



TXT e-solutions Group

Interim report

as at 30 September 2019

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 as at 31 December 2019:

Alvise Braga Illa	Chairman	(1)
Enrico Magni	Chief Executive Officer	(2)
Daniele Misani	Director	(3)
Fabienne Anne Dejean Schwalbe	Independent Director	(4)
Stefania Saviolo	Independent Director	(4)
Valentina Cogliati	Independent Director	(5)
Alessandro Arrigoni	Independent Director	(3)

(1) Powers assigned: proxy.

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

(3) Co-opted on 15 July 2019 to replace Marco Edoardo Guida and Paolo Matarazzo, who resigned. In office until the next Shareholders' Meeting.

(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 as at 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

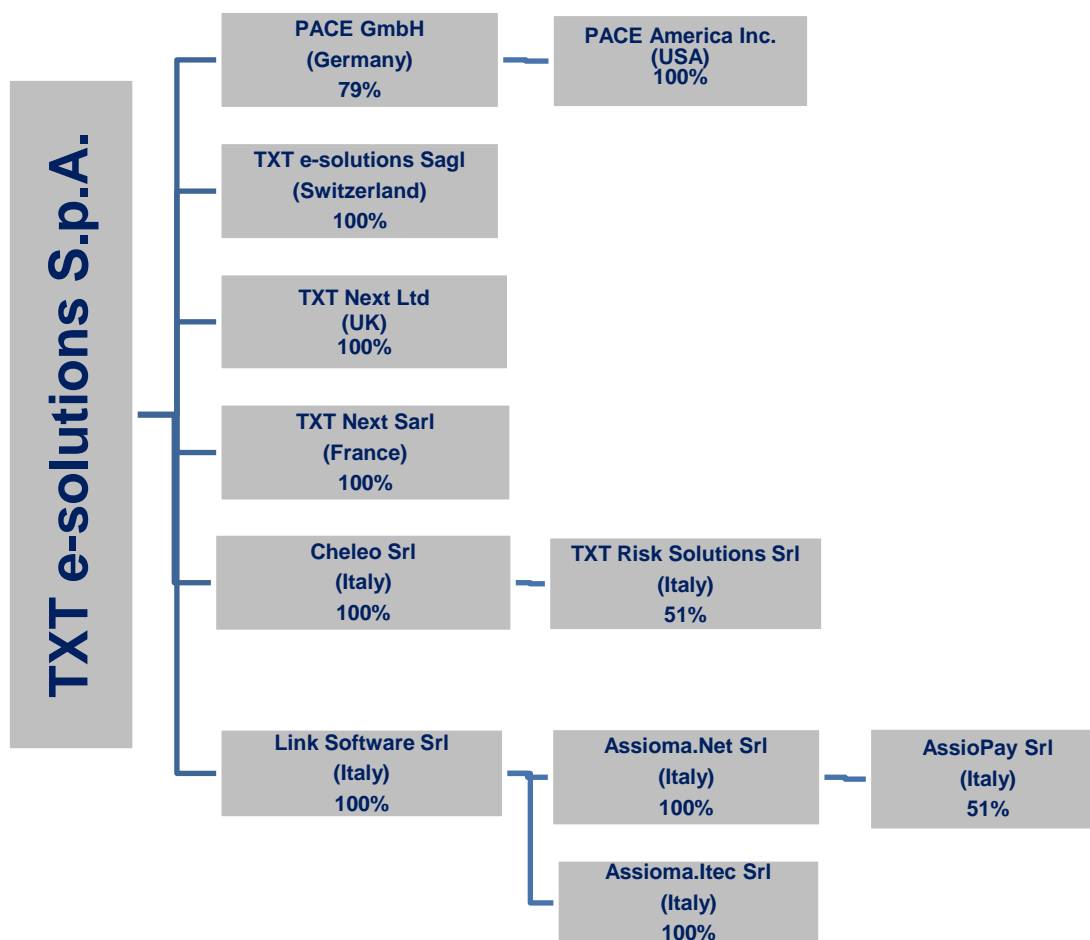
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Organisational structure and scope of consolidation



Key data and Directors' Report on Operations for the first nine months of 2019

TXT e-solutions Group – Key data

INCOME DATA					
(€ thousand)	9m 2019	%	9m 2018	%	% CHANGE
REVENUES	42,534	100.0	28,627	100.0	48.6
EBITDA	4,799	11.3	2,829	9.9	69.6
CURRENT OPERATING PROFIT (EBITA)	3,654	8.6	1,837	6.4	98.9
OPERATING PROFIT (EBIT)	2,231	5.2	1,464	5.1	52.4
NET PROFIT	3,147	7.4	999	3.5	215.0
FINANCIAL DATA					
(€ thousand)	30.09.2019		31.12.2018		Change
Fixed assets	33,874		22,942		10,932
Net working capital	10,683		6,006		4,677
Post-employment benefits and other non-current liabilities	(3,181)		(2,957)		(224)
Capital employed	41,376		25,991		15,385
Net financial position	(43,152)		(60,356)		17,204
Shareholders' equity attributable to minority interests	162		-		162
Group shareholders' equity	84,366		86,347		(1,981)
DATA PER SHARE					
	30.09.2019		30.09.2018		Change
Average number of shares outstanding	11,787,379		11,767,885		19,494
Net earnings per share	0.27		0.08		0.18
Shareholders' equity per share	7.16		7.50		(0.34)
ADDITIONAL INFORMATION					
	30.09.2019		30.09.2018		Change
Number of employees	783		523		260
TXT share price	8.18		9.51		(1.33)

Notes on Alternative Performance Measures

Pursuant to the ESMA guidelines on alternative performance measures (“APMs”) (ESMA/2015/1415), endorsed by Consob (see Consob Communication no. 0092543 dated 3 December 2015), it should be noted that the reclassified statements included in this Directors’ Report on Operations show a number of differences from the official statements shown in the accounting tables set out in the following pages and in the notes with regard to the terminology and the level of detail.

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

- **EBITDA**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs.
- **EBITA**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs and depreciation and does not consider non-recurring income and charges.
- **EBIT**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs, depreciation and amortisation, and impairment of fixed assets.

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

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

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

Directors' Report on Operations for the first nine months of 2019

Dear Shareholders,

In the first nine months of 2019, the Aerospace, Aviation & Automotive Division and the Fintech Division recorded significantly higher revenues (+25%) also due to the consolidation of the recent acquisitions of Cheleo, TXT Risk Solutions and Assioma recorded an increase in revenues of 140%.

30 April 2019 marked the completion of the acquisition of the Assioma Group (www.assioma.net), an Italian specialist in the governance of applications' software quality, with specialist know how gained from almost thirty years experience in the industry and with over 160 employees in its Turin, Milan and Bari offices. Assioma's customer base includes numerous banks, including Intesa San Paolo, Unicredit Leasing, UBI, ING Direct, Widiba, BPM Group and leading companies in Telecommunications, Manufacturing and Services.

The acquisition of Assioma enables TXT to strengthen its business for Banking and Financial customers and to expand the range of services of the Fintech Division. Innovation and customer focus are core values of TXT, which it shares with Assioma, with a team of extremely competent professionals, who share its ethical and professional values in providing excellent services and the highest quality software. Assioma's managers are highly motivated to innovate and grow profitably and sustainably. This transaction strengthens the Fintech Division, as a pole of future growth and as a 'player' that creates value for investors, alongside the growing international success of the Aeronautics Division.

The main consolidated operating and financial results in the first nine months of 2019 were as follows:

- Revenues** amounted to € 42.5 million, up 48.6% compared to € 28.6 million in the first nine months of 2018. Within the same consolidation scope, revenues increased by 30.6%, with a € 5.2 million contribution from Assioma Group and TXT Risk. Software revenues in the first nine months of 2019 were € 6.0 million, +80.3% compared to the first nine months of 2018. Revenues from services amounted to € 36.6 million, up 44.6% compared to the first nine months of 2018. The Aerospace, Aviation and Automotive Division reported revenues of € 28.3 million, up 24.8% compared to 2018, entirely from organic growth and the Fintech Division posted revenues of € 14.2 million, up 139.7% compared to the first nine months of 2018, of which € 5.2 million from the consolidation of Assioma and TXT Risk and € 8.7 million from organic growth (+30.6%).
- Net of direct costs, the **Gross Margin** rose from € 12.7 million to € 19.0 million, marking an increase of 49.6%. The impact of gross margin on revenues amounted to 44.6% in the first nine months of 2019.
- EBITDA** was € 4.8 million, up by 69.6% compared to the first nine months of 2018 (€ 2.8 million), following significant research and development (+106.8%) and commercial investments (+50.9%). General and administrative costs reduced their impact on revenues from 13.3% to 9.1% in the first nine months of 2019. The growth in EBITDA of € 2.0 million is due for € 1.6 million to organic growth and for € 0.4 million to the contribution of the Assioma Group. The margin on revenues was 11.3% compared to 9.9% in the first nine months of 2018.

- Current operating profit after depreciation (EBITA) in the first nine months of 2019 was € 3.7 million, up by 98.9% compared to the first nine months of 2018 (€ 1.8 million), with depreciation substantially in line with last year.
- Operating profit (EBIT) was € 2.2 million, up 52.4% (0.7 million) compared to the first nine months of 2018. The growth in EBITA of € 2.0 million was partially absorbed by the increase in amortisation of intangible assets of acquisitions of Cheleo and TXT Risk Solutions (€ 0.4 million) and by reorganisation costs (€ 0.7 million).
- Financial income in the first nine months of 2019 was € 2.1 million (a negative € 0.4 million in the first nine months of the previous year), thanks to the growth of the financial markets that allowed liquidity to be managed with a largely positive result.
- Net profit was € 3.1 million compared to € 1.0 million in the first nine months of 2018, with an impact on revenues of 7.4% compared to 3.5% of the previous year. During the period, taxes accounted for 28% of earnings before taxes, while in the first nine months of 2018 a one-off benefit for "Patent Box" tax relief for previous years had substantially offset the current tax expense.
- Consolidated Net Financial Position as at 30 September 2019 was positive for € 43.2 million, compared to € 60.4 million as at 31 December 2018, down by € 17.2 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 reorganisation costs (€ 0.7 million) and other changes in net working capital (€ 1.7 million).
- Consolidated shareholders' equity as at 30 September 2019 amounted to € 84.4 million, down € 1.9 million compared to € 86.3 million as at 31 December 2018, mainly as a result of dividend distribution (€ 5.8 million), the purchase of treasury shares (€ 1.0 million), the purchase of the minority interest of Assioma.Itec Srl (€ 0.4 million) and other changes in reserves (€ 0.1 million). The net shareholders' equity increased thanks to the use of treasury shares for part of the price paid for the acquisition of Assioma (€ 2.4 million) and to the net profit recorded in the first nine months (€ 3.0 million).

The Alternative Performance Measures also include EBITA (Current operating profit: Earnings Before Interest, Taxes & Amortisation) as a useful parameter to measure the company's operating performance before the costs for the amortisation of the intangible fixed assets mainly linked to the acquisitions. This new Measure will enable company performance to be measured more specifically also as a function of the TXT's strategy, which seeks to grow by external acquisitions.

TXT's results for the first nine months of 2019, compared with those of the first nine months of 2018, are presented below:

<i>(€ thousand)</i>	9m 2019	%	9m 2018	%	% Change
REVENUES	42,534	100.0	28,627	100.0	48.6
Direct costs	23,560	55.4	15,942	55.7	47.8
GROSS MARGIN	18,974	44.6	12,685	44.3	49.6
Research and development costs	4,455	10.5	2,154	7.5	106.8
Commercial costs	5,860	13.8	3,884	13.6	50.9
General and administrative costs	3,860	9.1	3,818	13.3	1.1
GROSS OPERATING PROFIT (EBITDA)	4,799	11.3	2,829	9.9	69.6
Depreciation	1,145	2.7	992	3.5	15.4
CURRENT OPERATING PROFIT (EBITA)	3,654	8.6	1,837	6.4	98.9
Amortisation	718	1.7	373	1.3	n.s.
Reorganisation and non-recurring charges	705	1.7	-	-	n.s.
OPERATING PROFIT (EBIT)	2,231	5.2	1,464	5.1	52.4
Financial income (charges)	2,137	5.0	(385)	(1.3)	n.s.
EARNINGS BEFORE TAXES (EBT)	4,368	10.3	1,079	3.8	n.s.
Taxes	(1,221)	(2.9)	(80)	(0.3)	n.s.
NET PROFIT	3,147	7.4	999	3.5	215.0
Attributable to:					
Parent Company shareholders	3,019		999		
Minority interests	128		-		

REVENUES AND GROSS MARGINS

Revenues and direct costs in the first nine months of 2019, compared with those of the previous year for each Division are presented below:

(€ thousand)	9m 2019	%	9m 2018	%	% Change
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TXT AEROSPACE, AVIATION & AUTOMOTIVE					
REVENUES	28,332	100.0	22,695	100.0	24.8
Software	4,232	14.9	3,161	13.9	33.9
Services	24,100	85.1	19,534	86.1	23.4
DIRECT COSTS	15,577	55.0	12,046	53.1	29.3

GROSS MARGIN	12,755	45.0	10,649	46.9	19.8
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TXT FINTECH					
REVENUES	14,202	100.0	5,926	100.0	139.7
Software	1,723	12.1	141	2.4	n.s.
Services	12,479	87.9	5,785	97.6	115.7
DIRECT COSTS	7,984	56.2	3,894	65.7	105.0

GROSS MARGIN	6,218	43.8	2,032	34.3	206.0
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TXT SENSE					
REVENUES	6				
Software	-				
Services	6				
DIRECT COSTS	2				

GROSS MARGIN	4				
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TOTAL TXT					
REVENUES	42,534	100.0	28,627	100.0	48.6
Software	5,955	14.0	3,302	11.5	80.3
Services	36,579	86.0	25,325	88.5	44.4
DIRECT COSTS	23,561	55.4	15,942	55.7	47.8

GROSS MARGIN	18,973	44.6	12,685	44.3	49.6
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TXT Aerospace, Aviation & Automotive Division

Revenues of the Aerospace, Aviation & Automotive Division in the first nine months of 2019 were € 28.3 million, compared to € 22.7 million in the first nine months of 2018, an increase of 24.8% entirely due to organic growth. Software revenues in the first nine months of 2019 were € 4.2 million, +33.9% compared to the first nine months of 2018 and revenues from services were € 24.1 million, up 23.4% compared to the first nine months of 2018.

The Gross margin was € 12.8 million, up by 19.8% compared to the first nine months of 2018 (€ 10.6 million). As a percentage of revenues, the gross margin amounted to 45.0%, compared to 46.9% in the first nine months of 2018 due to the higher percentage of revenues generated by services.

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

Current customers comprise over 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Leonardo (I), Airbus (D and F), Boeing (USA), Pilatus (CH), Saab (S), Reiser (D), CAE (D), Safran Group (F), GE Aviation (USA), COMAC (China), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), Lufthansa (D), American Airlines (USA) and Delta Airlines (USA).

TXT stands out for its ability to design highly reliable advanced solutions with technology as a key business factor and it specialises in mission critical software and systems, embedded software as well as software for training purposes based on simulations and virtual & augmented reality.

The 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.

TXT FINTECH Division

Revenues amounted to € 14.2 million, up 139.7% compared to € 5.9 million in the first nine months of 2018. Within the same consolidation scope, revenues increased by 52.6%, with a € 5.2 million contribution from the new subsidiaries of the Assioma Group and TXT Risk Solutions. Software revenues in the first nine months of 2019 were € 1.7 million. Revenues from services amounted to € 12.5 million compared to € 5.8 million in the first nine months of 2018.

The Gross margin was € 6.2 million, up by 206% compared to the first nine months of 2018 (€ 2.0 million). The impact of the gross margin on revenues improved from 34.3% to 43.8%, thanks to the contribution of the Assioma Group and the favourable mix of products and services.

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

Cheleo, acquired on 31 July 2018, is an Italian specialist in the design and development of products and services for lifecycle management of loans by banking and financial intermediaries. It designs and develops products and services for managing loans: initial inquiries, management and recovery

of credit, transfer of credit packages, both performing and non-performing. The types of loans covered are leases, mortgages, salary-backed loans, factoring and Non-Performing Loans (NPLs).

TXT Risk Solutions, acquired on 8 November 2018, develops and markets risk assessment solutions based on predictive probabilistic models using Machine Learning and AI techniques, which can be integrated and customised according to customer needs. The platform created is called FARADAY, and represents a paradigm shift, focusing on subjects connected to each other, to highlight the strong and weak links within the cluster.

In credit institutions, risk management has several facets, but among these there is the need to control behavioural requirements of “Integrity” and “Correctness”, as well as “Solvency” during relations with a customer (or a potential customer). In the first nine months of 2019, TXT Risk Solutions increased its investments in research and development to consolidate FARADAY and to create a “family” of application solutions dedicated to different operational risks.

The Assioma group, acquired on 30 April 2019, is an Italian specialist in the governance of applications’ software quality, with know-how gained from almost thirty years experience in the industry and with over 160 employees in its Turin, Milan and Bari offices.

The Assioma Group’s customer base includes numerous banks, including Intesa San Paolo, Unicredit Leasing, UBI, ING Direct, Widiba, BPM Group and leading companies in Telecommunications, Manufacturing and Services.

The aim of the transaction is to strengthen TXT’s existing business for Banking and Financial customers, to improve TXT’s post-acquisition operating margins and to extend its product range by adding new services and solutions. The Assioma Group companies have maintained the same company names and the current management team, under the leadership of the chief executive officer Giovanni Daniele De Stradis, will continue to manage the company’s growth and to develop opportunities to integrate with TXT’s Fintech Division.

The acquisition transactions in 2018 and 2019 relating to the Fintech Division have allowed TXT to significantly expand its customers target and to extend its mix of new products, expertise and high value-added specialisations, strengthening its market presence.

TXT SENSE Division

In the first nine months of 2018, the TXT Sense Division had incurred research and development costs without generating any significant revenues. During the course of 2018, TXT’s Augmented Reality business outside of the aerospace and automotive industries grew with the acquisition of a minority interest (24%) in the start-up Sense immaterial Reality Srl, not consolidated in 2019.

GROUP REVENUES

Research and development costs in the first nine months of 2019 amounted to € 4.5 million, up 106.8% compared to € 2.2 million in the first nine months of 2018. € 1.1 million of the € 2.3 million increase was due to new investments in proprietary software products for the improvement of operating efficiency during flights and in the technologies for 3D representation and Augmented Reality, while € 1.4 million was due to investments in the development of Cheleo, TXT Risk Solutions and Assioma Group, part of the Fintech Division. In the first nine months of 2018, investments in research and development for TXT Sense had been € 0.2 million. The impact of research and development costs rose to 10.5% from 7.5% in 2018.

Commercial costs amounted to € 5.9 million, up by 50.9% compared to the first nine months of 2018, mainly due to commercial investments for the integrated promotion of the solutions of the Fintech Division. As a percentage of revenues, commercial costs amounted to 13.8%, compared to 13.6% in the first nine months of 2018.

General and administrative costs amounted to € 3.9 million, substantially in line (+2.6) with the first nine months of 2018 (€ 3.8 million). As a percentage of revenues, costs decreased from 13.3% in the first nine months of 2018 to 9.1% in the first nine months of 2019.

Gross operating profit (EBITDA) in the first nine months of 2019 was € 4.8 million, up by 69.6% compared to the first nine months of 2018 (€ 2.8 million). The margin on revenues was 11.3% compared to 9.9% in the first nine months of 2018. In the first nine months of 2019, the EBITDA margin on revenues was 12.5% for the Aerospace, Aviation & Automotive Division (12.6% in the first nine months of 2018) and 8.9% for the Fintech Division (4.7% in the first nine months of 2018), which is still making heavy investment in development and strengthening the sales structure.

Of the € 2.0 million increase of EBITDA, € 1.6 million was due to organic growth (+10.2%) and € 0.4 million to the contribution of Assioma, Assiopay and TXT Risk. The investment in TXT Risk Solutions (€ 0.3 million in the first nine months of 2019) actually replaced the investment in TXT Sense in the first nine months of 2018 (€ 0.3 million).

Current operating profit after depreciation (EBITA) in the first nine months of 2019 was € 3.7 million, up by 98.9% compared to the first nine months of 2018 (€ 1.8 million), with depreciation substantially in line with last year.

The amortisation of intangible assets amounted to € 0.7 million, up € 0.3 million compared to 2018 due to the acquisitions of Cheleo and TXT Risk Solutions. In the first nine months of 2019, the Reorganisation costs incurred for the settlement of Marco Guida and another three managers of the Fintech Division and one of the Aerospace Division (€ 1.2 million) were partly offset by Non-recurring income for the recovery of provisions for tax risk on the sale of TXT Retail retained no longer necessary (€ 0.5 million).

Operating profit (EBIT) was therefore € 2.2 million, up compared to € 1.5 million in the first nine months of 2018 (+52.4%).

Earnings before taxes came to € 4.4 million, compared with € 1.0 million in the first nine months of 2018. Financial income in the first nine months of 2019 was € 2.1 million due to the recovery of the loss recorded in 2018 (€ 1.3 million) and to an extremely positive first nine months for the financial markets, which enabled high returns on the liquidity invested.

Net profit was € 3.0 million compared to € 1.0 million in the first nine months of 2018. During the first nine months of 2019, taxes accounted for 28% of earnings before taxes, while in the first nine months of 2018 a one-off benefit for "Patent Box" tax relief for previous years had substantially offset the current tax expense.

CONSOLIDATED CAPITAL EMPLOYED

As at 30 September 2019, Capital Employed totalled € 41.4 million, up by € 15.4 million compared to 31 December 2018 (€ 26.0 million), due to the acquisition of Assioma (€ 8.7 million) and organic growth (€ 6.6 million).

The table below shows the details:

(€ thousand)	30.09.2019	31.12.2018	Total change	of which Assioma	of which TXT
Intangible assets	24,573	17,751	6,822	7,512	(690)
Net tangible assets	7,679	3,680	3,999	1,992	2,007
Other fixed assets	1,622	1,511	111	18	93
Fixed assets	33,874	22,942	10,932	9,522	1,410
Inventories	5,455	3,141	2,314	124	2,190
Trade receivables	18,444	14,029	4,415	3,532	883
Sundry receivables and other short-term assets	4,631	2,963	1,668	675	993
Trade payables	(1,787)	(1,434)	(353)	(621)	268
Tax payables	(2,592)	(1,662)	(930)	(237)	(693)
Sundry payables and other short-term liabilities	(13,468)	(11,031)	(2,437)	(3,882)	1,445
Net working capital	10,683	6,006	4,677	(409)	5,086
Post-employment benefits and other non-current liabilities	(3,181)	(2,957)	(224)	(364)	140
Capital employed	41,376	25,991	15,385	8,749	6,636
Group shareholders' equity	84,366	86,347	(1,981)	2,347	(4,328)
Shareholders' equity attributable to minority interests	162	-	162	159	3
Net financial position (Cash)	(43,152)	(60,356)	17,204	6,243	10,961
Financing of capital employed	41,376	25,991	15,385	8,749	6,636

Intangible assets rose from € 17.8 million to € 24.6 million due to goodwill from the acquisition of Assioma (€ 7.5 million), net of the amortisation for the period on intangible assets for the intellectual property of the software and customer portfolio for the acquisitions of Pace, Cheleo and TXT Risk Solutions (-€ 0.7 million).

Tangible assets of € 7.7 million increased by € 4.0 million compared to 31 December 2018, mainly due to the acquisition of Assioma (€ 2.0 million) and to the signature of a new long-term rental agreement for new Pace offices in Berlin (€ 2.0 million). Investments in servers and computers during the first nine months of 2019 (€ 0.8 million) were essentially in line with the depreciation amounts for the period.

Other fixed assets amounted to € 1.6 million and are essentially represented by deferred tax assets. The € 0.1 million rise with respect to 31 December 2018 (€ 1.5 million) is mainly due to new deposits and deferred tax assets on the fair value of financial hedges.

Net working capital rose by € 4.7 million, from € 6.0 million as at 31 December 2018 to € 10.7 million as at 30 September 2019, due to organic growth (€ 5.1 million), net of the consolidation of Assioma, with negative Net working capital of € 0.4 million. The growth of working capital is mainly due to the increase in inventories for work in progress for orders not yet invoiced to customers (€ 2.3 million) and trade receivables of € 4.4 million, of which organic growth € 0.9 million and € 3.5 due to the consolidation of the Assioma group.

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 3.2 million increased by € 0.2 million compared with the end of 2018 mainly due to the acquisition of Assioma.

Consolidated shareholders' equity as at 30 September 2019 amounted to € 84.4 million, down € 1.9 million compared to € 86.3 million as at 31 December 2018, mainly as a result of the dividend distribution (€ 5.8 million), the purchase of treasury shares (€ 1.0 million), the purchase of the minority interest in Assioma.Itec Srl (€ 0.4 million), the change due to the recognition of actuarial differences on post-employment benefits and the change in the provision for the accounting of the fair value of derivative hedging instruments (€ 0.1 million). Shareholders' equity increased thanks to the use of treasury shares for part of the price paid for the acquisition of Assioma (€ 2.4 million) and to the net profit recorded in the first nine months (€ 3.0 million).

Shareholders' equity attributable to minority interests as at 30 September 2019 of € 0.2 million regards the minority interest of 49% in Assiopay Srl, not held by TXT.

The consolidated Net Financial Position as at 30 September 2019 was positive for € 43.2 million, compared to € 60.4 million as at 31 December 2018, down by € 17.2 million mainly due to the dividend distribution (€ 5.8 million), the outlay to acquire Assioma as illustrated below (€ 5.6 million), the purchase of treasury shares (€ 1.0 million), the purchase of the minority interest in Assioma.Itec (€ 0.4 million), the recognition of the payable for the new rental agreement for offices in Berlin according to accounting standard IFRS 16 (€ 2.0 million) and other changes in working capital (€ 2.4 million).

On 30 April 2019, the final agreement was signed for the acquisition of 100% of the Assioma Group's share capital. TXT acquired 100% of the share capital of Link Software S.r.l., which holds (i) a 100% stake in the share capital of Assioma.Net S.r.l., which in turn holds a 51% stake in the share capital of Assiopay S.r.l. and (ii) 70% of the share capital of Assioma.Itec S.r.l.

The total investment was € 8.1 million, broken down as follows:

- € 2.3 million for the value of the TXT shares delivered (253,846 treasury shares).
- € 5.6 million, broken down as follows:
 - € 4.5 million paid in cash;
 - € 1.6 million paid in cash as a function of the financial position as defined contractually on the Closing date;
 - a payment of € 2.4 million envisaged for two Earn-outs dependent on specific operating objectives, insofar as price components deferred over a medium-term period of time, subject to the fulfilment of specific conditions envisaged in the purchase agreement;
 - (€ 2.9) million as the benefit from the net financial position of the Assioma group acquired.
- € 0.2 million as Shareholders' equity attributable to minority interests.

On 12 June 2019, Link Software S.r.l. purchased the remaining 30% of Assioma.Itec S.r.l. unacquired to date, paying € 0.4 million in cash.

Pursuant to Consob communication dated 28 July 2006 and in compliance with the structure envisaged by the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", it is noted that the TXT e-solutions Group's net financial position as at 30 September 2019 is as follows:

(€ thousand)	30.09.2019	31.12.2018	Change
Cash and cash equivalents	13,367	5,593	7,774
HFT securities at fair value	81,164	103,949	(22,785)
Short-term financial receivables	-	5,000	(5,000)
Current financial liabilities	(16,797)	(17,304)	507
Short-term financial resources	77,734	97,238	(19,504)
Non-current financial payables - Lessors IFRS 16	(4,524)	(2,055)	(2,469)
Other non-current financial liabilities	(30,058)	(34,827)	4,769
Non-current financial liabilities	(34,582)	(36,882)	2,300
Net Available Financial Resources	43,152	60,356	(17,204)

The Net Financial Position as at 30 September 2019 is detailed as follows:

- Cash and cash equivalents of € 13.4 million are mainly in euro, held with major Italian banks. The increase of € 7.8 million as at 31 December 2018 (€ 5.6 million) is mainly due to the cash of Assioma (€ 4.3 million) and to the reallocation at the end of the period of investments to multi-segment insurance funds.
- HFT securities at fair value of € 81.2 million are comprised by investments in partial return multi-segment insurance funds (€ 76.6 million) and in government securities and bonds with a medium-low risk profile (€ 4.6 million). The partial disposal of investments was used to fund the payment of dividends, acquire Assioma and repay mortgage loan instalments due. As at 31 December 2018, short-term financial receivables of € 5.0 million referred to a time deposit account maturing in January 2019.
- As at 30 September 2019, Current financial liabilities amounted to € 16.8 million and include € 9.3 million for the short-term share of new medium-long term loans, € 3.0 million for short-term "hot money" loans, € 1.7 million for the estimated outlay for the exercise of the Put/Call option in 2020-2021 for the acquisition of Pace, € 1.5 million for the estimated outlay for the Earn-out in 2020 for the acquisition of Cheleo and € 1.3 million for the short-term portion of the payable for the payment of rents and leasing of offices, cars and printers (accounting standard IFRS 16).
- Non-current financial payables - Lessors IFRS 16 as at 30 September 2019 amounted to € 4.5 million and refer to the medium/long-term portion of payables for the payment of rentals and lease instalments for offices, cars and printers including all amounts up to expiry of the related contracts ("Lessors – IFRS 16") and rose by virtue of the acquisition of Assioma (€ 0.9 million) and the new office rental agreement in Berlin (€ 2 million).

- Non-current financial liabilities for € 30.0 million were mainly represented by: € 25.7 million for the portion of medium-long term loans due after 12 months; € 2.4 million for the estimated outlay for the payment of the Earn-out option for the acquisition of Assioma, € 1.6 million for the estimated outlay for the exercise of the Put/Call option in 2021 for the acquisition of TXT Risk Solutions.

The medium-long term loans are unsecured for a residual amount as at 30 September 2019 of € 25.7 million and are represented by:

- a € 12.2 million loan of the Parent Company with Unicredit, 5 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap to hedge interest rate risk.
- a € 5.3 million loan of the Parent Company with BNL, 5 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap to hedge interest rate risk.
- a € 5.9 million loan of the Parent Company with UBI, 4 years, with a quarterly amortisation plan and fixed interest rates.
- a € 2.3 million loan of Assioma with BNL, 3 years, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap to hedge interest rate risk

In line with market practice, the loan agreements require compliance with:

1. financial covenants based on which the company undertakes to comply with certain levels of financial indexes, contractually defined, the most significant of which relate the gross or net financial indebtedness with the gross operating margin (EBITDA) or the Shareholders' equity, measured on the basis of the consolidated scope of the Group according to the definitions agreed upon with the financing counterparties;
2. negative pledge commitments pursuant to which the company may not create security interests or other restrictions on the corporate assets;
3. *pari-passu* clauses based on which the loans have the same degree of priority for their repayment as the other financial liabilities and clauses for change of control, which are activated in the event of a divestment by the majority shareholder;
4. limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
5. some obligations toward the issuers that restrict, *inter alia*, the payment of particular dividends or the distribution of capital; as well as to merging or consolidating with other companies; selling or transferring the company's assets.

The measurement of financial covenants and other contractual obligations is constantly monitored by the Group.

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.

In the first nine months of 2019, cash management generated an extremely positive result (€ 2.1 million), which fully offset the loss of € 1.3 million recorded in 2018.

Q3 2019 ANALYSIS

Analysis of the operating results for the third quarter of 2019, compared with those of the third quarter of the previous year, are presented below:

<i>(€ thousand)</i>	Q3 2019	%	Q3 2018	%	% Change
REVENUES	15,538	100.0	9,621	100.0	61.5
Direct costs	8,296	53.4	5,382	55.9	54.1
GROSS MARGIN	7,242	46.6	4,239	44.1	70.8
Research and development costs	1,781	11.5	707	7.3	151.9
Commercial costs	2,264	14.6	1,263	13.1	79.3
General and administrative costs	1,186	7.6	1,509	15.7	(21.4)
GROSS OPERATING PROFIT (EBITDA)	2,011	12.9	760	7.9	164.6
Depreciation	422	2.7	296	3.1	42.6
CURRENT OPERATING PROFIT (EBITA)	1,589	10.2	464	4.8	242.5
Amortisation	244	1.6	197	2.0	n.s.
Reorganisation and non-recurring charges	359	2.3	-	-	n.s.
OPERATING PROFIT (EBIT)	986	6.3	267	2.8	269.3
Financial income (charges)	346	2.2	(98)	(1.0)	n.s.
EARNINGS BEFORE TAXES (EBT)	1,332	8.6	169	1.8	n.s.
Taxes	(356)	(2.3)	(40)	(0.4)	n.s.
NET PROFIT	976	6.3	129	1.3	656.6
Attributable to:					
Parent Company shareholders	901		129		
Minority interests	75		-		

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

- Net revenues amounted to € 15.5 million, up 61.5% compared to the third quarter of 2018 (€ 9.6 million). Within the same consolidation scope, revenues increased by 32.7%, with a € 2.8 million contribution from the Assioma Group. Revenues from software, subscriptions and maintenance totalled € 3.6 million, up 164% compared to the third quarter of 2018 (€ 1.4 million) due to the consolidation of the Assioma Group. Revenues from services amounted to € 11.9 million, up 44.3% compared to € 8.2 million in the third quarter of 2018.
- The Gross margin in the third quarter of 2019 amounted to € 7.2 million, up 70.8% compared to the third quarter of 2018 (€ 4.2 million). As a percentage of revenues, the margin amounted to 46.6%, compared to 44.1% in the third quarter of 2018 due to the lower percentage of revenues generated by services.
- EBITDA in the third quarter of 2019 was € 2.0 million, up 165% compared to the third quarter of 2018 (€ 0.8 million), following significant research and development (+152%) and commercial investments (+79%). General and administrative costs reduced their impact on revenues from 15.7% to 7.6% in the third quarter of 2019. The margin on revenues amounted

to 12.9% compared to 7.9% in the third quarter of 2018.

The growth in EBITDA of € 1.3 million is due for € 0.9 million to organic growth (+72.2%) and for € 0.3 million to the contribution of the Assioma group and TXT Risk solutions. The investment in TXT Risk Solutions (€ 0.1 million in the third quarter of 2019) was substantially in line with the investment in TXT Sense in the third quarter of 2018 (€ 0.1 million).

- Current operating profit after depreciation (EBITA) in the third quarter of 2019 was € 1.6 million, up 242% compared to the third quarter of 2018 (€ 0.5 million), with depreciation substantially in line with last year. Within the same consolidation scope, EBITA increased by 210%, with a € 0.3 million contribution from the Assioma group and TXT Risk Solutions.
- Operating profit (EBIT) was € 1.0 million, up 269% compared to the third quarter of 2018 (€ 0.3 million), after the amortisation of the intangible assets of the acquisitions (€ 0.2 million) and Reorganisation costs (€ 0.4 million).
- Earnings before taxes (EBT) was € 1.3 million, compared to € 0.2 million in the third quarter of 2018, due to financial income of € 0.3 million, against financial losses in the third quarter of 2018 of -€ 0.1 million.
- Net profit was € 1.0 million, compared to € 0.1 million in the third quarter of 2018. The net profit for the second quarter of 2018 included the recognition of a one-off tax incentive called "Patent Box" for 2015-2017. In the third quarter of 2019, taxes amounted to € 0.3 million, equal to 27.6% of earnings before taxes.

EMPLOYEES

As at 30 September 2019, there were 783 employees, with an increase of 249 employees compared to 31 December 2018 (534 employees), due to the acquisition of Assioma (163 employees) and the growth in business activities in both the Aerospace Division and the Fintech Division (66 employees).

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

In the first nine months of 2019, the share price of TXT e-solutions reached a high of € 9.97 on 28 January 2019 and a low of € 8.13 on 16 September 2019. As at 30 September 2019, the share price was € 8.18, substantially in line with the price at the end of 2018 (€ 8.18). Average daily trade volumes in the first nine months of 2019 amounted to 14,800 shares.

As at 30 September 2019, 1,220,971 treasury shares were held (1,359,717 as at 31 December 2018), accounting for 9.38% of shares outstanding, and were purchased at an average price of € 3.32 per share. During the first nine months of 2019, 115,100 shares were purchased at an average price of € 9.02 and 253,846 shares were assigned to sales staff as part of the payment for the acquisition of Assioma at an agreed price of € 8.98.

The purchase of treasury shares was again authorised by the Shareholders' Meeting of 18 April 2019 for an 18-month period. The plan provides for the purchase of shares up to a maximum of 20% of the share capital.

The Shareholder's Meeting held on 19 April 2019 examined and approved the 2018 financial statements and resolved on the distribution of a € 0.50 ordinary dividend per share (extraordinary dividend of € 1.00 in 2018). The dividend was paid for each outstanding share, excluding treasury shares,

starting from 8 May 2019, with record date 7 May 2019 and ex-dividend date 6 May 2019. Total dividends amounted to € 5.8 million, paid in relation to 11.6 million shares.

The Shareholders' Meeting approved the new 2019-2023 Stock Options plan for management, for up to a maximum of 600,000 shares and subject to the achievement of growth objectives for revenues and operating profit. On 27 May 2019, the Board of Directors, following the approval of the Remuneration Committee, assigned 135,000 Stock Options for the purchase of an equal number of shares of the Company at a price of € 8.67 per share to 8 managers of the Company and the international subsidiaries of the Aerospace Division, including Daniele Misani, as an executive with strategic responsibilities. Exercising of the rights is subject to the achievement of predetermined revenue and current operating profit (EBITA) objectives of the Aerospace Division cumulatively in the three-year period 2019-2021. For a description of the rationale of the 2019 Stock Option Plan and its essential elements, readers should refer to the Disclosure drawn up pursuant to article 84-bis of the Consob Issuers' Regulation and available on the Company's website.

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

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

On 29 January 2019, following the exercise of the Put option by Laserline, TXT acquired the remaining 49% interest in Cheleo, paying the contractually envisaged consideration of € 4.9 million, already allocated to financial liabilities at 31 December 2018. The price was paid in part directly to the seller (€ 4.4 million) and in part to an escrow account (€ 0.5 million) to protect the contractual guarantees. Laserline Spa is controlled by Enrico Magni, the majority shareholder and CEO of TXT, and the latter payment was also subject to assessment, approval and disclosure, in the context of the Cheleo acquisition transaction, by a Related Party.

On 31 May 2019, a settlement agreement was signed related to the termination of the employment contract of Marco Guida, following notice of termination of his position as director of the Aerospace, Aviation and Automotive Division and his resignation from the position of executive member of the Company's Board of Directors, as well as from other positions held by the same within the boards of directors of subsidiaries TXT Next Sarl, TXT Next Ltd and TXT e-solutions Sagl.

As regards the termination of the position of executive director and of Marco Guida's contract of employment, no indemnity is envisaged at the end of the term in office, nor are there any non-competition clauses, while as regards the termination of the contract of employment as an executive of the Company and due to the waiver to appeal against the termination, the settlement agreement reached entailed: (i) the lump-sum payment by 15 September 2019 of an amount corresponding to € 225,000 gross; (ii) the payment of an amount, merely as a settlement, including an all-inclusive exceptional one-off amount that may not be repeated, of € 5,000 gross; and (iii) keeping the company car until 31 May 2020. The Company contributed € 3,000 gross to Marco Guida's legal expenses.

In the above-mentioned agreement, it is specified that by virtue of the termination by the employer, on 31 July 2019, the contract of employment was terminated, and Marco Guida was exonerated from having to work for the remainder of the notice period (10 months) and with the consequent right to receive the relative substitute indemnity calculated in accordance with Law and the applicable CCNL (National Collective Labour Contract).

There are no mechanisms envisaged that would place restrictions or adjustments to the amount agreed and no requests are envisaged that would entail returning the amounts already paid; the amount of the settlement agreement is in line with the indications contained by the remuneration policy adopted by the Company.

On 31 May 2019, Marco Guida held 200,000 Company shares and was not an addressee of the 2019 Stock Options Plan. On 6 June 2019, Marco Guida sold 120,000 shares to Enrico Magni at a price of € 8.10 and on 12 June 2019, he sold 50,000 shares outside of the open markets (block trade) at a price of € 8.15.

As an executive director and executive with strategic responsibilities, Marco Guida is a Related Party of the Company; the above-mentioned settlement agreement is considered a Related Party transaction of lesser significance; the Transactions with related parties Committee approved the above-mentioned transaction. The replacement of the former executive director is not regulated by succession plans.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

TXT is striving to achieve a growth in internal and external lines, as envisaged in the aforementioned business plans, while focusing on sectors using high-intensity innovative software and with a business model including integrated services with high added value. The Business plan envisages investing significant liquidity, with the treasury shares held, in new acquisition opportunities that contribute to strengthening the range of TXT technologies and services and that can generate value for customers, society and shareholders.

In the fourth quarter of 2019, the Company expects revenue growth to accelerate, both in terms of organic growth and the contribution of the acquired companies Cheleo and Assioma. EBITDA is also expected to improve further and significantly compared to the fourth quarter of 2018, while continuing research and development and commercial investments, fully expensed in the income statement, to take advantage of market opportunities in both Aerospace & Aviation and Fintech Divisions.

Manager responsible for preparing
corporate accounting documents

Eugenio Forcinito

Chairman of the Board of Directors

Alvise Braga Illa

Milan, 7 November 2019

Interim Report as at 30 September 2019

Consolidated Balance Sheet

ASSETS	Notes	30.09.2019	Of which with related parties	31.12.2018	Of which with related parties
NON-CURRENT ASSETS					
Goodwill		20,232,335		12,784,544	
Intangible assets with a finite useful life		4,341,163		4,966,064	
Intangible assets		24,573,498	0	17,750,608	0
Property, plant and equipment		7,679,223		3,680,046	
Tangible assets		7,679,223	0	3,680,046	0
Investments in associates		0	0	9,196	9,196
Sundry receivables and other non-current assets		251,045		73,780	
Deferred tax assets		1,371,359		1,428,441	
Other non-current assets		1,622,404	0	1,511,417	9,196
TOTAL NON-CURRENT ASSETS		33,875,125	0	22,942,071	9,196
CURRENT ASSETS					
Contractual assets		5,454,907		3,140,913	
Trade receivables		18,444,265	0	14,028,655	89,426
Sundry receivables and other current assets		4,630,551		2,963,467	
Other short-term financial receivables		0		5,000,000	
HFT securities at fair value		81,164,001		103,948,873	
Cash and cash equivalents		13,366,662		5,593,125	
TOTAL CURRENT ASSETS		123,060,387	0	134,675,033	89,426
TOTAL ASSETS		156,935,512	0	157,617,103	98,622
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		14,554,823		13,439,139	
Retained earnings (accumulated losses)		60,289,321		65,840,063	
Profit (loss) for the period		3,018,997		564,947	
TOTAL SHAREHOLDERS' EQUITY (Group)		84,366,267	0	86,347,274	0
Shareholders' Equity attributable to minority interests		162,390		0	
TOTAL SHAREHOLDERS' EQUITY		84,528,657	0	86,347,274	0
NON-CURRENT LIABILITIES					
Non-current financial liabilities		34,582,240		36,882,347	
Provision for post-employment benefits and other employee provisions		3,180,746	1,200,967	2,956,922	1,249,026
Deferred tax provision		1,161,910		1,344,340	
Provisions for future risks and charges		118,905		718,905	
TOTAL NON-CURRENT LIABILITIES		39,043,801	1,200,967	41,902,514	1,249,026
CURRENT LIABILITIES					
Current financial liabilities		16,796,870	0	17,304,435	4,900,000
Trade payables		1,786,674		1,434,446	
Tax payables		1,429,945		317,197	
Sundry payables and other current liabilities		13,349,565	15,000	10,311,238	172,250
TOTAL CURRENT LIABILITIES		33,363,054	15,000	29,367,315	5,072,250
TOTAL LIABILITIES		72,406,855	1,215,967	71,269,830	6,321,276
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		156,935,512	1,215,967	157,617,103	6,321,276

Income Statement

	Notes	30.09.2019	Of which with related parties	30.09.2018	Of which with related parties
Revenues and other income		42,533,813	1,900	28,627,362	
TOTAL REVENUES AND OTHER INCOME		42,533,813	1,900	28,627,362	
Purchases of materials and external services		(9,209,976)	(20,996)	(4,969,041)	
Personnel costs		(28,095,296)	(971,981)	(20,596,721)	(583,414)
Other operating costs		(429,424)		(232,439)	
Depreciation and amortisation/Impairment		(2,568,632)		(1,365,486)	
OPERATING RESULT		2,230,485	(991,077)	1,463,675	(583,414)
Financial income (charges)		2,145,983		(384,770)	
Share of profit (loss) of associates		(9,196)	(9,196)	-	
EARNINGS BEFORE TAXES (EBT)		4,367,273		1,078,905	
Income taxes		(1,220,433)		(80,296)	
NET PROFIT (LOSS) FOR THE PERIOD		3,146,839		998,609	
	Attributable to:				
	Parent Company shareholders	3,018,997		998,609	
	Minority interests	(127,842)		-	
EARNINGS PER SHARE		0.27		0.08	

Consolidated Statement of Comprehensive Income

	30.09.2019	30.09.2018
NET PROFIT (LOSS) FOR THE PERIOD	3,146,839	998,609
	Attributable to:	
	Minority interests	127,842
	Parent Company shareholders	3,018,997
Profit/(Loss) from foreign currency translation differences	(2,091)	318,564
Gain/(Loss) on the effective part of hedging instruments (cash flow hedge)	(234,677)	(45,875)
	(236,768)	272,690
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes		
Defined benefit plans actuarial gains (losses)	(51,027)	(1,278)
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	(51,027)	(1,278)
Total profit/(loss) of Comprehensive Income net of taxes	(287,795)	271,412
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,859,045	1,270,021
	Attributable to:	
	Minority interests	127,842
	Parent Company shareholders	2,731,203
		1,270,021

Segment disclosures

For management purposes, the Group is organised into two Divisions based on the final application of the products and services provided; the “Unallocated” column includes Corporate operating and financial amounts. The main financial and operating data broken down by business segment were as follows:

INCOME STATEMENT BY BUSINESS UNIT - PRIMARY SEGMENT at 30.09.2019

<i>(€ thousand)</i>	Aerospace	Fintech	Unallocated	TOTAL TXT
REVENUES	28,332	14,202	-	42,534
OPERATING COSTS:				
Direct costs	15,577	7,983	-	23,560
Research and development costs	2,985	1,470	-	4,455
Commercial costs	3,669	2,192	-	5,861
General and administrative costs	2,560	1,299	-	3,859
TOTAL OPERATING COSTS	24,791	12,944	-	37,735
EBITDA	3,541	1,258	-	4,799
% of Revenues	12.5%	8.9%		11.3%
Depreciation	728	418	-	1,146
EBITA	2,813	840	0	3,653
Amortisation	306	411	-	717
Reorganisation and non-recurring charges (income)	876	373	(544)	705
OPERATING PROFIT (EBIT)	1,631	56	544	2,231
Financial income (charges)			2,136	2,136
EARNINGS BEFORE TAXES (EBT)			2,680	4,367
Taxes			(1,220)	(1,220)
NET PROFIT			1,460	3,147

<i>(€ thousand)</i>	Aerospace	Fintech	Unallo- cated	TOTAL TXT
Intangible assets	6,718	17,855		24,573
Tangible assets	5,115	2,564		7,679
Other fixed assets	1,080	542		1,622
FIXED ASSETS	12,913	20,961		33,874
Contractual assets	5,331	124		5,455
Trade receivables	11,223	7,221		18,444
Sundry receivables and other short-term assets	3,085	1,546		4,631
Trade payables	(1,174)	(613)		(1,787)
Tax payables	-	-	(2,592)	(2,592)
Sundry payables and other short-term liabilities	(8,848)	(4,620)		(13,468)
NET WORKING CAPITAL	9,616	3,659	(2,592)	10,683
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	(2,090)	(1,091)		(3,181)
CAPITAL EMPLOYED	20,440	23,528	(2,592)	41,376
Shareholders' Equity			84,366	84,366
Shareholders' Equity attributable to minority interests			162	162
Net financial debt			(43,152)	(43,152)
CAPITAL EMPLOYED			41,376	41,376

Statement of Cash Flows

	30 September 2019	31 December 2018
Net profit (loss) for the period	3,146,839	564,947
Non-monetary costs for Stock Options	13,596	-
Non-monetary interest	62,922	278,642
Change in fair value of monetary instruments	(2,329,882)	971,127
Current income taxes	-	274,663
Change in deferred taxes	(125,348)	(367,373)
Depreciation/amortisation, impairment and provisions	1,257,384	1,911,442
Other non-monetary expenses	-	2,280
Capital gains on sale of TXT Retail division	-	-
Cash flows from (used in) operating activities (before change in working capital)	2,025,511	3,635,728
(Increase) / Decrease in trade receivables	(1,742,420)	1,234,849
(Increase) / Decrease in contractual assets / inventories	(2,294,296)	(318,406)
Increase / (Decrease) in trade payables	(447,059)	(90,425)
Increase / (Decrease) in other assets/liabilities	(618,369)	(2,562,347)
Increase / (Decrease) in post-employment benefits	(235,284)	51,147
Changes in operating assets and liabilities	(5,337,428)	(1,685,182)
Paid income taxes	-	(535,626)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(3,311,917)	1,414,920
Increase in tangible assets	(556,179)	(439,737)
Increase in intangible assets	(2,170)	(85,805)
Decrease in tangible and intangible assets	30,492	-
Net cash-flow from acquisition of subsidiaries	(1,803,658)	1,314,141
Increase / (Decrease) in trading securities	31,109,919	(110,010,118)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	28,778,404	(109,221,519)
Loans issued	832,808	42,979,140
Loans repaid	(10,341,722)	(2,172,541)
Payment of lease liabilities	(824,011)	(963,404)
Increase / (Decrease) in other financial receivables	-	3,156,172
Increase / (Decrease) in financial payables	46,428	19,807
Distribution of dividends	(5,780,767)	(11,709,799)
Interest expense	(125,698)	(35,013)
Other changes in shareholders' equity	(450,000)	-
(Purchase)/Sale of treasury shares	(1,038,202)	(4,377,109)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(17,681,164)	26,897,253
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7,785,323	(80,909,346)
Effect of changes in exchange rates on cash flows	(11,792)	(25,017)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,593,125	86,527,488
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13,366,656	5,593,125

Statement of Changes in Equity as at 30 September 2019

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	Stock options	Differenze attuariali TFR	Riserva cash flow Hedge	Riserva di traduzione	Utili a nuovo	Utile (perdita) del periodo	Totale patrimonio netto (Gruppo)	Totale patrimonio netto (Terzi)	Totale patrimonio netto
Saldi al 31 Dicembre 2018	6,503,125	1,300,625	11,223,612	1,911,444	-	(883,407)	(127,640)	14,504	65,840,063	564,947	86,347,274	-	86,347,274
Utile al 31 Dicembre 2018									564,947	(564,947)	(0)		(0)
Acquisto minoranze						-		(325,326)			(325,326)	34,548	(290,778)
Incremento/acquisto					13,596		(107,037)				(93,441)		(93,441)
Distribuzione dividendi								(5,780,767)			(5,780,767)		(5,780,767)
Assegnazione azioni proprie			2,386,146								2,386,146		2,386,146
Acquisto azioni proprie			(1,038,308)								(1,038,308)		(1,038,308)
Attualizzazione TFR						(136,622)					(136,622)		(136,622)
Delta cambi								(11,687)			(11,687)		(11,687)
Utile al 30 Giugno 2019										3,018,997	3,018,997	86,634	3,105,631
Saldi al 30 Giugno 2019	6,503,125	1,300,625	12,571,450	1,911,444	13,596	(1,020,029)	(234,677)	2,817	60,298,917	3,018,997	84,366,266	121,182	84,487,448

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Riserva cash flow Hedge	Riserva di traduzione	Utili a nuovo	Utile (perdita) del periodo	Totale patrimonio netto
Saldi al 31 dicembre 2017	6,503,125	1,005,000	12,136,607	1,911,444	140,667	1,164,184	(913,844)	0	(300,045)	9,691,188	68,555,495	99,893,822
Utile al 31 dicembre 2017		295,625							327,517	67,932,354	(68,555,495)	-
Destinazione Riserve					(140,667)	(1,164,184)				1,304,851		-
Distribuzione dividendi										(11,709,799)		(11,709,799)
Vendita azioni proprie			221,309									221,309
Acquisto azioni proprie			(4,598,419)									(4,598,419)
Aggregazioni aziendali			3,464,115									3,464,115
Attualizzazione TFR							30,438					30,438
Delta cambi									(12,968)			(12,968)
Cambiamento Principi contabili										(1,378,531)		(1,378,531)
Altri componenti conto economico complessivo								(127,640)				(127,640)
Utile al 31 dicembre 2018											564,947	564,947
Saldi al 31 Dicembre 2018	6,503,125	1,300,625	11,223,612	1,911,444	0	0	(883,406)	(127,640)	14,504	65,840,063	564,947	86,347,274

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 IT service solutions in extremely dynamic markets that require advanced technological solutions.

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 30 September 2019 (see also the organisational chart in the section "Organisational structure and scope of consolidation"):

Company name of the subsidiary	Currency	% holding	Share capital
PACE GmbH	EUR	79%	295,000
PACE America Inc.	USD	79%	10
TXT e-solutions SagL	CHF	100%	40,000
TXT NEXT Sarl	EUR	100%	100,000
TXT NEXT Ltd	GBP	100%	100,000
Cheleo Srl	EUR	100%	99,000
TXT Risk Solutions S.r.l.	EUR	51%	79,592
Link Solutions Srl	EUR	100%	25,000
Assioma.Itec Srl	EUR	100%	10,000
Assioma.Net Srl	EUR	100%	30,000
AssioPay Srl	EUR	51%	10,000

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 period)

Currency	30.09.2019	30.09.2018
British Pound (GBP)	0.8835	0.8839
US Dollar (USD)	1.1236	1.1949
Swiss Franc (CHF)	1.1179	1.1611

- Balance sheet (exchange rates as at 30 September 2019 and 31 December 2018)

Currency	30.09.2019	31.12.2018
British Pound (GBP)	0.8857	0.8945
US Dollar (USD)	1.0889	1.1450
Swiss Franc (CHF)	1.0847	1.1269

2. Acquisition of the Assioma Group

On 30 April 2019, the Company entered into an agreement for the acquisition of the share capital of Link Software S.r.l., which at that date held (i) a 100% stake in the share capital of Assioma.Net S.r.l., which in turn holds a 51% stake in the share capital of Assiopay S.r.l. and (ii) 70% of the share capital of Assioma.Itec S.r.l (www.assioma.net). This Italian group specialises in the governance of applications' software quality, with know-how gained from almost thirty years experience in the industry and with around 150 employees in its Turin, Milan and Bari offices.

The fair value of the consideration for the purchase of 100% of the share capital of Link Software Srl was agreed upon by the parties to be in the amount of € 10.9 million, structured as follows:

Component	Euro
Price paid in cash	4,530,000
Price paid in shares	2,386,146
Earn-Out 2019-2020	2,354,112
NFP	1,611,971
Total (100%)	10,882,229

- The countervalue of the treasury shares of TXT e-solutions Spa has been calculated considering the Fair Value of the share on the Closing date, corresponding to € 9.40 for the number of treasury shares 253,846.
- The amount paid as a function of the Net Financial Position (NFP) as defined contractually in the purchase agreement;
- The amount envisaged for the Earn-out is estimated on the basis of specific operating objectives, insofar as price components deferred over a medium-term period of time, subject to the fulfilment of specific conditions envisaged in the purchase agreement, considered likely, such as the completion of projects underway and the surpassing of specific sales volumes of certain categories of products and services.

On 12 June 2019, Link Software S.r.l. purchased the remaining 30% of Assioma.Itec S.r.l. unacquired to date, paying € 450,000 in cash.

The net assets acquired and the recognition of the goodwill, which should still be allocated, according to IFRS 3, is the following:

Allocation as at acquisition date		
Total price		10,882,229
Net financial position	2,857,098	
Net assets (liabilities)	654.927	
Goodwill to be allocated	7,447,790	

For the purposes of the acquisition, a total of € 0.1 million in consulting and legal fees were incurred and were fully expensed in the third quarter of 2019.

The cash flow statement, under item "Net cash flow from acquisition" shows a net amount of € 1.8 million, represented by the financial disbursement actually made (€ 6.2 million) in the third quarter of 2019, net of the Cash acquired on the acquisition date (€ 4.3 million).

3. Basis of preparation of the consolidated financial statements

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

The assumptions applied to this interim report are also in line with those used in the separate and consolidated financial statements.

The interim report as at 30 September 2019 is not subject to auditing.

The publication and release of this report were approved by the Board of Directors’ Meeting held on 7 November 2019.

4. Accounting standards and interpretations applied from 1 January 2019

The accounting standards adopted in preparing the condensed consolidated half-yearly financial statements are consistent with those used in drawing up the consolidated financial statements as at 31 December 2018 and illustrated in the Annual Report under note 3.1 “Accounting standards and basis of consolidation”, with the exception of standards, interpretations and amendments whose application was compulsory from 1 January 2019. Also note that the Group chose the option of early application of IFRS 16 “Leases” in accordance with the provisions of paragraph C1 of said standard, therefore this standard was applied for the first time in the half-yearly report as at 30 June 2018. 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 nine months of 2019 with regard to the existing financial instruments.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation defines the accounting treatment for income tax when the tax treatment entails uncertainties, which impact IAS 12 and does not apply to taxes or duties that do not fall within the scope of IAS 12, nor does it include specific requirements relating to interest or sanctions relating to uncertainty in tax treatments.

The interpretation specifically regards the following points:

- Whether an entity considers uncertain tax treatments separately
- The assumptions of the entity on the examination of the tax treatments by the tax authorities
- How an entity calculates taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity treats changes in facts and circumstances.

An entity must decide whether to consider each uncertain tax treatment separately or together with others (one or more) uncertain tax treatments. It should adopt an approach that provides the best predictions of the resolution of the uncertainty.

The Group applies a significant judgement to identify uncertainties in income tax treatments. Given that the Group operates in a complex multinational context, it has assessed whether the interpretation may have had an impact on its consolidated interim financial statements.

At the time of the adoption of the interpretation, the Group examined the existence of uncertain tax positions, with specific reference to transactions between group companies, associates and related parties and not independently of the relative transfer pricing policy.

The Company and its subsidiaries submit tax returns in various jurisdictions, deducting certain costs relating to transfer prices; this approach could be challenged by the relevant tax authorities. Based on studies conducted on transfer pricing, and to the best of its knowledge, the Group has decided that there is no reason to retain it likely that its tax treatments (including those of its subsidiaries) do not comply with the tax regulations of the competent authorities. Therefore, the interpretation had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument may be measured at amortised cost or at fair value through other comprehensive income (FVOCI), on condition that the contractual cash flows are "solely payments of principal and interest on the reference amount" (the SPPI criterion) and that the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion regardless of the event of the circumstance that caused the early termination of the contract and regardless of which is the party paying or receiving a reasonable compensation for the early termination of the contract. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.

The amendments to IAS 19 endorse the accounting rules in cases in which, during the reference period, an amendment, curtailment or settlement of the plan occurs. The amendments specify that when an amendment, curtailment or settlement of the plan take place during the year, the entity is obliged to determine the cost of the service for the rest of the period following the amendment, curtailment or settlement, adopting the reference actuarial assumptions to remeasure the net liabilities (assets) for defined benefits so that they reflect the benefits offered by the plan and the assets of the plan after said event. The entity is also obliged to determine the net interest for the remaining period after the amendment, curtailment or settlement of the plan: the net liability (asset) for defined benefits so that they reflect the benefits offered by the plan and the assets of the plan after said event; and the discounting rate used to remeasure the net liability (asset) for defined benefits.

These amendments had no impact on the consolidated financial statements insofar as the Group, in the reference period, did not record any amendment, curtailment or settlement of the plans.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments specify that an entity applies IFRS 9 to long-term interests in associates and joint ventures, for which the equity method is not applied, but that are substantially part of the net investment in the associate or joint venture (long-term interests).

This clarification is important because it implies that the model of expected losses on receivables of IFRS 9, applies to these long-term investments.

The amendments also clarify that, when applying IFRS 9, an entity must not consider any losses of the associated company or joint venture or any impairment of the interest, recognised as adjustments of the net interest in the associate or joint venture that result from the application of IAS 28 Investments in Associates and Joint Ventures.

These amendments did not have a significant impact on the consolidated financial statements, insofar as the Group does not have significant interests in associates or joint ventures that are not measured with the equity method.

Annual improvements 2015-2017 Cycle

- IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination, which is carried out in different stages, including the remeasurement of the fair value of the interest previously held in the assets and liabilities of the joint operation. In doing this, the acquirer reassess the interest previously held in the joint operation.

The entity applies these amendments to business combinations whose date of acquisition coincides with or is later than the first financial year starting from 1 January 2019, with early application permitted.

This amendment had no impact on the Group's consolidated financial statements insofar as no business combination took place in which joint control was obtained.

- *IFRS 11 Joint Arrangements*

An entity that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if the activity of the same constitutes a business as defined in IFRS 3.

The amendments clarify that the interests previously held in said joint operation are not remeasured. The entity applies these amendments to operations in which it has joint control from the start of the financial year starting from 1 January 2019 or later, with early application permitted.

This amendment had no impact on the Group's consolidated financial statements insofar as no business combination took place in which joint control was obtained.

- *IAS 12 Income Taxes*

The amendments clarify that the tax consequences of dividends are related to past transactions or to events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognises the income tax consequences of dividends in the profit/loss statement for the year, under other comprehensive income components or in shareholders' equity consistent with the way in which the entity previously recognised said past transactions or events.

The entity applies said amendments to financial years beginning on or after 1 January 2019, and early application is permitted. When an entity applies these amendments for the first time, it applies them to the tax consequences of dividends recognised from the start of the first financial year. As the Group's current practice is in line with these amendments, the Group did not recognise any impact resulting from said amendments on its consolidated financial statements.

- *IAS 23 Borrowing Costs*

The amendments clarify that any borrowing made, which right from the start was intended to improve an asset, must be treated by the entity as non-specific if all of the measures needed to prepare said asset for use or sale have been completed.

The entity applies said amendments to financial charges incurred from the beginning of the year in which the entity applies these amendments for the first time. The entity applies said amendments to financial years beginning on or after 1 January 2019, and early application is permitted. The Group has no such cases.

5. Financial risk management

With regard to business risks, the main financial risks identified and monitored by the Group are as follows:

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity 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.

6. Transactions with related parties

Related parties are:

- a) Entities that, directly or indirectly, even through subsidiaries, trustees or third parties:
 - have control over TXT e-solutions S.p.A.
 - are subsidiaries of TXT e-solutions S.p.A.
 - are subject to joint control with TXT e-solutions S.p.A.
 - have an interest in TXT e-solutions S.p.A. such as to exercise a significant influence.
- b) Associates of TXT e-solutions S.p.A.
- c) The joint ventures in which TXT e-solutions S.p.A. holds an interest.
- d) Managers with strategic responsibilities of TXT e-solutions S.p.A. or one of its parent companies.
- e) Close family members of the parties as per the above points a) and d).
- f) Entities controlled or jointly controlled or subject to significant influence by one of the parties as per points d) and e), or in which said parties hold, directly or indirectly, a significant interest, in any case at least 20% of the voting rights.
- g) An occupational, collective or individual pension fund, either Italian or foreign, set up for TXT e-solutions S.p.A.'s employees or any other related entity.

The following tables show the overall amounts of the transactions carried out with related parties.

Trade transactions

Trade transactions with related parties of the Group mainly refer to amounts paid to the directors and to key management personnel.

As at 30 September 2019	Receivables	Payables	Guarantees	Costs	Revenues
Sense immaterial Reality Srl	0	0	0	996	1,900
HSPI SpA	0	0	0	20,000	0
Directors and key management personnel	0	1,215,967	0	971,981	0
Total as at 30.09.2019	0	1,215,967	0	992,977	1,900

As at 31 December 2018	Receivables	Payables	Guarantees	Costs	Revenues
Sense immaterial Reality Srl	89,426	0	0	0	77,345
Directors and key management personnel	0	1,421,276	0	1,153,142	0
Total as at 31.12.2018	89,426	1,421,276	0	1,153,142	77,345

Financial transactions

As at 30 September 2019, financial transactions with related parties of the Group considered as a whole refer to the write-down of the equity investment in Sense immaterial Reality Srl, measured with the equity method.

As at 30 September 2019	Receivables	Payables	Guarantees	Charges	Income
Sense immaterial Reality Srl	0	0	0	9,196	0
Total as at 30.09.2019	0	0	0	9,196	0

As at 31 December 2018	Receivables	Payables	Guarantees	Charges	Income
Sense immaterial Reality Srl	0	0	0	38,804	0
Directors and key management personnel	0	4,900,000	0	0	0
Total as at 31.12.2018	0	4,900,000	0	38,804	0

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

pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

The undersigned Alvise Braga Illa 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 Legislative Decree no. 58 dated 24 February 1998:

- the adequacy, in relation to the company's characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as at 30 September 2019.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as at 30 September 2019 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission that represents a reference framework that is generally accepted at an international level.

We also certify that the condensed consolidated interim financial statements as at 30 September 2019:

- 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 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 nine 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 three 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

Alvise Braga Illa

Milan, 7 November 2019