

TXT e-Solutions

Corporate Overview
October 2017



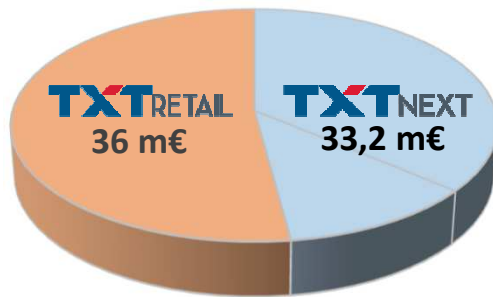
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Unless otherwise specified all information is for the first semester ended 30 June 2017.

Before July 24th ...

... On July 24th



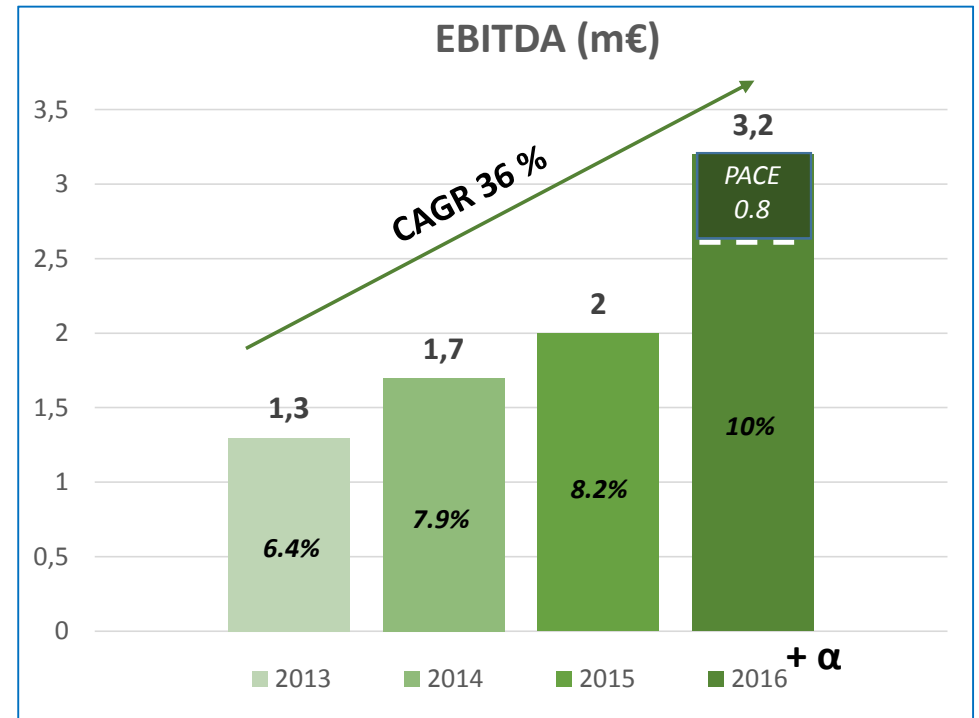
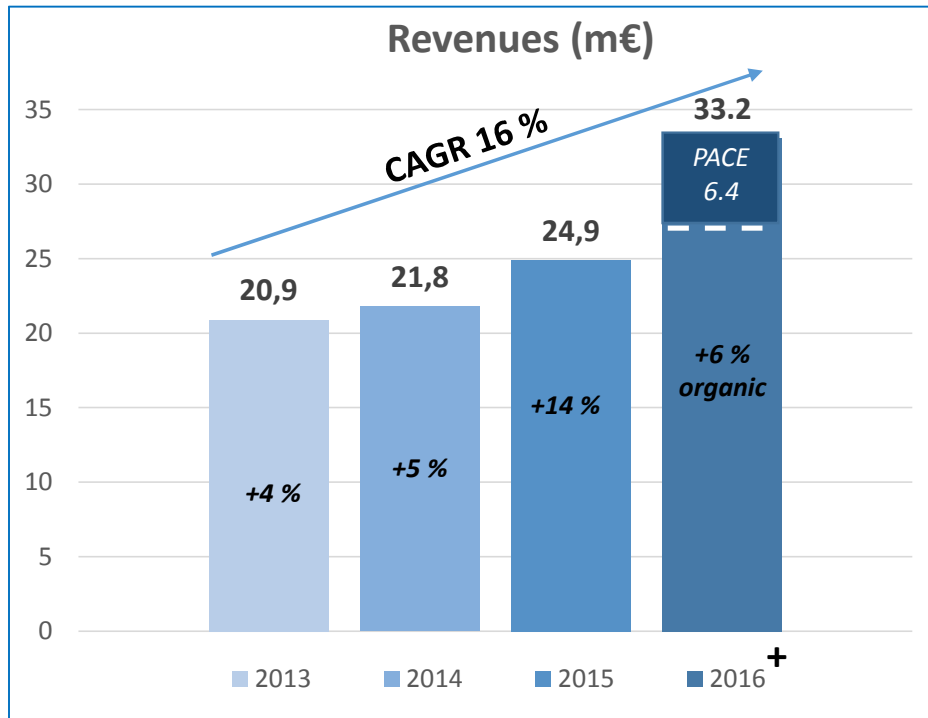
FY 2016

Revenues	69.2 m€ (+12.4%)
EBITDA	8.2 m€ (incl. 0.6 m€ one-off items)
Net Income	5.6 m€
NFP	5.4 m€

TXT e-solutions transfers its TXT Retail Division to Aptos, Inc. for EUR 85 million in cash
TXT approves new business plan

- *TXT e-solutions entered into a definitive agreement to transfer its TXT Retail Division to Aptos, Inc. for EUR 85 million in cash*
- *Transaction closing is scheduled no later than 31 October 2017*
- *Company's business plan and TXT Next Division development projects to be accelerated*
- *TXT Sense Division established as a start up with proprietary technology for 3D active representation and "New Augmented Reality"*

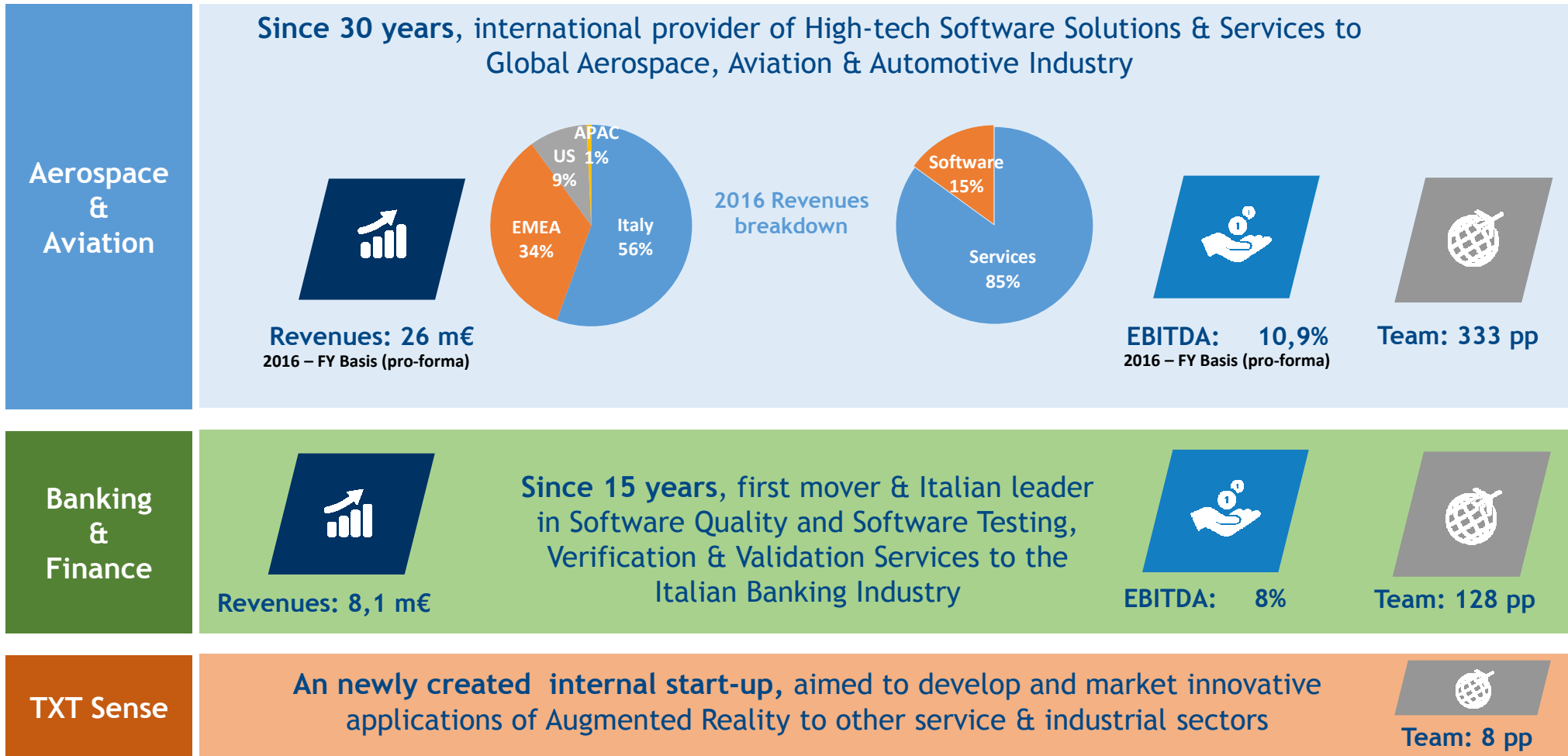
Historical Performance of TXT Next Division



+ NOTE: In 2016 TXT acquired PACE Aerospace & Engineering Technology GmbH, consolidated starting on April 1st, 2016, to accelerate international growth

α NOTE: Net of one-off items ("official" 2016 EBITDA = 3.8 m€)

The New TXT Business Perimeter

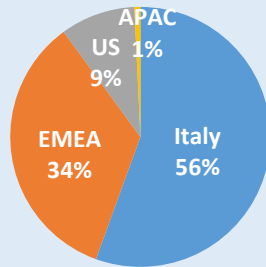


Since 30 years, international provider of High-tech Software Solutions & Services to Global Aerospace, Aviation & Automotive Industry

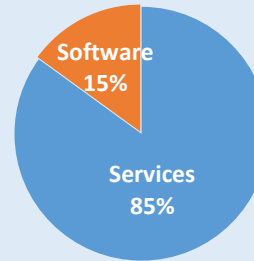
Aerospace & Aviation



Revenues: 26 m€
2016 – FY Basis (pro-forma)



2016 Revenues breakdown



EBITDA: 10,9%
2016 – FY Basis (pro-forma)



Team: 333 pp

Banking & Finance



Revenues: 8,1 m€

Since 15 years, first mover & Italian leader in Software Quality and Software Testing, Verification & Validation Services to the Italian Banking Industry



EBITDA: 8%



Team: 128 pp

TXT Sense

An newly created internal start-up, aimed to develop and market innovative applications of Augmented Reality to other service & industrial sectors



Team: 8 pp



Aerospace & Aviation

Since 30 years Partner for our Clients to boost their Engineering Capabilities

Products & core Processes are highly complex ...

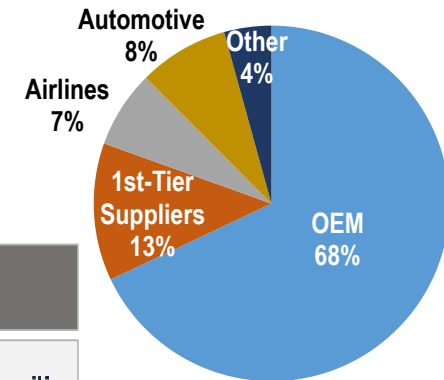
... calling for cooperation across an extensive network of Specialised Partners



Customer Base - A Longstanding, Global Customer Base across the Value Chain



- A diversified Customer Base of Industry Leaders
- Long-term partnership underpinning highly repeatable revenues streams
- A growing number of new, high-potential international customers in recent years
- A significant up-selling opportunity



Aircraft Manufacturers (Fixed & Rotary Wings)



1st Tier Suppliers



Airlines & Lessors



Academia & Research



Automotive



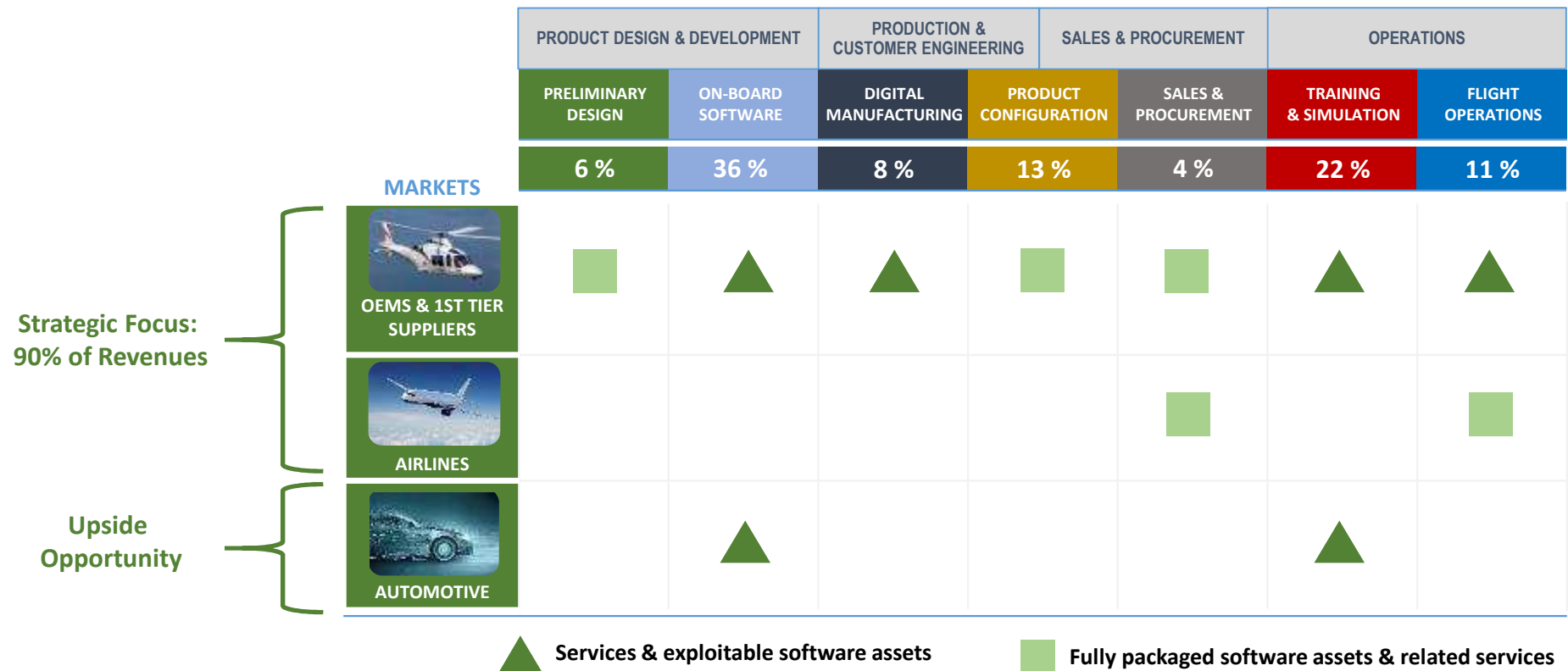
Recent New Major Global Customers



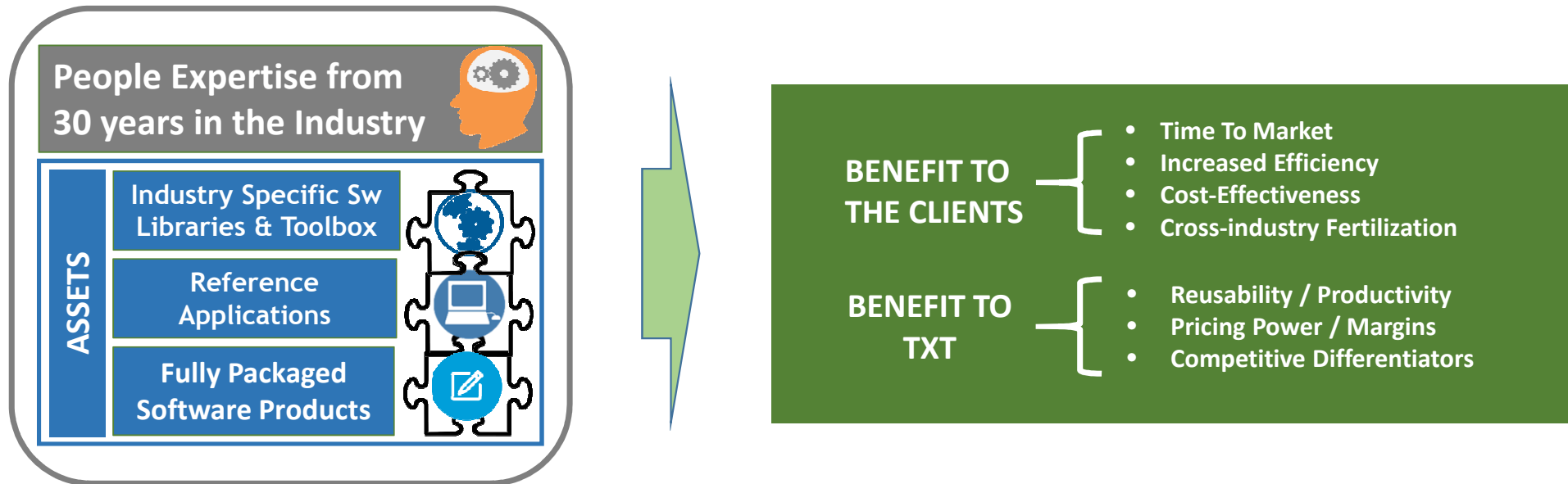
What We Do - Value Proposition Spanning the Entire Product Life-cycle



- **Breadth and Depth:** focus on high-value niches, but understand the whole picture
- **Industry and Technology expertise, backed by Software Assets**



Engineering “Solutions”: The “People + Software IP” Paradigm



- A mix of **Software Assets** and **Software / Systems Integration Services**
- The **degree of packaging** and the **extent of commercial leverage** of the Software Assets vary across the Value Proposition areas

How We Do It - Engineering Solutions: Software Assets Global Map



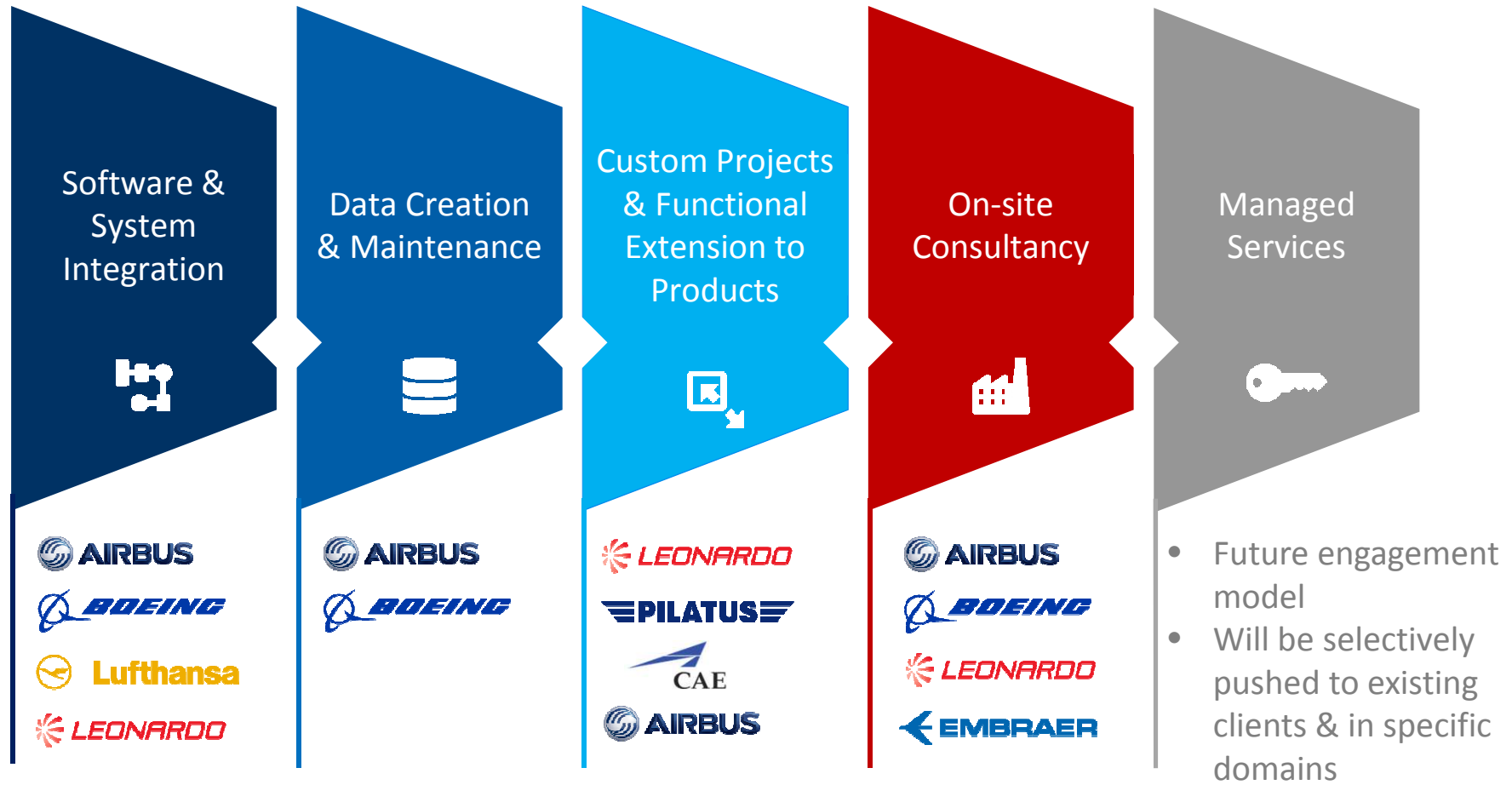
	PRODUCT DESIGN & DEVELOPMENT		PRODUCTION & CUSTOMER ENGINEERING		SALES & PROCUREMENT	OPERATIONS	
	PRELIMINARY DESIGN	ON-BOARD SOFTWARE	DIGITAL MANUFACTURING	PRODUCT CONFIGURATION	SALES & PROCUREMENT	TRAINING & SIMULATION	FLIGHT OPERATIONS
Industry Specific Sw Libraries & Toolbox		Cockpit Toolbox	ARAS Toolbox TXT MANUF. DATA ANALYTICS TXT OPS 4.0			Cockpit Toolbox TXT SIMREALITY TXT WEAVR	Aeromaps
Reference Applications		V&V Test Control	TXT PROCESS ENGINEERING TXT FAST 4.0 TXT IoT MOM			Qualification Support TXT SIMCARE TXT WEAVR for Maintenance TXT WEAVR for Pilot & Crew	Remote Maintenance Support
Fully Packaged SW Products							

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30 Years in the Industry: Fixed & Rotary Wings; Civil, Military & Special Missions; ...

How We Do It - Flexible Engagement Models, from Traditional to Innovative

Turn-Key service engagements weight $\frac{3}{4}$ of the total, while Time & Material account for the remaining $\frac{1}{4}$



30+ Years in the Industry, 350+ Specialised Engineers and Growing Int'l Presence ...



A responsive and agile team: local presence, to provide best-in-class on-site support to key customers, backed by corporate competence centers, capable of delivering & supporting customers across their business in 30+ Countries world-wide



- (1) In Shanghai TXT is present through Pera Global, system integrator and local distributor of its products
- (2) Corporate Headquarters of TXT (Milan) and Pace (Berlin)

... that Sustain a Strong Competitive Position, Recognised by Old & New Customers



A unique profile focused on software in specialized high-value niches across the entire Product Life-Cycle, that differentiates us from local and global competitors

	PRODUCT DESIGN & DEVELOPMENT		PRODUCTION & CUSTOMER ENGINEERING		SALES & PROCUREMENT	OPERATIONS	
	PRELIMINARY DESIGN	ON-BOARD SOFTWARE	DIGITAL MANUFACTURING	PRODUCT CONFIGURATION	SALES & PROCUREMENT	TRAINING & SIMULATION	FLIGHT OPERATIONS
	✓	✓	✓	✓	✓	✓	✓
	✓	✓	✓			✓	
		✓	✓			✓	
		✓				✓	
	✓		✓				
	✓	✓	✓			✓	✓
		✓					
		✓				✓	
		✓					
		✓	✓				
	✓	✓				✓	
	✓	✓	✓	✓			

- **Small, Local Players:**

- Deep in single niches, compete mainly in price and locally
- **TXT differentiates and competes** with its depth **AND** breadth, know-how **AND** IPs, resources to invest in co-innovation, ability to follow customers globally. **Small local players are possible acquisition targets**

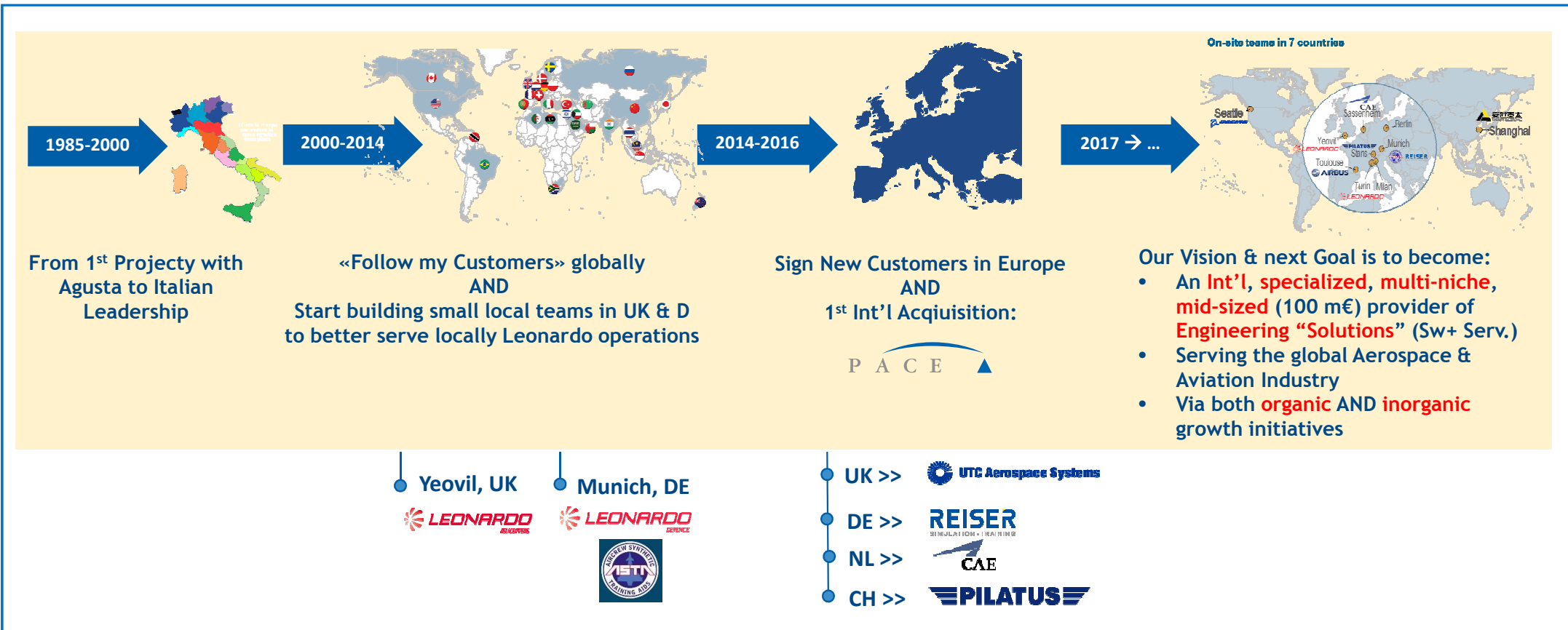
- **European-based Large Players:**

- Grown via acquisitions and massive time & material contracts, are challenged on responsiveness, flexibility and margins. Forced to focus on high-volume low-value activities to bill large teams and spread across a wide spectrum of industries/domains (not only SW-related services!)
- **TXT differentiates and competes** with its people **AND** IP approach, focus on SW-related activities, and its 30 years track record in managing **results-based engagements** and profitable turn-key contracts

- **Large Off-shore Players:**

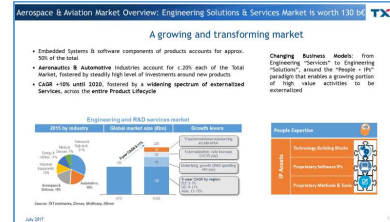
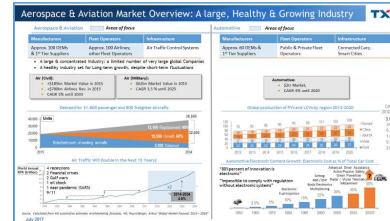
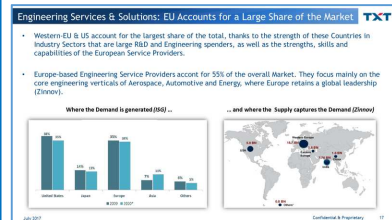
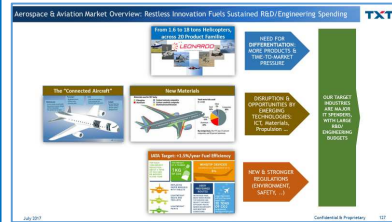
- Mainly from India, historically rooted in technology-based; largely leveraging on off-shore delivery models, they lack the proximity and customer intimacy needed to deepen business understanding. Forced to focus on high-volume low-value execution activities to bill massive teams.
- **TXT differentiates and competes** with its technology **AND** industry expertise, the depth of its know-how, a balanced compromise between proximity (local teams) and “near-shoring” (corporate competence center), that turns into an attractive value proposition for customers, especially in high-value, results-based engagements

Growth Strategy & Plans - Placing the Growth Strategy in the Context



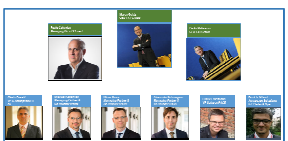
Growth Strategy & Plans - Market Opportunity

1. A consolidated Industry: global groups, with large investment budgets
2. A large & healthy Industry, with historical and projected long-term growth patterns
3. High speed of innovation fuels sustained R&D / Engineering spending
4. Engineering Solutions & Service Market worth 130 bn€; Aerospace & Automotive accounts for 20% each; Business Models evolving
5. Europe accounts for a large share of the Market
6. A compelling Value Proposition, and an outstanding track-record around high-value specialised SW niches, differentiating from both global & local competitors
7. Not only large R&D and Engineering service providers: a fragmented competitive landscape, that offers space for both organic and inorganic growth, around software niches of high specialisation across the product life-cycle



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Solid Foundations



- **30+ years** in the Industry
- **50+ Customers**, industry leaders
- **Breadth AND depth** across the Product Lifecycle, with focus on software
- **330+ specialised engineers**, with **global delivery & support capability**
- **«People»'s Technology AND Industry expertise**, backed by a portfolio of **software assets**
- Track record in **risk-sharing & results-based engagements**
- Solid **Management Team** with a track record in **self-sustainable organic growth AND acquisitions**

Identified Growth Initiatives

Our Vision: to become an **Int'l, specialized, multi-niche, mid-sized (100 m€)** provider of **Engineering «Solutions»** serving the **global Aerospace & Aviation Industry**

1. Inorganic Growth	<ul style="list-style-type: none"> • Be a platform to aggregate niche engineering software solution providers • Selectively target mid-sized acquisitions
2. Organic International Expansion	<ul style="list-style-type: none"> • Grow the share of wallet in current customers: focus on higher-value activities and risk-sharing engagement models • Capture new Int'l customers, leveraging on the combination of software assets and specialized service capabilities
3. Offering Innovation	<ul style="list-style-type: none"> • Product innovation: extend the capabilities and the range of the offering of Sw Assets • Service innovation: expand the offering with Managed Services
4. Automotive	<ul style="list-style-type: none"> • Diversification & upside-growth opportunity



Banking & Finance

What We Do & Key Customers



- Since **15 years** focused on **Software Quality** and on **Independent Testing, Verification & Validation** of software, to ensure the functioning, functional fit, and compliance of IT systems
- It has adapted best practices, tools and methodologies from Aerospace to the needs of the Banking Industry
- It targets the **40-50 top Italian Banking** institutions
- With **100%** of revenues from **SW Services** and from **Italian Customers**, it is regular contributor to cash-flow
- It is experiencing a **good market momentum**



How We Do It - Domain Expertise, Mastering of Methods & Tools and Proprietary “Testing Bricks”



Services across the end-to-end Software Quality and Independent Testing, Verification & Validation Lifecycle



- **Domain Expertise** in core Banking domains (Accounts, Lending, Mortgage, Internet Banking; Card and Digital Payments; Branch & Departmental applications): **Functional Testing** accounts for the largest share
- **Deep knowledge of Methodologies and Tools**, spanning across the entire QA & Testing process
- Testing Services both “on-site” and “off-site”, with an approach based on “Test Factory”
- People expertise, and a growing library of Testing “Bricks”: our reusable Software IPs

128 people, of which approx. 100 working at customer premises
80% with domain expertise, 30+ with relevant Int'l certifications

18	6	8
<p>International Software Testing Qualification Methods & Processes for Software Testing</p>	<p>Information Technology Institute Process Practice for IT Service Management</p>	<p>HP Enterprise Certification on Tools for Software Quality & Testing</p>

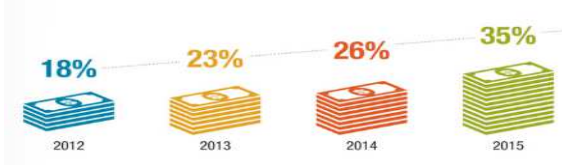
Current Scope	Current Process	Internet	Internet Mobile	IVR + Call Center	Bank Office Web based	App Android/iOS	Bank Office Host/Back Office
Bank account	Opening and operating steps	x		x	x		x
	Receipts and payments	x	x	x	x	x	x
	Credit cards	x	x	x	x	x	x
Prepaid card	Debit cards	x	x	x	x	x	x
	Opening process	x	x	x	x	x	x
Deposit account	Management	x	x	x	x	x	x
	Opening and operating steps	x		x	x		x
	Operations	x	x	x	x	x	x
Mortgages	Constraints management	x	x	x	x	x	x
	Quote calculation	x	x	x	x	x	
	Investigation management						
	Installments disbursement and management	x	x	x	x	x	

Growth Strategy & Plans - Market Opportunity

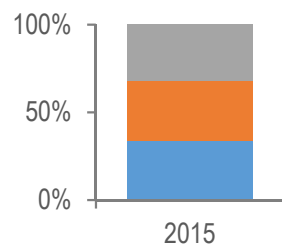
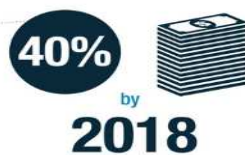
- Stratified, complex, highly heterogeneous & rapidly evolving IT landscape, coupled with increasingly stricter regulatory frameworks, makes Software Quality a mandatory, yet challenging task
- Emerging “Fintech” software & services increase complexity of the Banking software systems
- SW Quality is a key pillar of Banks’ IT strategy and it captures a growing Portion of Banks’ IT Budgets
- **Growing Software Quality costs** demand for new approaches to drive higher efficiency in QA processes
- TXT estimates that the Italian Market potential for QA & Testing Services in the Banking sector is 100+ M€

Digital Transformation has pushed Strong Recognition of QA and Testing

Growth in IT spend allocated to QA and testing to meet the urgent need to catch up with the fast-changing world



The proportion of IT spend allocated to QA and Testing is predicted to rise to

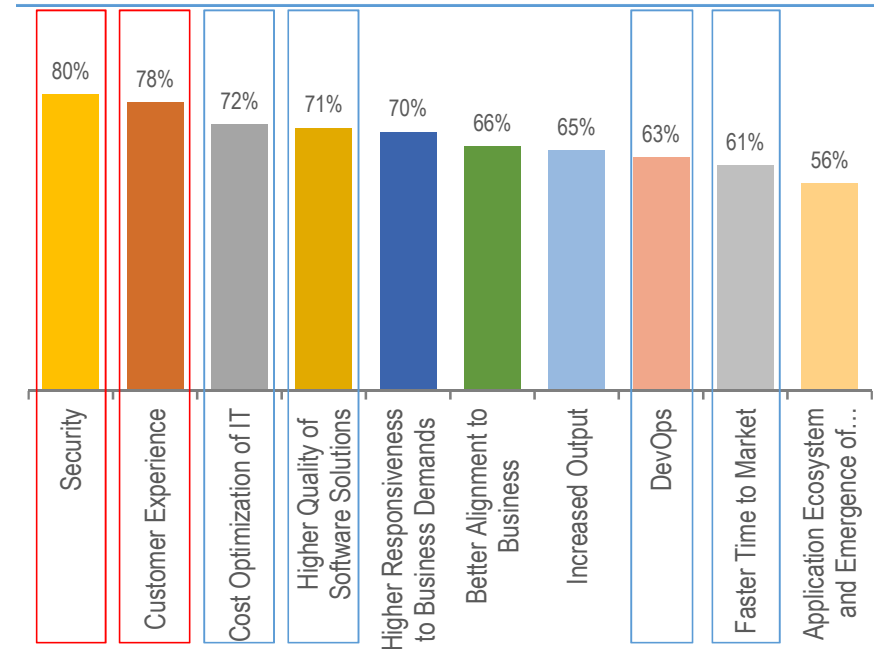


Split of QA and Test Budget

- Tools (Software Licenses)
- Hardware and Infrastructure
- Human Resources



Top Priorities for QA and Testing for Executives



Keep growing organically in the Sw Quality & Testing domain, with a primary focus on the Italian Market

Strengthen the Foundations of Software Quality & Testing Services

- **Domain Expertise & IP assets:** continue differentiating by deepening domain knowledge in specific Banking processes & challenges, capturing it into **standardised “Testing Bricks”**
- **Standard Tools, but TXT Methods:** Innovate in Testing methodology, approach and best practices, mastering a wide range of market leading Tools: HP Enterprise ALM Suite, Fortify, IBM Rational, opensource, ...



3 Directions to Evolve Software QA Offering

- Enhance the Testing Process to align it to the **DevOps Agile** software development paradigm and to the need for **faster time-to-market** of applications
- Fully engineer the “Test Factory” approach, to deliver more **cost-effective** testing services to customers, and **higher margins** and **differentiating power** to TXT
- Expand the portfolio of Testing capabilities & Practices to **Security, Mobile and Fintech-related** testing services and to **Test Automation** approaches, and integrate them into the Test Factory



Summary & Financial Details

- **Organic Growth**

- **Aerospace & Aviation:** 8-10% per annum, with focus on International Growth
- **Banking & Finance:** 5+% per annum, 100% Italy
- **Self-financed R&D and Marketing & Sales**
- **Constant equilibrium** across growth & profit
- **EBITDA Margin:** 12% Global Target

- **Inorganic Growth - Aerospace & Aviation**

- **Mid-sized** (5-20 m€ revenues) and **profitable**
- **International Profile**
- **Solid customer base, strong team, committed management and long history** in the industry
- **Highly specialized knowledge** sustained by **innovation capability** and differentiating **software assets**
- **Complementary**, to broaden one/more of: the offering, the geographical presence, the customer base, the penetration within existing accounts and/or domains
- **Fairly valued**

Alvise Braga Illa – Chairman

After graduating at the Polytechnic Institute in Milan, Mr Braga Illa was for 10 years in research and teaching at the Lincoln Laboratory and Massachusetts Institute of Technology, innovating in satellite technology, optical communication and network systems. He directed the R&D Labs at Italtel, founded Zeltron S.p.A. and managed the restructuring of Ducati Energia as General Manager. Mr. Braga Illa founded TXT Automation Systems, later sold to ABB (1997), and TXT e-solutions (1989).

Marco Guida – CEO

Graduated in Electronic Engineering, Marco Guida managed innovative IT projects in various areas of the manufacturing operations of Pirelli Group until 1994, when he joined TXT e-solutions. Initially responsible for Advanced Information Systems, in January 2000 promoted to Vice President. As Director of International Operations he successfully led the transformation of TXT e-solutions from an Italian to an International Group. Since 2009 he is Chief Executive Officer of TXT.

Paolo Matarazzo – CFO

After graduating from Milan's Bocconi University and majoring in business administration at the University of San Diego (California), has had significant experience in the financial world. He was initially an analyst in London for three years and then worked for the Recordati Group for seven years, with responsibility for treasury management. In the following seven years he was Head of Finance, Administration & Control in Europe for Eurand, a company listed on NASDAQ. He joined TXT in November 2007 as Group CFO.

<i>€ thousand</i>	I SEM 2017	%	I SEM 2016	%	Var %
REVENUES	36.132	100,0	33.183	100,0	8,9
Direct costs	16.967	47,0	15.847	47,8	7,1
GROSS MARGIN	19.165	53,0	17.336	52,2	10,6
Research and Development costs	3.634	10,1	3.144	9,5	15,6
Commercial costs	7.700	21,3	6.532	19,7	17,9
General and Administrative costs	4.414	12,2	4.346	13,1	1,6
EBITDA before Stock Options	3.417	9,5	3.314	10,0	3,1
Stock Options	162	0,4	-	-	n.s.
EBITDA	3.255	9,0	3.314	10,0	(1,8)
Amortization, depreciation	684	1,9	532	1,6	28,6
OPERATING PROFIT (EBIT)	2.571	7,1	2.782	8,4	(7,6)
Financial income (charges)	(308)	(0,9)	(158)	(0,5)	n.s.
EARNINGS BEFORE TAXES (EBT)	2.263	6,3	2.624	7,9	(13,8)
Taxes	(696)	(1,9)	(609)	(1,8)	14,3
NET PROFIT	1.567	4,3	2.015	6,1	(22,2)

Acquisition & consolidation
of PACE GmbH from April
1st, 2016

Strong Balance Structure



€ thousand	30.6.2017	31.12.2016	Var
Intangible assets	20.791	21.296	(505)
Tangible assets	1.626	1.598	28
Other fixed assets	2.844	2.534	310
Fixed Assets	25.261	25.428	(167)
Inventories	3.932	3.146	786
Trade receivables	19.623	23.740	(4.117)
Other short term assets	3.241	2.629	612
Trade payables	(1.279)	(1.626)	347
Tax payables	(2.487)	(2.532)	45
Other payables and short term liabilities	(17.560)	(17.928)	368
Net working capital	5.470	7.429	(1.959)
Severance and other non current liabilities	(3.914)	(3.945)	31
Capital employed	26.817	28.912	(2.095)
Shareholders' equity	32.286	34.283	(1.997)
Net financial debt	(5.469)	(5.371)	(98)
Financing of capital employed	26.817	28.912	(2.095)

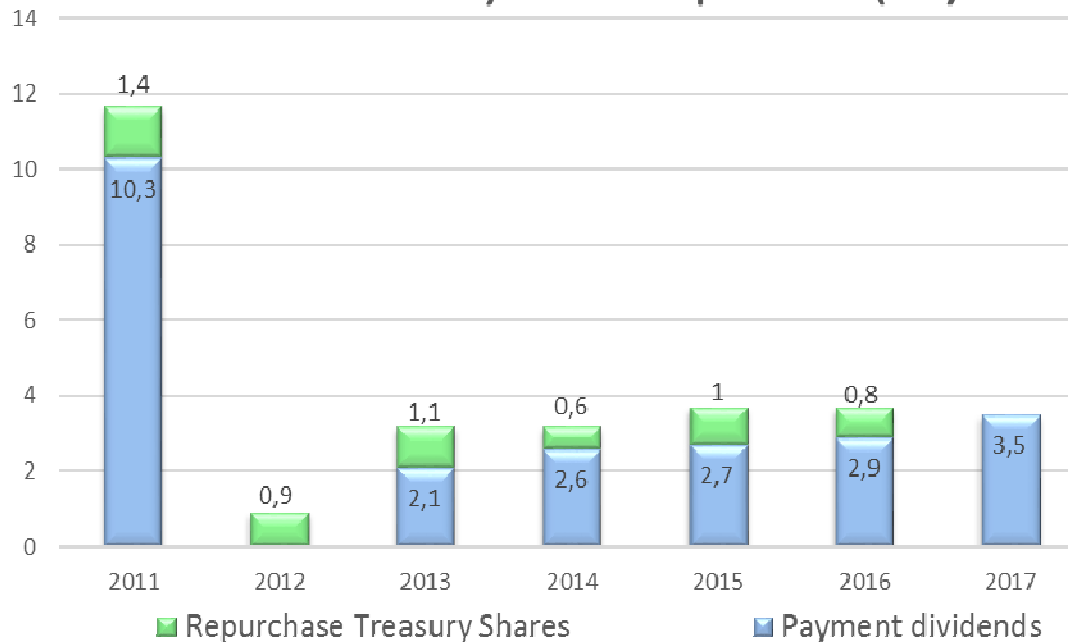
- Share Price

- 31.12.2010: 1.51€/share (rebased for free share distribution)
- 21.9.2017: 10.88€ /share

- Dividends

- 2011: 1 € /share (extraordinary, rebased)
- 2012: Free Share Distribution 1:1
- 2013: 0.20 € /share (rebased)
- 2014: Free Share Distribution 1:1
- 2014: 0.25 € / share
- 2015: Free Share Distribution 1:10
- 2015: 0.25 € / share
- 2016: 0.25 € / share
- 2017: 0.30 € / share

Dividends + Treasury Shares Repurchase (m€)



TXT Market Capitalization (m€)

