



TXT e-solutions Group

Interim report
as at 31 March 2018

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 - 20126 Milan - Italy

Share capital:

€6,503,125 fully paid-in

Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Members' term of office expires upon approval of the financial statements for the year ending 31 December 2019:

Alvise Braga Illa	Chairman	(1)
Enrico Magni	Chief Executive Officer	(2)
Marco Edoardo Guida	Chief Executive Officer	(3)
Paolo Matarazzo	Director	(3)
Fabienne Anne Dejean Schwalbe	Independent Director	(4)
Stefania Saviolo	Independent Director	(4)
Valentina Cogliati	Independent Director	(5)

(1) Powers assigned: proxy

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

(3) Powers assigned: ordinary administration.

(4) Member of the Remuneration Committee, the Risks and Internal Controls Committee and the Related Parties Committee.

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

BOARD OF STATUTORY AUDITORS

Members' term of office expires upon approval of the financial statements for the year ending 31 December 2019:

Mario Basilico	Chairman
Luisa Cameretti	Standing auditor
Giampaolo Vianello	Standing auditor
Massimiliano Alberto Tonarini	Alternate auditor
Pietro Antonio Grignani	Alternate auditor
Laura Grimi	Alternate auditor

EXTERNAL AUDITORS

EY S.p.A.

INVESTOR RELATIONS

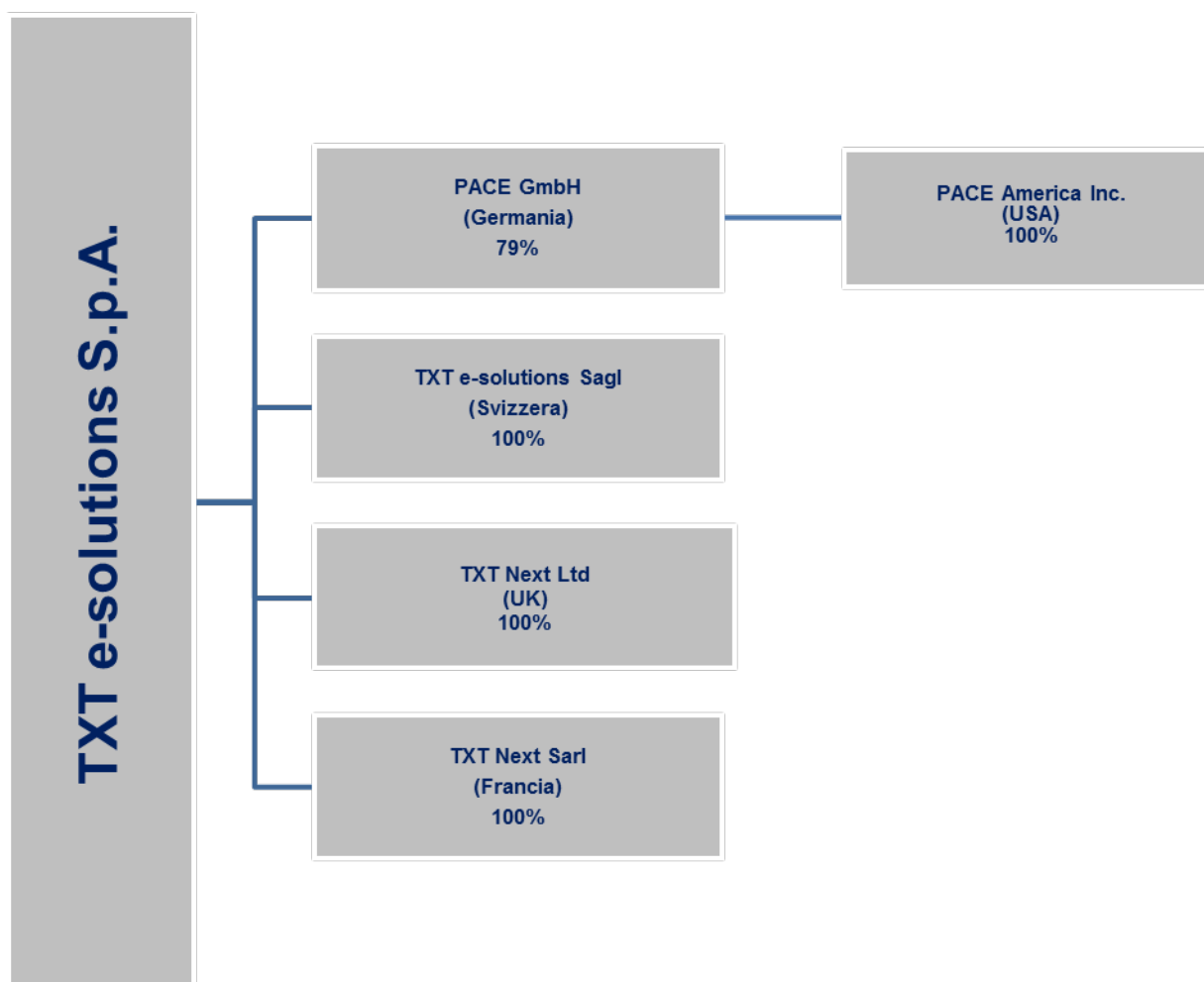
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Organisational structure and scope of consolidation



Key data and Directors' Report on Operations for the first 3 months of 2018

TXT e-solutions Group – Key data (1)

INCOME DATA (€thousand)	Q1 2018	%	Q1 2017	%	% CHANGE
REVENUES	9,397	100.0	8,959	100.0	4.9
EBITDA	1,183	12.6	1,111	12.4	6.5
OPERATING PROFIT (EBIT)	757	8.1	932	10.4	(18.8)
NET PROFIT FROM CONTINUING OPERATIONS	542	5.8	516	5.8	5.0
Net profit from Discontinued Operations	0		122		
NET PROFIT (LOSS)	542		638		

FINANCIAL DATA (€thousand)	31.03.2018	31.03.2017	Change
Fixed assets	9,898	8,860	1,038
Net working capital	2,876	6,303	(3,427)
Severance & other non-current liabilities	(2,634)	(2,609)	(25)
Capital employed	10,140	12,554	(2,414)
Net financial position	87,933	87,340	593
Group shareholders' equity	98,072	99,894	(1,822)

DATA PER SHARE	31.03.2018	31.03.2017	Change
Average number of shares outstanding	11,734,445	11,652,117	82,328
Operating profit per share	0.05	0.48	(0.43)
Shareholders' equity per share	8.36	2.99	5.37

ADDITIONAL INFORMATION	31.03.2018	31 Dec. 2017	Change
Number of employees - Continuing Operations	480	481	(1)
TXT share price	10.80	9.64	1.16

(1) The analytical results presented refer to Continuing Operations, in accordance with Accounting Standard IFRS 5. The summary results refer to assets designated for sale ("Discontinued Operations").

Notes on Alternative Performance Measures

Pursuant to the ESMA guidelines on alternative performance measures (“APMs”) (ESMA/2015/1415), endorsed by CONSOB (see CONSOB Communication no. 0092543 dated 03 December 2015), it should be noted that the reclassified statements included in this Directors’ Report on Operations show a number of differences from the official statements shown in the accounting tables set out in the following pages and in the notes with regard to the terminology and the level of detail.

Specifically, the reclassified consolidated Income Statement introduces the following terms:

- **EBITDA**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs.
- **EBIT**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs, depreciation and amortisation, and impairment of fixed assets.

The reclassified consolidated Balance Sheet was prepared based on the items recognised as assets or liabilities in the official consolidated Balance Sheet, and it introduces the following terms:

- **FIXED ASSETS**, which is the sum of property, plant and equipment, intangible assets, goodwill, deferred tax assets and liabilities, and other non-current assets.
- **NET WORKING CAPITAL**, which is the sum of inventories, trade receivables/payables, current provisions, tax receivables/payables, and other current assets/liabilities and sundry current receivables/payables.
- **CAPITAL EMPLOYED**, which is the algebraic sum of Fixed Assets, Net Working Capital, post-employment benefits, and other non-current liabilities.

These APMs, in line with the data presented in the consolidated income statement and balance sheet in accordance with the recommendations outlined above, were deemed to be significant as they represent parameters that succinctly and clearly depict the Company’s equity, financial and economic performance, also through an analysis of comparative data.

Directors' Report on Operations for the first 3 months of 2018

Dear Shareholders,

In the first three months of 2018, after the transfer of the TXT Retail Division in 2017, TXT e-solutions focused on the development of its business, mainly in software for the aviation, transport and banking systems sector, with a reduced scope, but with greater, significant opportunities for stable growth, both organically and through profitable acquisitions.

The main operating and financial results for the first quarter of 2018 were as follows:

- Revenues amounted to €9.4 million, up 4.9% compared to €9.0 million in first quarter of 2017. Revenues from software for licences, subscriptions and maintenance were €1.1 million, up +54.3% compared to the first quarter of 2017, while revenues from services were €8.3 million, up +0.4%.
- International revenues amounted to €3.4 million, up +16.5% compared to €2.9 million in the first quarter of 2017, equal to 36% of the total (33% in 2017).
- Net of direct costs, the Gross Margin came to €4.2 million, up +5.5% compared to the first quarter 2017. As a percentage of revenues, it increased from 44.8% to 45.1%.
- EBITDA was €1.2 million, up +6.5% compared to the first quarter of 2017 (€1.1 million), following significant investments in research and development, up +15.8%, and commercial investments, up +4.3%. General and administrative costs were substantially in line with the first quarter of 2017 (-0.1%).
- Operating profit (EBIT) amounted to €0.8 million, down compared to the first quarter of 2017 (€0.9 million) as a result of ordinary amortisation/depreciation related to the adoption of the new accounting standard IFRS 16 "Operating leases" (€0.2 million). Amortisation and depreciation on purchased assets were substantially in line with last year (€0.2 million).
- Net profit amounted to €0.5 million, up +5.0% compared to net profit from Continuing Operations in the first quarter of 2017, net of tax charges of €0.2 million (30% of pre-tax profit compared to 32% of last year). Net profit of the first quarter of 2017 (€0.6 million) included net profit of Continuing Operations (€0.5 million) and net profit of TXT Retail Division "Discontinued Operations" (€0.1 million).
- The consolidated Net Financial Position as at 31 March 2018 was positive by €87.9 million, compared to €87.3 million as at 31 December 2017, up by €0.6 million. The strong cash generation from operations in the first quarter (€2.2 million) was partially absorbed by the recognition of payables to lessors for offices, cars and printers, according to the new accounting standard IFRS 16 (€1.2 million) and the purchase of treasury shares, net of stock options for employees (€0.4 million).
- Consolidated shareholders' equity as at 31 March 2018 amounted to €98.1 million, with the contribution of net profit for the first quarter of 2018 amounting to €0.5 million. The decrease of

€1.8 million, compared to €99.9 million as at 31 December 2017, is due to the application of the new accounting standard IFRS 15 “Revenue recognition” (€1.9 million) and to the purchase of treasury shares, net of stock options exercised by employees (€0.4 million).

On 16 March 2018, TXT was informed that the entire equity investment in TXT e-solutions S.p.A., owned by E-business Consulting S.A. and equal to 25.62% of the share capital, had been transferred to Laserline S.p.A. based on a transfer agreement. Laserline S.p.A. is a company in which Enrico Magni directly and indirectly holds a 100% stake.

On 19 April 2018, the Shareholders’ Meeting appointed Enrico Magni and Valentina Cogliati (independent director) as Directors with a tenure until the approval of the financial statements as at 31 December 2019, in replacement of Teresa Cristiana Naddeo and Andrea Lanciani.

The Aviation sector is in a phase of rapid consolidation and TXT is well-positioned to take opportunities with regard to work and acquisitions, numbering among its main and most loyal customers some of the biggest players in this consolidation, including Leonardo, Airbus, Boeing, Pilatus, Lufthansa, Safran, Rolls-Royce and Embraer, and many others.

In the first quarter of 2018, R&D investments, already started in 2017, continued and resulted in the issue of new software solutions in the areas of Flight Operations (Pacelab FPO Cloud), Training for maintenance workers (Pacelab WEAVR) and the configuration of airplane cabins (Pacelab CABIN).

Pacelab FPO Cloud is aimed at airlines and allows pilots to optimise their route during flight to reduce fuel consumption and pollution and to avoid turbulence. A pilot study is ongoing with one of the main North American airlines, based on the new cloud-based software, which offers innovative functionalities.

Pacelab WEAVR is an innovative platform that facilitates the development and use of applications for training pilots, crews and maintenance workers, meeting the requirements of aircraft and engine manufacturers as well as training schools in the aviation sector. WEAVR consolidates TXT's experience in the sector, obtained over the years through carrying out numerous projects and complex simulators, and is created using innovating Virtual Reality and Augmented Reality techniques.

Pacelab CABIN is a TXT software product addressed to airplane manufacturers in support to configuration of airplane cabins during the sale phases to airlines. Pacelab CABIN, already in use by the main manufacturers, was extended to allow a Cloud-based collaboration amongst configuration teams operating in different locations and to offer innovating visualisation modalities of cabin configurations through Augmented Reality technologies. Thanks to these new functions, important innovations were introduced in the cabin configuration process, permitting a significant extension of the already existing relationship with a major US company for the cabin design of their main airplanes.

The assets attributable to the TXT Retail Division, sold on 02 October 2017, were classified in the comparative tables of Q1 2017 under “Assets and liabilities held for sale - Discontinued Operations”, pursuant to accounting standard IFRS 5. The income statement for the first quarter of 2017 shows a breakdown of the trend in revenues and expenses with regard to Continuing Operations, corresponding to the TXT Next Division and without TXT Retail Division. The net profit (loss) of the

TXT Retail Division (“Discontinued Operations”) in the first three months of 2017 was disclosed as “Discontinued Operations”.

TXT’s results for first quarter 2018, compared with the previous quarter’s figures related to Continuing Operations, are presented below:

<i>(€ thousand)</i>	Q1 2018	%	Q1 2017	%	% Change
REVENUES	9,397	100.0	8,959	100.0	4.9
Direct costs	5,163	54.9	4,944	55.2	4.4
GROSS MARGIN	4,234	45.1	4,015	44.8	5.5
Research and development costs	712	7.6	615	6.9	15.8
Commercial costs	1,228	13.1	1,177	13.1	4.3
General and administrative costs	1,111	11.8	1,112	12.4	(0.1)
GROSS OPERATING PROFIT (EBITDA)	1,183	12.6	1,111	12.4	6.5
Depreciation, amortisation and impairment	426	4.5	179	2.0	n.s.
OPERATING PROFIT (EBIT)	757	8.1	932	10.4	(18.8)
Financial income (charges)	17	0.2	(174)	(1.9)	n.s.
EARNINGS BEFORE TAXES (EBT)	774	8.2	758	8.5	2.1
Taxes	(232)	(2.5)	(242)	(2.7)	(4.1)
NET PROFIT FROM CONTINUING OPERATIONS	542	5.8	516	5.8	5.0
Net profit Discontinued Operations (sale of TXT Retail)	-		122		
NET PROFIT (LOSS) FOR THE PERIOD	542		638		

REVENUES AND GROSS MARGINS

Revenues and direct costs for the first quarter of 2018, compared with the previous quarter's figures related to Continuing Operations, are presented below:

<i>(in migliaia di Euro)</i>	Q1 2018	%	Q1 2017	%	Var %
RICAVI	9.397	100,0	8.959	100,0	4,9
Software	1.142	12,2	740	8,3	54,3
Servizi	8.255	87,8	8.219	91,7	0,4
COSTI DIRETTI	5.163	54,9	4.944	55,2	4,4
MARGINE LORDO	4.234	45,1	4.015	44,8	5,5

In the first quarter of 2018, revenues amounted to €9.4 million, up by €0.4 million (+4.9%) compared to €9.0 million in the first quarter of 2017, due to the good performance of business in the aeronautics market. Revenues from software for licences, subscriptions and maintenance for the first quarter of 2018 were €1.1 million, up +54.3% compared to the first quarter of 2017, and revenues from services were €8.3 million, up 0.4% compared to the first quarter of 2017.

International revenues account for 36% of revenues, compared to 33% the prior year's first quarter, up +16.5%.

Gross margin increased from €4.0 million to €4.2 million, up +5.5% due to a better contribution of revenues from licences which, following the adoption of the new accounting standard IFRS 15 "Revenue Recognition", are now more evenly apportioned along the financial year. The gross margin improved from 44.8% to 45.1% of revenues.

TXT has decades-long experience in the aerospace sector, particularly in on-board software, flight simulators, training systems, flight support services and advanced manufacturing solutions.

TXT serves a growing number of aerospace companies and airline operators throughout the world, providing them with software and innovative services to design, configure, acquire and operate their airlines and fleets in an economically optimal manner. The main application areas are the preliminary design of airplanes and technical systems, the configuration of airplanes and cabins, economic management of fleets, and the analysis of flying routes and innovative instruments - such as "Electronic Flight Bags" - to improve operating efficiency during flight.

Current customers comprise over 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Leonardo (I), Airbus (D and F), Boeing (USA), Pilatus (CH), Reiser (D), CAE (D), Safran Group (F), GE Aviation (USA), COMAC (China), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), AirFrance & KLM Engineering (F), Lufthansa (D) 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 and embedded software as well as software for training purposes based on simulations and virtual & augmented reality.

TXT has historically operated in the financial and banking sector as well, where it specialises in Independent Verification & Validation of supporting IT systems. The product range builds on the substantial operating experience acquired by working side-by-side with leading banking companies for over twenty years, combined with in-depth knowledge of the methods and tools to manage software quality, and the testing, assessment and validation of software acquired in the aeronautics sector, a historic precursor in these realms. TXT has strategic partnerships with Microsoft, HP and IBM.

The activities of the TXT Sense continued in the first quarter of 2018. This consists of a start-up established in 2017 with proprietary technologies for 3D representation and New Augmented Reality, with prospective applications in numerous major sectors of industry, communication and services.

Technologies for simulation with New Augmented Reality have a growing role in the development of complex equipment and systems, including autonomous systems (even robot) using new generation AI technologies (deep learning). Validation of these autonomous systems requires the use of integrated algorithmic simulation systems, assisted by human best practices. In the upcoming future, the techniques at the disposal of TXT will also play a central role in the design and validation of new generation robots (game-based training and validation of non-algorithmic autonomous systems, such as self-driving automobiles).

REVENUES

Research and development costs amounted to €0.7 million in the first quarter of 2018, up 15.8% compared to €0.6 million in 2017, thanks to investments in the TXT Sense business, dealing with technologies for 3D representation and New Augmented Reality. The impact on revenues increased from 6.9% in first quarter 2017 to 7.6%.

Commercial costs amounted to €1.2 million, up +4.3% compared to Q1 2017, due to investments in TXT Sense. Commercial costs amounted to 13.1%, in line with the first quarter of 2017.

General and administrative costs amounted to €1.1 million, substantially unchanged compared to the first quarter of 2017 (-0.1%), due to some corporate costs that are no longer apportioned along a wider scope of activities, after the transfer of TXT Retail. These costs are substantially offset by the effects of the adoption of the new accounting standard IFRS 16, according to which rental costs for offices, cars and printers are no longer considered as operating cost, but rather as depreciation costs of the related contracts (€0.2 million). The impact on revenues decreased from 12.4% in the first quarter of 2017 to 11.8%.

Operating profit (EBITDA) for Q1 2018 amounted to €1.2 million, up by +6.5% on Q1 2017 (€1.1 million). Profit as a percentage of revenues was 12.6%, compared to 12.4% the prior year.

Operating profit (EBIT) amounted to €0.8 million, down compared to the first quarter of 2017 (€0.9 million) as a result of ordinary amortisation/depreciation related to the adoption of the new accounting standard IFRS 16 "Operating leases" (€0.2 million). Amortisation and depreciation on purchased assets were substantially in line with last year (€0.2 million).

Earnings before taxes came to €0.8 million, up +2.1% compared to the first quarter of 2017, following financial charges essentially offset. In last year's Q1, they reported negative exchange differences equal to €0.2 million.

Net profit amounted to €0.5 million, up +5.0% compared to net profit from Continuing Operations in the first quarter of 2017, net of tax charges of €0.2 million (30% of pre-tax profit compared to 32% of last year).

Net profit of the first quarter of 2017 (€0.6 million) included net profit of Continuing Operations (€0.5 million) and net profit of TXT Retail Division "Discontinued Operations" (€0.1 million).

CAPITAL EMPLOYED

As at 31 March 2018, Capital Employed totalled €10.1 million, down compared to €2.4 million as at 31 December 2017 (€12.6 million), mainly due to the decrease in net working capital.

The table below shows the details:

(€ thousand)	31.3.2018	31.12.2017	Change
Intangible assets	7,233	7,332	(99)
Net property, plant and equipment	1,932	793	1,139
Other fixed assets	733	735	(2)
Fixed assets	9,898	8,860	1,038
Inventories	2,461	2,528	(67)
Trade receivables	12,085	14,681	(2,596)
Sundry receivables and other short-term assets	2,621	2,533	88
Trade payables	(423)	(1,341)	918
Tax payables	(1,273)	(1,052)	(221)
Sundry payables and other short-term liabilities	(12,595)	(11,046)	(1,549)
Net working capital	2,876	6,303	(3,427)
Post-employment benefits and other non-current liabilities	(2,634)	(2,609)	(25)
Capital employed	10,140	12,554	(2,414)
Group shareholders' equity	98,072	99,894	(1,822)
Net financial position (Cash)	(87,933)	(87,340)	(593)
Sources of financing	10,139	12,554	(2,415)

Intangible assets decreased from €7.3 million to €7.2 million, due to amortisation for the year on the intellectual property rights on software and on the customer portfolio of the Pace acquisition.

Property, plant and equipment of €1.9 million, increased by €1.1 million compared to 31 December 2017 (€0.8 million), mainly due to the voluntary early adoption of the new accounting standard IFRS 16, as from 1 January 2018. The capitalised amount corresponds to the sum of all residual instalments of the related rental and lease agreements (offices, cars and printers). Investments in servers and computers during the first quarter of 2018 (€0.2 million) were essentially in line with the depreciation amounts for the period (€0.2 million).

Other fixed assets amounted to €0.7 million and comprise deferred tax assets, unchanged compared to 31 December 2017.

Net working capital decreased by €3.4 million, from €6.3 million as at 31 December 2017 to €2.9 million as at 31 March 2018. The main cause of the reduction in working capital is the €2.6 million decrease in receivables due from customers and the €1.5 million increase in sundry payables and other short-term liabilities, as a result of costs allocated for personnel. The other main changes in net working capital regard the decrease in trade payables (€0.9 million) and the increase in tax

payables (€0.2 million), due to allocations related to the profit for the quarter. Inventories for work in progress for amounts not yet invoiced to customers were substantially in line with end 2017 (-€0.1 million).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of €2.6 million were substantially unchanged compared to those at the end of 2017.

Consolidated shareholders' equity as at 31 March 2018 amounted to €98.1 million, down €1.8 million compared to €99.9 million as at 31 December 2017. The main reason for the decrease is the application of the new accounting standard IFRS 15 "Revenue Recognition", with a different recognition profile of revenue from sale of software licences. Revenues already considered in previous years were recalculated according to the new standard, cumulatively adjusting the shareholders' equity in the amount of €1.9 million. Other main changes in shareholders' equity concern net profit for the first quarter (+€0.5 million), stock options for employees (+€0.2 million) and investments for the repurchase of treasury shares (-€0.6 million).

The consolidated Net Financial Position as at 31 March 2018 was positive by €87.9 million, compared to €87.3 million as at 31 December 2017, up by €0.6 million. The strong cash generation from operations in the first quarter (€2.2 million) was partially absorbed by the recognition of payables to lessors for offices, cars and printers, according to the new accounting standard IFRS 16 (€1.2 million) and the purchase of treasury shares, net of stock options exercised by employees (€0.4 million).

Pursuant to CONSOB communication dated 28 July 2006 and in compliance with the structure envisaged by the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses", it is noted that the TXT e-solutions Group's net financial position as at 31 March 2018 is as follows:

(€ thousand)	31.3.2018	31.12.2017	Change
Cash and bank assets	90,879	86,527	4,352
Other short-term financial assets	-	3,156	(3,156)
Short-term financial assets	90,879	89,683	1,196
Short-term financial payables - Lessors IFRS 16	(607)	-	(607)
Other short-term financial payables	(73)	(675)	602
Short-term financial resources	90,199	89,008	1,191
Non-current financial payables - Lessors IFRS 16	(592)	-	(592)
Other non-current financial liabilities	(1,674)	(1,668)	(6)
Net Available Financial Resources	87,933	87,340	593

The Net Financial Position as at 31 March 2018 is detailed as follows:

- Cash and bank assets of €90.9 million: the Group's cash and cash equivalents are mainly in Euros, invested in short-term cash deposits with major Italian banks. Other short-term financial assets (€3.2 million as at 31 December 2017) referred to the contractual payment for net working capital price adjustment agreed with Aptos and were collected at the beginning of 2018.
- Financial payables as at 31 March 2018 increased by €0.6 million for short-term amounts, and by €0.6 million for medium/long-term amounts, due to the adoption of the new accounting standard IFRS 16. The above is related to payables for the payment of rentals and lease instalments for offices, cars and printers including all amounts up to the expiry term of the related contracts ("Lessors – IFRS 16").
- Other short-term financial payables decreased from €0.7 million as at 31 December 2017 to €0.1 million as at 31 March 2018, due to the payment of contributions to partners in financed researches and amounts collected on behalf of Aptos.
- The medium/long-term financial payables of €1.7 million consist of estimated outlays for exercising of the put/call option in 2020-2021, relative to the purchase of Pace.

EMPLOYEES

As at 31 March 2018, the Group had 480 employees, essentially in line with the 481 employees as at 31 December 2017. As at 31 March 2017, within the scope of activities of Continuing Operations there were 469 employees.

TXT SHARE PERFORMANCE AND TREASURY SHARES

In the first quarter of 2018, the share price of TXT e-solutions reached a high of €11.20 on 08 March 2018 and a low of €9.33 on 02 February 2018. As at 31 March 2018, the share price was €10.80, equal to an appreciation of +12% compared to the beginning of the year.

Average daily trade volumes in the first quarter of 2018 amounted to 51,400 shares, showing significant growth compared to the average of 46,300 shares in 2017.

As at 31 March 2018, treasury shares amounted to 1,296,451 (1,268,321 as at 31 December 2017), accounting for 9.97% of shares outstanding, and were purchased at an average price of €2.37 per share. During Q1 2018, 68,368 shares were purchased at an average price of €9.70 and 40,238 shares were awarded to employees who exercised their Stock Options at the predetermined price of €5.50. As at 31 March 2018, all options assigned to employees were exercised.

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

The Shareholder's Meeting held on 19 April 2018 examined and approved the 2017 financial statements and resolved on the distribution of a €1.00 dividend per share, an increase compared to the €0.30 dividend per share in 2017. The dividend was paid for each outstanding share, excluding treasury shares, starting from 09 May 2018, with record date 08 May 2018 and ex-dividend date 07 May 2018. Total dividends therefore amounted to €11.7 million, paid in relation to 11.7 million shares. The Shareholders' Meeting renewed the authorisation to purchase treasury shares for a period of 18 months up to 20% of the share capital.

The Shareholders' Meeting appointed as Directors, in replacement of Teresa Cristiana Naddeo and Andrea Lanciani, the entrepreneur Enrico Magni and Mrs. Valentina Cogliati, with a Law Degree at the Università Cattolica in Milan. They will hold office until the approval of the financial statements as at 31 December 2019. The curricula of the newly appointed Directors are available at the Company's website www.txtgroup.com, under "Corporate Governance".

The Board of Directors confirmed the requirements of independence of Valentina Cogliati; appointed Stefania Saviolo as Lead Independent Director; appointed Fabienne Schwalbe (Chairman), Stefania Saviolo and Valentina Cogliati as members of the Risks and Internal Controls Committee; confirmed the Remuneration Committee, made up by Stefania Saviolo (Chairman) and Fabienne Schwalbe; confirmed the Related Parties Committee, made up by Fabienne Schwalbe (Chairman) and Stefania Saviolo; appointed Paolo Matarazzo, already Chief Financial Officer, also as Chief Compliance Officer.

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.

In the second quarter of 2018, thanks to investments made in R&D and activities focused on international commercial development, the Company expects a positive and organic growth in revenue and a profitability essentially in line with the previous year.

Manager responsible for preparing
corporate accounting documents

Paolo Matarazzo

Chairman of the Board of Directors

Alvise Braga Illa

Milan, 10 May 2018

Consolidated financial statements as at 31 March
2018

Consolidated Balance Sheet

ASSETS	31.03.2018	31.12.2017
NON-CURRENT ASSETS		
Goodwill	5,369,231	5,369,231
Intangible assets with a finite useful life	1,864,018	1,962,454
Intangible assets	7,233,249	7,331,685
Property, plant and equipment	1,932,045	793,444
Property, plant and equipment	1,932,045	793,444
Sundry receivables and other non-current assets	72,773	75,173
Deferred tax assets	659,651	659,656
Other non-current assets	732,423	734,828
TOTAL NON-CURRENT ASSETS	9,897,717	8,859,957
CURRENT ASSETS		
Period-end inventories	2,461,106	2,527,917
Trade receivables	12,084,576	14,680,812
Sundry receivables and other current assets	2,620,598	5,690,021
Cash and cash equivalents	90,878,627	86,527,488
TOTAL CURRENT ASSETS	108,044,908	109,426,238
TOTAL ASSETS	117,942,625	118,286,195
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	14,032,494	15,144,014
Retained earnings (accumulated losses)	76,994,204	9,691,188
Profit (loss) for the year	542,452	68,555,495
TOTAL SHAREHOLDERS' EQUITY	98,072,274	99,893,822
NON-CURRENT LIABILITIES		
Non-current financial liabilities	2,266,009	1,688,023
Employee benefits expense	2,633,856	2,589,776
Deferred tax provision	481,558	503,014
TOTAL NON-CURRENT LIABILITIES	5,381,423	4,780,813
CURRENT LIABILITIES		
Current financial liabilities	679,710	674,861
Trade payables	422,909	1,341,308
Tax payables	791,703	548,642
Sundry payables and other current liabilities	12,594,605	11,046,750
TOTAL CURRENT LIABILITIES	14,488,928	13,611,560
TOTAL LIABILITIES	19,870,350	18,392,373
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	117,942,625	118,286,195

Consolidated Income Statement

	31.03.2018	31.03.2017
TOTAL REVENUES AND OTHER INCOME	9,396,659	8,959,562
Purchase of materials and external services	(1,393,602)	(1,620,699)
Personnel costs	(6,799,232)	(5,945,685)
Other operating costs	(20,655)	(281,616)
Depreciation and amortisation/Impairment	(426,656)	(179,230)
OPERATING PROFIT (LOSS)	756,514	932,332
Financial income (charges)	17,302	(174,150)
EARNINGS BEFORE TAXES	773,816	758,182
Income taxes	(231,364)	(242,129)
NET PROFIT FROM CONTINUING OPERATIONS	542,452	516,054
Net profit from Discontinued Operations	-	122,314
NET PROFIT (LOSS) FOR THE PERIOD	542,452	638,368
EARNINGS PER SHARE	0.05	0.05
DILUTED EARNINGS PER SHARE	0.05	0.05

Consolidated Statement of Comprehensive Income

	31.03.2018	31.03.2017
NET PROFIT (LOSS) FOR THE PERIOD	542,452	638,368
Foreign currency translation differences - foreign operations	12,352	(155,382)
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	12,352	(155,382)
Defined benefit plans actuarial gains (losses)	0	0
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	0	0
Total profit/(loss) of Comprehensive income net of taxes	12,352	(155,382)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	554,804	482,986

Consolidated Statement of Cash Flows

	31.3. 2018	31.3.2017
Net profit (loss) for the period	542,452	638,368
Non-monetary costs (Stock Options)	-	80,963
Current taxes	243,061	237,824
Change in deferred taxes	(21,451)	(262,419)
Depreciation and amortisation, impairment and provisions	426,752	344,448
Cash flows from (used in) operating activities (before change in working capital)	1,190,813	1,039,184
(Increases)/decreases in trade receivables	2,596,236	1,218,394
(Increases)/decreases in inventories	66,811	(145,740)
Increases/(decreases) in trade payables	(918,399)	(391,345)
Increases/(decreases) in post-employment benefits	44,080	(17,774)
Increases/(decreases) in other assets and liabilities	2,685,489	2,056,982
Change in operating assets and liabilities	4,474,217	2,720,517
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	5,665,030	3,759,701
Increases in property, plant and equipment	(1,465,287)	(124,058)
Increases in intangible assets	(1,630)	(39,359)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(1,466,917)	(163,417)
Increases/(decreases) in financial payables	582,835	(588,383)
Distribution of dividends	-	-
(Purchase)/Sale of treasury shares	(442,162)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	140,673	(588,383)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,338,786	3,007,901
Effect of exchange rate changes on cash flows	12,352	(145,289)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	86,527,488	7,570,479
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	90,878,626	10,433,092

Consolidated Statement of Changes in Equity as at 31 March 2018

	Share Capital	Legal Reserve	Share premium reserve	Merger surplus	First time application	Stock options	Actuarial differences on post-employment benefits	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) of the year	TOTAL SHAREHOLDERS' EQUITY
Balances at December 31, 2017	6,503,125	1,005,000	12,136,607	1,911,444	140,667	1,164,184	(913,844)	(300,045)	9,691,188	68,555,495	99,893,821
Profit (loss) at December 31, 2017	0	295,625	0	0	(140,667)	(1,164,184)	0	0	69,564,721	(68,555,495)	0
Purchase/Sale of treasury shares	0	0	(442,162)	0	0	0	0	0	0	0	(442,162)
Exchange differences	0	0	0	0	0	0	0	12,352	0	0	12,352
Other								327,517	(2,261,705)		(1,934,188)
Profit (loss) at March 31, 2018	0	0	0	0	0	0	0	0	0	542,452	542,452
Balances at March 31, 2018	6,503,125	1,300,625	11,694,445	1,911,444	0	0	(913,844)	39,824	76,994,204	542,452	98,072,275
	Share Capital	Legal Reserve	Share premium reserve	Merger surplus	First time application	Stock options	Actuarial differences on post-employment benefits	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) of the year	TOTAL SHAREHOLDERS' EQUITY
Balances at December 31, 2016	6,503,125	850,000	11,796,405	1,911,444	140,667	921,297	(996,939)	(531,755)	8,133,150	5,555,363	34,282,757
Profit (loss) at December 31, 2016	0	0	0	0	0	0	0	0	5,555,363	(5,555,363)	0
Allocation to stock grant plan	0	0	0	0	0	80,963	0	0	0	0	80,963
Exchange differences	0	0	0	0	0	0	0	(155,382)	0	0	(155,382)
Profit (loss) at March 31, 2017	0	0	0	0	0	0	0	0	0	638,368	638,368
Balances at March 31, 2017	6,503,125	850,000	11,796,405	1,911,444	140,667	1,002,260	(996,939)	(687,137)	13,688,513	638,368	34,846,706

Notes to the Financial Statements

1. Group's structure and scope of consolidation

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

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 31 March 2018:

Company name of the subsidiary	Currency	% of direct interest	Share capital
PACE GmbH	EUR	100%	295,000
PACE America Inc.	USD	100%	10
TXT Next Ltd	GBP	100%	100,000
TXT Next Sarl	EUR	100%	100,000
TXT e-solutions SagL	CHF	100%	40,000

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)

Average		
Currency	31.03.2018	31.03.2017
British Pound Sterling (GBP)	0.8834	0.8598
US Dollar (USD)	1.2295	1.0647
Swiss Franc (CHF)	1.1650	1.0693

- Balance sheet (exchange rate as at 31 March 2018 and 31 December 2017)

Spot		
Currency	31.03.2018	31.12.2017
British Pound Sterling (GBP)	0.8749	0.8872
US Dollar (USD)	1.2321	1.1993
Swiss Franc (CHF)	1.1779	1.1702

2. Accounting standards and measurement bases

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

This interim report has been prepared in accordance with accounting standards and principles used to prepare the separate and consolidated financial statements, since they are compatible. To this purpose, it should be noted that the Group applied for the first time the standards IFRS 15 Revenues from Contracts with Customers and IFRS 9 Financial Instruments, and elected for an earlier adoption of IFRS 16 Leases (mandatorily effective as from the beginning of financial year 2019). With reference to the possible alternative modalities to recognise the transition to the new standards, it is specified that, for the first-time adoption of IFRS 15, the amended retrospective application method was adopted. The above method involved the recognition of a cumulative effect of the initial application of the new standard to the opening shareholders' equity, without any restatement in the comparative tables. Similarly, also for IFRS 16, the cumulative effect was accounted for upon the first-time application, without redetermining any comparative disclosures.

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 2018 is not subject to auditing.

3. Financial Risk Management

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

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

The financial risk management objectives and policies of the TXT e-solutions Group reflect those illustrated in the consolidated financial statements as at 31 December 2017, to which reference should be made.

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

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

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Milan, 10 May 2018