TXT e-solutions Group

Interim report

as at 31 March 2020

TXT e-solutions S.p.A.

Registered office, management, and administration:
Via Frigia, 27 - 20126 Milan - Italy
Share capital: € 6,503,125 fully paid-in
Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Members' terms of office expire 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) (4)

(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 Share-holders' 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' terms of office expire 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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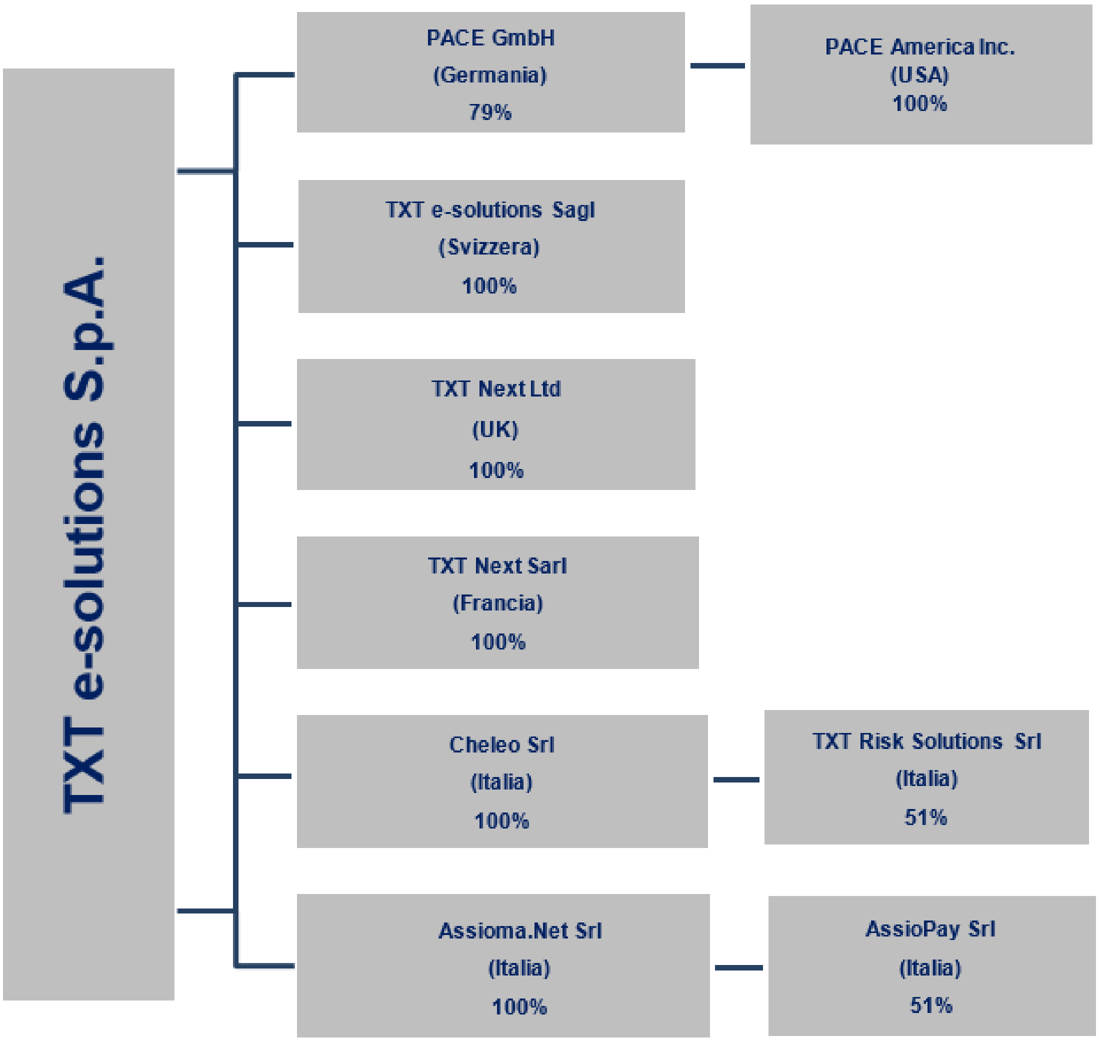

Key data and Directors' Report on Operations for the first 3 months of 2020

TXT e-solutions Group – Key data

DATI ECONOMICI (Importi in migliaia di Euro)	Q1 2020	%	Q1 2019	%	VAR %
RICAVI	**16.255**	**100,0**	**11.885**	**100,0**	**36,8**
EBITDA	**1.965**	**12,1**	**1.292**	**10,9**	**52,1**
UTILE OPERATIVO CORRENTE (EBITA)	**1.478**	**9,1**	**961**	**8,1**	**53,8**
UTILE OPERATIVO (EBIT)	**1.172**	**7,2**	**728**	**6,1**	**61,0**
UTILE NETTO	**252**	**1,6**	**1.425**	**12,0**	**(82,3)**

DATI PATRIMONIALI E FINANZIARI (Importi in migliaia di Euro)	31.3.2020	31.3.2019	Var
Capitale immobilizzato	34.222	22.895	11.327
Capitale circolante netto	8.845	5.832	3.013
TFR e altre passività non correnti	(3.224)	(2.901)	(323)
Capitale investito	**39.843**	**25.826**	**14.017**
Posizione finanziaria netta	42.127	61.099	(18.972)
Patrimonio netto del gruppo	81.787	86.925	(5.138)

DATI PER SINGOLA AZIONE	31.3.2020	31.3.2019	Var
Numero medio di azioni in circolazione	11.759.257	11.593.400	165.857
Utile netto per azione	0,02	0,12	(0,10)
Patrimonio netto per azione	6,96	7,50	(0,54)

ALTRE INFORMAZIONI	31.3.2020	31.3.2019	Var
Numero di dipendenti	788	786	2
Quotazione del titolo TXT	6,08	9,00	(2,92)

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.
• **EBIT**, which in the official consolidated Income Statement means “Total revenues” net of total operating costs, depreciation, amortisation and write-downs.

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. The APMS adopted are consistent with those used in the previous year.

Directors' Report on Operations for the first 3 months of 2020

Dear Shareholders,

in the first quarter of 2020, the Aerospace, Aviation & Automotive Division and the Fintech Division recorded significantly higher revenues (+19%), also due to the consolidation of the recent acquisitions of Assioma (Revenues +89%).

Analysis and assessment were carried out in the quarter of the investment in the TXT Working Capital Solutions Srl startup, completed on closing of the transaction on 14 April 2020.

TXT Working Capital Solutions is focused on developing solutions for the Factoring and Supply Chain Finance market, in particular through a reverse Factoring marketplace.

Investing in innovation at this specific moment in time confirms the TXT Group's ambition for growth and its willingness to take timely advantage of important strategic opportunities in a market sector with significant scope for expansion. As reported by the Supply Chain Observatory of the School of Management of Politecnico di Milano, actually "Italy is the second largest Supply Chain Finance market in Europe. The potential Supply Chain Finance market is worth € 530 billion, but only 28% of it is already catered for”. At this moment in history, we believe that access to credit for businesses plays an even more central role than it did before the crisis.

The mix of more than thirty years of technical expertise re-introduced to the solution by its creator and TXT's proven expertise in software and processes, together with TXT's consolidated relationships with major Italian financial and industrial operators, are the main strategic levers of the proprietary platform we will place on the market.

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 for the first quarter of 2020 were as follows:

- Revenues amounted to € 16.3 million, up 36.8% compared to € 11.9 million in first quarter of 2019. Within the same consolidation scope, revenues increased by 12.1%. In the first quarter of 2020 revenues from software amounted to € 2.3 million, up +50.2% compared to first quarter of 2019. Revenues from services amounted to € 14.0 million, up 34.8% compared to the first quarter of 2019.
  The Aerospace, Aviation and Automotive Division reported revenues of € 10.5 million, up +18.8% against the first quarter of 2019, generated entirely by organic growth, while the Fintech Division posted revenues of € 5.7 million, up +89.5% against the first quarter of 2019, € 2.5 million of which due to the consolidation of Assioma, and € 0.6 million from organic growth.

- The Gross Margin, net of direct costs, increased from € 5.2 million to € 7.3 million, an increase of 39.5%. In the first quarter of 2020, the gross margin amounted to 44.7% of revenues.

- EBITDA was € 2.0 million, up +52.0% compared to the first quarter of 2019 (€ 1.3 million), following significant investments in research and development (+55.0%) and commercial investments (+18.1%). The impact of general and administrative costs on revenues remained unchanged at 10%. The margin on revenues amounted to 12.1% compared to 10.9% in the first quarter of 2019.

- EBIT (Operating profit) was € 1.2 million, up +60.9% compared to the first quarter of 2019 (€ 0.7 million). The amortisation and depreciation of intangible and tangible assets amounted to € 0.8 million, up € 0.2 million compared to the first quarter of 2019 due to the acquisition of the Assioma group.

- Financial charges were € 0.7 million compared to financial income of € 1.3 million in the first quarter of 2019. The prudent and diversified management with investments mainly in multi-segment insurance has made it possible to contain the losses generated by the volatility of the financial markets linked to the COVID-19 pandemic.

- Net profit amounted to € 0.3 million, down compared to the € 1.0 million in the first quarter of 2019 consequently to the result from financial management due to the volatility of the markets.

- The consolidated Net Financial Position as at 31 March 2020 was positive for € 42.1 million, disclosing an improvement of € 0.7 million as at 31 December 2019 (€ 41.4 million), mainly due to the net profit for the quarter (€ 0.3 million) net of the purchase of treasury shares (€ 0.3 million).

- Consolidated Shareholders' equity as at 31 March 2019 amounted to € 82.0 million, essentially in line with 31 December 2019, due to the net profit for the quarter (€ 0.3 million), net of the purchase of treasury shares (€ 0.3 million).

TXT's consolidated results for the first quarter of 2020, compared with those of the first quarter of last year, are presented below:

(Importi in migliaia di Euro)	Q1 2020	%	Q1 2019	%	Var %
RICAVI	**16.255**	**100,0**	**11.885**	**100,0**	**36,8**
Costi diretti	8.981	55,3	6.671	56,1	34,6
MARGINE LORDO	**7.274**	**44,7**	**5.214**	**43,9**	**39,5**
Costi di Ricerca e Sviluppo	1.803	11,1	1.163	9,8	55,0
Costi Commerciali	1.872	11,5	1.585	13,3	18,1
Costi Generali & Amministrativi	1.634	10,1	1.174	9,9	39,2
RISULTATO OPERATIVO LORDO (EBITDA)	**1.965**	**12,1**	**1.292**	**10,9**	**52,1**
Ammortamenti materiali	487	3,0	331	2,8	47,1
UTILE OPERATIVO CORRENTE (EBITA)	**1.478**	**9,1**	**961**	**8,1**	**53,8**
Ammortamenti immateriali	306	1,9	233	2,0	n.m.
UTILE OPERATIVO (EBIT)	**1.172**	**7,2**	**728**	**6,1**	**61,0**
Proventi (oneri) finanziari	(672)	(4,1)	1.278	10,8	n.m.
UTILE PRIMA DELLE IMPOSTE (EBT)	**500**	**3,1**	**2.006**	**16,9**	**n.m.**
Imposte	(248)	(1,5)	(581)	(4,9)	n.m.
UTILE NETTO	**252**	**1,6**	**1.425**	**12,0**	**n.m.**

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs for the first quarter of 2020, compared with those of the previous year for each Division are presented below.

(in migliaia di Euro)	Q1 2020	%	Q1 2019	%	Var %
	TXT AEROSPACE, AVIATION & AUTOMOTIVE				
RICAVI	**10.536**	**100,0**	**8.867**	**100,0**	**18,8**
Software	1.956	18,6	1.283	14,5	52,5
Servizi	8.580	81,4	7.584	85,5	13,1
COSTI DIRETTI	5.797	55,0	4.761	53,7	21,8
MARGINE LORDO	**4.739**	**45,0**	**4.106**	**46,3**	**15,4**
	TXT FINTECH				
RICAVI	**5.719**	**100,0**	**3.018**	**100,0**	**89,5**
Software	304	5,3	222	7,4	n.s.
Servizi	5.415	94,7	2.796	92,6	93,7
COSTI DIRETTI	3.184	55,7	1.910	63,3	66,7
MARGINE LORDO	**2.535**	**44,3**	**1.108**	**36,7**	**128,8**
	TOTAL TXT				
RICAVI	**16.255**	**100,0**	**11.885**	**100,0**	**36,8**
Software	2.260	13,9	1.505	12,7	50,2
Servizi	13.995	86,1	10.380	87,3	34,8
COSTI DIRETTI	8.981	55,3	6.671	56,1	34,6
MARGINE LORDO	**7.274**	**44,7**	**5.214**	**43,9**	**39,5**

TXT Aerospace, Aviation & Automotive Division

Revenues of the Aerospace, Aviation & Automotive Division for the first quarter of 2020 were € 10.5 million, compared to € 8.9 million in the first quarter of 2019, an increase of 18.8% entirely due to organic growth. Revenues from software in the first quarter of 2020 were € 2.0 million, up +52.5% compared to the first quarter of 2019, and revenues from services were € 8.6 million, up 13.1% compared to the first quarter of 2019.

The Gross margin was € 4.7 million, +15.4% compared to the first quarter of 2019 (€ 4.1 million). As a percentage of revenues, the gross margin amounted to 45%, compared to 46% in the first quarter of 2019 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 Aerospace & Aviation Division is more impacted by COVID-19, with civil aviation in crisis, airlines with fleets on the ground (in 2019 they accounted for 6% of the Group revenues), and a medium-long term impact on aircraft manufacturers and the entire production chain. The impact in the short/medium term is mitigated by revenues from software licenses (IFRS 15) contractually agreed at the end of 2019, by the strengthened accounting on strategic customers (in any case leaders in the sector, even during the crisis) and by the acquisition of new multi-year contracts in the defence aeronautics sector, which is not particularly affected by the current crisis.

TXT FINTECH Division

Revenues amounted to € 5.7 million, up 89.5% compared to €3.0 million in first quarter of 2019. Within the same consolidation scope, revenues increased by 3.8% and the new subsidiary Assioma contributed with € 2.5 million. Revenues from software in the first quarter of 2020 amounted to € 0.3 million, up 36.9% compared to €0.2 million in first quarter of 2019. Revenues from services amounted to € 5.4 million, up 93.7% compared to € 2.8 million in first quarter of 2019. All revenues were generated in Italy.

The Gross margin was € 2.5 million, +128% compared to the first quarter of 2019 (€ 1.1 million). The impact of the gross margin on revenues improved from 36.7% to 44.3%, thanks to the contribution of Cheleo and the Assioma Group.

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.

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-year 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 aim of the Assioma Group acquisition 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.

GROUP REVENUES

Research and development costs in the first quarter of 2020 amounted to € 1.8 million, up 55.0% compared to € 1.2 million in the first quarter of 2019. € 0.1 million of the € 0.6 million increase was due to new aerospace investments in proprietary software products for the improvement of operating efficiency during flights and in the technologies for 3D active representation and Augmented Reality, while € 0.5 million was due to investments in the development of the Fintech Division. The impact on revenues increased from 9.8% in first quarter of 2019 to 11.0% in the first quarter of 2020.

Commercial costs amounted to € 1.9 million, up by +18.1% compared to the first quarter of 2019, 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 11.5%, compared to 13.3% in the first quarter of 2019.

General and administrative costs amounted to € 1.6 million, up € +39.2 million compared to the first quarter of 2019 (€ 1.2 million), mainly due to the consolidation of Assioma. Costs as a percentage of revenues remained unchanged at 10%.

Operating profit (EBITDA) for Q1 2020 amounted to € 2.0 million, up by +52% on Q1 2019 (€1.3 million). The margin on revenues was 12.1%, against 10.9% in the first quarter of 2019, due to investments in research and development and commercial investments. In the first quarter of 2019, the EBITDA margin on revenues was 14.4% for the Aerospace, Aviation & Automotive Division (14.5% in the first quarter of 2019) and 7.7% for the Fintech Division (0.1% in the first quarter of 2019), which is still making substantial investments in development and the sales structure.

Operating profit (EBIT) amounted to € 1.2 million, up compared to the first quarter of 2019 (€ 0.7 million). The amortisation and depreciation of intangible and tangible assets amounted to € 0.8 million, up € 0.2 million compared to the first quarter of 2019 due to the acquisition of the Assioma Group.

Earnings before taxes (EBT) came to € 0.5 million, compared to € 2.0 million in the first quarter of 2019. Financial charges in the first quarter of 2020 were € 0.7 million compared to financial income of € 1.3 million in the first quarter of 2019.

Net profit was € 0.3 million, compared to € 1.4 million in the first quarter of 2019.

CONSOLIDATED CAPITAL EMPLOYED

As at 31 March 2020, Capital Employed totalled € 39.8 million, essentially in line with the figure as at 31 December 2019 (€ 40.6 million).

The table below shows the details:

(€ thousand)	31/3/2020	31/12/2019	Change
Intangible assets	24,100	24,380	(280)
Net tangible assets	7,837	7,929	(92)
Other fixed assets	2,285	2,325	(40)
Fixed assets	**34,222**	**34,634**	**(412)**
Inventories	5,669	4,156	1,513
Trade receivables	18,652	19,371	(719)
Sundry receivables and other short-term assets	6,457	4,779	1,678
Trade payables	(2,276)	(2,122)	(154)
Tax payables	(4,342)	(4,292)	(50)
Sundry payables and other short-term liabilities	(15,315)	(12,808)	(2,507)
Net working capital	**8,845**	**9,084**	**(239)**
Post-employment benefits and other non-current liabilities	**(3,224)**	**(3,110)**	**(114)**
Capital employed	**39,843**	**40,608**	**(765)**
Group shareholders' equity	81,787	81,852	(65)
Shareholders' Equity attributable to minority interests	183	168	15
Net Financial Position (Cash)	(42,127)	(41,412)	(715)
Financing of capital employed	**39,843**	**40,608**	**(765)**

Intangible assets decreased from € 24.4 million to € 24.1 million, due to amortisation for the period on the intellectual property rights on software and on the customer portfolio of the acquisitions of Pace, Cheleo, TXT Risk Solutions and Assioma.

Tangible assets of € 7.9 million are in line with 31 December 2019.

Other fixed assets amounted to € 2.3 million and comprise deferred tax assets, essentially unchanged compared to 31 December 2019 (€ 2.3 million).

Net working capital decreased by € 0.2 million, from € 9.1 million as at 31 December 2019 to € 8.8 million as at 31 March 2020. The main cause of the reduction in Net working capital is the € 2.5 million increase in sundry payables and other short-term liabilities as a result of costs allocated for personnel and the € 0.7 million decrease in receivables due from customers as a result of effective credit collection actions with major Italian customers in the aeronautical sector. Of the other changes in net working capital, the most important refers to the increase in inventories for work in progress for orders not yet invoiced to customers (€ 1.5 million) and sundry receivables and other short-term assets (€ 1.7 million), mainly as a consequence of the prepaid expenses for the costs invoiced at the start of the year but accrued in the subsequent quarters, and funded projects not yet collected for € 0.3 million.

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 3.2 million were essentially in line with those at the end of 2019 (€ 3.1 million).

Consolidated Shareholders' equity as at 31 March 2020 amounted to € 82.0 million, in line with € 82.0 million as at 31 December 2019, due to the net profit for the quarter (€ 0.3 million), net of the purchase of treasury shares (€ 0.3 million).

The consolidated Net Financial Position as at 31 March 2020 was positive for € 42.1 million, disclosing an improvement of € 0.7 million as at 31 December 2019 (€ 41.4 million), mainly due to the net profit for the quarter (€ 0.3 million) net of the purchase of treasury shares (€ 0.3 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 2019 is as follows:

(€ thousand)	31/3/2020	31/12/2019	Change
Cash and cash equivalents	12,274	11,426	848
HFT securities at fair value	86,630	87,320	(690)
Short-term financial receivables	-	-	-
Current financial liabilities	(27,392)	(25,306)	(2,086)
Short-term financial resources	**71,512**	**73,440**	**(1,928)**
Non-current financial payables - Lessors IFRS 16	4,233	4,517	284
Other non-current financial liabilities	25,152	27,512	2,360
Non-current financial liabilities	29,385	32,029	2,644
Net Available Financial Resources	**42,127**	**41,411**	**716**

The Net Financial Position as at 31 March 2020 is detailed as follows:

- Cash and cash equivalents of € 12.3 million are mainly in Euro, held with major Italian banks.
- HFT securities at fair value of € 86.6 million are composed of investments in partial return multi-segment insurance funds (€ 77.6 million) and in bond, balanced and absolute return

funds with a medium-low risk profile (€ 8 million) and were entered into by the parent company TXT e-solutions S.p.A. and by the subsidiary Assioma Net srl (€ 1 million).

- As at 31 March 2020, Current financial liabilities amounted to € 27.4 million and included € 9.5 million for the share of medium/long-term loans stipulated in 2018, € 9.9 million for short-term "hot money" loans, € 5.9 million for the exercise of the put/call option of the residual portion of the share capital of the subsidiary Pace GmbH, € 1.4 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), € 0.7 million for the earn-out portion to be paid to the shareholders of the subsidiary Cheleo srl.

- Non-current financial liabilities for € 29.4 million were mainly represented by: € 20.9 million for the portion of medium-long term loans due after 12 months, € 1.6 million for the estimated outlay for the exercise of the Put/Call option in 2021 for the acquisition of Txt Risk Solutions Srl, € 2.4 million for the estimated outlay for the Earn-out in 2022 for the acquisition of Assioma Net srl, € 4.2 million for the short-long term portion of the payable for the payment of rents and leasing of offices, cars and printers for all of the instalments until the end of the relevant contracts (“Lessors – IFRS 16”).

Medium/long-term euro loans were taken out by the parent company TXT e-solutions S.p.A. in 2018 and by the subsidiary Assioma Net Srl between 2018 and 2019, at fixed rates between 0.60% and 0.70% per annum, without guarantees for a residual amount of € 30.4 million as at 31 March 2020:

- € 14.1 million 5-year loan with Unicredit, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap for covering the interest rate risk.
- € 7.0 million 5-year loan with BNL, with a quarterly amortisation plan, a floating interest rate and an Interest Rate Swap for covering the interest rate risk.
- € 6.6 million 4-year loan with UBI, with a quarterly amortisation plan and fixed interest rates.
- € 2.6 million 4-year BNL loan subscribed by the subsidiary Assioma Net Srl with a quarterly amortisation plan and fixed interest rates.

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

1. financial covenants based on which the company undertakes to comply with certain levels of financial indexes, contractually defined, the most significant of which relate the gross or net financial indebtedness with the gross operating margin (EBITDA) or the Shareholders’ equity, measured on the basis of the consolidated scope of the Group according to the definitions agreed upon with the financing counterparties;
2. negative pledge commitments 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.

As at 31 March 2020, most of the HFT securities (€ 86.6 million) had been invested in multi-segment insurance products (€ 77.7 million) from which the company can decide to divest at any time and without specific charges to deal with investment opportunities.

Multi-segment insurance products allow the combination of Separate Management - First Line (€ 73.7 million), which has the characteristic of a substantial guarantee on invested capital, stability of returns over time, as investments are made in high quality securities that are easily liquidated, with minimum exposure to strong and rapid fluctuations in value; Bond, balanced and unit-linked insurance funds - Third Line (€ 3.9 million) that allow for participation in the performance of financial markets.
€ 8.0 million are invested in government securities and bonds of global leading companies.

During the first quarter of 2020, liquidity management generated a negative result (-€ 0.7 million) due to the high volatility that affected world markets consequently to the pandemic caused by Covid-19.

EMPLOYEES

As at 31 March 2020, there were 788 employees, an increase of 2 employees compared to 786 personnel units as at 31 December 2019.

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

In first quarter 2020, the share price of TXT e-solutions reached a high of € 10.16 on 10 January 2020 and a low of € 4.47 on 17 March 2020. As at 31 December 2019, the share price was € 9.66. The decline recorded in March is due solely to the collapse of the world financial markets as a result of the COVID-19 pandemic.

Average daily trade volumes in the first quarter of 2020 amounted to 48,946 shares, showing a growth compared to the average of 23,829 shares in 2019.

As at 31 March 2020, 1,293,937 treasury shares were held (1,220,971 in December 2019), accounting for 9.9485% of shares outstanding, at an average carrying amount of € 3.38 per share. In the first quarter of 2020, 72,966 treasury shares were purchased at an average price of € 5.76.

The purchase of treasury shares was authorised again by the Shareholders' Meeting of 19 April 2018. The plan provides for the purchase of shares up to a maximum of 20% of the share capital.

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.

GROWTH STRATEGIES IN THE COVID-19 PERIOD

With the global crisis linked to the COVID-19 pandemic, the TXT Group, like the entire market, found itself having to react so as to mitigate the impacts and rethink the ambitious and challenging growth targets set for the year 2020. The impact on the first quarter is not very significant. A greater impact is envisaged in the second quarter, with a slowdown in the growth rate, and a greater incidence of inefficiencies given the prolonged lockdown period in Northern Italy. It is still early to define the overall impact of the crisis, but the mitigation plan put in place is already delivering results and management is confident with regard to the Group's strongpoints, with medium/long-term results in any event positive compared to 2019.

The organisation and all operational resources responded promptly to the crisis, with actions aimed at ensuring the safety of workers and continuity in the provision of services. The digital nature of the services and the Group's solid IT infrastructure has enabled the transition to smart working of almost the entire workforce, with minimal drops in efficiency.

The positive economic results of the first quarter are attributable to the specific characteristics of the TXT Group, which is configured as a strategic digital partner for its prestigious clients, who are seeking and investing as never before in the digitalisation of processes and advanced technological solutions to benefit their efficiency and productivity.

At Group level, a further strategic growth lever in the current context concerns the differentiation of the business on different markets achieved through the considerable investments made in the last three years; the percentage of revenues of the FinTech Division grew from 21.3% in the first quarter of 2018 to 35.2% in the first quarter of 2020, although the Aerospace & Aviation Division grew organically by 42.5% in the same period. In order to further strengthen the offer range in the FinTech area, during the second quarter of the year we invested in an innovative start-up for the Supply Chain Finance market, and to date the intense acquisition activities are continuing with the aim of expanding market shares, expertise and supply in markets already owned or similar to the current ones, and with high growth prospects.

Highly innovative and specialised products represent one of the main levers of organic growth for the Group in 2020 and beyond but, due to the effects of COVID-19 on the civil aviation market, we are experiencing an inevitable slowdown in the acquisition of new orders in this market segment. The Group's multi-year offer and expertise are diversified over several market segments, with a significant incidence of Aerospace & Defense; in this segment, the quarterly figures and forecasts are in line with those expected by Management in the pre-COVID-19 context. The Group is moving quickly to develop new technological solutions tailored to the latest needs of our customers on social distancing and security issues. In the long term, Management is currently unable to predict market developments in the event of a further extension of the current crisis affecting civil aviation.

In the current context, the FinTech Division continues on its growth path, financial markets continue their activities, with the main players in the sector increasing investments linked to Digital Transformation. In this context, the TXT Group's specialised technological expertise is furthering the acquisition of new contracts linked to specialised services and technological platforms that increase the Group's prestige and market positioning. The strategies and growth objectives of the FinTech Division have not been negatively impacted by the current COVID-19 crisis.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

The second quarter of 2020 began in a context of heavy global uncertainty, with some of the main manufacturing sectors such as civil aviation and automotive experiencing a sharp drop in volumes and sales forecasts that, in some cases, are putting the survival of smaller and less solid entities to the test. In other sectors such as the financial and digital industry sector, the effects of the global COVID-19 crisis have not affected business continuity, but the focus on investments has shifted further in favour of services and technological solutions dedicated to Digital Transformation processes.

Thanks to TXT's extensive and diversified proprietary technological expertise and the different markets it serves, the Group is facing also this second quarter positively, with a growth trend in contrast to the global trend; in the first part of the second quarter, important new contracts were signed, among which we would like to mention the following: i) a new multi-year contract for projects on the banking market worth over € 5 million over three years, entered into with a leading Italian banking group, ii) two new contracts in the simulators sector for the Aerospace & Defense market for a total value of approximately € 1.0 million for the current year signed with leading Italian and German players, iii) the awarding of a European project financed in the Artificial Intelligence and Industry 4.0 area worth € 0.7 million a year over the next 3 years. In the current context, investments in research and development to create new synergies between the different Group companies are increasing, to benefit the design and industrialisation of new technological solutions to be proposed on the current and adjacent markets.

On 15 April 2020, TXT e-Solutions formalised the entry, via a capital increase it financed 60% of, in a FinTech start-up whose corporate name has been changed to TXT Working Capital Solutions Srl, an innovative start-up dedicated to the study and development of solutions for the Factoring and Supply Chain Finance market. The mix of more than thirty years of technical expertise reintroduced to the solution by its creator and TXT's proven expertise in software and processes, together with TXT's consolidated relationships with major Italian financial and industrial operators, are the main strategic levers of the proprietary platform we are developing for the SCF market.

The Group's 2020 objectives envisage sustained growth in Europe, North America and Asia Pacific and the development of the large and diversified customer base already acquired in the two current divisions: (i) in Aerospace & Aviation the Group's prestigious customer package was further enhanced at the end of 2019 thanks to new software licensing contracts with leading North American OEMs and Airlines that will lead to new business opportunities in the same North American market and elsewhere; (ii) in the Fintech division, an important boost in volumes and margins is expected through the sale of FinTech and RegTech proprietary solutions, leveraging the valuable references developed over the years in the Banking & Finance world. In the meantime, intensive research, assessment and verification activities are continuing, as regards M&A opportunities that contribute to strengthening the range of TXT technologies and services and that can generate value for customers, society and shareholders.

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.

Manager responsible for preparing corporate accounting documents The Chief Executive Officer

Eugenio Forcinito Enrico Magni

Milan, 12 May 2020

Consolidated financial statements as at 31 March 2020

Consolidated Balance Sheet

ASSETS	31/03/2020	Of which with related parties	31/12/2019	Of which with related parties
NON-CURRENT ASSETS				
Goodwill	19639673		19639673	
Intangible assets with a finite useful life	4459967		4740503	
Intangible assets	**24,099,640**		**24,380,176**	**-**
Property, plant and equipment	7,837,514		7,928,901	
Tangible assets	**7,837,514**		**7,928,901**	**-**
Investments in associates	-		-	
Sundry receivables and other non-current assets	258,830		258,607	
Deferred tax assets	2025759		2066759	
Other non-current assets	**2,284,589**		**2,325,366**	
TOTAL NON-CURRENT ASSETS	**34,221,743**		**34,634,443**	
CURRENT ASSETS				
Contractual assets	5669335		4155631	
Trade receivables	18652404		19370598	
Sundry receivables and other current assets	6456552		4779327	
Financial instruments at fair value	86630027		87320066	
Cash and cash equivalents	12273861		11,426,083	
TOTAL CURRENT ASSETS	**129,682,179**		**127,051,704**	
TOTAL ASSETS	**163,903,922**		**161,686,147**	

LIABILITIES AND SHAREHOLDERS' EQUITY		Of which with related parties		Of which with related parties
SHAREHOLDERS' EQUITY				
Share capital	6503125		6503125	
Reserves	14428778		14730521	
Retained earnings (accumulated losses)	60617969		60303632	
Profit (loss) for the year	237,330		314,337	
TOTAL SHAREHOLDERS' EQUITY (Group)	**81,787,202**		**81,851,614**	**-**
Shareholders’ Equity attributable to minority interests	183,302		168,226	
TOTAL SHAREHOLDERS' EQUITY	**81,970,504**		**82,019,841**	
NON-CURRENT LIABILITIES				
Non-current financial liabilities	29384607		32029003	
Provision for post-employment benefits and other employee provisions	3106190	1,207,217	3110062	1,207,217
Deferred tax provision	1199840		1279762	
Provisions for future risks and charges	118.,905		118,905	
TOTAL NON-CURRENT LIABILITIES	**33,809,542**	**1,207,217**	**36,537,732**	**1,249,026**
CURRENT LIABILITIES				
Current financial liabilities	27391928		25305617	

Trade payables	2275651		2122206	40,870
Tax payables	3142363		3012776	
Sundry payables and other current liabilities	15313934	224,949	12687975	123,794
TOTAL CURRENT LIABILITIES	**48,123,876**	**224,949**	**43,128,574**	**164,664**
TOTAL LIABILITIES	**81,933,418**	**1,432,166**	**79,666,306**	**1,371,881**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**163,903,922**	**1,432,166**	**161,686,147**	**1,371,881**

Consolidated Income Statement

	31/03/2020	Of which with related parties	31/03/2019	Of which with related parties
Revenues and other income	16,254,345		11,884,639	
TOTAL REVENUES AND OTHER INCOME	**16,254,345**		**11,884,639**	
Purchases of materials and external services	(3,566,051)	-	(2,215,268)	
Personnel costs	(10,621,128)	(137,318)	(8,267,111)	
Other operating costs	(103,109)		(109,969)	
Depreciation and amortisation/Impairment	(792,404)		(564,629)	
OPERATING RESULT	**1,171,653**	**(137,318)**	**727,662**	
Financial income (charges)	(671,709)		1287222	
Share of profit (loss) of associates	-		(9,196)	
EARNINGS BEFORE TAXES (EBT)	**499,944**		**2,005,688**	
Income taxes	(247,539)		(581,014)	
NET PROFIT (LOSS) FOR THE PERIOD (group)	**252,405**		**1,424,674**	
Attributable to:				
Parent Company shareholders	237,330		1424674	
Minority interests	15,076			
EARNINGS PER SHARE	0.02		0.12	

Consolidated Statement of Comprehensive Income

	31/03/2020	31/03/2019
NET PROFIT (LOSS) FOR THE PERIOD	**252,405**	**1,424,674**
Profit/(Loss) from foreign currency translation differences	(350)	(2,890)
Gain/(Loss) on the effective part of hedging instruments (cash flow hedge)	(155,575)	(297,864)
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	**(155,925)**	**(300,754)**
Defined benefit plans actuarial gains (losses)	-	-
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	**-**	**-**

Total profit/(loss) of Comprehensive Income net of taxes	**(155,925)**	**(300,754)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**96,481**	**1,123,920**
Minority interests	**15,076**	
Parent Company shareholders	**81,405**	**1,123,920**

Segment disclosures

For operating purposes, the Group is organised into two Business Units based on the end-use of the products and services provided.

The main financial and operating data broken down by business segment were as follows:

(€ thousand)	Aerospace, A&A	Fintech	Not Allocated	TOTAL TXT
REVENUES	**10,536**	**5,718**	**-**	**16,254**
OPERATING COSTS:				
Direct costs	5.797	3.184	-	8.981
Research and development costs	1.119	684	-	1.803
Commercial costs	980	892	-	1.872
General and administrative costs	1.118	516	-	1.634
TOTAL OPERATING COSTS	**9,014**	**5,276**	**-**	**14,290**
EBITDA	**1,522**	**443**	**-**	**1,964**
Amortisation of intangible fixed assets	95	203	-	298
Depreciation of tangible fixed assets	316	171	-	487
Impairment	4.	2	-	7
OPERATING PROFIT (EBIT)	**1,106**	**66**	**-**	**1,172**
Financial income (charges)	(436)	236		672
EARNINGS BEFORE TAXES (EBT)	**671**	**170**	**-**	**500**
Taxes	332	84	-	248
NET PROFIT	**338**	**(86)**	**-**	**252**

(€ thousand)	Aerospace, A&A	Fintech	Not Alloca-ted	TOTAL TXT
Intangible assets	6.529	17.571	-	24,100
Tangible assets	5.081	2.757	-	7.838
Other fixed assets	1.481	804	-	2,285
FIXED ASSETS	**13,091**	**21,132**	**-**	**34,223**
Inventories	5.587	82	-	5,669
Trade receivables	12.604	6.048	-	18,652
Sundry receivables and other short-term assets	4.185	2.271	-	6.456
Trade payables	(1,436)	(841)	-	(2,277)
Tax payables	(5,820)	1.479	-	(4.342)
Sundry payables and other short-term liabilities	(9,660)	(5,654)	-	(15,314)
NET WORKING CAPITAL	**5,459**	**3,386**	**-**	**8,845**
POST-EMPLOYMENT BENEFITS AND OTHER NON-	**2,423**	**(804)**	**-**	**(3,225)**

CURRENT LIABILITIES				
CAPITAL EMPLOYED	**16,127**	**23,714**	**-**	**39,843**
Shareholders' Equity			-	81.971
Net financial debt			-	(42,127)
CAPITAL EMPLOYED			**-**	**39,843**

Consolidated Statement of Cash Flows

	31 March 2020	31 March 2019
NET PROFIT (LOSS) FOR THE PERIOD	**252,405**	**1,424,674**
Non-monetary interest for Stock Options	8.157	-
Non-monetary interest	18.574	42.054
Change in fair value of monetary instruments	690.038	(1,393,814)
Current income taxes	129.587	454.342
Change in deferred taxes	(38,922)	(114,566)
Depreciation/amortisation, impairment and provisions	785.413	564.721
Other non-monetary expenses	(1,739)	33.804
Cash flows from (used in) operating activities (before change in working capital)	**1,843,514**	**1,011,215**
(Increase) / Decrease in trade receivables	718.194	352.281
(Increase) / Decrease in inventories	(1,513,704)	(1,985,314)
Increase / (Decrease) in trade payables	153.445	(343,732)
Increase / (Decrease) in other assets/liabilities	959.565	1763069
Increase / (Decrease) in post-employment benefits	3,872	55,627
Changes in operating assets and liabilities	**313,628**	**269,323**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**2,157,142**	**741,892**
Increase in tangible assets	(285,629)	(260,650)
Increase in intangible assets	(1,520)	(1,037)
Decrease in tangible and intangible assets	17.051	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(270,098)**	**(261,687)**
Loans issued	2000000	429.582
Loans repaid	(2,355,256)	(7,055,867)
Payment of lease liabilities	(359,976)	(238,989)
Increase/(Decrease) in other financial receivables	-	9966194
Increase/(Decrease) in financial payables	-	53.754
Interest expense	-	(30,401)
(Purchase)/Sale of treasury shares	(323,683)	(673,937)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(1,038,914)**	**2,450,336**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**848,130**	**2,930,541**
Effect of changes in exchange rates on cash flows	(350)	(2,890)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**11,426,083**	**5,593,125**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**12,273,863**	**8,520,776**

Consolidated Statement of Changes in Equity as at 31 March 2020

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Fair Value Swap	Riserva di traduzione	Utili a nuovo	Utile (perdita) del perido	Totale patrimonio netto	Totale patrimonio netto (Terzi)	Totale patrimonio netto
Saldi al 31 dicembre 2018	6,503,125	1,300,625	12,571,450	1,911,444	-	23,793	(934,986)	-169,708	27,903	60,303,632	314,337	81,851,614	168,226	82,019,840
Utile al 31 dicembre 2018										314,337	(314,337)	-		-
Acquisizioni minoranze												-		-
Incremento/acquisto						8,157		14,133				22,290	-	22,290
Distribuzione dividendi												-	-	-
Aumento di capitale gratuito												-	-	-
Vendita azioni proprie												-	-	-
Acquisto azioni proprie			(323,683)									(323,683)	-	(323,683)
Attualizzazione TFR												-	-	-
Delta cambi									(350)			(350)	-	(350)
Utile al 31 dicembre 2019											237,330	237,330	15,076	252,406
Saldi al 31 dicembre 2019	6,503,125	1,300,625	12,247,767	1,911,444	0	31,950	(934,986)	(155,575)	27,553	60,617,969	237,330	81,787,201	183,302	81,970,504

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Riserva cash flow Hedge	Riserva di traduzione	Utili a nuovo	Utile (perdita) del perido	Totale patrimonio netto	Totale patrimonio netto (Terzi)	Totale patrimonio netto
Saldi al 31 dicembre 2018	6,503,125	1,300,625	11,223,612	1,911,444	-	-	(883,406)	-127,640	14,504	65,840,063	564,947	86,347,274		86,347,274
Utile al 31 dicembre 2018										564,947	(564,947)	-		-
Acquisizioni minoranze										(325,326)		(325,326)	34,548	(290,778)
Incremento/acquisto						23,793		(42,068)		4,715		(13,560)	-	(13,560)
Distribuzione dividendi										(5,780,767)		(5,780,767)	-	(5,780,767)
Vendita azioni proprie			2,386,146									2,386,146	-	2,386,146
Acquisto azioni proprie			(1,038,309)									(1,038,309)	-	(1,038,309)
Attualizzazione TFR							(51,579)					(51,579)	-	(51,579)
Delta cambi									13,398			13,398	-	13,398
Utile al 31 dicembre 2019											314,337	314,337	133,678	448,015
Saldi al 31 dicembre 2019	6,503,125	1,300,625	12,571,449	1,911,444	0	23,793	(934,985)	(169,708)	27,902	60,303,632	314,337	81,851,614	168,226	82,019,840

1. Group's structure and scope of consolidation

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

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 31 March 2020 (see also the organisational diagram in the section "Organisational structure and scope of consolidation") and the relative share of legal interest in the share capital:

Company name of the subsidiary	Currency	% holding	Share capital
PACE GmbH	€	79%	295.000
PACE America Inc.	USD	79%	10
TXT e-solutions SagL	CHF	100%	40.000
TXT NEXT Sarl	€	100%	100.000
TXT NEXT Ltd	GBP	100%	100.000
Cheleo Srl	€	100%	99.000
TXT Risk Solutions Srl	€	51%	79.592
Assioma Net Srl	€	100%	30.000
AssioPay Srl	€	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 first 3 months)

Currency	31/03/2020	31/03/2019
British Pound (GBP)	0.8623	0.8723
US Dollar (USD)	1.1027	1.1356
Swiss Franc (CHF)	1.0668	1.1325

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

Currency	31/03/2020	31/12/2019
British Pound (GBP)	0.8864	0.8508
US Dollar (USD)	1.0956	1.1234
Swiss Franc (CHF)	1.0585	1.0854

2. Basis of preparation of the consolidated financial statements

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

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

The publication and release of this report were approved by the Board of Directors' Meeting held on 12 May 2020.

3. Accounting standards and interpretations applied from 1 January 2020

The accounting standards adopted in preparing the consolidated financial statements as at 31 March 2020 are consistent with those used in preparing the Group financial statements as at 31 December 2019.
Detailed descriptions of these new standards, interpretations and amendments are provided below.

Moreover, there were no transfers of fair value among hierarchical levels during the first three months of 2020 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: - If 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 defined benefit liability (asset) reflecting the benefits provided by the plan and the plan assets after that 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 Combination**

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.

4. Financial risk management

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

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity and investment risk
- Other risks (COVID-19)

The financial risk management objectives and policies of the TXT e-solutions Group reflect those illustrated in the consolidated financial statements as at 31 December 2019, to which reference should be made.

5. Transactions with related parties

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

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

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

For the Group, related parties are:

a) Entities that, directly or indirectly, even through subsidiaries, trustees or third parties:

- Control TXT e-solutions S.p.A.
- Are subject to joint control with TXT e-solutions S.p.A.
- Have an interest in TXT e-solutions S.p.A. such as to exercise a significant influence.

b) Associates of TXT e-solutions S.p.A.

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

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

e) Close members of the family of parties referred to in the above points a) and d).

f) Entities controlled or jointly controlled or subject to significant influence by one of the parties as per points d) and e), or in which said parties hold, directly or indirectly, a significant interest, in any case at least 20% of the voting rights.

g) An occupational, collective or individual pension fund, either Italian or foreign, set up for TXT e-solutions S.p.A.'s employees or any other related entity. The following tables show the overall amounts of the transactions carried out with related parties.

Trade transactions

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

As at 31 March 2020	Receivables	Payables	Costs	Revenues
Directors and key management personnel		1,432,166	137,318	
Total as at 31/03/2020		**1,432,166**	**137,318**	

As at 31 December 2019	Receivables	Payables	Costs	Revenues
HSPI	-	39.040	52.000	-
AN-LIGHT Srl	-	-	1.500	-
Paradis Srl	-	1.830	4.816	-
Directors and key management personnel	-	1331011	1004551	-
Total as at 31/12/2019	**-**	**1,371,881**	**1,062,867**	**-**

Financial transactions

The amounts with Related Parties as at 31 March 2020 are shown for financial transactions:

As at 31 December 2019	Receivables	Payables	Charges	Income
Sense immaterial Reality Srl	-	-	-	38.804
Directors and key management personnel	-	-	-	-
Total as at 31 December 2019	**-**	**-**	**-**	**38,804**

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

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

The undersigned Enrico Magni, as CEO, and Eugenio Forcinito, as Manager responsible for preparing corporate accounting documents for TXT e-solutions S.p.A. certify, also pursuant to Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 dated 24 February 1998:

- the adequacy, in relation to the company's characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as at 31 March 2020.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated interim financial statements as at 31 March 2020 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission that represents a reference framework that is generally accepted at an international level.

We also certify that the condensed consolidated interim financial statements as at 31 March 2020:

- correspond to the accounting books and records;
- were prepared in compliance with the International Financial Reporting Standards endorsed by the European Union as well as with the implementing measures for Article 9 of Italian Legislative Decree no. 38/2005;
- are suitable to provide a true and fair view of the financial position, performance and cash flows of the issuer.

The interim Report on Operations includes a reliable analysis of the important events that occurred in the first three months of the year and how they affected the condensed financial statements, as well as a description of the main risks and uncertainties for the remaining months. The interim Report on Operations also includes a reliable analysis of the information on significant transactions with related parties.

Manager responsible for preparing corporate accounting documents

Eugenio Forcinito

The Chief Executive Officer

Enrico Magni

Milan, 12 May 2020