrated services with high added value. In view of enhancing TXT's innovating technologies and management capacity, the business plan envisages to invest the remarkable amount of liquidity in new acquisitions, combined with the already owned treasury shares.

Manager responsible for preparing corporate accounting documents

Chairman of the Board of Directors

Eugenio Forcinito

Enrico Magni

Milan, Italy, 12 May 2021

Consolidated financial statements as at 31 March 2021

Consolidated Balance Sheet

ASSETS	31.03.2021	Of which with related parties	31.12.2020	Of which with related parties
NON-CURRENT ASSETS				
Goodwill	30,431,313		30,431,313	
Intangible assets with a finite useful life	6,880,175		7,221,447	
Intangible assets	**37,311,488**		**37,652,760**	
Property, plant and equipment	7,053,503		7,460,326	
Tangible assets	**7,053,503**		**7,460,326**	
Investments in associates				
Other non-recurring financial receivables	14,519,260		227,066	
Deferred tax assets	2,172,099		2,072,381	
Other non-current assets	**16,691,360**		**2,299,447**	
TOTAL NON-CURRENT ASSETS	**61,056,351**		**47,412,533**	
CURRENT ASSETS				
Contractual assets	5,826,172		4,749,088	
Trade receivables	34,069,859		35,410,803	
Sundry receivables and other current assets	6,682,616		5,782,068	
Financial instruments at fair value	53,469,145		68,160,917	
Cash and cash equivalents	13,461,328		11,932,508	
TOTAL CURRENT ASSETS	**113,509,119**		**126,035,384**	
TOTAL ASSETS	**174,565,470**		**173,447,917**	

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	14,659,384		13,858,858	
Retained earnings (accumulated losses)	63,535,764		60,617,969	
Profit (loss) for the year	1,237,571		4,474,067	
TOTAL SHAREHOLDERS' EQUITY (Group)	**85,935,845**		**85,454,019**	
Shareholders' Equity attributable to minority interests			409,158	
TOTAL SHAREHOLDERS' EQUITY	**85,935,845**		**85,863,178**	
NON-CURRENT LIABILITIES				
Non-current financial liabilities	24,666,530		27,398,339	
Provision for post-employment benefits and other employee provisions	2,769,948		2,757,450	
Deferred tax provision	1,757,730		1,864,250	
Provisions for future risks and charges	118,905		118,905	
TOTAL NON-CURRENT LIABILITIES	**29,313,113**		**32,138,944**	
CURRENT LIABILITIES				
Current financial liabilities	31,426,604		30,634,968	
Trade payables	4,205,948		4,176,210	
Tax payables	3,747,893		3,282,649	
Sundry payables and other current liabilities	19,936,068	180,678	17,351,970	155,600
TOTAL CURRENT LIABILITIES	**59,316,513**	**180,678**	**55,445,796**	**155,600**
TOTAL LIABILITIES	**88,629,626**	**180,678**	**87,584,740**	**155,600**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**174,565,470**	**180,678**	**173,447,917**	**155,600**

Consolidated Income Statement

	31.03.2021	Of which with related parties	31.03.2020	Of which with related parties
Revenues and other income	21,480,772		16,254,345	
TOTAL REVENUES AND OTHER INCOME	**21,480,772**		**16,254,345**	
Purchases of materials and external services	(4,594,345)		(3,566,051)	
Personnel costs	(14,103,774)	(155,030)	(10,621,128)	(137,318)
Other operating costs	(80,002)		(103,109)	
Depreciation and amortisation/Impairment	(975,260)		(792,404)	
OPERATING RESULT	**1,727,391**	**(155,030)**	**1,171,653**	**(137,318)**
Financial income (charges)	256,309		(671,709)	
EARNINGS BEFORE TAXES (EBT)	**1,983,700**		**499,944**	
Income taxes	(746,129)		(247,539)	
NET PROFIT (LOSS) FOR THE PERIOD (group)	**1,237,571**		**252,405**	
Attributable to:				
Parent Company shareholders	1,237,571		237,329	
EARNINGS PER SHARE	0.11		0.02	

Consolidated Statement of Comprehensive Income

	31.03.2021	31.03.2020
NET PROFIT (LOSS) FOR THE PERIOD	**1,237,571**	**252,405**
Profit/(Loss) from foreign currency translation differences	(80,211)	(350)
Profit/(loss) on the effective portion of hedging instruments (cash flow hedge)	25,290	(155,575)
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	**(54,921)**	**(155,925)**
Defined benefit plans actuarial gains (losses)		
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes		
Total profit/(loss) of Comprehensive Income net of taxes	**(54,921)**	**(155,925)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,182,651**	**96,481**
Minority interests		**15,076**
Parent Company shareholders	**1,182,651**	**81,405**

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	Fintech	TOTAL TXT
REVENUES	**10,998**	**10,483**	**21,481**
Software	1,618	334	1,952
Services	9,380	10,149	19,529
OPERATING COSTS:			
Direct costs	6,611	6,599	13,210
Research and development costs	1,040	610	1,650
Commercial costs	986	1,527	2,513
General and administrative costs	964	442	1,406
TOTAL OPERATING COSTS	**9,601**	**9,178**	**18,779**
EBITDA	**1,397**	**1,305**	**2,702**
Amortisation of intangible fixed assets	98	303	402
Depreciation of tangible fixed assets	290	277	567
Write-downs and Restructuring Costs	4	3	7
OPERATING PROFIT (EBIT)	**1,005**	**722**	**1,727**
Financial income (charges)	131	125	256
EARNINGS BEFORE TAXES (EBT)	**1,136**	**846**	**1,983**
Taxes	(428)	(318)	(746)
NET PROFIT FROM CURRENT ASSETS	**709**	**528**	**1,237**
Profit (loss) from current operations			
NET PROFIT	**709**	**528**	**1,237**

Consolidated Statement of Cash Flows

		31 March 2021	31 March 2020
Net profit (loss) for the period		**1,237,571**	**252,405**
Non-monetary interest for Stock Options		2,718	8,157
Non-monetary interest		34,394	18,574
Change in fair value of monetary instruments		(258,422)	690,038
Current income taxes		465,244	129,587
Change in deferred taxes		(206,238)	(38,922)
Depreciation/amortisation, impairment and provisions		968,254	785,413
Other non-monetary expenses		25,328	(1,739)
Cash flows from (used in) operating activities (before change in working capital)		**2,268,852**	**1,843,514**
(Increase) / Decrease in trade receivables		1,340,944	718,194
(Increase) / Decrease in inventories		(1,077,085)	(1,513,704)
Increase / (Decrease) in trade payables		29,738	153,445
(Increase) / Decrease in other assets/liabilities		(12,608,645)	959,565
Increase / (Decrease) in post-employment benefits		12,498	(3,872)
Changes in operating assets and liabilities		**(12,302,550)**	**313,628**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**(10,033,698)**	**2,157,142**
	Of which with related parties	*25,078*	
Increase in tangible assets		(90,350)	(285,629)
Increase in intangible assets		(1,700)	(1,520)
Capitalisation of development expenses		(59,936)	
Decrease in tangible and intangible assets		3,099	17,051
Net cash-flow from acquisition of subsidiaries		(982,716)	
(Increase) / Decrease in trading securities		14,950,193	
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**13,818,591**	**(270,098)**
Loans issued		1,000,000	2,000,000
Loans repaid		(2,575,307)	(2,355,256)
Payment of lease liabilities		(409,008)	(359,976)
Increase/(Decrease) in other financial receivables			
Increase/(Decrease) in financial payables			
Interest expense		(30,092)	
Net change in financial liabilities		(31,470)	
(Purchase)/Sale of treasury shares		(129,985)	(323,683)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(2,175,862)**	**(1,038,914)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,609,031**	**848,130**
Effect of changes in exchange rates on cash flows		(80,211)	(350)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**11,932,508**	**11,426,083**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**13,461,328**	**12,273,863**

Consolidated Statement of Changes in Equity as at 31 March 2021

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	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 2020	6,503,125	1,300,625	11,818,224	1,911,444	56,421	(1,105,085)	(127,654)	4,884	60,617,969	4,474,067	85,454,019	409,158	85,863,178
Utile al 31 dicembre 2020									4,714,999	(4,714,999)	-		-
Acquisizioni minoranze									(1,965,430)	-	(1,965,430)		(1,965,430)
Incremento/acquisto					2,718		25,290				28,008		28,008
Vendita azioni proprie			982,714								982,714		982,714
Acquisto azioni proprie			(129,985)								(129,985)		(129,985)
Differenze attuariali TFR											-		-
Delta cambi								(80,211)			(80,211)		(80,211)
Acquisizione PN di terzi									168,226	240,932	409,158	(409,158)	-
Utile al 31 marzo 2021										1,237,571	1,237,571		1,237,571
Saldi al 31 Marzo 2021	6,503,125	1,300,625	12,670,953	1,911,444	59,139	(1,105,085)	(102,364)	(75,327)	63,535,764	1,237,571	85,935,844	(0)	85,935,845

	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						32,628		42,054				74,682		74,682
Distribuzione dividendi												-		-
Aumento di capitale gratuito												-		-
Vendita azioni proprie			4,565,921									4,565,921		4,565,921
Acquisto azioni proprie			(5,319,147)									(5,319,147)		(5,319,147)
Differenze attuariali TFR							(170,099)					(170,099)		(170,099)
Delta cambi									(23,019)			(23,019)		(23,019)
Utile al 31 dicembre 2020											4,474,067	4,474,067	240,932	4,714,999
Saldi al 31 dicembre 2020	6,503,125	1,300,625	11,818,224	1,911,444	0	56,421	(1,105,085)	(127,654)	4,884	60,617,969	4,474,067	85,454,019	409,158	85,863,178

1. Group's structure and scope of consolidation

The Parent Company TXT e-solutions S.p.A. and its subsidiaries operate both in Italy and abroad in the IT sector, and provide software and service solutions in extremely dynamic markets that require advanced technological solutions.

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 31 March 2021 (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 S.a.g.L.	CHF	100%	40,000
TXT NEXT S.a.r.l.	EUR	100%	100,000
TXT NEXT Ltd.	GBP	100%	100,000
Cheleo S.r.l.	EUR	100%	99,000
Txt Risk Solutions S.r.l.	EUR	51%	79,592
Assioma.Net S.r.l.	EUR	100%	100,000
AssioPay S.r.l.	€	100%	10,000
MAC SOLUTIONS S.A.	CHF	100%	100,000
HSPI S.p.A.	EUR	100%	220,000
Txt Working Capital Solutions S.r.l.	EUR	60%	500,000

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

- Income Statement (average exchange rate for the first 3 months)

Currency	31.03.2021	31.03.2020
British Pound (GBP)	0.8739	0.8623
US Dollar (USD)	1.2048	1.1027
Swiss Franc (CHF)	1.0913	1.0668

- Balance sheet (exchange rates as at 31 March 2021 and 31 December 2020)

Currency	31.03.2021	31.12.2020
British Pound (GBP)	0.8521	0.8990
US Dollar (USD)	1.1725	1.2271
Swiss Franc (CHF)	1.1070	1.0802

2. 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 in line with those used in the separate and consolidated financial statements.

The interim report for the first quarter of 2021 is not subject to auditing.

The publication and release of this report were approved by the Board of Directors' Meeting held on 12 May 2021.

3. Accounting standards and interpretations applied from 1 January 2021

The accounting standards adopted in preparing the consolidated financial statements as at 31 March 2021 are consistent with those used in preparing the Group financial statements as at 31 December 2020.
Detailed descriptions of these new standards, interpretations and amendments are provided below.

Moreover, there were no transfers of fair value among hierarchical levels during the first three months of 2021 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 5-year loan of the Parent Company with Unicredit, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap to hedge interest rate risk.
• a € 6.5 million 5-year loan of the Parent Company with BNL, 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. These amendments had no impact on the consolidated financial statements and no future impact is expected for the Group.

4. 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 2020, to which reference should be made.

5. Transactions with related parties

On 8 November 2010, the Board of Directors approved a new procedure governing transactions with related parties, pursuant to Article 2391-bis of the Italian Civil Code, the Consob Issuers' Regulation no. 17221 of 12 March 2010 as subsequently amended, and Article 9.C.1. of the Corporate Governance Code of Listed Companies as adopted by the Corporate Governance Committee of Borsa Italiana S.p.A.

This new procedure defines the rules governing the determination, approval and execution of transactions with related parties of TXT e-solutions S.p.A., either directly or through subsidiary companies. The purpose of this procedure is to ensure the formal and material transparency of said transactions. The procedure is available on the Company's website at www.txtgroup.com in the "*Governance*" section.

Transactions with related parties essentially refer to the exchange of services, as well as funding and lending activities with the Parent Company's subsidiaries.

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) Joint ventures in which TXT e-solutions S.p.A. participates.

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

e) Close members of the family of parties referred to in 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 31 March 2021	Receivables	Payables	Costs	Revenues
Directors and key management personnel		180,678	155,030	
Total as at 31 March 2021		**180,678**	**155,030**	

As at 31 December 2020	Receivables	Payables	Costs	Revenues
HSPI S.p.A.	-	-	6,800	-
Directors and key management personnel	-	155,600	561,145	-
Total as at 31.12.2020	**-**	**155,600**	**567,945**	**-**

Financial transactions

The amounts with Related Parties as at 31 March 2021 are shown for financial transactions:

As at 31 March 2021	Receivables	Payables	Charges	Income
Directors and key management personnel	-	-	-	-
Total as at 31 March 2021	**-**	**-**	**-**	**-**

As at 31 December 2020	Receivables	Payables	Charges	Income
Directors and key management personnel	-	-	-	-
Total as at 31 December 2020	**-**	**-**	**-**	**-**

6. 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 31 March 2021.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as at 31 March 2021 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 31 March 2021:

- 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, Italy, 12 May 2021