PRESS RELEASE

TXT e-solutions: THE BOARD OF DIRECTORS APPROVES PRELIMINARY RESULTS AS AT DECEMBER 31, 2019

Strong growth in revenues and EBITDA:
Revenues € 59.1 million (+47.9%)
EBITDA € 7.0 million (+84.4%).
Software revenues are also growing (+29.7%).
Net Financial Position € 41.4 million positive.

- *Revenues € 59.1 million (+47.9%): Software revenues € 6.9 (+29.7%), Service and Project revenues € 52.2 million (+50.7%).*
- *EBITDA €7.0 million (+84.4%) after significant investments in R&D entirely expensed (€ 6.1 million, +103.0%) and commercial investments (€ 8.6 million, +53.7%).*
- *Net Income € 0.4 million after depreciation and amortisation (€ 2.7 million), reorganisation costs (€ 0.7 million), financial charges (€ 1.2 million, after € 3.4 million of extraordinary charges for fair value adj.) and tax charges (€ 1.9 million).*
- *Net Financial Position € 41.4 million positive (€ 60.4 million as of December 31, 2018) after dividend distribution (€ 5.8 million), purchase of treasury shares (€ 1.0 million), outlay to acquire Assioma group (€ 6.0 million) and fair value adjustment of liabilities linked to the acquisitions of Pace and Cheleo (€ 3.4 million).*

Milano, March 12, 2020 – 17:35

The Board of Directors of TXT e-solutions Spa, chaired by Alvise Braga Illa, today approved the financial results as of December 31, 2019.

The Chief Executive Officer, Enrico Magni, commented: *"For the new TXT, 2019 represented a year of great satisfactions for the growing operating margins, due to the excellent results in terms of revenues and of the benefits of the reorganization plan initiated at the beginning of 2019. The results in both divisions exceeded expectations, with a significant increase of software revenues. With regard to the Aerospace & Aviation division, new multi-year contracts were signed for the sale of software licences, with a significant growth in the North American market, while with regard to the Fintech division the acquisition of the Assioma group in 2019, and the consolidation of TXT Risk Solutions and Cheleo - a product company acquired in 2018 - have generated a significant increase in revenues and operating margins, conferring prestige to a division that until 2018 used* *to underperform. The TXT Group's financial strength and its solid management structure will be fundamental drivers to restart the international growth after the current market contingency, that is leading to slowdowns and crises in all sectors with negative effects on the financial and stock markets. TXT's market capitalisation value, at this moment, is not representative of the Group's value and its important available liquidity. Given the unexpected crisis on the financial markets started last February, acquisitions and investments in R&D executed with the right timing will be strategic and will bring immediate benefits."*

The main operating and financial results for 2019 were as follows:

Revenues amounted to € 59.1 million, up 47.9% compared to € 40.0 million in 2018. Within the same consolidation scope, revenues increased by 23.7%, with a € 8.2 million contribution from the Assioma Group. In 2019 revenues from software amounted to € 6.9 million, up by 29.7% compared to 2018. Revenues from services and projects amounted to € 52.2 million, up by 50.7% compared to 2018. Total international revenues represent 26.4% of revenues, up by 8.6%.

Revenues in the Aerospace & Aviation (A&A) Division amounted to € 38.7 million, up by 24.7% compared to 2018, entirely due to organic growth. The Aerospace & Aviation Division reported revenues from software of € 5.9 million, up by 18.4% compared to 2018. The Fintech Division posted revenues of € 20.4 million, up by 130.9% compared to 2018, of which € 9.7 million from the consolidation of the Assioma Group, Cheleo (7 months) and TXT Risk (10 months), and € 1.9 million from organic growth (+21.3%). Revenues from software in the Fintech division amounted to € 1.0 million, up by 179.4% compared to 2018.

The **Gross margin**, net of direct costs, increased from € 17.7 million to € 27.3 million, an increase of 54.3%. As a percentage of revenues, the gross margin amounted to 46.1% in 2019, an increase compared to 44.2% in 2018.

EBITDA was € 7.0 million, up by 84.4% compared to 2018 (€ 3.8 million), following significant investments in research and development (+103.0%) and commercial investments (+53.7%). General and administrative costs reduced their impact on revenues from 13.2% in 2018 to 9.4% in 2019. The margin on revenues was 11.9% compared with 9.5% in 2018.

EBIT (Operating profit) was € 3.6 million, up by 92.6% compared to 2018 (€ 1.8 million). The growth in EBITA of € 3.0 million was partially absorbed by the increase in amortisation of intangible assets of the acquisitions of Assioma, Cheleo and TXT Risk Solutions (€ 0.5 million) and by reorganisation costs (€ 0.7 million).

Financial charges were € 1.2 million. Liquidity investments produced a financial income of € 2.2 million, due to the growth of the financial markets, which enabled liquidity to be managed with extremely positive results. The prudent management of liquidity together with investments mainly in multi-segment insurance allowed risk to be contained. Financial Costs include (i) the adjustment of the fair value of the liability linked to the acquisition of the ownership interest in the remaining 21% capital of PACE, determined by taking into account the valuation formula indicated in the contract. It is based on factors and multiples that are consistent with those used to set the initial price of the transaction to purchase the majority interest and the relative additional payments. The data used as a base for the calculation was derived from the preliminary draft of the consolidated financial statements of the PACE Group according to German accounting standards as defined by the contract. This amount, initially posted as € 1.7 million, was recalculated at € 5.9 million with a cost of € 4.1 million charged to financial year. The adjustment was due to the effect of the signature of significant contracts with leading companies in the Aerospace sector which are expected to produce significant economic benefits for the Group in the next few financial years and, (ii) the lower cost of the Earn-Out linked to average performance of the EBITDA of the company Cheleo in the 2017-2019 financial years and the application of the relative multiple. The Earn-Out portion initially estimated to be around € 1.5 million was redetermined at € 0.8 million.

Net profit amounted to € 0.4 million (€ 0.6 million in 2018), after tax charges of € 1.9 million which mainly discounts the net effect of € 3.4 million of non-recurring, and non-tax-relevant components, linked to the acquisitions of PACE and Cheleo. In 2018 a one-off benefit for "Patent Box" tax relief for previous years had substantially offset the current tax expense.

The consolidated **Net financial position** as at 31 December 2019 was positive for € 41.4 million, compared to € 60.4 million as at 31 December 2018, down by € 18.9 million mainly due to the dividend distribution (€ 5.8 million), the outlay to acquire Assioma (€ 5.6 million), the purchase of the minority interest of Assioma.Itec Srl (€ 0.4 million), the purchase of treasury shares (€ 1.0 million), the recognition of the payable for the new lease contract of offices in Berlin (€ 2.0 million), the payment of charges for reorganisation (€ 0.7 million), the fair value adjustment of liabilities linked to the acquisitions of Pace and Cheleo (€ 3.4 million), and other changes in net working capital for residual amounts.

The consolidated **Shareholders' equity** as at 31 December 2019 amounted to € 81.9 million, down € 4.5 million compared to 31 December 2018, mainly as a result of dividend distribution (€ 5.8 million), the share buy-backs (€ 1.0 million), the purchase of the minority interest of Assioma.Itec Srl (€ 0.4 million) and other changes in reserves (€ 0.1 million). Shareholders' equity increased thanks also to the use of treasury shares for part payment of the price paid for the acquisition of Assioma (€ 2.4 million) and to net profit (€ 0.4 million).

As at 31 December 2019, 1,220,971 treasury shares were held (1,359,717 as at 31 December 2018), accounting for 9.39% of shares outstanding, purchased at an average price of € 3.32 per share.

Fourth Quarter 2019

Net revenues amounted to € 16.6 million, up by 46.1% compared to the fourth quarter of 2018 (€ 11.3 million). Within the same consolidation scope, revenues increased by 19.3%, with a € 3.0 million contribution from the Assioma Group. Revenues from software, subscription and maintenance amounted to € 1.9 million, up by 22.4% compared to the fourth quarter of 2018 (€ 1.6 million). Revenues from services and projects amounted to € 14.6 million, up by 50.0% compared to the € 9.7 million of the fourth quarter of 2018 due to the effect of the consolidation of the Assioma Group (€ 3.0 million).

EBITDA in the fourth quarter of 2019 was € 2.2 million, up by 127.5% compared to the fourth quarter of 2018 (€ 1.0 million), following significant investments in research and development (+93.3%) and commercial investments (+60.0%). General and administrative costs reduced their impact on revenues in the fourth quarter of 2019 from 12.9% to 10.4%. The impact on revenues was 13.3%, compared to 8.6% in the fourth quarter of 2018. The growth in EBITDA of € 1.2 million was due for € 0.9 million to organic growth (+89.4%) and for € 0.3 million to the contribution of the Assioma group.

EBIT (Operating Profit) for the fourth quarter of 2019 amounted to € 1.3 million, up by 250.0% over the fourth quarter of 2018 (€ 0.4 million). The growth in EBITA of € 1.2 million in 2019 was partially absorbed by the increase in amortisation of intangible assets of the acquisitions of Assioma Group and TXT Risk Solutions (€ 0.2 million).

Financial Costs in the fourth quarter of 2019 amounted to € 3.4 million due to the adjustment of the fair value of the liability linked to the acquisition of the ownership interest in the remaining 21% capital of PACE, with a cost of € 4.1 million charged to the financial year. As reported above, the adjustment was due to the effect of the signature of significant contracts with leading companies in the Aerospace & Aviation sector which are expected to produce significant economic benefits for the Group in the next few years. Financial expenses also include the lower cost to be paid for the Earn-Out linked to the average performance of the EBITDA of the company Cheleo in the 2017-2019 financial years (€ 0.7 million).

Earnings before taxes for the fourth quarter of 2019 was negative for € 2.1 million, after extraordinary tax charges of € 3.4 million. In the fourth quarter of 2018, EBT was negative for € 0.5 million.

Net profit for the fourth quarter of 2019 was negative for € 2.7 million, after tax charges of € 0.6 million. In the fourth quarter of 2018, net profit was negative for € 0.4 million. The net profit of the fourth quarter of 2019 mainly discounts the net effect of € 3.4 million of non-recurring, and non-tax-relevant, components, linked to the acquisitions of PACE and Cheleo.

Dividend and Shareholders' Meeting

During 2019 the TXT Group made significant investments aimed to (i) the acquisition of the Assioma Group, (ii) the adjustment of the fair value of liabilities linked to the acquisition of Pace, (iii) the payment of extraordinary dividends, (iv) the financing of significant costs for research and development entirely funded during the financial year and equivalent to around 10% of the annual turnover.

In order to better pursue the ambitious growth plans by acquisitions and internal lines aimed at increasing the value of the Group at international level, and against (i) the marginal value of the 2019 Net Profit which, as described earlier, discounts the effect of non-recurring and non-tax-relevant components, (ii) the market contingency linked to the spreading of the Covid-19 virus, the Board resolved to propose to the Shareholders' Meeting not to distribute dividends.

Being unable to foresee the developments of this crisis, the Board of Directors resolved at today's meeting, not to distribute any dividend as it considers strategic to maintain liquidity within the Group, in order to face possible future risks and take advantages from the above mentioned growth opportunities that will generate value for the customers, the Group and the shareholders.

The Board discussed the possibility of extraordinary dividends to be paid later in the year and linked to developments in financial markets and future economic contingencies.

The Board of Directors resolved to convene an ordinary Shareholders' Meeting at the NH Milano Concordia hotel in Sesto San Giovanni (MI), Via Luciano Lama, 10, on 22 April 2020 at 10.00.

Events after the reporting period and outlook

The 2020 targets set out by the Group aims for a steady growth in Europe, North America and Asia Pacific, and for the development of its extensive and diversified customer base already acquired in the two current divisions: (i) in the Aerospace & Aviation division the Group's prestigious customer base was further enriched at the end of 2019 by the new software licence contracts with the main North American OEMs and Airlines, which will lead to new business opportunities in the same North American market and elsewhere; (ii) in the Fintech division, a significant boost in volumes and margins is anticipated through the sale of proprietary FinTech and RegTech solutions, by exploiting the valuable references developed over the years in the world of Banking & Finance. In the meantime, intensive research, assessment and verification activities are continuing, as regards M&A acquisition opportunities that contribute to strengthening the range of TXT technologies and services and that can generate value for our customers, our company and our shareholders.

The diffusion of the Covid-19 virus is having a significant impact on the global economy. Among the sectors in which TXT operates, the one most at risk is that of airlines (with subsequent impacts on aircraft manufacturers). The most probable risks for TXT relate to drops in revenues from services and a deceleration in the acquisition of new contracts. The banking sector, even though in crisis, is open to remote working opportunities, both for employees and for external personnel.

TXT faces up to the crisis with a significant backlog of acquired licences (IFRS15), an excellent net financial position, and continuity in deliveries, thanks to an efficient organisation of smart working teams and the geographical distribution of operations (also in areas not at risk as of today).

Taking into account the negative effects linked to the diffusion of the Covid-19 virus, the first quarter of 2020 could result in a more limited profitability compared to the 2020 forecasts, in spite of the fact that in the first two months of the year management has managed to maintain revenue and margin levels in line with expectations.

The Chief Executive Officer Enrico Magni commented: "*The current economic crisis is severely testing the soundness of many companies in all sectors. We have built a new TXT, structured to manage the risks of the financial year and restart by putting in place an ambitious growth project which anticipates an increase in volumes and margins within the same scope of consolidation. The new Management Team is extremely motivated and cohesive in the achievement of the targets set. Significant future investments will relate both to M&A operations to expand the existing technological offer and to the design and industrialisation of new technologies to offer current and contiguous markets.*"

Declaration of the designated officer in charge of drafting the company's accounting documents

The Designated Officer in charge of drafting the company's accounting documents, Eugenio Forcinito, herein declares, pursuant to Article 154-bis, Paragraph 2 of Legislative Decree no. 58 of 24 February 1998 that the accounting information contained in this press release corresponds to the documentary records, books and accounting entries

As from today, this press release is available also on the company's website www.txtgroup.com.

TXT e-solutions is an international software products and solutions vendor. Specialized in the most dynamic and agile markets with the highest degree of innovation and renewal that require state-of-the art solutions, TXT is focused on two main business areas: specialized software products and advanced Software-related Engineering Services for companies in the Aerospace, Aviation and Automotive; testing and quality services in Banking. The company has been listed on the Italian Stock Exchange - STAR segment (TXT.MI) - since July 2000. TXT is based in Milan and has subsidiaries in Italy, Germany, United Kingdom, France, Switzerland and USA

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Management Income Statement as of 31 December 2019

€ thousand	2019	%	2018	%	Var %
REVENUES	**59,091**	**100.0**	**39,957**	**100.0**	**47.9**
Direct costs	31,824	53.9	22,289	55.8	42.8
GROSS MARGIN	**27,267**	**46.1**	**17,668**	**44.2**	**54.3**
Research and Development costs	6,071	10.3	2,990	7.5	103.0
Commercial costs	8,610	14.6	5,603	14.0	53.7
General and Administrative costs	5,582	9.4	5,277	13.2	5.8
EBITDA	**7,004**	**11.9**	**3,798**	**9.5**	**84.4**
Amortization, depreciation	2,734	4.6	1,953	4.9	40.0
Reorganisation and non-recurring costs	717	2.3	0		n.m.
OPERATING PROFIT (EBIT)	**3,553**	**6.0**	**1,845**	**4.6**	**92.6**
Financial income (charges)	2,194	3.7	(1,284)	(3.2)	n.m.
Non-recurring income (charges)	(3,432)	(39.9)	0		n.m.
EARNINGS BEFORE TAXES (EBT)	**2,315**	**3.9**	**561**	**1.4**	**312.7**
Taxes	(1,867)	(3.2)	4	0.0	n.m.
NET PROFIT	**448**	**0.8**	**565**	**1.4**	**(20.7)**
Attributable to:					
Parent company shareholders	314		565		
Minority interests	134		-		

Income Statement as of 31 December 2019

€ thousand	31.12.2019	%	31.12.2018	%
TOTAL REVENUES AND INCOME	**59,091**	**100.0**	**39,957**	**100.0**
Purchases of materials and services	13,687	23.2	7,509	18.8
Personnel costs	37,088	62.8	28,476	71.3
Other operating costs	594	1.0	174	0.4
Amortizations, depreciation and write downs	4,169	7.1	1,953	4.9
OPERATING RESULT	**3,552**	**6.0**	**1,845**	**4.6**
Financial income/(charges)	(1,276)	(2.2)	(1,245)	(3.1)
Investor's share in the associate's profits and losses	39	0.1	(39)	(0.1)
PRE-TAX RESULT	**2,315**	**3.9**	**561**	**1.4**
Income Taxes	(1,867)	(3.2)	4	0.0
NET INCOME	**448**	**0.8**	**565**	**1.4**
Attributable to:				
Owners of the Parent	314		565	
Non controlling interest	134		-	
PROFIT PER SHARE (Euro)	0.03		0.05	
DILUTED PROFIT PER SHARE (Euro)	0.03		0.05	
Number of Shares	**11,721,889**		**11,747,747**	

Net Financial Position as of 31 December 2019

€ thousand	31.12.2019	31.12.2018	Var
Cash	11,426	5,593	5,833
Trading securities at fair value	87,320	103,949	(16,629)
Other Short Term Financial Assets	-	5,000	(5,000)
Short term Financial Debts	(25,306)	(17,304)	(8,002)
Short term Financial Resources	**73,440**	**97,238**	**(23,798)**
Non current Financial Debts - Lessors IFRS 16	(4,517)	(2,055)	(2,462)
Other Non current Financial Debts	(27,512)	(34,827)	7,315
Non current Financial Debts	(32,029)	(36,882)	4,853
Net Available Financial Resources	**41,411**	**60,356**	**(18,945)**

Consolidated Balance Sheet as of 31 December 2019

€ thousand	31.12.2019	31.12.2018	Var
ASSETS			
NON-CURRENT ASSETS			
Goodwill	19,640	12,785	6,855
Definite life intangible assets	4,741	4,966	(226)
Intangible Assets	**24,380**	**17,751**	**6,630**
Buildings, plants and machinery	7,929	3,680	4,249
Tangible Assets	**7,929**	**3,680**	**4,249**
Investments in associates	0	9	(9)
Other non-current assets	259	74	185
Deferred tax assets	2,067	1,428	638
Other non-current assets	**2,325**	**1,511**	**814**
TOTAL NON-CURRENT ASSETS	**34,634**	**22,942**	**11,692**
CURRENT ASSETS			
Inventories	4,156	3,141	1,015
Trade receivables	19,371	14,029	5,342
Other current assets	4,779	2,963	1,816
Other short term financial assets	0	5,000	(5,000)
Trading securities at fair value	87,320	103,949	(16,629)
Cash and other liquid equivalents	11,426	5,593	5,833
TOTAL CURRENT ASSETS	**127,052**	**134,675**	**(7,623)**
TOTAL ASSETS	**161,686**	**157,617**	**4,069**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	6,503	6,503	0
Reserves	14,731	13,439	1,291
Retained earnings	60,304	65,840	(5,536)
Profit (Loss) for the period	314	565	(251)
TOTALE PATRIMONIO NETTO (Gruppo)	**81,852**	**86,347**	**(4,496)**
Patrimonio Netto di Terzi	168	**0**	**168**
TOTAL SHAREHOLDERS' EQUITY	**82,020**	**86,347**	**(4,327)**
NON-CURRENT LIABILITIES			
Non-current fiancial liabilities	32,029	36,882	(4,853)
Severance and other personnel liabilities	3,110	2,957	153
Deferred tax liabilities	1,280	1,344	(65)
Provisions for risks and charges	119	719	(600)
TOTAL NON-CURRENT LIABILITIES	**36,538**	**41,903**	**(5,365)**
CURRENT LIABILITIES			
Current financial liabilities	25,306	17,304	8,001
Trade payables	2,122	1,434	688
Tax payables	3,013	317	2,696
Other current liabilities	12,688	10,311	2,377
TOTAL CURRENT LIABILITIES	**43,129**	**29,367**	**13,761**
TOTAL LIABILITIES	**79,666**	**71,270**	**8,396**
TOTAL EQUITY AND LIABILITIES	**161,686**	**157,617**	**4,069**

Consolidated Statement of Cash Flows as of 31 December 2019

€ thousand	31.12.2019	31.12.2018
Net Income	**448**	**565**
Non cash costs	24	-
Financial interest paid	75	279
Variance Fair Value Financial Assets	833	971
Current income taxes	3,668	275
Variance in deferred taxes	(1,559)	(367)
Amortization, depreciation and write-downs	2,730	1,911
Other non-monetary expenses	-	2
Other Changes	5	-
Cash flows generated by operations before working capital	**6,224**	**3,636**
(Increase) / Decrease in trade receivables	(2,667)	1,235
(Increase) / Decrease in inventories	(995)	(318)
Increase / (Decrease) in trade payables	(112)	(90)
Increase / (Decrease) in other current assets/liabilities	(3,024)	(2,562)
Increase / (Decrease) in severance and other personnel liabilities	(260)	51
Changes in working capital	**(7,058)**	**(1,685)**
Paid income taxes	(471)	(536)
CASH FLOW GENERATED BY OPERATIONS	**(1,305)**	**1,415**
Increase in tangible assets	(902)	(440)
Increase in intangible assets	(14)	(86)
Decreases in tangible and intangible assets	76	-
Net Cash flow from acquisition	(2,254)	1,314
(Increase) / Decrease in other financial assets	25,226	(110,010)
CASH FLOW GENERATED BY INVESTING ACTIVITIES	**22,131**	**(109,222)**
Proceeds from borrowings	6,700	42,979
(Repayment) of borrowings	(13,790)	(2,173)
(Repayment) of Leasing liabilities	(1,144)	(963)
(Increase) / Decrease in other financial credits	-	3,156
Increase / (Decrease) in other financial liabilites	-	20
Dividends paid	(5,781)	(11,710)
Financial interests paid	-	(35)
Net change in other financial liabilities	7	-
(Purchase)/Sale of Treasury Shares	(999)	(4,377)
CASH FLOW GENERETED BY FINANCIAL ACTIVITIES	**(15,007)**	**26,897**
INCREASE / (DECREASE) IN CASH	**5,820**	**(80,909)**
Difference in Currency Translation	13	(25)
Cash at beginning of the period	**5,593**	**86,527**
Cash at the end of the period	**11,426**	**5,593**

Income Statement - Management Reporting

Fourth Quarter as of 31 December 2019

€ thousand	Q4 2019	%	Q4 2018	%	Var %
REVENUES	**16,557**	**100.0**	**11,330**	**100.0**	**46.1**
Direct costs	8,264	49.9	6,347	56.0	30.2
GROSS MARGIN	**8,293**	**50.1**	**4,983**	**44.0**	**66.4**
Research and Development costs	1,616	9.8	836	7.4	93.3
Commercial costs	2,750	16.6	1,719	15.2	60.0
General and Administrative costs	1,722	10.4	1,459	12.9	18.0
EBITDA	**2,205**	**13.3**	**969**	**8.6**	**127.6**
Amortization, depreciation	872	5.3	588	5.2	48.3
Reorganisation and non-recurring costs	12	0.1	-	-	n.s.
OPERATING PROFIT (EBIT)	**1,321**	**8.0**	**381**	**3.4**	**246.7**
Financial income (charges)	57	0.3	(899)	(7.9)	n.s.
Non-recurring income (charges)	(3,432)	(20.7)	-	-	n.s.
EARNINGS BEFORE TAXES (EBT)	**(2,054)**	**(12.4)**	**(518)**	**(4.6)**	**296.5**
Taxes	(646)	(3.9)	84	0.7	n.s.
NET RESULT	**(2,700)**	**(16.3)**	**(434)**	**(3.8)**	**522.2**