TXT E-SOLUTIONS GROUP

ANNUAL FINANCIAL REPORT

As at 31 December 2022

TXT e-solutions S.p.A.

Registered office, management, and administration:
Via Milano, No. 150 - 20093 Cologno Monzese (MI)
Share capital:
€ 6,503,125 fully paid-in
Tax code and Milan Business Register No.:
09768170152

Corporate Units

BOARD OF DIRECTORS

ENRICO MAGNI
Chair

DANIELE MISANI
Chief Executive Officer

MATTEO MAGNI
Director[2]

STEFANIA SAVIOLO
Independent Director[1-2-3]

PAOLA GENERALI
Independent Director[1-2-3]

ANTONELLA SUTTI
Independent Director[1-4]

CARLO GOTTA
Independent Director[2-3-4]

(1) Member of the Remuneration and Appointments Committee.
(2) Member of the Risks and Internal Controls Committee.
(3) Member of Related Parties Committee.
(4) Appointed by the Shareholders' Meeting on 13 September 2021.

BOARD OF STATUTORY AUDITORS

In office until approval of the Financial Statements as of 31 December 2022:

MARIO BASILICO
Chair

LUISA CAMERETTI
Standing auditor

FRANCO VERGANI
Standing auditor

MASSIMILIANO ALBERTO TONARINI
Alternate auditor

FABIO MARIA PALMIERI
Alternate auditor

GIADA D'ONOFRIO
Alternate auditor

Independent Auditors:
Crowe Bompani S.p.A.
Investors relations:
E-mail: *infofinance@txtgroup.com*
Tel: +39 02 25771.1

Leadership Team

Enrico Magni

An experienced entrepreneur with a solid track record in guiding the growth processes of companies operating in different sectors, Enrico joined TXT as a key shareholder and now holds the position of Chair, aiming at driving the Group's growth.

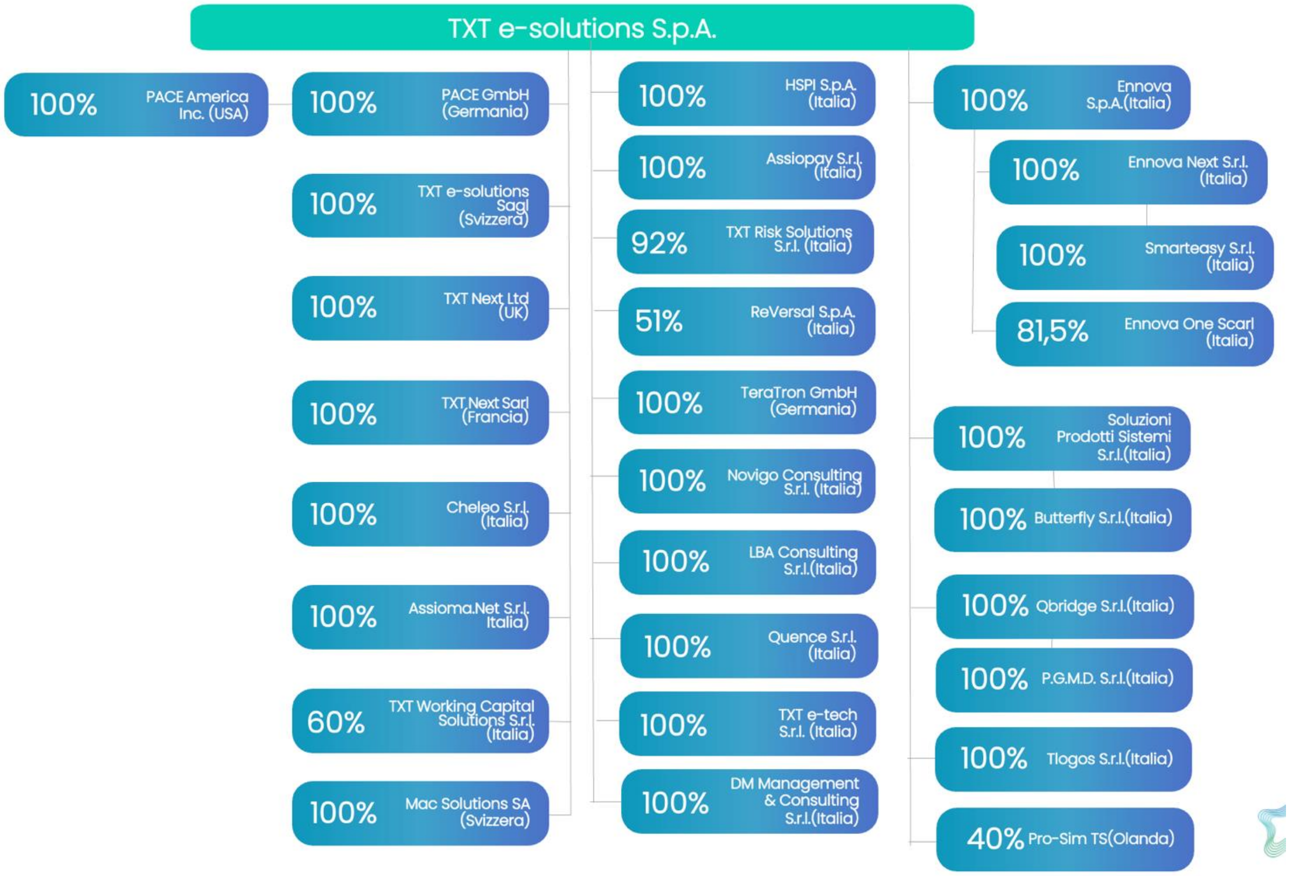
Daniele Misani

+20 years in TXT, with a strong experience in the international development of the business, from mid-2020 holds the position of Group CEO, with strategic responsibilities in defining and executing the TXT Group's international growth strategies.

Eugenio Forcinito

+20 years of experience in finance and administration and an in-depth understanding of management dynamics, over the last fifteen years Eugenio has always been focused and committed to the sustainable growth of the TXT Group.

Organisational structure and scope of consolidation



TXT E-SOLUTIONS GROUP

KEY DATA AND DIRECTORS' REPORT ON OPERATIONS

As at 31 December 2022

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	31.12.2022	%	31.12.2021	%	% CHANGE
REVENUES	150,758	100.0	96,363	100.0	56.4
EBITDA	22,259	14.8	14,516	15.1	53.3
OPERATING PROFIT (EBIT)	13,911	9.2	7,839	8.1	77.5
NET PROFIT ATTRIBUTABLE TO TXT SHAREHOLDERS	11,988	8.0	7,873	8.2	52.3

FINANCIAL DATA (€ thousand)	31.12.2022	31.12.2021	Change
Fixed assets	115,628	81,281	34,347
Net working capital	36,797	24,177	12,620
Post-employment benefits and other non-current liabilities	(4,772)	(3,297)	(1,475)
Capital employed	147,653	102,161	45,492
Net financial debt	38,270	11,649	26,621
Group shareholders' equity	109,366	92,655	16,711
Shareholders' Equity attributable to minority interests	17	412	(395)

DATA PER SHARE	31.12.2022	31.12.2021	Change
Average number of shares outstanding	11,834,835	11,724,059	110,776
Net earnings per share	1.01	0.67	0.34
Shareholders' equity per share	9.24	7.58	1.66

ADDITIONAL INFORMATION	31.12.2022	31.12.2021	Change
Number of employees	2,254	1,210	1,044
TXT share price	12.84	10.14	2.70

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 makes use of the following terms:
• EBITDA, which is equivalent to "Total revenues" net of total operating costs in the official consolidated Income Statement;
• EBIT, which is equivalent to "Total revenues" net of total operating costs, depreciation, amortisation and impairment in the official consolidated Income Statement.

The reclassified consolidated Balance Sheet was prepared based on the items recognised as assets or liabilities in the official consolidated Balance Sheet and makes use of the following terms:
• FIXED ASSETS, given by the sum of tangible and intangible fixed assets, goodwill, deferred tax assets/liabilities and other non-current assets;
•NET WORKING CAPITAL, given by the sum of inventories, trade receivables/payables, current provisions, tax receivables/payables and other assets/liabilities and current receivables/payables;
• CAPITAL EMPLOYED, given by the algebraic sum of fixed assets, net working capital and 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 financial position and economic performance, also by providing comparative data. The APMs adopted are consistent with those used in the previous year.

Directors' report on operations for the year 2022

Dear Shareholders,

The year 2022 confirms the significant growth of the Group thanks also to the consolidation of recent acquisitions. During the year, more than 10 opportunities were assessed, due diligence was carried out on various companies and 5 acquisitions were completed.

On **29 June 2022**, the contract was signed for the acquisition of 78.56% of **Ennova S.p.A.** share capital.
At that date, the remaining 21.44% of the share capital of Ennova S.p.A. was held by the current management of the company led by Sabino Patruno, CEO of Ennova S.p.A. since 2020.
The acquisition of Ennova S.p.A. represents a key milestone in the accelerated growth project of the TXT Group thanks to some strategic factors such as the wide specialised technological skills (e.g. AI, chatbot, etc.), the numerous resources employed in the software factory or project activities, and the important business volumes generated with large corporates, industry leaders and SMEs operating in the telco & media, utilities, finance and gaming sectors that will expand the perimeter of the TXT market; the acquisition generates high growth ambitions fostered by technological, commercial and territorial synergies and the up-sell and cross-sell strategies of TXT e-solution S.p.A. and Ennova S.p.A. solutions and competencies to the large consolidated customer portfolio.
The consideration for the purchase of 78.56% of Ennova S.p.A., representing the total shares held by non-operating shareholders, agreed between the parties at € 8.9 million, was paid in cash at closing. The purchase contract of 78.56% does not provide for a price adjustment.
Ennova S.p.A. was founded in 2010 in the Incubator of Innovative Enterprises of the Politecnico di Torino University as a startup for the development of services and solutions for the management of the entire life cycle of the digital transformation of companies; throughout its history, Ennova S.p.A. has recorded a fast and constant growth process that has led it to consolidate fast-growing revenues, from € 18 million in 2015 to € 40 million in 2017, to over € 60 million in 2021. Adjusted EBITDA recorded in 2021 was equal to € 5.3 million.
On **3 October 2022**, the acquisition of the remaining 21.44% from the non-controlling shareholders and managers of Ennova S.p.A. was finalised. The consideration for the purchase of 21.44% of Ennova S.p.A. was agreed between the parties at € 6.4 million, of which € 4.9 million (75%) was paid in cash and € 1.5 million (25%) was paid in ordinary TXT treasury shares sold at a price corresponding to the average price of TXT e-solutions S.p.A. shares for the 30 business days prior to the date of closing.
The 21.44% purchase agreement includes two earn-out clauses in favour of the selling shareholders who will continue to hold strategic management roles in Ennova S.p.A.; the earn-outs will be recognised on the basis of Ennova performance upon approval of Ennova's 2022 and 2023 financial statements, respectively.
Ennova's current offering is concentrated on three main business units: the Technology business unit, which focuses on the development of proprietary platforms for the digitisation of customer

processes in different markets, the Advanced Caring business unit, which manages the outsourcing of high-tech customer care for telco and utility customers through the use of innovative AI-based proprietary platforms, and the Tech on Site business unit, which provides nationwide coverage with specialised resources and software platforms for the telco and gaming industry.

On **19 July 2022**, a contract was signed for the acquisition of 100% of the share capital of **DM Management & Consulting S.r.l.** ("DM"). TXT has consolidated its results from 20 July 2022.
DM was founded in Parma in 2011 by Davide Massari, Stefano Massari and Luca Romani, current directors of the company, and in 2013 it launched the first version of the proprietary MES/MOM DMP platform on the market; over the years DM has supported a constant investment process in R&D that has led to new software releases and continuous business growth fostered by the acquisition of numerous important customers, 70% of which are medium and large manufacturing companies operating in various industrial sectors both domestically and internationally. In the course of 2021 DM reported ARR (Annual Recurrent Revenues) of approximately € 0.5 million (on Adjusted Revenues from sales equal to € 1.2 million) and EBITDA margin of 25% with annual growth rate of revenues (CAGR) expected at 30% in the three-year period 2022-2024, thanks also to group synergies.
The consideration for the purchase of 100% of DM ("Enterprise Value") was agreed between the parties at € 1.7 million paid at the closing, of which € 1.4 million (82%) was paid in cash and € 0.3 million (18%) was paid in ordinary TXT treasury shares sold at a price corresponding to the average price of TXT's shares for the 30 business days prior to the date of closing. The Net Financial Position resulting at closing will be settled in cash.
Davide Massari, Stefano Massari and Luca Romani, shareholders and current key managers of DM, will remain with the company and the DM share acquisition agreement provides for retention and earn-out clauses in their favour with expiry upon approval of the DM financial statements, which will close on 31 December 2024; the earn-out set forth in the contract, if due by TXT to the selling shareholders of DM, will be settled by cash and through the guaranteed revaluation of the TXT ordinary shares sold to the selling shareholders as part of the payment of the Enterprise Value.
The acquisition of DM represents a milestone for strengthening and expanding the offer of proprietary digital solutions for the industry.

On **3 October 2022,** the contract for the acquisition of 100% of the share capital of **Soluzioni Prodotti Sistemi S.r.l.** was executed. TXT shall consolidate its results from 3 October 2022.
Solutions Products Sistemi S.r.l. was established in Rome in 2009 and starting from 2013 began its accelerated expansion process that led to the opening of two new offices in Bari and Milan and to the achievement of a workforce of over 100 resources distributed throughout the country to oversee major customers and support innovative projects for the development of application, IoT and Artificial Intelligence solutions; over the years, SPS has sustained a steady business growth process with a CAGR on revenues 2018-2021 of 23%, leading to consolidated sales revenues 2021 of € 9.5 million and Adjusted EBITDA margin of 15%.

The consideration for the purchase of 100% of SPS ("Enterprise Value"), net of earn-outs, was agreed between the parties at € 6.4 million paid at the closing, of which € 4.8 million (75%) was paid in cash and € 1.6 million (25%) was paid in TXT e-solutions S.p.A. shares sold at a price corresponding to the average share price of the 30 business days prior to the closing date.
The selling shareholders, who are currently directors and managers of SPS, will remain with the company, and the share acquisition agreement provides for retention and earn-out clauses in their favour expiring on the approval of the financial statements for the year ending 31 December 2024; the earn-outs under the agreement, if payable by TXT to the selling shareholders of SPS, will be settled in cash and through the guaranteed revaluation of the TXT ordinary shares transferred to the selling shareholders as part of the Enterprise Value payment.

On **14 November 2022**, the final contract for the acquisition of 100% of the capital of the company PGMD S.r.l. ("PGMD") was executed. The acquisition of PGMD significantly strengthens TXT's consulting offering in the field of digitalisation of ICT processes in specific sectors such as the healthcare sector, with proprietary technologies, certifications and software that will be integrated into TXT's digital advisory offering in favour of an increasingly prestigious and extensive customer portfolio.
The offer of digital advisory in the public sector represents a strategic growth driver for the TXT Group; PGMD's high specialisation allows us to strengthen the management team and add strategic contacts and expertise in the healthcare sector. Thanks to the synergies with HSPI, we aim to grow volumes quickly and position ourselves with increasingly significant roles in the public sector digitalisation market.
PGMD was established in 2006 by the selling shareholders and current managers and today has 25 specialised resources including employees and external professionals and 2022 revenues (pro-forma) of approximately € 2.8 million with an EBITDA margin of 22%; PGMD offers specialised expertise in consulting and software and application development for the Healthcare sector, both public and private. The company has a strong positioning in the digitalisation of the sector in question, a solid backlog of revenues from multi-year contracts already acquired for over € 3 million and strong growth potential driven by the digitalisation of the public health sector, which will benefit from the funds stemming from the NRRP. The consideration for the purchase of 100% of PGMD ("Enterprise Value PGMD") was agreed between the parties at € 3.5 million, of which € 3.0 million (~85%) paid in cash and € 0.5 million (~15%) through the payment of ordinary TXT treasury shares

On **21 November 2022**, the contract for the acquisition of 100% of the share capital of TLogos S.r.l. ("TLogos") was executed. The investment in TLogos represents a strategic operation for the consolidation of strong and innovative cybersecurity expertise that will strengthen the TXT Group's digital "advisory" offering in a segment with high growth potential and high added value across an increasingly wide range of industries. TLogos, with headquarters in Rome and a workforce of 15 resources, is a high value-added digital consulting boutique company with important direct contracts in main European space projects.

TLogos was established in 2011 as a consulting company founded by former senior managers of leading ICT consulting companies and, as early as 2012, specialised in the provision of consultancy services for the implementation of projects and the development of solutions for the benefit of IT security in complex environments such as the space sector; with 15 specialised internal resources, TLogos' 2022 revenues (pro-forma) amount to € 1.6 million with an EBITDA margin of 35%; for more than 10 years TLogos has been a reliable player in security governance, security engineering, identity solutions and the broadest cybersecurity-related projects, with specific, high added-value skills and certified personnel. For years, the company has positioned itself as a strategic partner specialised in safety in European ISS (International Space Station) projects. TLogos boasts a significant backlog of revenues from contracts already acquired with strong growth potential both in the sector to which it belongs and in other sectors already covered by the TXT Group, which will benefit from an increasingly extensive offering with high added value in the area of cybersecurity. The acquisition price for 100% of TLogos was agreed between the parties as € 5 million.

On **22 November 2022**, following the execution of the investment contract on 4 November 2022, the share capital increase in ProSim Training Solutions was subscribed, by virtue of which TXT e-solutions S.p.A. holds a minority stake in ProSim-TS representing 40% of the company's share capital. The investment agreement consists of an initial capital increase of € 0.5 million in ProSim-TS, reserved for TXT e-solutions S.p.A., against which TXT will be holding 40% of ProSim-TS. In addition, the agreement involves the provision of financing and technology to support the company's growth, as well as a subsequent set of rounds of investment that will allow TXT e-solutions S.p.A. to increase its shareholding, with the goal of achieving majority ownership following the approval of the financial statements closing on 31 December 2023, and a subsequent investment round that will allow it to achieve 100% after the approval of ProSim-TS's financial statements closing on 31 December 2025.
ProSim-TS is recognised as an emerging player in the civil aviation training market thanks to a high business growth rate that has led to more than 300 professional simulator installations worldwide on various training devices, all based on the ProSim-TS software. In addition to the fixed-base solutions, ProSim-TS offers the FMS Trainer Software and other specialised software features for maintenance training. Innovative tools that enable users to improve their skills and guide them to the next level. For 2022, ProSim-TS expects a turnover of € 1.5 million generated by the sale of proprietary software.

The main operating and consolidated financial results for 2022 were as follows:

- <u>Revenues</u> amounted to € 150.8 million, up 56.4% from € 96.4 million in 2021. Within the same consolidation scope, revenues increased by 22.2%. Software revenues amounted to € 10.3 million, up 21.7% compared to € 8.4 million in the previous year. Revenues from services amounted to € 140.5 million, up 60% compared to 2021 (€ 87.9 million).
  Revenues in the Aerospace, Aviation and Industrial Division amounted to € 85.7.2 million, up 58.9% compared to 2021, of which € 20.5 million from the new acquisitions.

The Fintech Division reported revenues in the amount of € 65 million, up 53.4% compared to 2021, of which € 0.6 million due to the consolidation of the new acquisitions during the year.

- The Gross Margin, net of direct costs, increased from € 39.3 million to € 56.4 million, an increase of +43.5%. The gross margin amounted to 37.4% of revenues.

- EBITDA amounted to € 22.3 million, an increase of +53.3% compared to the twelve months of 2021 (€ 14.5 million), after significant investments in commercial expenses and research and development expenses. The margin on revenues was 14.8%, in line with 2021.

- Operating profit (EBIT) was € 13.9 million, an increase of +44.9% compared to 2021 (€ 9.6 million). Amortisation and depreciation of tangible and intangible assets amounted to € 7.1 million, an increase of € 2.5 million compared to the previous year, mainly due to the consolidation of the 2021 and 2022 acquisitions.

- Financial income amounted to € 2.3 million compared to € 0.7 million in 2021. The increase is mainly due to the effect of the fair value adjustment of liabilities, equal to € 2.4 million, related to the earn-out of Assioma.Net and the Put/Call option for the purchase of the residual portion of the 40% of TXT Working Capital Solutions. In particular, for a) Assioma.Net, the amount recognised at fair value of € 2.6 million, as at 30 September 2022 was restated to € 1.5 on the basis of the agreements subsequently defined between the parties and paid in the first half of October 2022, b) TXT Working Capital Solutions the amount recognised for € 2.8 million was restated to € 1.6 based on the financial and economic results expected in 2024.
  This item includes income of € 2.2 million from the fair value valuation of the investment in Banca del Fucino and the share of the result of the non-consolidated companies Reversal SIM SpA. ProSim Training Solutions.

- Net profit was € 12 million, up from € 7.8 million in 2021. In 2022, taxes accounted for 26%.

- Consolidated net financial debt as at 31 December 2022 was positive for € 38.3 million, compared to the positive 11.6 million in 2021, mainly due to the effects of the acquisitions net of the financial debt acquired (€ 19.4 million) and the purchase of treasury shares (€ 5.5 million).

- Consolidated shareholders' equity as at 31 December 2022 was € 109.4 million, compared to € 92.7 million as at December 2021. The changes mainly concern the recognition of net profit (€ 12 million), the net effect of the purchase and sale of treasury shares (€ 3.1 million), the valuation of the Cash Flow Hedge reserve (€ 1.1 million) and, for the difference, the changes in the reserves for actuarial differences of the post-employment benefits and the translation reserves of the financial statements in foreign currency belonging to the Group.

TXT's consolidated results for 2022, compared with the previous year's figures, are presented below:

(€ thousand)	2022	%	2021	%	% Change
REVENUES	**150,758**	**100**	**96,363**	**100**	**56.4**
Direct costs	94,309	62.6	57,013	59.2	65.4
GROSS MARGIN	**56,449**	**37.4**	**39,350**	**40.8**	**43.5**
Research and development costs	7,634	5.1	6,890	7.2	10.8
Commercial costs	14,149	9.4	9,751	10.1	45.1
General and administrative costs	12,407	8.2	8,193	8.5	51.4
GROSS OPERATING PROFIT (EBITDA)	**22,259**	**14.8**	**14,516**	**15.1**	**53.3**
Depreciation	3,605	2.4	2,436	2.5	48.0
Amortisation	3,496	2.3	2,122	2.2	64.8
Reorganisation and non-recurring charges	1,247	0.8	(356)	(0.4)	(450.3)
OPERATING PROFIT (EBIT)	**13,911**	**9.2**	**9,602**	**10.0**	**44.9**
Extraordinary/Financial income (charges)	(165)	(0.1)	706	0.7	(123.4)
Extraordinary/financial income (charges) related to acquisitions	2,452	1.6	0	0.0	0.0
EARNINGS BEFORE TAXES (EBT)	**16,198**	**10.7**	**10,308**	**10.7**	**57.1**
Taxes	(4,210)	(2.8)	(2,469)	(2.6)	70.5
NET PROFIT	**11,988**	**8.0**	**7,839**	**8.1**	**52.9**

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs in 2022, compared with those of the previous year, are presented below for each Division.

(€ thousand)	12 months 2022	%	12 months 2021	%	% Change
TXT AEROSPACE, AVIATION & INDUSTRIAL					
REVENUES	85,741	100	53,971	100	58.9
Software	7,860	9.2	7,148	13.2	10.0
Services	77,881	90.8	46,823	86.8	66.3
DIRECT COSTS	50,433	58.8	30,183	55.9	67.1
GROSS MARGIN	35,308	41.2	23,788	44.1	48.4
TXT FINTECH					
REVENUES	65,017	100	42,392	100	53.4
Software	2,398	3.7	1,280	3.0	87.3
Services	62,619	96.3	41,112	97.0	52.3
DIRECT COSTS	43,876	67.5	26,830	63.3	63.5
GROSS MARGIN	21,141	32.5	15,562	36.7	35.9
TOTAL TXT					
REVENUES	150,758	100	96,363	100	56.4
Software	10,057	6.8	8,428	8.7	21.7
Services	140,500	93.2	87,935	91.3	59.8
DIRECT COSTS	94,309	62.6	57,013	59.2	65.4
GROSS MARGIN	56.449	37.4	39.350	40.8	43.5

TXT Aerospace, Aviation & Industrial Division

The Aerospace, Aviation and Industrial Division recorded revenues of € 85.7 million, an increase of 58.9% over 2021, of which 20.5 million for the consolidation of the companies acquired in 2022 (Ennova, SPS and DM Consulting) and 11.3 million from organic development.

Software revenues in 2022 were € 7.9 million, an increase of 10% compared to 2021. International revenues represent 35.6% of the Division's revenues, amounted to € 30.5 million as at 31 December 2022, up from € 22.1 million last year.

Gross margin in 2022, was up 48.4%, standing at € 35.3 million compared to € 23.8 million in 2021. As a percentage of revenues, the gross margin amounted to 41.2% compared to 44.1% due to the higher services component in the revenue mix.

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 (IT), Airbus (DE and FR), Boeing (USA), Pilatus (CH), Saab (SW), Reiser (DE), Safran Group (FR), GE Aviation (USA), COMAC (China), Embraer (Brazil), Rolls-Royce (UK), Lufthansa (DE), American Airlines (USA) and Delta Airlines (USA).

With the consolidation of TeraTron GmbH, TXT strengthens its presence in Germany with more than 150 specialised resources, integrating the Aerospace offer of PACE GmbH with the offer of TeraTron GmbH within the German manufacturing & automotive sector. It significantly increases the know-how on key technological expertise related to the IoT area, expanding the offer with the proposal of proprietary software and hardware solutions. In the last three years that ended, TeraTron reported revenues of € 9.2 million in 2019, with EBITDA of € 1.8 million; revenues of € 7.6 million in 2020, with EBITDA of € 1.4 million; and revenues of € 9.8 million in 2021, with EBITDA of € 2.5 million.

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.

TXT FINTECH Division

The Fintech Division recorded revenues of € 65.0 million, an increase of +53.4% compared to 2021, of which € 10.6 million due to the consolidation of companies acquired during the last quarter of 2021 and € 1.3 million due to the consolidation of companies acquired during the last quarter. International revenues represent 18% of the Division's revenues, standing at € 11.7 million as at 31 December 2022, up from € 6.6 million as at 31 December 2021.

The gross margin was 21.1 million, an increase of 35.9% over 2021 (€ 15.6 million). The gross margin as percentage of revenues decreased from the previous year to 36.7% in 2021 and 32.5% in 2022.

TXT historically operates in the financial and banking sector with an increasing portfolio of proprietary products and innovative solutions. Moreover, TXT specialises in Independent Verification & Validation of supporting IT systems. At the base of the offer is the great experience of market processes accrued over more than twenty years of activity alongside leading banking companies, combined with in-depth knowledge of methods and tools for managing specialist vertical processes such as NPL, digital payments, factoring and compliance.

The **FARADAY™** product designed for compliance with solutions for the assessment of the risk of financing of terrorism, corruption and money laundering, which aim to meet the needs of all those who are subject to European and national legislation on the subject, allows to manage different types of data and to support the calculation of the risk in the various areas.

Polaris is the B2B digital platform (Marketplace) designed to dynamically and centrally manage the Supply Chain Finance programmes, aimed at responding in a flexible and integrated manner to the needs of the buyers, suppliers and Financial Partners; ideal tool for large companies and multinationals that manage large and diversified supplies. Polaris gives the possibility to financial partners, banks specialised in trade finance and Factors, investment funds and family offices, of expanding their reference market with centralised management of the onboarding processes and contractual formalisation. A simple tool to proactively manage commercial debt within their supply chains, supporting the liquidity of suppliers in collaboration with a wide range of possible financial partners. Polaris digitalises the main operating processes in the area of reverse factoring, confirming and dynamic discounting, making it possible to include both smaller suppliers and financial partners other than large commercial banks in the support programs of large companies.

AssioPay, focused on the development of software for the world of payments and payment-related systems (meal vouchers and rechargeable), has developed a proprietary platform (gateway) that allows access to various service providers, and has also developed an Android SmartPOS application, able to integrate various issuers and enable payment on international credit circuits in addition to their management software (AssioPay Terminal Management System). AssioPay designs and develops software and Apps for payment, loyalty, ticketing, meal vouchers and many other solutions at Banks, Financial Institutions, System Integrators, service providers, large-scale distribution chains, etc. through customised solutions.

The **EIDOS Retail** platform is the solution designed to meet the management and tax needs of sales activities. Complete, flexible, intuitive, easy to use even by non-expert operators, it allows you to manage your sales in physical stores, in B2B, B2C and mobility. It is a solution that makes the multi-channel relationship with Customers its strong point (loyalties, gift cards, customised price lists, promotions, which can be consulted both at the point of sale and on line and mobile) but also covers all the business operations associated with the sales activity (procurement, warehouses, inventories, shelf life, returns to Supplier).

The **EIDOS Reservation** platform handles all types of bookings, with dynamic and automatic inclusions, groups and allotments for tour operators. The system manages all the necessary transactional aspects: reservations, changes, payments, sales invoices and the calculation of commissions due to the Agency. The data can be exchanged with external systems for accounting management.

GROUP REVENUES

<u>*Research and development costs*</u> in 2022 were € 7.6 million, up from € 6.9 million in 2021. TXT continues to invest in its Fintech division with new initiatives and with the development of "Fara-

day", "Polaris" proprietary products and the AssioPay platform and in the Aerospace division with the development of "Pacelab Preliminary design", "Pacelab Flight Profile Optimizer", "Pacelab Aircraft Configuration Environment" and "Pacelab Weavr" proprietary products. The percentage of revenues was 6.3%.

Commercial costs amounted to € 14.1 million, an increase of 45.1% over 2021 (€ 9.8 million). As a percentage of revenues, commercial costs decreased from 10.1% in 2021 to 9.4% in 2022.

General and administrative costs amounted to € 12.4 million, an increase of 51.4% over the same period in 2021 (€ 8.2 million), mainly due to the consolidation of the previous year and this year acquisitions and non-recurring expenses related to the still ongoing process of acquisitions. As a percentage of revenues, these costs amounted to 8.2% in 2022 compared to 8.5% in 2021.

Financial income amounted to € 2.3 million compared to € 0.7 in 2021.

Net profit was € 12.0 million, up from € 7.8 million in 2021. Taxes accounted for 26%.

CONSOLIDATED CAPITAL EMPLOYED

As at 31 December 2022, Invested Capital was € 147.7 million, up by € 42.9 million compared to 31 December 2021 (€ 104.7 million).

The table below shows the details:

(€ thousand)	31.12.2022	31.12.2021	Change
Intangible assets	77,975	55,182	22,793
Net tangible assets	18,293	12,126	6,167
Other fixed assets	19,360	16,529	2,831
Fixed assets	115,628	83,837	31,791
Inventories	13,765	7,810	5,955
Trade receivables	73,115	43,156	29,959
Sundry receivables and other short-term assets	15,352	8,864	6,488
Trade payables	(20,643)	(6,303)	(14,340)
Tax payables	(7,958)	(5,700)	(2,258)
Sundry payables and other short-term liabilities	(36,834)	(23,650)	(13,184)
Net working capital	36,797	24,177	12,620
Post-employment benefits and other non-current liabilities	(4,772)	(3,297)	(1,475)
Capital employed	147,653	104,717	42,936
Group shareholders' equity	109,366	92,655	16,711
Shareholders' Equity attributable to minority interests	17	412	(395)
Net financial debt	38,270	11,649	26,621
Financing of capital employed	147,653	104,717	42,937

Intangible assets rose from € 81.3 to € 115.6 million mainly due to goodwill from the 2022 acquisitions: i) DM Management & Consulting S.r.l. (€ 2.1 million), ii) Ennova Spa (€ 9.9 million), iii) Soluzioni Prodotti Sistemi S.r.l. (€ 3.9 million), iv) PGMD Consulting S.r.l. (€ 2.9 million), v) TLogs S.r.l. (€ 3.8

million) and to the capitalisation of the development costs of the i-Mole financed project, net of the amortisation for the period on the intellectual property of the software and customer portfolio for the acquisitions of Pace, Cheleo and TXT Risk Solutions, Assioma.Net Srl, HSPI Spa, TeraTron GmbH, LBA Consulting Srl, Novigo Consulting Srl, Quence Srl (€ 3.0 million).

Tangible assets of € 18.3 million, increased by € 6.2 million compared to 31 December 2021. The increases for the period (€ 9.8 million) were offset by depreciation for the period (€ 3.6 million).

Other fixed assets of € 19.4 million increased from € 16.5 million in December 2021, mainly due to the recognition of the investment in Reversal SIM S.p.A. (€ 0.6 million) and ProSim Training Simulation (€ 0.4 million), and the valuation at Fair Value of the investment in Banca del Fucino, valued at € 14.3 million as at 31 December 2021 and € 16.5 million as at 31 December 2022, and for the difference due to the utilisation of deferred tax assets.

Net working capital amounted to € 36.8 million compared to € 24.2 million as at 31 December 2021. The change was € 12.6 million. There was an increase in inventories for work in progress for activities not yet invoiced to customers (€ 6.0 million), and for the net effect of the increase in trade receivables (€ 30 million) and trade payables (€ 14.3 million) mainly due to the acquisitions in the year, partly offset by effective credit recovery actions from important Italian customers in the aeronautics sector.

Liabilities arising from post-employment benefits and other non-current liabilities of Italian employees and other non-current liabilities stood at € 4.8 million compared to € 3.3 million as at 31 December 2021, an increase due to the 2022 acquisitions.

Consolidated shareholders' equity as at 31 December 2022 was € 109.4 million, compared to € 92.7 million as at December 2021. The changes mainly concern the recognition of net profit (€ 12 million), the net effect of the purchase and sale of treasury shares (€ 3.1 million), the valuation of the Cash Flow Hedge reserve (€ 1.1 million) and, for the difference, the changes in the reserves for actuarial differences of the post-employment benefits and the translation reserves of the financial statements in foreign currency belonging to the Group.

Minority interests as at 31 December 2022 amounted to € 17 thousand compared to € 0.4 million as at 31 December 2021. As of the second quarter of 2022, management decided to no longer consolidate the company Reversal SIM S.p.A. following the loss of control; although it retains ownership of 51% of the shares, according to the shareholders' agreement in place, the company no longer has sole control of the invested company.

The European Securities and Markets Authority (ESMA) published on 4 March 2021 the Guidelines on disclosure requirements pursuant to EU Regulation 2017/1129 ("Prospectus Regulation").

With the "Recall of attention No. 5/21" of 29 April 2021, CONSOB declared its intention to bring its supervisory practices in relation to the net financial position into line with the aforementioned

ESMA guidelines. In particular, CONSOB has declared that the prospectuses approved by it, starting from 5 May 2021, must comply with the aforementioned ESMA Guidelines.

Therefore, based on the new forecasts, listed issuers will have to submit, in the explanatory notes to the annual and half-yearly financial statements, published starting from 5 May 2021, a new prospectus on the subject of debt to be drawn up according to the indications contained in paragraphs 175 and following of the aforementioned ESMA Guidelines.

In this regard, the ESMA Guidelines provide for the following main changes to the debt prospectus:

- we no longer speak of "Net financial position", but of "Total financial debt";
- in the context of non-current financial debt, trade payables and other non-current payables must also be included, i.e. payables that are not remunerated, but which have a significant implicit or explicit financing component (for example, payables to suppliers due after 12 months);
- in the context of current financial debt, the current portion of non-current financial debt must be indicated separately.
- "financial debt" includes remunerated debt (i.e., interest-bearing debt), which includes, among other things, financial liabilities relating to short- and/or long-term lease contracts. Information on lease payables must be provided separately.

Net financial debt (availability) and cost of debt

Below is a summary of the main phenomena that had an impact on net financial debt, which as at 31 December 2022 was € 38.3 million, € 11.6 million as at 31 December 2021.

(€ thousand)	31.12.2022	31.12.2021	Change
Cash and cash equivalents	(33,015)	(36,076)	3,062
Financial instruments at fair value	(48,490)	(48,869)	379
Liquid assets	(81,505)	(84,945)	3,440
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	21,706	31,355	(9,649)
Current portion of non-current financial debt	29,481	15,770	13,710
Current financial debt	51,187	47,125	4,062
Current net financial debt	(30,318)	(37,820)	7,502
Non-current financial debt (excluding current portion and debt instruments)	70,005	49,469	20,536
Non-recurring financial receivables	(1,417)	-	(1,417)
Non-current financial debt	68,588	49,469	19,120
Total financial debt	38,270	11,649	26,621
Non-monetary debts for adjustment of the			

price of the 2022 acquisitions to be paid in TXT shares	(1,750)	(5,253)	3,503
Financial investment - Banca Del Fucino	(16,542)	(14,300)	(2,242)
Adj. Net Available Financial Resources	19,979	(7,904)	27,883

Below is the breakdown of the debt referred to the application of IFRS 16:

(€ thousand)	31.12.2022	31.12.2021	Change
Debt referred to IFRS 16	(8,494)	(5,748)	2,746

The composition of Net Financial Debt as at 31 December 2022 is as follows:

- Cash and cash equivalents of € 33.0 million are mainly in euro, held with major Italian banks.
- *Financial instruments at fair value* of € 48.5 million consisted of investments in multi-segment insurance funds with partially guaranteed capital (€ 41.1 million), a bond loan (€ 0.5 million), and government securities and bond with an overall medium-low risk profile (€ 6.9 million); the valuation of financial instruments was affected by the negative effects of the international markets in the third quarter of 2022, mainly due to the Ukraine-Russia military conflict.

- Current financial debt (including debt instruments, and excluding the current portion of non-current financial debt) as at 31 December 2022 was € 21.7 million and refers (a) for € 14.9 million to short-term loans (hot money), (b) for € 2.5 million estimated disbursement for the first Earn Out of the Ennova's shareholders (c) for € 1.8 million estimated disbursement to complete the acquisitions carried out in the last months of the year, (d) for € 2.5 million to the short-term portion of the debt for the payment of rental and lease payments for offices, cars and printers for all instalments until the end of the relevant contracts following the adoption of the accounting standard (IFRS 16).

- The current portion of non-current financial debt of € 29.5 million refers to the short-term portion of medium/long-term bank loans.

- Non-current financial debt (excluding current portion and debt instruments) as at 31 December 2022 of € 70.0 million related to (a) € 57.3 million the portion of new medium- to long-term loans for the portion with a maturity of more than 12 months; (b) for € 1.7 million to the valuation of the debt for the PUT/CALL option for the acquisition of TXT Working Capital Solutions S.r.l., as an estimate of the additional disbursements for exercising the Put/Call option in the 2021-2025 period for the purchase of the remaining 40% of the company's shares; (c) for € 0.1 million to the payable related to the Restricted Share Price Adjustment for the acquisition of HSPI S.p.A.; (d) for € 0.2 million to the long-term portion of the Put/Call related to TXT Risk Solutions S.r.l. after renegotiation; (e) for € 6.0 million to the medium/long-term portion of the debt for the payment of rent and lease of offices, cars and printers for all instalments until the end of the relevant contracts following the adoption of the accounting standard IFRS 16; (f) for € 0.8 million estimated disbursement for the first Earn Out of Novigo shareholders; (g) € 0.3 million estimated disbursement for the Earn-Out of DM Management & Consulting shareholders, (h) for € 1.0 million estimated disbursement for the second Earn-Out of Ennova shareholders, (i) for € 2.4 million estimated disbursement for the Earn-Out of SPS shareholders and (l) for € 0.5 million estimated disbursement for the Earn-Out of PGMD shareholders.

The medium/long-term loans are all in Euro for a residual amount as at 31 December 2022 of € 102 million taken out by:

- parent company TXT e-solutions S.p.A. in 2018, 2021 and 2022, for € 90.4 million
- Assioma.Net between 2018 and 2019, for € 1.0 million
- TeraTron Gmbh in 2019, for € 1.4 million
- Novigo Consulting in 2019, for € 0.3 million
- DM Management & Consulting in 2019, 2020 and 2021, for € 0.2 million
- Ennova S.p.A. in 2021 for € 6.1 million
- Solutions Products Sistemi Srl in 2019, for € 1.9 million
- PGMD Srl in 2020, for € 0.3 million

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 debt 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 under which the company cannot create real rights of guarantee or other restrictions on company assets;
3. "*pari passu*" clauses, on the basis of which the loans will have the same degree of priority in the repayment with respect to other financial liabilities and change of control clauses, which are activated in the event of disinvestments by the majority shareholder;
4. limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
5. certain obligations for the issuer that limit, *inter alia*, the ability to pay particular dividends or distribute capital; to merge with or consolidate certain businesses; to dispose of or transfer its assets.

The measurement of financial covenants and other contractual obligations is constantly monitored by the Group. In particular, the financial covenants are measured on an annual basis as provided for contractually.

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.

Q4 2022 ANALYSIS

Analysis of the operating results for the fourth quarter of 2022, compared with those for the fourth quarter of the previous year, are presented below:

(€ thousand)	Q4 2022	%	Q4 2021	%	% Change
REVENUES	**58,358**	**100**	**29,630**	**100**	**97.0**
Direct costs	37,771	64.7	16,891	57.0	123.6
GROSS MARGIN	**20,587**	**35.3**	**12,739**	**43.0**	**61.6**
Research and development costs	1,856	3.2	1,799	6.1	3.2
Commercial costs	5,336	9.1	3,270	11.0	63.2
General and administrative costs	4,667	8.0	1,910	6.4	144.4
GROSS OPERATING PROFIT (EBITDA)	**8,728**	**15.0**	**5,760**	**19.4**	**51.5**
Depreciation, amortisation and impairment	2,808	4.8	1,511	5.1	85.8
Reorganisation and non-recurring charges	1,172	2.0	9	0.0	12922.2
OPERATING PROFIT (EBIT)	**4,748**	**8.1**	**4,240**	**14.3**	**12.0**
Financial income (charges)	3,918	6.7	361	1.2	n.a.
EARNINGS BEFORE TAXES (EBT)	**8,666**	**14.8**	**4,601**	**15.5**	**88.4**
Taxes	(2,014)	(3.5)	(893)	(3.0)	125.5
NET PROFIT	**6,652**	**11.4**	**3,708**	**12.5**	**79.4**

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

- Net revenues amounted to € 58.4 million, an increase of 97.0% compared to the fourth quarter of 2021 (€ 29.6 million). Revenues from software, subscriptions and maintenance were € 2.9 million, up slightly from the third quarter of 2021 (€ 2.1 million). Revenues from services amounted to € 55.4 million, up 30.2% from € 27.5 million in the fourth quarter of 2021.
- The Gross margin for the fourth quarter of 2022 was € 20.6 million, an increase of 61.6% compared to the fourth quarter of 2021 (€ 12.7 million). The percentage of revenues was 35.3% compared to 43.0% in the fourth quarter of 2021 due to the higher percentage of revenues generated by services.
- EBITDA in the fourth quarter of 2022 was € 8.7 million, an increase of 51.5% compared to the fourth quarter of 2021 (€ 5.8 million). The margin on revenue was 14.9% compared to 19.4% in the fourth quarter of 2021.
- Operating profit (EBIT) was € 4.7 million, an increase of 12.0% compared to the fourth quarter of 2021 (€ 4.2 million)
- Pre-tax profit was € 8.7 million, compared to € 4.6 million in the fourth quarter of 2021.
- Net profit was € 6.7 million, compared to € 3.7 million in the fourth quarter of 2021.

EMPLOYEES

As at 31 December 2022, employees were 2,254, a net increase of 1,044 units compared to the workforce as at 31 December 2021 (1,210 employees).

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

On 11 November 2022, the TXT e-solutions share recorded a maximum official price of € 13.60 and on 7 March 2022 a minimum price of € 7.74. As at 30 December 2022, the share price was € 12.84, € 2.70 higher than the 31 December 2021 value of € 10.14. The average daily trading volume on the stock market in 2022 was 24,321 shares, down from the previous year's average of 31,763 shares.

As at 31 December 2022, 906,600 treasury shares were held (1,243,372 as at 31 December 2021), accounting for 6.97% of shares outstanding, at an average carrying amount of € 2.35 per share. In 2022, 547.880 shares were purchased at an average price of € 10.15.

On 30 March 2022, the following treasury shares were transferred:

- 90,329 at the agreed price of € 9.84 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 28 December 2021 for the acquisition of 100% of Quence srl;
- 4,000 shares were transferred at the agreed price of € 9.15 per share to fulfil the commitments undertaken by the TXT Group towards the shareholders of HSPI SpA for the repurchase of 13,200 shares without voting rights.

On 2 May 2022, 114,753 shares were transferred at exactly the agreed price of € 9.15 per share to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the acquisition of 100% of Novigo srl.

On 30 May 2022, 117,928 treasury shares were transferred at the agreed price of € 9.54 per share to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the acquisition of 100% of Novigo srl.

On 19 July 2022, 18,000 shares of Txt e-solutions Spa were sold on the basis of the provisions of the company's stock option plan.

On 25 July 2022, 28,460 Txt e-solutions Spa shares were transferred to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 19 July 2022 for the purchase of 100% of the DM Management Consulting srl.

On 8 August 2022, 193,480 treasury shares were transferred at the agreed price of € 9.78 per share to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the purchase of 100% of the LBA Consulting srl;

On 3 October 2022, 135,406 treasury shares were transferred at a price of € 11.08 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 3 October 2022 for the acquisition of 20% of the company Ennova Spa;

On 6 October 2022, 36,000 treasury shares were transferred to implement the stock option plan for the managers of Txt e-solutions Spa.

On 18 November 2022, 144.876 treasury shares were transferred at a price of € 11,09 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 3 October 2022 for the acquisition of 100% of the company Soluzioni Prodotti Sistemi S.r.l..

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.

PARENT COMPANY'S PERFORMANCE (1)

TXT e-solutions SpA's results for 2022, compared with the previous year's figures, are presented here below:

	31.12.2022	Of which Related parties	31.12.2021	Of which Related Parties
Revenues and other income	4.621.233	4.621.233	4.640.643	4.607.091
TOTAL REVENUES AND OTHER INCOME	4.621.233	4.621.233	4.640.643	4.607.091
Purchases of material and external services	(5.432.428)	(1.617.136)	(4.952.830)	(1.583.165)
Personnel Costs	(2.238.260)	(647.995)	(1.072.483)	(581.563)
Other operating costs	(48.559)		(34.926)	
Depreciation and amortisation/Impairment	(889.418)		(654.043)	
OPERATING RESULT	(3.987.432)	2.359.979	(2.073.638)	2.252.506
Financial Income (charges)	4.059.587	(43.922)	850.260	(67.251)
EARNINGS BEFORE TAXES (EBT)	72.155	2.316.057	(1.223.378)	2.185.255
Income Taxes	-		-	
NET PROFIT (LOSS) OR THE PERIOD	72.155	2.316.057	(1.223.378)	2.185.255
Net Profit Discontinued Operations	6.888.661		6.303.709	
NET PROFIT (LOSS) OR THE PERIOD	6.960.817		5.080.331	

Financial Data (Euro thousand)	31.12.2022	31.12.2021	Change
Fixed Assets	148,964	103,919	45,045
Net working Capital	13.884	10,100	3.784
Severance & other non-current liabilities	(736)	(810)	74
Capital Employed	148,228	113,209	48.903
Net Financial Position – Cash	(58,510)	(22,318)	(36,192)
Shareholder's Equity	102,018	90,891	11,127
ALTRE INFORMAZIONI	31.12.2022	31.12.2021	Change
Number of employees	579	514	65
TXT share price	12.84	10.14	2.50

TXT e-solutions S.p.A. finalized on 15 December 2022 the transfer of its business unit consisting of

its two operating divisions Aerospace & Defence and Automotive & Industrial into TXT E-tech Srl, a vertical excellence focused on digital innovation in the industrial sector.
The transaction is aimed at ensuring an increase of efficiency of the holding role played by TXT e-solutions in favour of the Group's operating entities, as well as simplifying the organisational and managerial structure in line with TXT Group's growth objectives.
The transfer will be effective from the 1 st of January 2023.

RECONCILIATION OF NET SHAREHOLDERS' EQUITY OF THE PARENT COMPANY/CONSOLIDATED

	Patrimonio Netto			Utile Netto		
(Euro/000)	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Come da Bilancio TXT e-solutions S.p.A	102,018	90,891	85,107	6,961	5,080	1,758
Eccedenza dei patrimoni netti dei bilanci comprensivi dei risultati di esercizio, rispetto ai valori di carico delle partecipazioni in imprese consolidate	(62,830)	(44,532)	(31,478)	9,353	4,144	3,131
Rettifiche di consolidamento, al netto dell'effetto fiscale, per:						
- differenza tra prezzo di acquisto e corrispondente patrimonio netto contabile (goodwill)	63,518	44,593	30,431			
- differenza allocata a IP, CR e DTA con PPA	11,989	7,028	6,682	(3,017)	(1,847)	(1,336)
- imposte differite passive su differenza allocato a IP e CR con PPA	(3,394)	(1,961)	(1,864)	842	515	373
- Put/call minority	(1,769)	(2,951)	(3,015)	1,183	(53)	789
- eliminazione dividendi infragruppo				(2,473)		
- ripresa partecipazione Equity				(711)		
- altre rettifiche	(149)			(149)		-
Ricalcolato TXT Group	109,383	93,067	85,863	11,988	7,839	4,715

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

No transactions outside the normal course of business were carried out with related parties.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

In the first quarter of 2023, the TXT Group is successfully pursuing its accelerated growth plan thanks to a mix of organic growth and the contribution of new acquisitions and the everincreasing technological and commercial synergies among the Group companies. In all divisions, the integration of the newly acquired companies in the Group processes continues successfully, with benefits on operations and on the absorption of general and structural costs that will be more and more incisive.

In the Aerospace, Aviation & Automotive division, which includes the offer in the industry segment, for the first quarter of 2023 the TXT Group expects a positive trend in line with that recorded in 2022, with a positive contribution from all segments and year-on-year growth expected to be strong in the Civil Aviation, Automotive and Industry 4.0 segments, driven respectively by the subsidiaries PACE GmbH, Teratron GmbH and DM Consulting Srl, all of which share a business model based on the offering of proprietary Smart Solutions. The defence segment continues its constant growth thanks to its leadership position in the design and development of avionics software and training and simulation systems for the main European players. The consolidation of Ennova SpA and Soluzioni Prodotti Sistemi S.r.l. will give a key boost to the accelerated growth of TXT's business and positioning, which will play an increasingly central role in the digital transformation process in a rising number of sectors, both in Italy and internationally.

For the Fintech division, which includes the digital offering dedicated to public admissions, TXT's management expects strong revenue growth in the fourth quarter of the year with positive effects on the division's margins due to increasing volumes on multi-year CONSIP public tenders awarded by the subsidiary HSPI and thanks to new prestigious client projects and the revenues from proprietary software sales contracts provided to leading banks, payment institutions and insurance companies. In the light of the division's streamlining plan and the integration of the acquired companies during Q4 2022, positive results are being reported with synergies that are furthering the enhancement, expansion and positioning of the group's technology offering in the context of both digital and IT consulting and proprietary Fintech product offerings.

In relation to the M&A plan, in line with previous announcements, for 2023 the TXT Group plans to continue with its acquisition plan aimed at integrating new technologies, specialised skills and excellence in markets that are already proprietary or adjacent to the current ones, pursuing ambitious growth targets. The financing of the acquisition transactions will be done through the cash already available in TXT's coffers and the treasury shares in the portfolio.

In the current global geopolitical context triggered by the military conflict in Ukraine, the management and independent directors of TXT have currently not identified risks in the short term due to the minimal and non-strategic exposure of the TXT business in the Russian and Ukrainian regions. TXT's management constantly monitors the evolution of the conflict and the related macroeconomic instability.

Manager responsible for preparing corporate accounting documents	Chair of the Board of Directors
Eugenio Forcinito	Enrico Magni

Milan, 9 March 2023

TXT E-SOLUTIONS GROUP

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE 2022

GLOSSARY

2020 Corporate Governance Code/code: the Corporate Governance Code of listed companies approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

Issuer: the issuer of listed shares to which the Report refers.

Financial Year: the accounting period to which the Report refers.

Consob Issuers' Regulation: Regulation no. 11971/1999 (and subsequent amendments) concerning issuers, issued by Consob.

Consob Regulation on Markets: Consob Regulation no. 21624 of 10 December 2020 concerning the markets.

Consob Regulation on transactions with related parties: Regulation no. 22144 of 22 December 2021 (as amended) on transactions with related parties issued by Consob.

Report: the report on corporate governance and shareholding structure drafted by companies pursuant to Article 123-bis of the Consolidated Law on Finance.

Remuneration report: The report on the remuneration policy and compensation paid that companies are required to prepare and publish pursuant to Article 123-ter and 84-quater of the Consob Issuers' Regulations.

TUF: Legislative Decree no. 58 dated 24 February 1998 (Consolidated Law on Finance).

1. ISSUER'S PROFILE

This report illustrates the Corporate Governance system adopted by TXT e-solutions S.p.A. (hereinafter the "Company" or "TXT") and its compliance with the Corporate Governance Code of listed companies (hereinafter the "Code") pursuant to Article 124-bis of the Consolidated Law on Finance, Article 89-bis of the Consob Issuers' Regulation and Article IA.2.6 of the Instructions to the Stock Exchange Regulations.

Within the scope of the measures aimed at enhancing value for shareholders and ensuring transparent management actions, TXT defined an articulated and homogeneous system of rules of conduct concerning both its own organisational structure and relations with stakeholders – in particular with shareholders – that comply with the most advanced Corporate Governance standards. The Corporate Governance system adopted by the Board is in line with the principles stated in the Code aimed at ensuring proper and transparent corporate information and creating value for shareholders through an effective management of the Company.

The Group's corporate bodies are listed below:

- Shareholders' Meeting
- Board of Directors
- Remuneration Committee
- Risks and Internal Controls Committee
- Transactions with related parties Committee
- Board of Statutory Auditors

The Shareholders' Meeting ("Meeting"), duly constituted, is the body that expresses the Company's will through its resolutions. Resolutions passed by the Shareholders' Meeting in accordance with law and the Articles of Association are binding on all shareholders, including absent and dissenting shareholders.

The Board of Directors ("Board") is exclusively responsible for managing the company. It is appointed by the Meeting every three years. Its members appoint a Chair and a CEO/CEOs and define their powers.

The Remuneration Committee is constituted by Board members and has consultative and advisory functions. In particular, it expresses opinions and makes proposals to the Board of Directors regarding the determination of the remuneration of executive directors and managers with strategic responsibilities.

The Risks and Internal Controls Committee is a committee of the Board that assesses the adequacy of the internal control and risk management system and expresses its opinion on the control procedures.

The Transactions with Related Parties Committee is a body constituted within the Board that assesses the Company's interest in carrying out Transactions with Related Parties, as well as the appropriateness and essential correctness of the relative conditions.

The Board of Statutory Auditors is a supervisory body responsible for ensuring compliance with the law and the Company's Articles of Association as well as management controls. It is not assigned with the task of auditing Company accounts, which is the responsibility of Independent Auditors named on a specific Register, which is the control entity external to the Company. The latter are vested with the power to verify, during the reporting period, that company books are properly managed, accounting items are correctly recorded, and statutory and consolidated financial statements are in line with accounting entries and audits performed, and that all accounting documents are compliant with the relevant regulations.

The corporate bodies' powers and tasks comply with the law, the Company's Articles of Association and bodies' resolutions passed from time to time.

With a view to pursuing sustainable success, the Board of Directors at the meeting of 11 May 2022 approved a policy for managing dialogue with shareholders in order to promote continuous communication with both shareholders and other stakeholders that are relevant to the company. This policy is available on the Company's website (www.txtgroup.com).

A copy of the annual report is available at the Company's registered office and on the website www.txtgroup.com under the "governance/corporate-governance-reports" section.

The Company falls under the definition of SME since 2014 pursuant to Article 1, paragraph 1, letter w-quater 1) of the Consolidated Law on Finance and Article 2-ter of the Consob Issuers' Regulation.

2. INFORMATION on the SHAREHOLDING STRUCTURE (pursuant to Article 123-bis, paragraph 1 of the Consolidated Law on Finance) at 31 December 2022

a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a), of the Consolidated Law on Finance)

The Company's share capital is fully made up of ordinary shares. As at 31 December 2022, the subscribed and paid-in share capital was equal to € 6,503,125.00, broken down into 13,006,250 shares with a par value of € 0.50 each.

The Shareholders' Meeting of 18 April 2019 approved a Stock Option Plan with the aim of linking the remuneration of Beneficiaries to the creation of value for the company's shareholders, emphasising factors of strategic interest. In addition, it seeks to promote loyalty, encourage employees to stay with the company or its subsidiaries, and maintain competitiveness in the market for the remuneration of Beneficiaries, emphasising factors of strategic interest. The Plan is qualified as a Stock Option Plan and entitles beneficiaries to purchase, subject to the fulfilment of certain conditions, a number of ordinary TXT e-solutions S.p.A. shares corresponding to the number of rights assigned.

The Plan provides for the allocation of a maximum of 600,000 Shares to beneficiaries. In order to ensure the gradual development of the Plan over time, no more than 200,000 Options may be allocated in the first tranche. On 27 May 2019, the Board of Directors resolved to assign 135,000 options to Group employees with vesting accrual over the three-year period 2019-2020-2021.

b) Share transfer restrictions (pursuant to Article 123-bis, paragraph 1, letter b), of the Consolidated Law on Finance)

There are no share transfer restrictions.

c) Significant shareholdings (pursuant to Article 123-bis, paragraph 1, letter c), of the Consolidated Law on Finance)

As far as significant shareholdings in TXT are concerned (shareholders owning over 3% of the share capital), see Table 1 attached to this Report.

These shareholdings derive from deposits made at the time of the last Shareholders' Meeting held on 20 April 2022 and are updated with all communications or notifications received as at 31 December 2022, pursuant to Article 120 of the Consolidated Law on Finance.

d) Shares with special control rights (pursuant to Article 123-bis, paragraph 1, letter d), of the Consolidated Law on Finance)

No shares with special controlling rights have been issued.

e) Employee shareholdings: exercise of voting rights (pursuant to Article 123-bis, paragraph 1, letter e), of the Consolidated Law on Finance)

The Articles of Association do not envisage any provisions on the exercise of voting rights by employee shareholders.

f) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f), of the Consolidated Law on Finance)

There are no restrictions on voting rights.

g) Shareholders' agreements (pursuant to Article 123-bis, paragraph 1, letter g), of the Consolidated Law on Finance)

No shareholders' agreements pursuant to Article 122 of the Consolidated Law on Finance have been notified to the Company.

h) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h) of the Consolidated Law on Finance) and provisions on takeover bids as per the Company's Articles of Association (pursuant to Articles 104, paragraph 1-ter, and 104-bis, paragraph 1)

It should be noted that the agreements that provide for the possibility of renegotiating the contractual conditions in the event of change of control of Txt e-solutions SpA are essentially the medium/long-term bank loan agreements executed by the Issuer itself.[1] The company and its subsidiaries have not entered into other significant agreements that become effective, are amended or are terminated in the event of a change of control of the contracting company.

i) Agreements between the Company and its directors providing for a severance package in case of resignation, dismissal without just cause or end of term of office because of a takeover bid

At 31 December 2022, no such agreement was executed.

Disclosures pursuant to Article 123-bis, paragraph 1, letter i) are provided in the Remuneration Report, published pursuant to Article 123-ter of the Consolidated Law on Finance.

l) Provisions applicable to the appointment and replacement of directors, as well as to the amendment of the Articles of Association, if different from the relevant supplementary legal and regulatory provisions

At 31 December 2022, there were no provisions different from the applicable legal or regulatory provisions.

The section of the Report on the Board of Directors (Section 4.1) illustrates the rules which regulate the appointment and replacement of the members of the management body.

m) Delegated powers to increase share capital and authorisation to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m), of the Consolidated Law on Finance)

At 31 December 2022, there were no delegated powers to increase share capital.

On 20 April 2022, the Company's Ordinary Shareholders' Meeting revoked the previous authorisation to purchase treasury shares and empowered the Board of Directors to proceed, also through delegated parties, pursuant to Article 2357 of the Italian Civil Code, with the purchase, in

[1] For further information on these loan agreements, please refer to the Annual Financial Report for the year 2022 published by Txt e-solutions Spa pursuant to Article 154-ter of the Consolidated Law on Finance, available on the website www.txtgroup.com.

one or more tranches, for a period of 18 months as from the resolution, of TXT e-solutions S.p.A. ordinary shares up to the legal maximum amount of 20% of the share capital. The minimum payment for the purchase must not be lower than the par value of TXT e-solutions S.p.A. shares, and the maximum payment must not be higher than the average of the official Stock Market prices in the three sessions prior to the purchase, plus 10%, and in any case it must not exceed € 25.00 (twenty-five/00).

The Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, to transfer – also through delegated parties, at any time, in whole or in part, in one or more tranches and even before the purchases have been completed - the treasury shares purchased, assigning the Board the power to establish, on a case-by-case basis and in compliance with the legal and regulatory provisions, the suitable deadlines, means and conditions, without prejudice to the fact that disposal of the shares may take place for a minimum amount that is not lower than the par value of such shares. The purposes for which the purchase and disposal of treasury shares was authorised are those permitted by the applicable regulations in effect, and include:

a) to carry out transactions such as the sale and exchange of treasury shares for the acquisition of shareholdings, or as part of any strategic agreements within the scope of the Company's investment policy;

b) to establish the necessary funding to carry out stock option plans approved by the Shareholders' Meeting;

c) to carry out investments and divestments of treasury shares if the trend in prices or the amount of available liquidity make such a transaction feasible at the economic level;

d) to support the liquidity of shares on the market in order to encourage regular trading and avoid price shifts that are not in line with the market, strengthening - in accordance with the applicable legal and regulatory provisions - price stability during the more delicate phases of negotiations.

This purchase will be made possible by using the share premium reserve for an amount equal to the value of the treasury shares purchased.

At the end of the year, the company held 906,600 treasury shares (1,243,372 as at December 2021), equal to 6.9704% of the shares issued.

Management and co-ordination activities (pursuant to Article 2497 et seq. of the Italian Civil Code)

The Company is not subject to any management and coordination activities pursuant to Article 2497 et seq. of the Italian Civil Code.

As at the Date of the Report, Txt e-solutions SpA exercises, pursuant to Articles 2497 et seq. of the Italian Civil Code, management and coordination activities on the subsidiaries - directly or indirectly controlled - that are part of the TXT group, listed in the Annual Financial Report as at 31 December 2022.

3. COMPLIANCE (pursuant to Article 123-bis, paragraph 2, letter a), of the Consolidated Law on Finance)

The Company adopted the Corporate Governance Code for listed companies of March 2006 (and subsequent amendments). Approved by the Corporate Governance Committee, this Code is available to the public on the Committee's website at https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm, in the January 2020 edition.

The Issuer and its strategically important subsidiaries are not subject to non-Italian legal provisions affecting the Company's corporate governance structure.

4. BOARD OF DIRECTORS

4.1. Appointment and replacement (pursuant to Article 123-bis, paragraph 1, letter L), of the Consolidated Law on Finance)

The Company is managed by a Board of Directors consisting of three to fourteen members, as decided by the Ordinary Shareholders' Meeting upon appointment. Directors are appointed in compliance with current applicable regulations on gender balance as specified below.

The director's position is subject to compliance with the respectability, professionalism and independence requirements pursuant to the provisions applicable to the Company, and with those provided for by the codes of conduct issued by the company managing regulated markets.

If, during the financial year, one or more directors cease to hold office, provided that the majority of the directors is still made up of directors appointed by the Shareholders' Meeting, the procedure is as indicated here: a) the board of directors shall replace the outgoing director by co-opting candidates with the same qualifications from the list on which the outgoing director was elected and by appointing, where possible, the first of the unelected candidates on that list, as long as the latter is still eligible and willing to accept the office; provided, in any event, that (i) the minimum number of independent directors established by law, (ii) the principle of minority representation, and (iii) the legal gender ratio are maintained; directors co-opted by the Board of Directors shall remain in office until the subsequent Shareholders' Meeting, which must replace the outgoing director, and which shall pass a resolution in accordance with the majorities as provided for by law and in compliance with the aforesaid criteria; b) if there are no previously non-elected candidates on the aforesaid list or candidates meeting the requirements or, in any event, if for any reason it is not possible to comply with the provisions of letter a) the Board of Directors shall replace the outgoing director and the Shareholders' Meeting shall subsequently do the same, with the majorities provided for by law and the Articles of Association. The procedure provided for in letter b) above shall also be followed if the Board of Directors has been elected without observing the list voting procedure due to the submission of only one list or no list at all. In any case, the Board of Directors and the Shareholders' Meeting shall appoint the substitute while ensuring compliance with the provisions of this article and the law regarding (i) the appointment of directors not belonging to the "majority" list; (ii) the presence of independent directors; as well as (iii) the ratio of genders within the Board of Directors.

Board Members are appointed by the Shareholders' Meeting on the basis of lists in which candidates must be progressively included. Shareholders who, alone or together with other shareholders, reach at least the share capital percentage provided for by the law or by Consob pursuant to Article 147-ter, paragraph 1, of the Consolidated Law on Finance (currently at 4.5%) have the right to submit the lists. The minimum shareholding requirement for the submission of lists is met based on the number of shares held by Shareholders upon submission. Related certification may be provided after the deposit but within the deadline scheduled for the publication of lists by the issuer.

Each shareholder can submit, or participate with other shareholders in the submission of, only one list and each candidate can stand in only one list, under penalty of being ineligible to qualify as a candidate.

The lists shall be deposited at the issuer’s offices no later than 25 days before the date fixed for the Shareholders’ Meeting resolving on the appointment of Board of Directors’ members and they shall be available to the public at the Company’s registered office, on its website, and by any other means provided for by Consob Regulation at least 21 days before the date fixed for the Shareholders’ Meeting.

Within the above-mentioned deadlines, each list must also be submitted together with the declarations in which individual candidates accept their candidacy and certify the absence of ineligibility and incompatibility reasons and the possession of relevant regulatory requirements, the candidate’s CV and the existence of any independence requirements pursuant to Article 148, paragraph 3, of the Consolidated Law on Finance. The shareholders shall prove they own the number of shares necessary for submitting the lists by providing and/or sending a copy of the notices issued by the relevant parties to the Company's registered office, at least three days before the date scheduled for the Shareholders' Meeting on first call. The lists must show which candidates comply with the independence requirements provided for by the law.

Each person entitled to vote may vote for just one list.

The appointment of directors is as follows:

- in the event that more than one list is submitted:

a) the four-fifth of Board members are drawn from the list that has received the highest number of votes, on the basis of the list sequential order and rounding to the lower unit, in case of decimals;

b) the other Board members are selected from the list ranking second, based on the list's sequential order, as long as said list is not directly or indirectly connected with the shareholders who submitted or voted for the list receiving the highest number of votes; in the event that several lists obtained the same number of votes, a run-off will be held between said lists and all the shareholders participating in the Shareholders' Meeting will cast their vote. The candidates belonging to the two lists receiving the majority of votes are elected;

- if only one list is submitted, directors are selected from that list, based on the list's progressive order until the number of directors provided for by the Shareholders' Meeting is reached;

- if no list is submitted or the number of elected candidates is not sufficient with respect to the number of directors required by the Shareholders' Meeting, directors are appointed by the Shareholders' Meeting through a resolution passed by the type of majority required by the law.

The lists with three or more candidates must include a gender mix, as provided for in the Shareholders' Meeting's notice, so that the Board of Directors' composition complies with current regulations on gender balance.

In any case, the appointed directors shall include at least one independent director, or the number of directors provided for by the regulations applicable to the Company upon appointment. If the independent director is not elected on the basis of the above-mentioned voting procedure, he/she will be appointed in place of the last director selected from the list he/she belongs to, giving priority to the independent director belonging to the list that received the greatest number of votes.

The minimum gender mix requirements provided for by regulations applicable to the Company must be complied with upon directors' appointment. If, following the election of candidates based on lists, the Board of Directors' composition does not comply with the gender mix requirements, a director of the least represented gender shall be appointed in place of the last director selected from the list to which he/she belongs, giving priority to the director of the least represented gender belonging to the list that received the majority of votes. Finally, if said procedure does not ensure within the Board the minimum gender mix requirements provided for by regulations, directors belonging to the least represented gender shall be appointed by the Shareholders' Meeting through a resolution passed by the type of majority required by the law without any restriction in terms of lists, and shall replace, if necessary, to reach the number of board members required by the Shareholders' Meeting, the last elected candidate taken from the list that received the majority of votes.

In addition to the provisions of the Consolidated Law on Finance, the Company is not subjected to other provisions regarding the composition of the Board of Directors (such as industry provisions).

The Board of Directors has not established, within the Board, any Nomination Committee, since that function is directly performed by the Board, owing to the Company's shareholding structure and Board's size.

At its meeting of 10 May 2012 the Board of Directors decided not to adopt a succession plan for executive directors, on the basis of the criterion of proportionality of procedural costs and complexity not justified by the characteristics, dimensions, organisational structure, nature, scope and framework of the activities carried out by TXT. The assessment was updated and confirmed during the Board meetings on 8 March 2017 and 8 March 2018.

4.2. Composition (pursuant to Article 123-bis, paragraph 2, letter d) and d-bis), of the Consolidated Law on Finance)

In accordance with the Company's Articles of Association, the Board of Directors has a minimum of 3 and a maximum of 14 members, pursuant to the resolution passed by the Ordinary Shareholders' Meeting upon appointment.

Board members' term of office lasts for three financial years; afterwards they may be re-elected. The current Board includes 7 members, of whom 2 are executive directors, 1 is a non-executive director and 4 are independent directors. Pursuant to Article 3 of the Code, they do not have any economic relations with the Company, its subsidiaries, executive directors or shareholders such as to prejudice their judgement. In addition, they do not hold, directly or indirectly, any controlling interests and they do not enter in any shareholders' agreements to control the Company.

All members of the Board of Directors have been appointed by the Shareholders' Meeting held on 18 June 2020 and shall remain in office up until approval of the Financial Statements at 31 December 2022.

During the Shareholders' Meeting held on 18 June 2020, three lists were submitted.

The majority list was submitted by Laserline S.p.A. with the names of Enrico Magni, Daniele Stefano Misani, Stefania Saviolo (candidate for independent director), Valentina Cogliati (candidate for independent director) and Matteo Magni (all elected).

The minority lists were presented by:

- Alvise Braga Illa with Fabienne Anne Dejean Schwalbe, Paola Generali, Alessandro Arrigoni, Marilena Cederna and Raffaele Valletta, all candidates for independent directors. Fabienne Anne Dejean Schwalbe and Paola Generali, the first two candidates on the list, were appointed directors from this list;
- Eurizon Capital SGR Spa, Fideuram Asset Management, Fideuram Investimenti SGR Spa, Interfund Sicav – Interfund Equity Italy, Mediolanum Gestione Fondi SGR S.p.A., Mediolanum International Funds Ltd. - Challenge Funds - Challenge Italian Equity with the names of Elena Pagnoni, Marcella Elvira Antonietta Logli and Luca Aldo Giovanni Di Giacomo, all independent directors. No director was appointed from this list.

The shareholders declared that there are no connections between the lists. The majority list obtained 56.45% of the voting capital, the minority list submitted by Alvise Braga Illa obtained 30.73% of the voting capital while the third list obtained 12.82% of the voting capital.

The directors Enrico Magni, Daniele Stefano Misani, Valentina Cogliati, Stefania Saviolo and Fabienne Anne Dejean Schwalbe, elected by the Shareholders' Meeting held on 18 June 2020, had already been serving as directors.

On the Board's Meeting of 1 July 2020, Enrico Magni was appointed Chair of the Board of Directors and Daniele Stefano Misani was appointed Chief Executive Officer.

In May 2021, director Valentina Cogliati resigned from office with immediate effect, for personal reasons.

In June 2021, director Fabienne Anne Dejean Schwalbe submitted her resignation.

Following the resignations submitted during the year, on 13 September 2021 the directors Antonella Sutti and Carlo Gotta were appointed new directors (the latter already co-opted on 12 May 2021 to replace the director Valentina Cogliati).

The professional experiences of each director (Article 144-decies of the Consob Issuers' Regulation) are indicated below:

Enrico Magni (in office as from 19 April 2018)

Born in Sulbiate (MI) on 17 January 1956.

Enrico Magni is a qualified industrial technician and has created and developed numerous entrepreneurial initiatives over the last 30 years. He is the Chair of the Board of Directors of numerous companies outside of the TXT Group: Laserline, Laserfin, Laserline Digital Signage, Laserline Lighting Solutions, Nanotech Analysis. He acquired and developed for over 10 years the Lutech group, establishing a process of strong growth in revenues with a solid systematic development and numerous acquisitions. From May 2018 until June 2020, he held the position of CEO of the TXT Group and from July 2020 he became Chair of the Company's Board of Directors.

Daniele Misani (in office as from 15 July 2019)

Born in Milan on 14 October 1977.

After a degree in Software Engineering at the Politecnico di Milano, Daniele Misani received a Master's degree in Electrical Engineering from the University of Illinois in Chicago and then an MBA from the London Business School.

He joined TXT in 2001 as a Computer Engineer and subsequently held various positions of increasing responsibility in both technical, commercial and management departments.

In 2010 he became Key Account Manager for TXT's largest aerospace customer, and in 2016 he was appointed Vice Chair to lead international business. In this role, he supported the integration process of PACE GmbH with the definition of the joint offer on a global scale. Since 2019, Daniele Misani has held the position of Chief Executive Officer and member of the Board of Directors.

Stefania Saviolo (in office since 16 April 2014)

Born in Milan on 14 March 1965.

She graduated in 1989 in Business Economics from Bocconi University of Milan, where in 1993 she earned her PhD in International Business, completed in 1992-1993 at the Stern School of Business - New York University.

She qualified as a Chartered Accountant in 1994 and is registered on the Milan Register of Accountants. Since 1993, she has been a Lecturer in Management and Technology at Bocconi University and the SDA Bocconi School of Management, where she teaches undergraduate, graduate and executive courses. From 2014 to 2021, she was an independent board member at Natuzzi Group (NYSE-listed) and from 2017 to 2019 at Stefanel Group; in both companies, she was also Chair of the Appointments and Remuneration Committee. For over 20 years she has provided management consultancy to fashion, design, luxury and retail companies in the areas of brand management, international growth and organisational development.

Paola Generali (in office since 18 June 2020)

Born in Calcinate (BG) on 14 January 1975.

She graduated in 2000 in Banking, Finance and Insurance Sciences, from Università Cattolica del Sacro Cuore in Milan, with honours. Since 2003 she has been the Owner and Managing Director of GetSolution. She is the Chair of Assintel (Confcommercio's National Association of Digital Enterprises), Chair of EDI Confcommercio Srl the National Digital Innovation Hub of Confcommercio, Director and member of the Board of Confcommercio of Milan, Monza Brianza and Lodi, Director of Confcommercio Nazionale, Member of the Board Technological Innovation and Digital Transformation of the Municipality of Milan, Independent Director of Tinexta Spa, a company listed on the Star segment of the Italian Stock Exchange, Director of Centro Studi Tagliacarne. She has experience both nationally and internationally in Compliance, Cybersecurity and Governance consulting.

Matteo Magni (in office since 18 June 2020)

Born in Vimercate (MB) on 28 March 1982.

He graduated in 2006 in General Management from Bocconi University of Milan.

He is the Chief Executive Officer of Laserline S.p.A. and Chair of the Board of Directors of Sacs S.r.l. and Sistec S.r.l.

Carlo Gotta (co-opted 12 May 2021, confirmed by the Shareholders' Meeting of 13 September 2021)

Born in Turin on 31 August 1963

A graduate in Theoretical Physics from the University of Turin, he also earned a Master's Degree in Economics and Finance and for about thirty years he has been working in Innovation, Information Technology and Private Equity sectors in which he has gained considerable experience in the field of strategies, investment evaluation, deal-structuring and negotiation.
He is a professor at the LUISS Guido Carli Faculty of Economics, where he teaches "Business Economics and Management".
Since 2017 he is co-founder and Fund Manager of the "Technology & Innovation Fund" and holds the role of member of the Board of Directors and member of the Executive Committee.

Antonella Sutti (in office since 13 September 2021)

Born on 27 March 1964

She graduated in 1989 in law from the University of Milan. She passed the State Exam for the qualification to practice law and since 1993 she has been enrolled in the Milan Bar Association.

Since 1996 she has been working at Studio legale Avvocati Antonella Sutti. She has many years of experience in legal matters in the main sectors of civil law such as litigation and arbitration, commercial and corporate, business contracts, tenders, waste disposal, credit recovery and medical liability.
She is a legal advisor to a leading company that deals with the marketing and distribution of innovative products in the pharmaceutical sector.
She is a consultant for leading engineering design companies. She participates as a tutor in the course organized by the Higher Education and Specialisation School of the Tax Lawyer (UNCAT).
She holds the office of chair and member of numerous Supervisory Bodies of companies and entities.
Since 2018 she has been a member of the OIV [Independent Evaluation Entity] of Special Companies of the Chamber of Commerce.
Independent directors hold office in companies that are not part of the TXT Group.

Diversity policies and criteria

The Company has applied diversity criteria, also with regard to gender, in the composition of the Board of Directors, in observance of the priority objective of ensuring adequate expertise and professionalism of its members. In particular, the least represented gender, the female one, has three directors, equal to 43% of the total and therefore greater than two fifth of the Board of Directors (Recommendation n.8).

The objectives, method of implementation and results of the application of the diversity criteria recommended by Article 2 are the following.

In December 2018 the Board of Directors, upon the proposal of the Risks and Internal Controls Committee, in implementation of the matters envisaged by the Consolidated Law on Finance, approved a diversity policy, which describes the optimum characteristics of the composition of said board so that it may exercise its duties in the most effective way, adopting decisions which may effectively avail themselves of the contribution of a plurality of qualified points of view, capable of examining the aspects in question from different perspectives.

When drawing up this diversity policy the Board of Directors was inspired by the awareness of the fact that diversity and inclusion are two fundamental elements of the business culture of an international Group such as TXT, which operates in many countries. In particular, the emphasis of diversities as a fundamental element of sustainability over the mid/long-term of the business activities represents a reference paradigm both for the employees and for the members of the management and control bodies of TXT.

With reference to the types of diversity and the related objectives, the policy in question (available on the Company's website) envisages that:

- it is important to continue to ensure that at least one third of the Board of Directors is made up of Directors of the least represented gender, both at the time of appointment and during the mandate;

- the international projection of the TXT Group's activities should be taken into consideration, ensuring the presence of Directors who have gained suitable experience in the international sphere;

- in order to pursue a balance between the needs for continuity and renewal in the management, it would be necessary to ensure a balanced combination of different lengths of service in office - in addition to age brackets - within the Board of Directors;

- the non-executive Directors should be represented by figures with an entrepreneurial, managerial, professional, academic or institutional profile such as to achieve a series of skills and experience which are diverse and complementary. Furthermore, in consideration of the diversity of the roles carried out by the Chair and the CEO, the policy describes the expertise, the experience and the soft skills deemed most appropriate for the effective performance of the respective duties.

In consideration of the TXT ownership structures, the Board of Directors has so far decided to refrain from presenting its list of candidates at the time of the various renewals, since difficulties of the Shareholders in drawing up suitable candidatures have not been noted Therefore, this Policy first and foremost intends to guide the candidatures formulated by the Shareholders at the time of renewal of the entire Board of Directors, ensuring on this occasion a suitable consideration of the benefits which may derive from a harmonious composition of said Board, aligned with the various diversity criteria indicated above.

The Board of Directors also takes into account the indications of this Policy if it is called to appoint or propose candidates to the office of Director, taking into consideration the indications possibly received from the Shareholders.

The Board of Directors in office fully meets the objectives established by said policy for the various types of diversity.

The Company recognises the importance of its human capital without distinctions and is heedful to respect equality among the employees. The benefits which the employees enjoy are assigned without distinction in terms of gender. The results of the diversity policies within the entire organisation are described in the Consolidated non-financial statement in the section "Polices applied and results achieved - Diversity and inclusion".

At 31 December 2022, the Board had the following diversity elements:

- Gender diversity: 57% men, 43% women
- Age diversity: <50 years 43%; >50 and <60 years 43%; 60-80 years 14%;
- Length of service diversity: 1-3 years 43%; 4-6 years 57%.

Maximum number of positions held in other companies

The Board has not set any specific criteria regarding the maximum number of management and control positions that can be held with other companies (Recommendation n.15), also given the composition of the Board, whose members regularly and effectively participate in carrying out the role of director.

Induction Programme

Subsequent to their appointment and during their term of office, the Chair has made it possible for directors to participate in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, the principles of correct management of risks, as well as the relevant regulatory framework of reference. This principle is expressed, in the case of the independent directors, through discussions and analysis meetings with management and participation in operational events and initiatives.

The Board of Directors shall act and decide autonomously, having full knowledge of the facts and pursuing the objective of creating value for the shareholders – an essential requirement for a profitable relationship with the financial market. All the directors devote the necessary time to the diligent performance of their duties, being aware of the responsibilities pertaining to their office.

The Company did not set up an Executive Committee or an Appointments Committee. The members of the Remuneration and Risks and Internal Controls Committee are all independent directors.

No other change has occurred since the end of the 2021 reporting period to date.

4.3. Role of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

The Board of Directors has a fundamental role in the company's management, charged with strategic functions and organisational coordination. The Board is also responsible for verifying that a suitable audit system needed to monitor the performance of the Company is in place.

The Board (Recommendation n.1,n.2 and n.3):

- examines and approves the Company's strategic, industrial, and financial plans, periodically monitoring their implementation;
- examines and approves the strategic, industrial, and financial plans of the Group headed by the Company, periodically monitoring their implementation;
- determines the Company's corporate governance;
- defines the structure of the Group headed by the Company.

The tasks carried out by the Board of Directors on an exclusive basis are determined both by the Company's Articles of Association and by corporate common practice. In particular, the Board is vested with the broadest powers regarding the Company's ordinary and extraordinary management and specifically, it is entitled to take all the measures it deems appropriate for achieving the Company's goals, except for those reserved exclusively for the Shareholders' Meeting pursuant to legal provisions. Notably, the Board of Directors:

1. gives and revokes the CEO/CEOs' mandates, defining his/her operational environment and powers;
2. undertakes commitments which are not included in the ordinary management of the Company and previously approved budgets;
3. determines the remuneration of the directors for offices, after examining the Remuneration Committee's proposal and after consulting with the Board of Statutory Auditors;
4. reviews and approves transactions having a significant impact on the Company's profitability, assets and liabilities and financial position and resolves upon the acquisition and disposals of stakes, companies or business branches; it assesses in advance real estate transactions and disposal of strategic assets;
5. defines the guidelines and identification parameters of the most significant transactions, also involving related parties;
6. oversees general operating performance on the basis of information received from the General Manager and the Risks and Internal Controls Committee;
7. establishes the Company's and the Group's structure and checks their adequacy;
8. reports to the shareholders at the Shareholders' Meeting.

During the 2022 financial year, the Board of Directors held 10 meetings with an average duration of 1 hour and 38 minutes. Directors had an average attendance of 94%, while that of the Statutory Auditors was 88%.

5 meetings have been scheduled for 2022, and the first was held on 11 March 2022. As set forth in the regulatory provisions in effect, the Company has disclosed, in its press release issued on 21 January 2022, the following dates of the Board of Directors' meetings and the Shareholders' Meeting to be held in 2022, for a review of the economic-financial data, according to the following schedule:

- 11 March 2022: Board of Directors for approval of the draft 2021 Financial Statements
- 20 April 2022: Shareholders' Meeting for approval of the 2021 Financial Statements (single call)
- 11 May 2022: Board of Directors for approval of the interim report as at 31 March 2022
- 3 August 2022: Board of Directors for approval of the half-yearly financial report as at 30 June 2022
- 8 November 2022: Board of Directors for approval of the interim report as at 30 September 2022.

The Chair organises all the Board activities, ensuring that directors are promptly provided with all documentation and information necessary to make any decision. In order to ensure that all the directors make informed decisions and that a proper and complete assessment of the agenda items is performed, all documentation and information – and in particular draft interim reports – shall be made available to the Board members an average of 4 days before the meeting, a better timeframe than the 3 days in advance indicated as adequate by the Risks and Internal Controls Committee. During 2022, 40% of the items on the agenda of the Board meetings did not require the submission of any preliminary documentation, considering the nature of the topics discussed (50% in 2021). The Board meetings may also be held via audio and video conferencing. In certain circumstances, depending on the type of decisions to be made, on confidentiality requirements or on critical timing, some restrictions to prior disclosure could apply.

The Chair of the Board of Directors ensures that sufficient time is dedicated to the topics in the agenda, in order to allow a constructive debate, encouraging contributions by the Directors during the course of the meetings.

The Chair of the Board of Directors, with the assistance of the Board secretary, notifies the directors and Statutory Auditors in advance with regard to the issues that will be discussed during the board meetings and, if necessary, in relation to the topics on the agenda, ensures that adequate information is provided on the issues to be examined sufficiently ahead of time. The Board secretary, upon instruction by the Chair, sends the relative documentation to the directors and statutory auditors via e-mail, at different times depending on the material to be discussed, except for cases of urgency; in this case, detailed examination of the topics is in any case ensured. The CEO informs the department managers in advance with regard to the necessity for or mere possibility of participating in the Board meetings during examination of the topics pertinent to them, so that they may contribute to the discussion.

Company managers, managers in charge of relevant functions, the Company's auditors and legal, financial or tax consultants may be invited to join the Board meetings with the aim of providing in-depth analysis of the items on the agenda. During 2022, several managers of the TXT Group participated in the Board meetings: Eugenio Forcinito CFO, Luigi Piccinno Internal Auditor and Secretary of the Board, Carmine Buttari HR Director of the TXT Group, Giulia Basile Head of Legal Affairs of TXT and Marcello Bussolin Head of TAX of the TXT Group. Regular updates were provided by the Company's consultants and lawyers.

The Board assessed the suitability of the organisational, managing and accounting structure of the Company and its strategically significant subsidiaries set up by the CEO, Enrico Magni, and after his appointment as Chair of the Board of Directors, by the Chief Executive Officer Daniele Misani, with special reference to the internal control and risk management system and the management of conflicts of interest.

After examining the proposals of the relevant committee and in accordance with the Board of Statutory Auditors, the Board decided the remuneration of the Chair and of the other directors.

The Board has assessed the Company's general management, taking into account, in particular, the disclosure provided by the delegated bodies, and periodically comparing the actual results with respective targets.

The Board examined and approved in advance the transactions having a significant impact on the strategies, profitability, assets and liabilities or financial position of the Company and its subsidiaries.

The Board is reserved the right to examine and approve in advance any transactions of the Company and its subsidiaries in which one or more directors have an interest both in favour of themselves or on behalf of third parties.

On 11 March 2022, the Board assessed the size, composition and functioning of the Board itself and of its committees.

Each director received a questionnaire asking for their opinion on the size, composition, functioning, meetings, efficacy and responsibilities of the Board and its committees, with the option of making suggestions or intervention proposals. The completed questionnaires were collected by the Internal Audit unit and the secretary of the Board of Directors compiled a summary of the opinions and recommendations made and submitted it to the Board of Directors.

Acknowledging the overall results of the relative questionnaires, the Board expressed an evaluation of essential adequacy with regard to the size, composition and functioning of the Board of Directors and its committees.

The Shareholders' Meeting did not authorise, on a general and preventive basis, exemptions to the non-competition agreement provided for by Article 2390 of the Italian Civil Code.

In order to ensure the correct management of company information, the Board of Directors approved on 8 March 2017 (and updated on 20 October 2022) a new "Regulation for the management of Inside Information and Establishment of the register of persons with access to it" and a new "Internal Dealing Procedure", in accordance with the new Market Abuse Regulation – MAR. The documents were published on the Company's website.

4.4. Delegated bodies

Managing Directors

On 10 May 2018, the Board of Directors appointed Enrico Magni as Chief Executive Officer; on 1 July 2020, following the appointment of Enrico Magni as Chair of the Board of Directors, the Board appointed Daniele Misani as Chief Executive Officer.

During this meeting, the CEO, Daniele Misani, was granted the power to carry out in the name and on behalf of the Company, and therefore with representation of the same, all the acts inherent and related to the management of the Company, as listed below, with the express exclusion of the following:

a. those strictly reserved by law or by the Articles of Association to the Shareholders' Meeting and the Board of Directors;
b. the purchase and sale of real estate property assets;
c. the purchase and sale of shareholdings, businesses and business segments.

CONTRACTS

Signing alone, in the name and on behalf of the Company, contracts and other documents indicated below, provided that they do not involve for the Company a financial commitment greater than the amounts and in observance with the exercise formalities indicated as and when appropriate.

Insurance agreements

Enter into and sign in the name and on behalf of the Company any insurance policy, fixing the limits of liability and the duration, agreeing the premiums and the coverage conditions for all the industrial and commercial activities and any other sector of the Company, both in the area of third party liability and that of non-life, accident and life policies, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, signing jointly with the other Chief Executive Officer or Legal Representative; amend the agreements, withdraw from the same, agree in the event of insured event the compensation owed by the insurer, issuing receipt for the amount collected.

General agreements

Conclude, amend, transfer and terminate, including with public administrations or entities, in the name and on behalf of the Company, setting the prices and conditions, with all the clauses deemed appropriate, including the arbitration clause, and providing the necessary guarantees and deposits, contracts of all kinds, including those relating to motor vehicles, which may be useful or necessary for the pursuit of corporate purposes, carrying out all the necessary procedures at the relevant Public Register and any competent office, including, but not limited to, the following contracts:

a. contracts for the purchase and sale of products, systems, plants, equipment, goods, machinery, software, IT assets and other movable assets (including those recorded in public registers), insofar as they relate to the purchase, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual act, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;

b. supply and administration contracts for all types of users;

c. rentals, leases, including financial or operating leases, licenses, subleases and free-of-charge loans relating to movable assets, whether registered or not, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;

d. procurement contracts executed with third parties, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;

e. contracts for the supply of goods and services, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;

f. agency, mediation, procurement, commission agency, distribution and brokerage contracts, with or without representation, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;

g. contracts for the establishment of joint ventures or temporary business combinations, including the assignment or acceptance of the collective representation mandate, as well as for the establishment, among the merged companies, of a company, including consortium, for the combined execution, total or partial, of contract work.

Tenders

Sign offers, tenders with the consequent deposits, contracts, framework agreements, sales orders and accept orders for work entrusted to the Company up to a maximum amount of € 5,000,000.00 (five million/00) or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative.

Intellectual Property

Register and file new applications, acquiring and transferring new trademarks and patents for industrial inventions. Enforcing the rights of the Company in the field of industrial and intellectual property, taking action against copiers and forgers using any legal means.

GUARANTEES

Issue endorsements, sureties and guarantees in general on behalf of the company, for a value per individual transaction not exceeding € 500,000.00 (five hundred thousand/00) or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;

Enforcing secured and unsecured guarantees in favour of the Company and at the expense of third parties; proceeding with the cancellation/reduction of the same further to enforcement.

BANKING AND FINANCIAL AREA

Collection of sums

Take steps - on behalf, in the name and in the interests of the Company - to collect, free up and withdraw all the sums and all the valuables which are for any reason or cause due to the same by whomever, including the sums owed for any reasons by the government authorities, regional, provincial and municipal authorities, Cassa Depositi e Prestiti, the Inland Revenue Agency, the credit consortiums or institutes - including the issuing bodies - and therefore to see to the levy of mandates which have already been issued or will be issued in the future, without any time limits, in favour of the Company, for any principal or interest amount which is owed to the same by the aforementioned authorities, by offices and institutes indicated above, both by way of payment of the deposits made by said Company and for any other reason or cause; issue in the name of the Company the corresponding declarations of receipt and discharge and in general all those declarations which may be requested at the time of the accomplishment of the individual procedures including those for exonerating the aforementioned offices, authorities and institutes from any liability in this connection.

Deposits

Establish, deposit, release and withdraw securities representing collateral and guarantee deposits (provided that they do not guarantee debts or other third party obligations, with the exclusion of the Group companies), care of the State and State-owned Public Administration Authorities, care of the Area Public Bodies, the Ministries, the Public Debt offices, Cassa Depositi e Prestiti, the Inland Revenue Agency, the Territorial Agency, the Customs Agency, the Customs Offices, the Municipal, Provincial and Regional Authorities, the military administrations, and any other public or private body or office and carry out any type of transaction relating to said deposits and any procedure to be performed both with regard to the deposits pertaining to Cassa Depositi e Prestiti and with regard to the provisional certificates administered by the Treasury Directorate General, all for amounts less than € 500,000.00 (five hundred thousand/00) for each individual deed or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative.

Deposits and current accounts

Opening and closing current accounts. Finalising, entering into and executing the agreements and signing all the documentation opportune and necessary for the activation and the use of E-Banking products, with the faculty to delegate to third parties for operating via the same.

Requesting credit facilities, credit lines and sureties.

Request the banks, the ordinary lending institutes and insurance companies for the release of sureties and guarantees, for amounts no greater than € 500,000.00 (five hundred thousand/00) or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative, signing the related documentation and availing of the guarantees and sureties obtained.

Endorsement for collection

Endorse and receipt, deposit securities and valuables, bank cheques, promissory notes, bills of exchange, with crediting into the current accounts of the Company and signing of the related payment slips.

Cheques

Issuing bank cheques and requesting the issue of banker's draft on the current accounts held in the name of the Company within the credit limits granted or with joint signature with another Chief Executive Officer or Legal Representative for greater amounts.

Payments

Arrange and receive credit transfers, make payments, collections of drafts with charging to the account, signing the related documentation, and obtain the related receipts, and in general transact on the bank current accounts of the Company in the name and on behalf of said Company, for amounts no greater than € 500,000.00 (five hundred thousand/00) for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative. Arranging the payment of the salaries of the employees.

Payment of taxes

Executing the periodical payments of value added taxes, mandatory social security and welfare contributions, the withholdings made, the taxes and levies owed by the Company carrying out any ordinary bank transaction, withdrawing from the current accounts of any kind of the Company, with the faculty to delegate third parties.

Discounting of bills

Carrying out discounting transactions on bills of exchange signed by the Company or third parties, for transactions for advances, undertaking commitments and fulfilling the necessary formalities.

Charging of taxes and contributions to accounts

Signing letters charging to current accounts wages, salaries, contributions and any tax or levy payable by the company (merely by way of example but not limited to: IRES (company earnings' tax), IRAP (regional business tax), VAT, IRPEF (personal income tax) etc.), with the faculty to delegate third parties.

Factoring of receivables

Factor and exchange the receivables of the Company, signing any document necessary for finalising the assignment of the same, for a value per individual transaction not exceeding € 500,000.00 (five hundred thousand/00) or with joint signature with another Chief Executive Officer or Legal Representative for higher amounts.

Intercompany transactions

Signing interest-bearing or non-interest-bearing loan agreements with subsidiaries or associated companies.

DISPUTES

Representation before the legal authorities

Represent the company before any legal, administrative, tax, ordinary or special authority, at any level, stage or venue and therefore also vis-à-vis the Council of State, the Supreme Court of Cassation and before the Tax Commissions, with powers to sign applications, petitions and agreements for any matter, submit and refer oaths; submit and reply to interrogations or questioning also with regard to civil forgery, intervene in bankruptcy proceedings (with the faculty to present bankruptcy applications), compulsory administrative liquidation, arrangement with creditors, receivership and any other insolvency or pre-insolvency procedure and further the related declaration, collect sums on account or as balance and issue receipt; propose petitions and challenges and vote in said procedures; further summary, precautionary and executive proceedings before any authority, furthering attachments and distraints by hand of debtors or third parties, with the faculty to take part in judicial auctions, make declarations as third party under attachment or confiscation, fulfilling all that is laid down by the current provisions of the law, establishing all the formalities relating therefore also to the release of special or general mandates or power of attorney for the disputes, including therein the special attorneys as per Article 420 of the Italian Code of Civil Procedure, for taking and opposing legal action, to legal counsel in general, defence counsel and domiciliary representatives, business accountants and experts, electing the appropriate domiciles; see to the execution of the sentences.

Representation in labour disputes

Representing the Company in disputes as plaintiff and defendant, at any level and venue of proceedings, before the legal authorities competent with regard to labour matters as well as before the Arbitration Commissions established care of the Provincial Headquarters and care of the Trade Union Organisations and trade associations in the settlement proceedings pursuant to Article 410 of the Italian Code of Civil Procedure with the widest power associated with this power including therein that of appointing legal counsel, making questioning formal and reconciling and settling disputes.

LABOUR AREA

Employing and dismissing employees

Employing and dismissing employees and fixing the related remuneration and contractual conditions, including executives.

Duties, promotions and sanctions

Defining the specific responsibilities of the employees, dividing up the duties, defining the duty schedules, planning holiday entitlement and leave, challenging violations, deciding with regard to any disciplinary sanctions including therein dismissal; arranging promotions and transfers; signing any document inherent to the management of the company's human resources such as, by way of example, instruction letters, letters of censure or rebuke, letters of contestation.

Social security and welfare fulfilments

Issuing extracts from the payroll records and certificates regarding the staff, both for social security or welfare bodies and for the other public or private bodies, seeing to the observance of the fulfilments which the company is obliged to meet such as substitute tax, with the faculty - among other things - to sign declarations, certificates and any other document, for the purpose of these fulfilments.

CORRESPONDENCE AND TRANSACTIONS

Correspondence and invoicing

Signing and keeping all the correspondence of the Company and the invoicing; signing requests for information and documents, requests for clarification and solicitation; signing letters of an informative, interlocutory nature, solicitation and forwarding letters, as well as any other document which requires the signature of the Company and which concerns business included within the limits of the powers delegated therein.

TAX AND ADMINISTRATIVE REPRESENTATION AND THAT IN DEALINGS WITH THE SOCIAL SECURITY BODIES

Tax representation

Representing the Company in dealings with any Tax Authority, national and local, also abroad, requesting and agreeing reimbursements of taxes and levies issuing the related receipt, carrying out any act pertinent to the subject matter deemed appropriate for protecting the interests of the Company.

Sign tax declarations

Drawing up, signing and presenting all the declarations necessary and/or appropriate for the tax purposes envisaged by the law (purely by way of example but not limited to IRES (company earnings' tax), IRAP (regional business tax), VAT, declarations of the withholding agents and any other declaration required by law or by the tax offices) seeing to the regularity and promptness, both in the drafting and the presentation, filling in forms and questionnaires, presenting communications, declarations, accepting and rejecting assessments, presenting communications, declarations, briefs and documents before any office or Tax Commission, including the Central Tax Commission, collecting reimbursements and interest, issuing receipt and, in general, carrying out all the procedures relating to any kind of tax, levy, direct and indirect, local taxes and levies or otherwise, duties and contributions.

Contract registration

Registering contracts, corporate deeds and documents in general.

Administrative procedures

Draw up, sign and present the necessary reports and communications to the Companies' Register, the Chamber of Commerce, the Registry Office, the Courts, the VAT office, the Bank of Italy, Consob, the Istat authority, the Land Registry Offices, the Anti-trust Authority, the Ministries and any other public and/or private Entity in relation to any procedure of a bureaucratic and/or administrative nature inherent to the Company.

Representation care of public and private bodies

Representing the Company in all the dealings with the public and private bodies, including the economic and territorial public bodies, consortiums and associations, Chambers of Commerce, Customs Offices, state-owned and social security bodies, presenting applications, petitions and appeals and in any event carrying out in the name and on behalf of the Company any activity necessary or appropriate for the protection of the corporate interests in the dealings with the public bodies; accomplishing any formality and duty required by legislation in this sphere.

Representing the Company in any dealings with the Companies' Registers, the Stock Exchanges, the Supervisory Authority and Bodies, Ministries and other public and private offices and Bodies, regarding the fulfilments which are the responsibility of the Company due to laws and regulations, in Italy and abroad. Representing the Company in any dealings with Social security, welfare, insurance, accident prevention institutions and the Labour Offices and Employment Bureaus.

Representing the Company before the Public Safety Authorities and the Fire Service drawing up and signing the appropriate reports, declarations and complaints.

Intercompany representation

Represent the Company during both ordinary and extraordinary Shareholders' Meetings of the subsidiary and associated companies.

APPOINTMENT AND REMOVAL OF LEGAL REPRESENTATIVES - PRIVACY

Appointing and removing ad hoc legal representative and/or general mandate holders for certain acts or categories of acts within the limits of the powers granted.

Represent the employer to sign entry permits, certifications and administrative procedures for customers and suppliers.

Privacy

With reference to the processing of personal data, pursuant to Italian Legislative Decree no. 196 of 30 June 2003 and the EU Regulation 2016/679: (i) see to all the necessary fulfilments for the adaptation and observance of the current provisions concerning personal data, with autonomy of expenditure in this connection; (ii) see to the personal data processing formalities, including therein the security profile; (iii) appoint, if deemed appropriate, one or more "*Data Controllers*" for the processing of personal data among parties who, as a result of experience, capability and reliability, provide suitable guarantees in full observance of the current provisions regarding processing and security, pursuant to and for the purposes of the legislation in force at that time.

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The case of interlocking directorate does not apply since TXT's Chief Executive Officer does not serve as a director in other issuers (not belonging to the same Group) where a TXT director serves as Chief Executive Officer.

Chair of the Board of Directors

On 1 July 2020 (following the appointment of 18 June 2020), the Board of Directors assigned the following special responsibilities to the Chair of the Board of Directors:

- identification, coordination and review of development strategies;
- identification and implementation of commercial collaboration proposals with other operators, including through acquisitions, partnerships or joint ventures;
- promotion of activities to major customers and investors, coordinating all internal related activities;
- monitoring of the international situation, with particular regard to the markets in which the company operates through its subsidiaries, in order to update the strategy of the company and the group as a result of the continuous changes in market conditions.

The Chair is granted the same powers, listed in paragraph 4.4, conferred on the Chief Executive Officer, Daniele Misani.

The Chair is not the main party responsible for the management of the Issuer and although he is not the controlling shareholders of the Issuer, he is the relative majority shareholder.

Executive Committee (pursuant to Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

No Executive Committee has been created.

Disclosure to the Board of Directors

The delegated bodies reported to the Board on the activity performed with regard to the powers assigned to them on a quarterly basis.

The CEO reports to the Board of Directors and Board of Statutory Auditors on activities carried out, on the general performance of operations, on the expected outlook and on transactions with significant income, equity and financial value carried out by the Company or by its subsidiaries. The CEO has also introduced the practice of providing a report to the Board of Directors and Board of Statutory Auditors, upon convening of each meeting of the Board of Directors and regardless of the time that has passed since the previous one, on the activities and key transactions carried out by the Company and by its subsidiaries that do not require prior approval by the Board.

4.5 Other executive directors

There are no other executive directors.

4.6 Independent directors

The Board of Directors has four independent members (without operating powers and/or executive functions within the Company) such as to ensure, regarding both number and standing, that their opinion can be significant to the Board's decisions.

The independent members shall provide their specific technical and strategic expertise during board discussions in order to analyse the subjects under a different point of view and pass shared, responsible resolutions in line with corporate interests.

To this end, even if in urgent circumstances powers can also be assigned to non-executive directors, they shall not be considered as executive directors under this Report.

At 31 December 2022, four out of five non-executive directors are qualified as independent: Stefania Saviolo, Carlo Gotta, Antonella Sutti and Paola Generali

In compliance with the provisions of Article 3.P.1. of the Code, independent directors are those that:

i) do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained, business relationships with the Company, its subsidiaries, the executive directors and/or the controlling shareholder of such a relevance to influence their autonomous judgement;

ii) do not own, directly or indirectly or on behalf of third parties, a quantity of shares enabling them to control the Company or exercise a considerable influence over it nor do they participate in shareholders' agreements to control the Company;

iii) are not family members of executive directors of the Company or of persons mentioned in points i) and ii) above.

The Board of Directors verified compliance with the independence requirements provided for by the Code with respect to each independent director (Recommendation n.6). In performing the above-mentioned assessments the Board applied all the criteria provided for by the Code (Recommendation n.7).

On 8 March 2016, the Board adopted a Procedure to Assess the Independence Requirements

with some additional requirements with respect to the criteria set out in the code. The Board states that a director is not generally considered independent if they have or had during the prior year business, financial or professional dealings with the Company, with one of its subsidiaries or with any of the relative significant parties, or with a party that controls the Issuer, or with the relative significant parties, if the total value of said dealings exceeds:

i) 10% of the turnover of the legal person, organisation or professional firm in which the director has control or is a significant member or partner; or

ii) 10% of the annual income of the director as natural person or of the annual turnover generated directly by the director as part of the activities carried out for the legal person, organisation or professional firm in which the director has control or is a significant member or partner; or

iii) 100% of the remuneration received as member of the Board of Directors and committees.

On 12 March 2020, the Board of Directors assessed the independence of non-executive directors by considering, among other things, the principle of substance over form (Criteria 3.C.1. and 3.C.2.), and making use not only of information provided by those concerned, but also of all information available to the Company; it therefore confirmed Stefania Saviolo and Paola Generali as independent directors. On 15 July 2021, the Board carried out, using the same criteria, the assessment on the independence of the non-executive directors, confirming Carlo Gotta as independent director. On 8 November 2021, the Board carried out, using the same criteria, the assessment on the independence of the non-executive directors appointed by the Shareholders' Meeting of 13 September 2021, confirming Antonella Sutti as independent director.

On 11 March 2022, the Board carried out, using the same criteria, the independence assessment of the non-executive directors, confirming their independence for the Directors: Carlo Gotta, Stefania Saviolo, Paola Generali and Antonella Sutti.

The Board of Statutory Auditors verified the correct application of the criteria and the verification procedures adopted by the Board to assess its members' independence.

The independent directors are committed to maintaining their independence status over their term of office and, if necessary, to resign (Comment to Article 5 of the Code).

The independent directors have the opportunity to participate, on a regular basis, in the meetings of the Remuneration Committee, the Risks and Internal Controls Committee and the Transactions with Related Parties Committee, of which they are members.

4.7 Lead Independent Director

The role of Chair of the Board of Directors is separate from the role of Chief Executive Officer, and the Chair is not the individual who controls the company; nevertheless, a Lead Independent Director has been appointed. On 1 July 2020, the Board of Directors confirmed the qualification previously conferred to Stefania Saviolo as Lead Independent Director. (Recommendation n.13).

The Lead Independent Director:

a) represents a point of reference and coordination for the requests and contributions of non-executive directors, particularly independent ones;

b) collaborates with the Chair of the Board of Directors in order to ensure that directors receive complete and prompt information.

The Lead Independent Director is granted, among other things, the power to convene, independently or at the request of other directors, specific meetings of independent directors only for the discussion of issues deemed to be of interest with respect to the functioning of the Board of Directors or management of the company.

5. PROCESSING OF COMPANY INFORMATION

The Board of Directors approved on 8 March 2017 a new "Regulation for the management of Privileged Information and Establishment of the register of persons with access to it", in accordance with the new Market Abuse Regulation.

The Regulation is divided into various sections, including the definition of privileged information, confidentiality obligations, prohibited and legitimate conduct, information management processes, access by third parties, the publication process, delays in communication, external relations, rumours, forecast data, subsidiaries, the register of person with access to privileged information, limitations on securities transactions in the 30 days preceding the announcement of profit/loss and before extraordinary transactions.

According to the company's best practices on confidential information, press releases on resolutions regarding the approval of Financial Statements, half-yearly and quarterly reports, extraordinary decisions and transactions are approved by the Board, without prejudice to the power assigned to the Chair and CEO in the event of urgent notices required by the relevant Authorities.

The disclosure of price sensitive information shall take place in compliance with guidelines issued by Consob and Borsa Italiana S.p.A. by means of dedicated communication tools (Network Information System), only accessible to corporate functions participating in the process.

Directors shall keep the documents and information acquired in the performance of their duties as confidential and shall comply with the procedure adopted for disclosure to third parties of such documents and information.

The Chair of the Board of Directors shall oversee compliance with the provisions on company disclosure by arranging and coordinating all related intervention of internal structures.

The Board has adopted rules for the internal handling and disclosure to third parties of information concerning the Company, notably with regard to price sensitive information. These rules incorporate the definitions of price sensitive information and confidential information as inferred from the regulations, from clarifications provided by Consob and from market practice, defining the management of information included within said definitions and identifying the company managers who handle and coordinate flows of information until their disclosure to the Market, in accordance with the methods envisaged by the regulations in effect.

The Regulation also governs the functioning of the register of persons with access to privileged information (Articles 152-bis et seq. of the Consob Issuers' Regulation). The Register ensures traceability of access to individual market-sensitive information contexts, that are separated into recurrent or continuous relevant activities/processes (e.g. the accounting process or meetings of corporate bodies) and specific projects/events (e.g. extraordinary corporate transactions, acquisitions/assignments, relevant external facts).

Names are entered on the Register for each individual recurrent or continuous activity/process or for each individual project/event (including with the possibility of the same party being registered several times in different information contexts), indicating the initial moment of availability of the specific market-sensitive information and if applicable the moment from which such availability is revoked (entry to/exit from the relevant information context). Upon registration, the system automatically produces a notification message to the interested party, accompanied by an appropriate information note regarding obligations, prohibitions and responsibilities relating to access to market-sensitive information.

On 28 January 2013, the Company published on its website a press release stating that the Board of Directors had decided to take advantage of the option not to comply with the obligations to publish information documents in the case of significant merger, demerger, capital increase by non-monetary contribution, acquisition and assignment transactions.

Code of Conduct on Internal Dealing.

The Board of Directors approved on 8 March 2017 a new "Internal Dealing Procedure", in accordance with regulatory changes which it updated on 20 October 2022.

The Procedure is available on the Company's website at the following address:
https://www.txtgroup.com/it/investors/corporate-governance/

The Procedure is divided into various sections, including the definition of Significant Transactions, Closely Related Persons, Relevant Parties, Obligations regarding information and conduct on the part of relevant parties and closely related persons; further conduct obligations: blackout periods, sanctions; the party responsible for updating the Procedure; its entry into force; the list of examples of significant transactions; the templates for notifications and communications to the public; negotiations during the blackout period.

According to the Code of Conduct provisions, the Company shall notify the market of the transactions performed by each relevant person whose global amount is equal to or higher than € 20,000 per person, by the end of the year starting from the first transaction. Such notification shall be made within three trading days subsequent to the end of the transaction.

6. COMMITTEES WITHIN THE BOARD (pursuant to Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

No committees different from the ones provided for by the Code, with consultative and advisory functions, have been constituted.

No committees performing the functions of two or more committees provided for by the Code have been constituted.

7. APPOINTMENTS COMMITTEE

The Board of Directors has not established, within the Board, any Nomination Committee, since that function is directly performed by the Board, owing to the Company's shareholding structure and Board's size. The Board therefore also took advantage of the discretion allowed by the Corporate Governance Code to comply with the substance of the Corporate Governance improvement targets, implementing them according to the principle of proportionality, i.e. in consideration of the characteristics, dimensions, internal organisational complexity, nature, scope and complexity of the activities carried out.

8. REMUNERATION COMMITTEE

Information provided in this section is to be considered jointly with the relevant parts of the Remuneration Report, published in compliance with Article 123 of the Consolidated Law on Finance.

The Board of Directors has formed a Remuneration Committee from within its members through a resolution dated 8 June 2000. It currently has three members, all independent directors.

Composition and functions of the Remuneration Committee (pursuant to Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

The Remuneration Committee is composed of three independent directors: Stefania Saviolo, Antonella Sutti (appointed on 13 September 2021 to replace the leaving director Fabienne Dejean Schwalbe) and Paola Generali (Recommendation n.26). Stefania Saviolo is the Committee Chair. Minutes of the Remuneration Committee meetings have been duly taken and the Chair of the committee has informed and updated the Board on the activities carried out and decisions made during the next relevant meetings.

During the 2022 financial year, the Committee has held one meeting on 9 March with an average duration of 0.5 hours. The members of the Board of Statutory Auditors are also required to take part in the Committee's meetings. The directors participated in all committee meetings held during their effective term of office. The Statutory Auditors had an average attendance of 100%. Each director's participation is shown in Table 2 attached to this Report. Two meetings have been scheduled for 2023. The first meeting of the Committee for 2023 was held on 7 March 2023.

Directors should not participate in meetings held to discuss and submit to the Board their own remuneration.

Other non-members have been invited to join the meetings of the Remuneration Committee. During 2021, the Internal Auditor Luigi Piccinno, who acted as secretary, attended the committee meeting along with the Administrative and Financial Director Eugenio Forcinito.

The Board of Directors' Meeting held on 10 December 2010 resolved to approve the Remuneration Committee Regulations.

Functions of the Remuneration Committee

The Committee's specific goal is to provide the Board with the most appropriate guidelines and means to set top managers' remuneration and verify that the parameters adopted by the Company for defining remuneration of employees, including managers, are correctly set and applied, also with a view to relevant market standards and the Company's growth targets. (Recommendation n. 25).

The Remuneration Committee submits to the Board its proposals for definition of the general remuneration policy for executive directors, other directors who cover particular offices and managers with strategic responsibilities. The Remuneration Committee submits to the Board its proposals on the remuneration of the Chief Executive Officer and directors holding particular positions, monitoring the application of the decisions adopted by the Board.

The Remuneration Committee carries out supporting activities in favour of the Board of Directors regarding the remuneration plan of directors and managers with strategic responsibilities.

The remuneration of directors and managers with strategic responsibilities is set to be sufficiently attractive to keep and motivate personnel with the required professional expertise to efficiently manage the Group.

The remuneration of executive directors and managers with strategic responsibilities is set with the aim of aligning their interests with the priority goal of creating value for shareholders in the medium-to-long term. As for directors with managing roles or dealing in general with company management, or for managers with strategic responsibilities, a large part of their remuneration is connected to the achievement of specific performance benchmarks, which may also be of a non-economic nature. These objectives have been determined and indicated beforehand in compliance with the general policy guidelines of the Corporate Governance Code.

The remuneration of non-executive directors is proportional to their commitment, including their participation to one or more committees.

Pursuant to the Corporate Governance Code of Listed Companies,

the Committee is entrusted with the following tasks:

a) it periodically assesses the adequacy, general consistency and effective application of the general remuneration policy of executive directors, directors who cover particular offices and managers with strategic responsibilities, based on the information provided by the CEO. It also submits proposals on the issue to the Board of Directors;
b) it submits proposals on the remuneration of the executive directors and of other directors who cover particular offices to the Board of Directors. It also submits proposals on the determination of performance benchmarks relating to the variable component of such directors' remuneration. It also monitors the relevant decisions of the Board, especially regarding the achievement of the performance goals.

The Committee shall perform its tasks in complete autonomy and full independence from the CEO.

Should the Committee be supported by a consultant on market practices in terms of remuneration policies, it shall firstly ascertain that he/she is not in a position that might compromise his/her independence of judgement.

The members of the Committee participated in the committee meeting held during their effective term of office. During said meetings, the Committee, inter alia:

- has reviewed information on the 2021 remuneration policy, including it in the Remuneration Report;
- has assessed the proposal to grant an extraordinary bonus to some executives;
- has reviewed the 2022 remuneration policies for managers;

For additional information on the Remuneration Committee, see the Remuneration Report published pursuant to Article 123-ter of the Consolidated Law on Finance.

As part of its mandate, the Remuneration Committee has access to company information and offices in order to perform its functions, within the limits set by the Board.

The financial resources made available to the Remuneration Committee to carry out its duties amount to € 25,000.

9. REMUNERATION OF DIRECTORS

Information provided in this section is to be considered jointly with the relevant parts of the Remuneration Report, published in compliance with Article 123 of the Consolidated Law on Finance.

General Remuneration Policy

The company has defined a remuneration policy for directors and managers with strategic responsibilities (Recommendation n.27).

In relation to top management, standard remuneration is adopted for Company's managers who are also shareholders and those who are not shareholders, and executive members of the Board.

The remuneration policy for executive directors or directors covering particular offices defines guidelines with reference to the issues and in line with the criteria listed below:

a. the fixed and the variable components are properly balanced according to the Company's strategic objectives and risk management policy;

b. the variable components are capped at specific amounts;

c. the fixed component is sufficient to reward the director should the variable component not be paid because of the failure to achieve the performance objectives set out by the Board of Directors;

d. the performance objectives are predetermined, measurable, and linked to the creation of value for shareholders in the medium-to-long term;

e. the payment of a portion of the medium-to-long term variable compensation is deferred by a reasonable period with reference to its accrual; measurement of this portion and duration of the deferral are consistent with the characteristics of the business activity carried out and with the associated risk profiles;

f. the contractual agreements are in place whereby the company may request the restitution, in whole or in part, of variable portions of the remuneration paid (or withhold amounts that have been deferred), determined based on data that subsequently proved to be clearly inaccurate;

g. no compensation is provided following directors' early end of term of office or for failure to be reappointed.

Share-based compensation plans

The Shareholders' Meeting of 18 April 2019 approved a Stock Option Plan with the aim of linking the remuneration of Beneficiaries to the creation of value for the company's shareholders, emphasising factors of strategic interest. In addition, it seeks to promote loyalty, encourage employees to stay with the company or its subsidiaries, and maintain competitiveness in the market for the remuneration of Beneficiaries, emphasising factors of strategic interest.

The Plan provides for the allocation of a maximum of 600,000 Shares to beneficiaries. In order to ensure the gradual development of the Plan over time, no more than 200,000 Options may be allocated in the first tranche.

In preparing the 2019 Stock Option Plan, the Board of Directors has ensured that:

a. the options assigned to directors to purchase shares or to be remunerated based on the share price performance have a vesting period of three years;

b. the vesting pursuant to paragraph (a) is subject to predetermined measurable performance objectives;

c. the directors keep a portion of the shares purchased following exercise of the options until the end of their term of office, and that the managers with strategic responsibilities keep them for 3 years from exercise

Remuneration of executive directors

A significant portion of the remuneration of the directors with managerial powers is associated with the achievement of specific performance objectives indicated in advance and determined in compliance with the guidelines included in the general remuneration policy defined by the Board of Directors.

When the authorised bodies determined the remuneration of managers with strategic responsibilities, the above criteria were applied in matters of remuneration policy and compensation plans based on shares relative to the remuneration of executive directors or directors vested with particular tasks.

Remuneration of managers with strategic responsibilities

A significant portion of the remuneration of managers with strategic responsibilities is associated with the attainment of previously indicated specific performance objectives determined in compliance with the guidelines contained in the general remuneration policy defined by the Board of Directors.

In determining the remuneration of managers with strategic responsibilities, the delegated bodies applied the above-mentioned criteria on remuneration policy and share-based compensation plans for executive directors or directors covering particular offices.

Incentive plans for the Manager responsible for internal audit and the Manager responsible for preparing corporate accounting documents

The incentive plans for the Manager responsible for internal audit and the Manager responsible for preparing corporate accounting documents are consistent with their duties.

Remuneration of non-executive directors

Non-executive directors' remuneration is not connected to the economic results achieved by the Issuer; it is determined based on a fixed amount. Non-executive directors and independent directors are not involved in stock options incentive plans. (Recommendation n. 29).

The Shareholders' Meeting held on 22 April 2021 approved the Directors' Remuneration Report prepared by the Board of Directors.

Severance package for directors in the event of resignation, dismissal or termination of the relationship following a public takeover bid (pursuant to Article 123-bis, paragraph 1, letter i) of the Consolidated Law on Finance)

No agreements have been signed between the Company and its directors providing a severance package in case of resignation or dismissal without just cause or if the term of office ends because of a takeover bid.

At the time of the appointment of the new Board of Directors, the Shareholders' Meeting of 18 June 2020 did not renew the recognition of an emolument for the end-of-term indemnity in favour of the Chair of the Board of Directors.

With the other directors no severance agreements were signed in case of resignation or dismissal /dismissal without just cause or if their term of office ends because of a takeover bid.

The company discloses, in the event of withdrawal from office and/or termination of the employment relationship with an executive director or general manager, following the internal processes to determine the assignment or recognition of a severance package and/or other benefits, detailed information in this regard, through a market disclosure.

The market disclosure include:

a) adequate information on the severance package and/or other benefits, including the related amount, timing of the disbursement - distinguishing the part disbursed immediately from the part subject to deferral, as well as the components assigned for the role of director from those regarding any employment relationships - and any restitution clauses, with particular regard to:

   1) severance package for end of term of office or employment termination, specifying the case in which said amounts accrue (for example, expiry of office, dismissal from office or compromise agreement);

   2) maintenance of the rights connected to any monetary incentive plans or incentive plans based on financial instruments;

   3) benefits (monetary or non-monetary) subsequent to withdrawal from office;

   4) non-competition agreements, describing the main contents;

   5) any other compensation assigned for any reason and in any form;

b) information on the compliance or non-compliance of the severance package and/or other benefits with the guidelines contained in the remuneration policy, and in the event of even partial deviations with regard to the guidelines in said policy, information on the resolution procedures followed in application of the Consob regulations on transactions with related parties;

c) information on the application or non-application of mechanisms that place limitations on or adjust payment of the severance package in the event in which termination is due to the achievement of objectively inadequate results, and any formulation of requests for restitution of amounts already paid;

d) information on the fact that replacement of the withdrawing executive director or general manager is governed by a specific plan adopted by the company and, in any case, information on the procedures that have been or will be implemented in replacing the director or manager.

10. RISKS AND INTERNAL CONTROLS COMMITTEE

The Company has set up a Risks and Internal Controls Committee.

Composition and functions of the Risks and Internal Controls Committee (pursuant to Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

The Risks and Internal Controls Committee is made up of four directors, of which three are independent: (Paola Generali - Chair, Stefania Saviolo and Carlo Gotta) and one non-executive (Matteo Magni). The director, Carlo Gotta, was appointed by the Shareholders' Meeting of 13 September 2021; the Minutes of the Risks and Internal Controls Committee meetings have been duly taken (Recommendation n. 35) and the Committee Chair has informed and updated the Board on the activities carried out and decisions made during the next relevant meetings.

During the course of the 2022 financial year, the Committee held five meetings, coordinated by the Chair on 9 March, 31 March, 11 May, 19 July and 16 September. The directors participated in all committee meetings held during their effective term of office. At least 4 meetings have been possibly scheduled for 2023. The first meeting of the Risks and Internal Controls Committee for 2022 was held on 9 March 2022.

At least one member of the Risks and Internal Controls Committee has experience in accounting and finance issues deemed to be suitable by the Board upon appointment.

The Chair and the other members of the Board of Statutory Auditors have taken part in the Risks and Internal Controls Committee meetings. The Statutory Auditors had an average attendance of 93%.

Under invitation by the Committee, non-members have taken part in the Risks and Internal Controls Committee's Meetings (*Recommendation n.17*). In 2022, Eugenio Forcinito, Chief Financial Officer and Manager responsible for preparing corporate accounting documents, and Luigi Piccinno, Internal Auditor, called upon to act as secretary, regularly attended the meetings of the committee. Depending on the items on the agenda, the Committee meetings were attended by the partner and the senior manager of the independent auditors Crowe Bompani. Giulia Basile, head of legal affairs, and Marcello Bussolin, Tax Manager of the TXT Group, also intervened on several occasions.

Functions of the Risks and Internal Controls Committee

The Risks and Internal Controls Committee carries out supporting activities in favour of the Board of Directors on the internal control system and on the approval of year-end Financial Statements and half-yearly reports. Since it monitors corporate activities in general, it also has consultative and advisory functions. In particular, according to the Corporate Governance Code of Listed Companies, the Risks and Internal Controls Committee has been assigned the following tasks:

a) to assist the Board of Directors in identifying the guidelines of the internal control and risk management system and verify that such system is suitable and effective from time to time, in order to ensure that the main corporate risks are adequately identified and managed;

b) to assess, together with the Manager responsible for preparing corporate accounting documents, after consulting the external auditor and the board of statutory auditors, the correct implementation of the accounting standards and their consistency for the purposes of preparing the consolidated financial statements;

c) to express opinions on specific issues concerning identification of the company's main risks;

d) to review periodic reports on assessment of the internal control and risk management system and specific reports by internal audit;

e) to monitor the autonomy, adequacy, effectiveness, and efficiency of the internal audit function;

f) to request the internal audit function – if necessary – to conduct inspections on specific operational areas, promptly informing the Chair of the Board of Statutory Auditors;

g) to report to the Board of Directors, at least every six months, on the occasion of the approval of the year-end Financial Statements and the half-yearly report, on the adequacy of the internal control and risk management system;

h) to assess the position and ensure the effective independence of the Director in charge of the Internal Control and Risk Management System, based on the provisions of Legislative Decree no. 231/2001 on the corporate administrative liability;

i) to assess, with the assistance of the manager of administrative functions and the manager responsible for internal audit, the proposals submitted by the Independent Auditors applying for the audit position, advising the Board on the issue which shall be submitted to the Shareholders' Meeting by the latter;

j) to support, with adequate information-gathering activity, the assessments and decisions of the Board of Directors with regard to the management of risks arising from prejudicial facts of which the Board of Directors has become aware.

The Risks and Internal Controls Committee should perform its task in a completely autonomous and independent manner both from the CEO (on business integrity issues) and the Independent Auditors (on assessment of results mentioned in the report and in the letter of recommendations).

During said meetings, the Committee also examined:

- the 2021 consolidated Financial Statements, the 2022 half-yearly report and the results on the auditing process, as well as the interim reports;
- the assessments of the impairment tests;
- the assessments of the adequacy of the accounting standards used and their consistency;
- the transactions with related parties;
- the analysis of the results of the Board's and Committees' self-assessment process (at the meeting of the Board where this topic was discussed);
- the reports by the Supervisory Body 231 and activities for updating the Organisation Model;
- the report on Corporate Governance and shareholding structure;
- the Group's risk assessment activities;
- the risk and opportunity assessment of the various acquisition transactions presented to the Committee;
- the risk assessment for the 2023 Budget.

As part of its mandate, the Risks and Internal Controls Committee has access to company information and offices and can appoint external consultants to the end of performing its functions, within the limits set by the Board.

The financial resources made available for the Risks and Internal Controls Committee for carrying out its duties were set at € 25,000.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In defining the strategic, industrial and financial plans, the Board defined the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all of the risks that might be significant with a view to medium to long-term sustainability of the activities of the Issuer.

The risk management system cannot be considered separately from the internal control system with regard to the financial reporting process; in fact, they are both part of the same system. This system is aimed at ensuring reliability, accuracy and timeliness in financial reporting.

The definition of this system, on the basis of the Corporate Governance Code indicates: "The set of rules, procedures and organisational structures aimed at making possible, through appropriate identification, measurement, management and monitoring of the main risks, an effective and correct management of the Company, consistent with pre-set goals".

In compliance with the Code, the internal control and risk management system also involves:

i) the Board of Directors that sets the system guidelines and assesses its adequacy and effective operations, through the appointment of the Risks and Internal Controls Committee and its regular reporting activities;

ii) the CEOs who implement the guidelines defined by the Board of Directors and, in particular, identify the main corporate risks thanks to the support of directors in charge of internal control;

iii) the Risks and Internal Controls Committee with consultative and advisory functions, relating also to the assessment of the adequacy and correct use of the Company's accounting standards;

iv) the directors in charge of internal control who verify, within internal processes, whether the defined controls are adequate with respect to the potential risks and recommend to the Committee and management, where necessary, the adoption of any measures aimed at eliminating risks of a financial nature and enhancing the efficiency and effectiveness of the corporate processes.

The Board of Directors is responsible for defining the global policies of the internal control and risk management system, setting the guidelines and regularly overseeing its adequacy and effectiveness thanks to the support of the Directors in charge of internal control. The responsibility for implementing the internal control and risk management system, in terms of carrying out and managing the measures, mechanisms, procedures and rules, fully applies to all the Company's functions.

The Board of Directors shall also ensure that the main risks faced by the Company are identified and adequately managed.

The Company's internal control and risk management system relating to financial reporting is based on the "COSO Report" model that considers "the internal control system as a set of mechanisms, procedures and tools aimed at ensuring achievement of corporate goals".

The aims of the financial reporting process are the accuracy, reliability, trustworthiness and timeliness of the information disclosure. Risk management is an integral part of the internal control system. The periodic assessment of the internal control system on the financial reporting process aims to verify that the components of the COSO Framework (control environment, risk assessment, control activities, information and communication, monitoring) are properly working together to achieve these objectives. The Company has implemented administrative and accounting procedures that ensure high standard reliability of the internal control on financial reporting.

The approach adopted by the Company on the assessment, monitoring and continuous updating of the internal control and risk management system in terms of financial reporting allows that assessment is carried out on critical areas with higher risk/importance, i.e. where the risks of material mistakes are higher, also due to fraud, on Financial Statements items and on related documents. The identification and assessment of possible errors that could have significant effects on financial reporting takes place through a risk assessment process that identifies organisational entities, processes and related accounting entries and the specific activities that could generate any significant errors. According to the methodology adopted by the Company, risks and related controls are associated to accounts and business processes generating accounting items.

Once identified by the risk assessment process, the significant risks shall be identified and assessed by specific tools (key controls) that ensure their coverage, thus limiting the risk of any potentially significant error on Financial Reporting.

Based on international best practice, the Group has implemented two types of control:

- controls at Group or subsidiary level for assignment of responsibilities, powers and delegation, separation of duties and allocation of privileges and access rights for IT applications;
- controls at process level, such as the issue of authorisations, the performance of reconciliations, the performance of consistency checks, etc. This category includes controls relating to operating processes, those on accounting closure processes and so-called "transversal" controls. Such controls may be "preventive" with the aim of preventing the occurrence of anomalies or fraud that could cause errors in financial reporting or "detective" with aim of detecting any anomaly or fraud that has already occurred.

The assessment of controls, where appropriate, may require the identification of compensation controls, corrective actions or improvement plans. The results of monitoring activities are regularly examined by the Manager responsible for preparing the corporate accounting documents. They are then reported to top management and to the Risks and Internal Controls Committee, which in turn reports to the Parent Company's Board of Directors and Board of Statutory Auditors.

Internal control and risk management system:

- contributes to operating the company in accordance with the objectives defined by the Board, encouraging the adoption of informed decisions;
- participates in ensuring safeguarding of the company assets, efficiency and effectiveness of the company processes, reliability of the information provided to the corporate bodies and to the market, and respect of laws and regulations, as well as of the company Articles of Association and internal procedures.

11.1. Executive director in charge of the internal control and risk management system

On 1 July 2020, the Board of Directors appointed Daniele Stefano Misani as executive director in charge of supervising the internal control system.

The Executive Director in charge of supervising the functions of the internal control and risk management system:

- together with the Supervisory Body, was in charge of identifying the main corporate risks, taking into account the features of the business carried out by the Company and its subsidiaries. His findings were submitted to the Risks and Internal Controls Committee and to the Board of Directors;
- has implemented the guidelines adopted by the Board, managing the drafting, implementation and management of the internal control and risk management system, verifying its general adequacy, efficacy and effectiveness;
- has aligned the system with the operating activities and with the current regulatory framework;
- has the power to request the internal audit function to conduct inspections on specific operational areas and on the compliance with the rules and internal procedures in performing company activities, promptly informing the Chair of the Board, the Chair of the Risks and Internal Controls Committee and the Chair of the Board of Statutory Auditors;
- confirmed Luigi Piccinno as Internal Auditor in compliance with the resolution issued by the Board at the meeting of 12 May 2011.

11.2. Manager responsible for Internal Audit

On 12 May 2011, the Board of Directors appointed Luigi Piccinno as Manager responsible for internal audit, with the task of checking the consistency of the internal control and risk management system, its operations and effectiveness.

The appointment was made on advice of the Executive Director in charge of internal control and risk management system, following consultations with the Risks and Internal Controls Committee and the Board of Statutory Auditors.

The Manager responsible for internal audit's remuneration, following the opinion of the Risks and Internal Controls Committee, has been determined in accordance with company policies and is sufficient for him to carry out his duties.

The Manager responsible for internal audit:

a. is a Member of the 231 Supervisory Body. He reports directly to the Executive Director in charge of the Internal Control and Risk Management System. The Board of Directors, after consulting with the Risks and Internal Controls Committee and with the Executive Director in charge of the internal control and risk management system, deemed this solution adequate and balanced, in view of the relatively small size of the Group and its streamlined operating structure.
b. verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operations and suitability of the internal control and risk management system, by means of an audit plan, approved by the Board of Directors based on a structured process of analysis and prioritisation of the main risks.
c. had direct access to useful information for carrying out his duties.
d. has prepared a report containing adequate information on his activity, on the method with which risk management is conducted as well as on the compliance with the plans defined for their management, in addition to an assessment on the adequacy of the internal control and risk management system and submitted it to the Chair of the Board of Statutory Auditors, the Chair of the Risks and Internal Controls Committee and the Chair of the Board of Directors as well as to the Director in charge of the internal control and risk management system.
e. has reported to the Risks and Internal Controls Committee and to the Board of Statutory Auditors on the activities performed. Additionally, he reported to the Executive Director in charge of the internal control and risk management system.
f. has verified, within the scope of the audit plan, the reliability of the information systems including the accounts registration systems.

In 2022, the Manager responsible for internal audit, in carrying out his functions, did not use the support of an external consultant.

11.3. Organisation model pursuant to Legislative Decree no. 231/2001

The Board Meeting held on 14 March 2008 approved the organisation model in compliance with the provisions of Legislative Decree no. 231/2001. Such model includes the Code of Ethics with binding rules and principles for directors, employees, consultants, external staff and suppliers.

In defining the "Organisational, management and control model", TXT has adopted a design approach that makes it possible to use and integrate existing rules into the Model, as well as to dynamically interpret the expected evolution of the regulations towards other offences. The TXT model structure aims at making controls and procedures within the Group as efficient and consistent as possible.

This approach: i) enhances the existing corporate assets in terms of internal policies, regulations and rules addressing and governing risk management and control procedures; ii) makes it possible to promptly update rules and methods to be communicated within the Company, subject to future fine-tuning; iii) makes it possible to manage all corporate operating rules in the same way, including those pertaining to “sensitive issues”.

The TXT model is composed of:

a) the General Part;

b) the Code of Ethics and the organisation procedures that are already in force within TXT and pertain to the control of conducts, events or acts relevant pursuant to Legislative Decree no. 231/2001. The Code of Ethics and the procedures in force, even if they have not been explicitly issued pursuant to Legislative Decree no. 231/2001, aims at monitoring that the conduct of TXT representatives or employees is correct, accurate and compliant with the law, and therefore, they contribute to ensure crime prevention according to Legislative Decree no. 231/2001;

c) the Special Part, concerning the specific offence categories that are relevant for TXT and the applicable provisions.

On 5 August 2010, the Board approved updating of the Code of Ethics and the Organisation Model, in particular with reference to the company activities in the software and IT systems sector and to the expertise it has accrued over recent years. The most significant updates regard the activities in terms of workplace safety, also with regard to sub-contracts and dealings with third parties, along with the distinctive realm of cyber-crimes.

The analysis focused on the planning methods, principles and measures used to identify corporate risks and to subsequently assess regulations and procedures of operating activities, the general features of controls, protocols and procedures to monitor those fields potentially at risk. It also included tasks, powers, ineligibility and incompatibility reasons that would result in the Supervisory Body’s end of term of office pursuant to said regulations. During its supervision activities, the Body shall regularly report to the Executive Director in charge of the internal control system, and periodically to the Board of Directors in reference to the degree of implementation, effectiveness and operating efficiency of the Model.

The Board has updated the risk report with "as is" and gap analysis, along with the Code of Ethics, the Supervisory Body's regulations and the "Organisation and Management Model 231" manual.

From the date of first approval, the Organisation Model has been updated following the introduction of new crimes such as the reform of corporate crimes, the new crime of money laundering, the reform on corruption and the new environmental and cyber-crimes.

The Board of Directors on 3 August 2022 appointed Paolo Passino as Chair of the Supervisory Body. Paolo Passino is a Senior associate care of Studio Ferrari, Pedeferri & Boni, with experience in the sphere of corporate law, corporate governance, extraordinary transactions, M&A, mercantile law and the administrative liability of corporate bodies with appointments in the supervisory bodies of industrial and service companies and experience with regard to organisation, management and control models and risk assessment. The Board also confirmed Mario Basilico, former Chair of the Board of Statutory Auditors, and Luigi Piccinno, who has been a member for many years and internal auditor as members of the Supervisory Body. The TXT Supervisory Body is therefore made up of 3 members.

The Supervisory Body is responsible for overseeing functioning and compliance of the Model, as well as handling its update, submitting proposals to the Board for any updates and amendments to the Model adopted. The Supervisory Body reports to the Board of Directors on a half-yearly basis with regard to the Model's application and effectiveness.

On 1 October 2014, the company adopted a Policy for the prevention of corruption (available online on the company website at: https://www.txtgroup.com/governance/articles-of-association-and-policies/) and disseminated a specific procedure to all employees of Group companies.

The Organisation Model is available on the Company's website at the following address: https://www.txtgroup.com/governance/organizational-model-231/

11.4. Independent Auditors

The Shareholders' Meeting of 22 April 2021 appointed Crowe Bompani S.p.A, Via Leone XIII, 14 - 20145 Milan, Italy, to audit the accounts for the financial years 2021 to 2029, on the basis of a reasoned proposal by the Board of Statutory Auditors.

Their tasks include auditing the annual Financial Statements, limited auditing of the half-yearly reports, as well as monitoring activities under Article 155 of the Consolidated Law on Finance.

11.5. Manager responsible for preparing corporate accounting documents

On 15 July 2019, the Board of Directors, with a favourable opinion of the Board of Statutory Auditors, appointed Eugenio Forcinito as Manager responsible for preparing corporate accounting documents. Eugenio Forcinito is also the Group's *Chief Financial Officer*.

The Manager responsible for preparing corporate accounting documents arranges appropriate administrative and accounting procedures to prepare the consolidated and statutory financial statements, as well as all other financial documents. The delegated bodies and the Manager responsible for preparing corporate accounting documents certify the equity, income and financial disclosure pursuant to legal requirements.

The Board of Directors oversees that the Manager responsible for preparing corporate accounting documents has adequate means to perform the duties assigned to them, as well as effective compliance with administrative and accounting procedures.

11.6. Coordination between the parties involved in the internal control and risk management system

The Company parties involved in the internal control and risk management system (the Board in charge of the internal control and risk management system, the Risks and Internal Controls Committee, the Manager responsible for internal audit, the Manager responsible for preparing corporate accounting documents and other company roles and functions with specific duties of internal control and risk management, and the Board of Statutory Auditors) shall coordinate their own activities and exchange relevant information during periodic meetings and, if necessary, during specially convened meeting. In particular, in 2021, the parties involved in the internal control system met and exchanged information in two meetings: 11 March and 3 August.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are defined by international accounting standards (notably IAS 24) and also involve consolidated subsidiaries 100%-owned by the Company. Transactions between the Company and its subsidiaries are mainly of an on-going commercial nature, based on agreements which do not feature any unusual clauses differing from standard market practices for transactions at arm's length.

In view of the nature of transactions and their ordinary character in line with market practices, the Board deemed it unnecessary to apply for a "fairness opinion" to be provided by an independent expert to the end of assessing the economic consistency of the transactions. As stated above, transactions with related parties, with significant income, equity and financial value, are reserved to the Board of Directors.

With reference to the disclosure to the Board of Directors, except for necessary and urgent events, all transactions with significant income, equity and financial value, significant transactions with related parties and atypical and/or unusual transactions are submitted to the prior approval of the Board of Directors.

As for transactions with related parties, including intra-group transactions, not submitted for Board approval as deemed typical or usual and/or at standard conditions – i.e. at the same conditions applied by the Company to any other party – the CEO or the Managers in charge of the transactions, without any prejudice to the dedicated procedure pursuant to Article 150, paragraph 1, of the Consolidated Law on Finance, shall collect and preserve, by type or group of transactions, adequate disclosure on the nature of the transaction, its methods of execution, conditions, whether economic or otherwise, of implementation, on the assessment method adopted, underlying interests and reasons and any risks for the Company.

Despite their subject and value being pertinent, prior approval of the Board of Directors is not required for transactions which:

- are executed at market conditions or at the same conditions applied to parties other than the related parties;

- are typical or usual – i.e. they fall under the Company's ordinary operations as for their subject, nature and degree of risk, as well as execution period.

In any event, the Board of Directors shall be duly notified about such transactions as well.

On 8 November 2010, the Board of Directors approved a new implementation procedure, pursuant to Article 2391-bis of the Italian Civil Code, the Corporate Governance Code of Listed Companies, and the Consob Regulation on related parties, approved by Resolution no. 17221 of 12 March 2010 (the "Consob Regulation"). This new procedure identifies 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. It should be noted that, with resolution 21624 of 10 December 2020, Consob approved some amendments to Consob Regulation no. 17221/2010 on transactions with related parties. In accordance with the aforementioned resolution, the Related Party Procedure was amended on 30 June 2021.

This procedure is available on the Company's website at the following address:
https://www.txtgroup.com/it/investors/corporate-governance/

The Transactions with Related Parties Committee comprises Paola Generali - Chair, Stefania Saviolo and Carlo Gotta, all independent directors.

The Related Party Transactions Committee did not meet in 2022, as no transactions qualified as "Related Party Transactions" were carried out by the company.

13. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors' appointment is expressly governed by the Company's Articles of Association.

The Board of Statutory Auditors consists of three Standing Auditors and three Alternate Auditors.

The Ordinary Shareholders' Meeting appoints the Board of Statutory Auditors in compliance with current regulations on gender balance and determines its members' remuneration. Minority shareholders have the right to elect the Chair of the Board of Statutory Auditors and an Alternate Auditor.

Without prejudice to the provisions of the second last paragraph of this article, the appointment of the Board of Statutory Auditors is based on the lists drafted by the shareholders in which the candidates are listed progressively.

The number of candidates in each list is not greater than the number of members to be elected.

The lists that contain three or more candidates must be comprised of candidates from both genders, with a minimum of two candidates for each gender if the list consists of six candidates.

Such lists may be submitted by those shareholders who, either alone or together with others, own at least 2% (two per cent) of shares with voting rights during the Ordinary Shareholders' Meeting.

The lists shall be filed at the issuer's offices no later than 25 days before the date fixed for the Shareholders' Meeting resolving on the appointment of Board of Statutory Auditors' members and they shall be available to the public at the Company's registered office, on its website, and by any other means provided for by Consob Regulation at least 21 days before the date fixed for the Shareholders' Meeting.

The lists must also include a description of the candidates' professional background and a list of offices held as director or auditor in other companies and declarations in which individual candidates accept their candidacy and, under their own responsibility, certify the absence of ineligibility and incompatibility reasons and the possession of relevant regulatory requirements provided for by the law or the Articles of Association.

Lists that do not comply with the provisions previously described are considered as not submitted.

Each candidate may appear in one list only, under penalty of being ineligible to qualify as a candidate.

Likewise, individuals that do not satisfy the requirements provided for by applicable standards or who are already serving as Statutory Auditors in more than five companies listed on the Italian regulated markets cannot be elected as Auditors. Each person entitled to vote may vote for just one list.

Members of the Board of Statutory Auditors shall be elected as follows, without prejudice to provisions on gender balance.

Two standing auditors and two alternate auditors are drawn from the list that received the greatest number of votes during the Shareholders' Meeting, on the basis of the progressive order in which they were listed. The Chair of the Board of Statutory Auditors and the other alternate auditor are drawn from the second list that received the greatest number of votes during the Shareholders' Meeting, on the basis of the progressive order in which they were listed. In the event that several lists obtained the same number of votes, a run-off takes place between said lists and all the shareholders participating in the Shareholders' Meeting shall cast their vote. Candidates from the list that obtain a simple majority of votes are deemed elected.

If the Board of Statutory Auditors' composition does not comply with gender mix requirements provided for by current regulations, the necessary replacements shall be made from the list receiving the highest number of votes and based on the progressive order the candidates were listed in.

In the event of death, withdrawal or end of term of office of one Auditor, the alternate auditor belonging to the same list takes over.

If the Chair of the Board of Statutory Auditors is to be replaced, the other standing Auditor drawn from the same list as the outgoing Chair shall take over the Chair; if, due to prior or simultaneous withdrawals from office, it is impossible to carry out the replacement following the above-mentioned criteria, a Shareholders' Meeting shall be convened to fill the vacancies of the Board of Statutory Auditors.

Pursuant to the provisions of the aforementioned paragraph or to the law, in the event that the Shareholders' Meeting is required to appoint standing and/or alternate members of the Board of Statutory Auditors to fill vacancies, the procedure shall be as follows: in order to replace Auditors from the majority list, the appointment is made by a relative majority vote without any restriction in terms of lists; if, on the contrary, Statutory Auditors from the minority list must be replaced, the Shareholders' Meetings replaces them by a relative majority vote by choosing them, where possible, from among the candidates indicated in the list to which the Statutory Auditor to be replaced belonged to.

Should just one list be presented, the Shareholders' Meeting shall vote candidates of that list; if the list obtains the relative majority of votes, the Standing Auditors to be elected are the first three candidates in progressive order and the fourth, fifth and sixth candidate are Alternate auditors; the Chair of the Board of Statutory Auditors is the first person indicated in the list; in case of death, withdrawal or end of term of office of an Auditor or if the Chair of the Board of Statutory Auditors has to be replaced, the Alternate Auditors and the Standing Auditor, respectively, shall take over the offices following the order indicated in the list.

If there are no lists, or if the list voting procedure does not elect all the standing and alternate members, the members of the Board of Statutory Auditors and if the case may be, the Chair thereof, are appointed by the Shareholders' Meetings by the type of majority required by the law, in compliance with the current regulations on gender balance.

Outgoing auditors may be re-elected.

14. COMPOSITION AND FUNCTIONS OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letters d) and d-bis), of the Consolidated Law on Finance)

The current Board of Statutory Auditors was elected, in compliance with the procedures described above, by the Shareholders' Meeting held on 18 June 2020, and it shall hold office until approval of the Financial Statements for the year ending 31 December 2022. On 15 and 20 May 2020, 3 lists of candidates for appointment to the company's Board of Statutory Auditors were filed at the registered office. The majority list was submitted by Laserline S.p.A. with Luisa Cameretti, Franco Vergani, Fabio Maria Palmieri and Giada D'Onofrio as candidates (two standing auditors and two alternate auditors, as respectively appointed). The minority lists were submitted by Alvise Braga Illa and included Mario Basilico and Massimiliano Alberto Tonarini (elected Chair of the Board of Statutory Auditors and Alternate Auditor respectively), and by Eurizon Capital SGR S.p.A., Fideuram Asset Management, Fideuram Investimenti SGR S.p.A., Interfund Sicav - Interfund Equity Italy, Mediolanum Gestione Fondi SGR S.p.A., Mediolanum International Funds Ltd - Challenge Funds - Challenge Italian Equity and included Luca Laurini and Valeria Maria Gabriella Scuteri. The shareholders declared that there are no connections between the lists. The majority list obtained 56.45% of the voting capital, the minority list submitted by Alvise Braga Illa obtained 30.73% of the voting capital while the third list obtained 12.82% of the voting capital.

The Board of Statutory Auditors' current composition is shown in Table 3 attached to this Report.

No significant changes in the Board of Statutory Auditors took place after the end of the reporting period.

The professional experience of each Statutory Auditor (Article 144-decies of Consob Issuers' Regulations) is provided below:

<u>Mario Basilico</u>

Born in Milan on 27 February 1960.

Graduated in Law from Università Cattolica di S. Cuore in Milan in 1991 and in Economics and Business in 2011. Enrolled in the register of External Auditors since 1995 under no. 3991.

Partner of the professional firm of the same name, Mario Basilico is responsible for tax affairs and national and international corporate law and has experience of organising and starting up SMEs and companies in the financial sector, launching and managing supplementary pension funds, corporate Financial Statements for real estate brokerage, preparation of organisation models and Supervisory Body 231/01. He is a published author and lecture on specialist courses.

<u>Franco Vergani</u>

Born in Lecco on 13 March 1966.

He graduated in Economics from Università degli Studi di Bergamo in 1991. Enrolled in the register of Chartered Accountants and bookkeepers of Lecco since 1993. Enrolled in the register of External Auditors since 1995 under no. 65880.

Chartered Accountant with many years of professional experience, holding offices in multiple Boards of Statutory Auditors as well as director positions in various companies; specialised in tax and corporate assistance.

<u>Luisa Cameretti</u>

Born in San Giorgio a Cremano (province of Naples) on 11 November 1965.

Graduated in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1990. Enrolled in the register of Chartered Accountants and bookkeepers of Milan since 1996. Enrolled in the register of External Auditors under no. 91224.

Partner of the firm Zazzeron & Cameretti Associati, which operates in the field of corporate and tax consulting for companies, cooperatives, associations and foundations, she has administrative, corporate and tax experience with particular reference to balance sheet and tax planning activities.

She is a member of the control bodies of several companies and entities and exercises patronage with the Tax Commissions.

Diversity policies and criteria

The Company has applied diversity criteria, also with regard to gender, in the composition of the Board of Statutory Auditors. In particular, the least represented gender, female, has one auditor and therefore equal to one third of the Board of Statutory Auditors.

The objectives, method of implementation and results of the application of the diversity criteria recommended by Article 8 are the following.

In December 2018 the Board of Statutory Auditors, in implementation of the matters envisaged by the Consolidated Law on Finance, approved a diversity policy, which describes the optimum characteristics of the composition of said board so that it may exercise its supervisory duties in the most effective way, adopting decisions which may effectively avail themselves of the contribution of a plurality of qualified points of view, capable of examining the aspects in question from different perspectives. The principles inspiring this policy are the same as those illustrated in relation to the document approved by the Board of Directors (in relation to which reference is made to this section "Board of Directors - Policy on the diversity of the Board of Directors").

With reference to the types of diversity and the related objectives, the policy approved by the Board of Statutory Auditors (available on the Company's website) envisages that:

- it is important to continue to ensure that at least one third of the Board of Statutory Auditors, both at the time of appointment and during the mandate, is made up Statutory Auditors of the least represented gender;

- in order to pursue a balance between the needs for continuity and renewal in the management, it would be necessary to ensure a balanced combination of different lengths of service in office - in addition to age brackets - within the Board of Statutory Auditors;
- the Auditors must, in their entirety, be competent in the sector in which the TXT group operates, or rather with reference to the software business and IT services or in their similar, pertinent and adjoining sectors;
- the Statutory Auditors should be represented by figures with a professional and/or academic and/or managerial profile such as to achieve a series of skills and experience which are diverse and complementary. Specifically, at least one of the Standing Auditors and at least one of the Alternate Auditors must be enrolled in the register of chartered accountants and have exercised official accounts audit activities. The additional professional requisites envisage that the Auditors who are not in possession of the requisite described above must have gained overall experience of at least three years with regard to the following: a) management or control activities or executive duties care of joint-stock companies; and/or b) university lecturing or professional activities with regard to legal, economic, financial and technical-scientific subjects pertaining to TXT's activities;
- the Chair must be an individual with such a standing as to ensure a suitable coordination of the work of the Board of Statutory Auditors with the activities carried out by other parties involved for various purposes in the governance of the internal control and risk management system, for the purpose of maximising the efficiency of the latter and reducing the duplication of activities. The Chair also has the task of creating spirit of cohesion within the Board of Statutory Auditors so as to ensure an efficient accomplishment of the supervisory functions assigned to this body, at the same time representing, on a par with the other Auditors, a guarantee for all the Shareholders.

With regard to the methods of implementation of the diversity policy, the TXT's Articles of Association do not envisage the possibility that the Board of Directors presents a list of candidates at the time of renewal of the Board of Statutory Auditors, since the Company deems it inappropriate that the management body can appoint the parties required to oversee its work.

Therefore, the Policy exclusively intends to guide the candidatures formulated by the Shareholders at the time of renewal of the entire Board of Statutory Auditors or integration of the related composition, ensuring a suitable consideration of the benefits which may derive from a harmonious composition of said Board, aligned with the various diversity criteria indicated above.

The Board of Statutory Auditors in office fully satisfies the objectives established by said policy for the various types of diversity.

During the 2022 financial year, the Board of Statutory Auditors held 6 meetings, with an average duration of 1.35 minutes. 2 meetings have been scheduled for 2023, the first of which was held on 13 January 2023.

The Board of Statutory Auditors assessed the independence of its members. In performing the above-mentioned assessments, the Board considered compatible and significant the criteria provided for by the Code concerning Directors' independence.

The Board of Directors made it possible for Auditors to participate, subsequent to their appointment and during their term of office, in the most appropriate manner, in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, the principles of proper risk management, as well as the relevant regulatory framework of reference. Application of this principle is fulfilled through discussions and in-depth meetings with management.

Remuneration of the Auditors is commensurate with the required commitment, the relevance of the role held and the size and sector characteristics of the company.

According to corporate policies, in the event that an auditor who, on their own behalf or on behalf of third parties, has an interest in a specific corporate transaction, he or she shall promptly and exhaustively report to the other auditors and to the Chair about the nature, terms, origin and scope of his/her interest.

The Board of Statutory Auditors oversaw the independence of Independent Auditors, verifying both the respect of the relevant regulations and the nature and entity of services other than audit provided to the Issuer and its subsidiaries by the Independent Auditors and the entities belonging to its network.

While performing its activities, the Board of Statutory Auditors coordinated with the internal audit function and the Risks and Internal Controls Committee, meeting with the internal audit unit and regularly attending the committee meetings.

15. RELATIONSHIP WITH SHAREHOLDERS

The Company endeavours to develop a constructive dialogue with institutional investors, shareholders and the public in general, deeming it an important goal since its listing. To the end of maintaining such relationship, in compliance with regulations governing disclosure of corporate documents and figures, TXT manages this service internally.

Furthermore, communications are provided to shareholders through the Company's website (www.txtgroup.com), where income and financial information (i.e. annual, half-yearly and quarterly reports), price sensitive and other press releases issued by the Company in the last 5 years are available, along with the list of corporate events and meetings on the Group's operational, financial and corporate development.

It should be noted that the Board of Directors, at the meeting of 11 May 2022, adopted a policy for managing dialogue with the shareholders in general (the "Dialogue Policy"), which can be consulted on the Company's website (www.txtgroup.com). The Dialogue Policy (i) illustrates the ordinary channels of communication (i.e. the Shareholders' Meeting, the TXT institutional website and the Company's institutional meetings with the financial community), as well as the other forms of dialogue relating to the Company that do not directly involve the latter and (ii) governs direct dialogue between shareholders and the Board of Directors through a specific procedure. The Dialogue Policy applies to relations between the Company and investors, including the Company's current and potential shareholders, as well as those who have an interest in holding shares, other financial instruments and rights deriving from the shares in the share capital, on their own account or on the account of third parties, such as, for example, asset managers (the "Investors")

Mr Andrea Favini is responsible for managing relations with shareholders (investor Relator). Considering the relatively limited size of TXT and the characteristics of its shareholding structure, a specific corporate structure was not deemed necessary.

The CEO at 31 December 2022 has powers of communication with regard to rules and regulations and in the interests of the Company, shareholders, employees and customers, carefully assessing the subject matter and content of external communications and communications to the market. The content of communications is the responsibility of the Chair with the support of the CEO and CFO and in consultation with the Board of Directors for particularly sensitive matters. 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.

16. SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, paragraph 2, letter c), of the Consolidated Law on Finance)

The duly constituted Shareholders' Meeting represents all the shareholders. The resolutions it approves in compliance with the law and the Articles of Association bind all the shareholders, including those who are absent or disagree. Shareholders' Meetings are usually held at the Company's registered office or elsewhere in Italy. The Extraordinary Shareholders' Meeting of 15 October 2020 also amended the provisions relating to the Shareholders' Meetings, providing for the possibility, pursuant to Article 135-undecies of the Consolidated Law on Finance, to designate a representative in charge of receiving proxies and voting instructions at the Shareholders' Meeting as well as the possibility of providing for participation in the Shareholders' Meeting also by means of telecommunications.

The one share one vote principle applies.

The Shareholders' Meeting is convened by public notice published in a national newspaper and on the Company's website within the deadlines and by the means provided for by the law; the notice indicates the date, time and place of the meeting and the agenda. The Shareholders' Meeting cannot pass resolutions on issues which are not on the agenda. The Ordinary Shareholders' Meeting held to approve the Financial Statements shall be convened by the Administrative Body within 120 days from the end of the relevant reporting period.

The right to participate in the Shareholders' Meeting is held by those entitled with voting rights at the record date, i.e. seven trading days before the date fixed for the Shareholders' Meeting and who have provided the Company with the related communication made by an authorised intermediary. Shareholders holding shares only subsequent to the record date shall not have the right to take part in and vote at the Shareholders' Meeting. No voting procedures by post are allowed.

Each shareholder entitled to participate can be represented during the Shareholder's Meeting by means of a written proxy. The relevant form is available on the Company's website (www.txt.com, Investor Relations, Corporate Governance, Shareholders' Meeting document section). The proxy may be sent electronically to deleghetxt@txtgroup.com. The early notification of proxies does still require the person entrusted with it to submit a true copy and certify the identity of the delegating person, in order to take part in the Shareholders' Meeting. As already reported, as from 15 October 2020, it was possible to allow participation in the Shareholders' Meeting through the designated representative.

Shareholders who, even jointly, represent at least 1/40 of the share capital with voting rights may ask for additions to the agenda, indicating the issues in the request. The latter must be sent within 15 days of the publication of the notice of call, to the registered office of the Company and submitted to the Chair of the Board of Directors with due certification of the shareholding requirements. In addition to this request, a report on the topic must be filed in a timely manner at the registered office, so that it can be made available to the other Shareholders at least 10 days before the Shareholders' Meeting on first call. This addition is not allowed in relation to topics on which the Shareholders' Meeting must vote, as per the law, upon proposal of the directors, or which are based on a project or report prepared by them.

Shareholders entitled to participate in the Shareholders' Meeting may submit questions on the agenda even before the Shareholders' Meeting, by sending a registered letter to the Company's registered office or by email to infofinance@txtgroup.com. Questions that are received prior to the Shareholders' Meeting shall be answered at the latest during the meeting itself. The Company reserves the right to give a single answer should there be numerous questions on the same topic. The request must include the necessary certification issued by the intermediaries proving the shareholders' voting right or the communication approving participation in the Shareholders' Meeting and the voting rights.

The Shareholders' Meeting is regularly attended by the Board of Directors and Board of Statutory Auditors.

The Ordinary Shareholders' Meeting votes on annual financial statements, net profit allocation, the appointment of the Board of Directors' members and their remuneration, the appointment of Standing and Alternate Auditors and the Board of Statutory Auditors' Chair and on their remuneration. The Ordinary Shareholders' Meeting also votes on the appointment of the Independent Auditors, establishing the relevant fees, and on approval of the regulations of the Shareholders' Meeting as well as on any other issue pursuant to the law.

The Extraordinary Shareholders' Meeting votes on issues involving changes in the Company's Articles of Association, the appointment and powers of receivers in case of liquidation as well as on any other issues pursuant to the law.

Both the first and subsequent dates of convening shall be indicated in the Shareholders' Meeting notice, pursuant to law, unless the Board of Directors opts for the single-call system instead of the traditional one allowing multiple calls; in this case, the Board of Directors shall explain the choice in the notice.

The recommendation included in the Corporate Governance Code considering the Shareholders' Meetings as an opportunity for developing a constructive dialogue between the Board of Directors and shareholders has been carefully analysed and fully shared by the Company. All directors in office and standing auditors attended the Shareholders' Meeting of 20 April 2022. During the course of the Meeting of 20 April 2022, the Board of Directors, through the Chair and CEO, reported on the activities carried out and planned, providing shareholders with adequate information in order to make informed decisions pertaining to the Shareholders' Meeting, as well as the documentation prepared with regard to the individual topics on the agenda.

The Shareholders' Meeting held on 7 April 2001 approved a specific set of rules to ensure that the Company's Ordinary and Extraordinary Shareholders' Meetings are effectively held, while guaranteeing the right of each shareholder to ask for clarifications on the agenda, speak and put forward proposals.

The Board reported to the Shareholders' Meeting on the activities performed and scheduled, and arranged to provide shareholders with adequate disclosure on the necessary issues so that they can take informed decisions pertaining to the Shareholders' Meeting (Comment to Article 9 of the Code).

The company has not been informed of any significant changes in the shareholding structure. In this respect, it was not deemed necessary to submit to the Shareholders' Meeting amendments to the Articles of Association on the percentages established for exercising shares and the measures aimed at protecting minorities and in said case report on the results of said amendments.

During 2022, one Ordinary Shareholders' Meeting was convened.

The Ordinary Shareholders' Meeting of 20 April 2022 approved the 2021 Financial Statements, the Remuneration Report, the emoluments for the directors, the renewal of the treasury share purchase programme.

In reference to Article 7 of the Corporate Governance Code relating to the remuneration of directors and managers with strategic responsibilities, the Shareholders' Meeting of 20 April 2022 approved the remuneration policy document prepared by the Remuneration Committee and the Board of Directors.

17. OTHER CORPORATE GOVERNANCE ISSUES (pursuant to Article 123-bis, paragraph 2, letter a) of the Consolidated Law on Finance)

No other corporate governance issues have been implemented in addition to those previously mentioned.

18. CHANGES AFTER THE END OF THE REPORTING PERIOD

There were no changes in the Company's corporate governance after the end of the reporting period.

TABLE 1: Information on the shareholding structure

SIGNIFICANT SHAREHOLDINGS

Shareholder	No. of shares	As a % of ordinary capital	As a % of voting capital
Laserline SpA	3,926,493	30.19%	32.45%
L.V.O. Global Asset Management S.A.	394,601	3.03%	3.26%
Treasury shares (with suspended voting right)	906,600	6.97%	-
Market	7,778,556	59.81%	64.28%
Total shares	**13,006,250**	**100.00%**	**100.00%**

TABLE 2: Composition of the Board of Directors and Committees

Consiglio di amministrazione													Comitato Controllo e Rischi		Comitato Remunerazione		Comitato Parti Correlate	
Carica	Nominativo	Anno di nascita	Data di prima nomina(*)	In carica dal	In carica fino a	Lista **	Esec.	Non esc.	Indip. da codice	Indip. da TUF	Nr. altri incarichi ***	Partecipazione (*)	(**)	(*)	(**)	(*)	(**)	(*)
Presidente	Enrico Magni	1956	18.04.2020	18.06.2020	31.12.2022	M	x				-	10/10						
Amm. Del.	Daniele Misani	1977	15.07.2019	18.06.2020	31.12.2022	M	x				-	10/10						
Amm.	Matteo Magni	1982	18.06.2020	18.06.2020	31.12.2022	M		x			-	10/10	M	6/6				
Amm.	Paola Generali	1975	18.06.2020	18.06.2020	31.12.2022	M		x	x	x	1	10/10	P	6/6	M	1/1	P	0/0
Amm.	Stefania Saviolo	1965	17.04.2014	18.06.2020	31.12.2022	M		x	x	x	-	10/10	M	6/6	P	1/1	M	0/0
Amm.	Carlo Gotta	1963	12.05.2021	12.05.2021(***)	31.12.2022	-		x	x	x	-	8/10	M	4/6			M	0/0
Amm.	Antonella Sutti	1964	13.09.2021	13.09.2021	31.12.2022	-		x	x	x	-	10/10			M	1/1		
AMMINISTRATORI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO																		
Amm.																		
Amm.																		
N. riunioni svolte durante l'esercizio 2022:				CDA: 10	CCR: 5	CR: 1	CPC: 0											
Quorum richiesto per la presentazione delle liste da parte delle minoranze per l'elezione di uno o più membri (ex art. 147-ter TUF): 4,5%																		

* Per data di prima nomina di ciascun amministratore si intende la data in cui l'amministratore è stato nominato per la prima volta (in assoluto) nel CdA dell'emittente.

**In questa colonna è indicata la lista da cui è stato tratto ciascun amministratore ("M":lista di maggioranza, "m":lista di minoranza, "CdA":lista presentata dal CdA)

***In questa colonna è indicato il numero di incarichi di amministratore o sindaco ricoperti dal soggetto interessato in altre società quotate in mercati regolamentati, anche esteri, in società finanziarie, bancarie, assicurative o di rilevanti dimensi
Nella Relazione sulla Corporate Governance gli incarichi sono indicati per esteso.

(*)In questa colonna è indicata la partecipazione degli amministratori alle riunioni rispettivamente del CdA e dei comitati (indicare il numero di riunioni cui ha partecipato rispetto al numero complessivo delle riunioni cui avrebbe potuto partecip

(**) In questa colonna è indicata la qualifica del consigliere all'interno del Comitato: "P": Presidente, "M": membro

(***) data di cooptazione, data di nomina dall'assemblea: 13 settembre 2021

09.03.2023

TABLE 3: Composition of the Board of Statutory Auditors

Office	Name	Year of birth	Date of first appointment	In office since	In office until	List	Indep. pursuant to code	Investment	No. Other offices
Chair	Mario Basilico	1960	21.04.2017	01.01.2020	31.12.2022	Minority	x	6/6	-
Standing Auditor	Luisa Cameretti	1965	17.04.2014	01.01.2020	31.12.2022	Majority	x	6/6	-
Standing Auditor	Franco Vergani	1966	18.06.2020	18.06.2020	31.12.2022	Majority	x	6/6	-
Alternate Auditor	Fabio Maria Palmieri	1962	18.06.2020	18.06.2020	31.12.2022	Majority			-
Alternate Auditor	Giada D'Onofrio	1976	18.06.2020	18.06.2020	31.12.2022	Majority			-
Alternate Auditor	Massimiliano Tonarini	1968	21.04.2017	01.01.2019	31.12.2022	Minority			-
WITHDRAWING AUDITORS DURING 2021									
Standing Auditor									-
Alternate Auditor									
No. of meetings held in 2021: 5									
Quorum required to submit lists by minorities to elect one or more members (pursuant to Article 148 of the Consolidated Law on Finance): 4.5%									

TXT E-SOLUTIONS

REMUNERATION REPORT

2022

The Remuneration Report has been drawn up in light of the recommendations contained in the Corporate Governance Code of Borsa Italiana S.p.A., which TXT has adopted, and pursuant to Article 14 of the Procedure for Transactions with related parties approved by the Company's Board of Directors on 3 November 2010.

On 9 March 2023, the Company's Board of Directors, at the instruction of the Remuneration Committee, adopted the "2022 Remuneration Policy", to be subject to a non-binding vote by the Shareholders' Meeting of 20 April 2023.

The remuneration report is divided into two sections:

1. The "General Remuneration Policy", setting out the guidelines for determining the remuneration of executive directors and management in general;
2. The "Remuneration Report for the Financial Year 2022", illustrating the policy implemented by the TXT e-solutions Group during the 2022 financial year and providing a summary of compensation based on the different types of beneficiaries.

Part 1 – General Remuneration Policy

The General Remuneration Policy establishes the principles and guidelines adopted by the TXT e-solutions Group in order to define and monitor the implementation of remuneration practices.

1. Principles

The Company defines and implements a General Remuneration Policy intended to attract, motivate and retain resources with the professional skills required to successfully pursue the Group's objectives (Principle 6.P.1).
The Policy is defined in a way which aligns the interests of Management with those of shareholders, pursuing the priority objective of creating sustainable value in the medium-to-long term by rigorously tying compensation to individual and Group performance.

Definition of the Policy is the result of a clear and transparent process in which the Remuneration Committee and the Company's Board of Directors play a central role, taking into account any potential incompatibilities.

The fixed and the variable component are properly balanced according to the strategic objectives and the risk management policy, also taking into account the software and IT services industry in which TXT e-solutions operates, as well as the nature of the business carried out.

Any deviations from the criteria for determining the remuneration:
- of directors who cover particular offices and the Managers with strategic responsibilities are examined and approved in advance by the Remuneration Committee and the Board of Directors;
- of managers and senior managers are approved in advance by the Group's CEO.

At least once a year, upon presenting the remuneration report, the Chief Financial Officer reports to the Remuneration Committee on policy compliance.

The remuneration policy described in this report makes no significant changes to the procedure followed in the previous financial year.

2. Remuneration Committee

The Board of Directors has established among its members a "Remuneration Committee" responsible for proposing and consulting on remuneration. In particular, the Remuneration Committee:

- makes proposals to the Board of Directors on the remuneration of directors who cover particular offices, ensuring it is aligned with the objective of creating value for shareholders in the medium-to-long term;
- periodically evaluates the Company's management remuneration criteria and, at the instruction of directors, makes proposals and recommendations on this matter, with particular reference to the adoption of any stock option or stock grant plans;
- monitors the implementation of decisions made and corporate policies on remuneration.

The Remuneration Committee as at 31 December 2022 is composed of three independent directors: Stefania Saviolo, Chair, Paola Generali and Antonella Sutti.

Directors do not participate in meetings of the Remuneration Committee in which proposals are made to the Board of Directors with regard to their remuneration.

The Board of Statutory Auditors, in expressing its opinion on the remuneration of directors who cover particular offices pursuant to Article 2389, paragraph 3 of the Italian Civil Code, verifies the consistency of the proposals with this Remuneration Policy.

The Group Companies, in determining compensation for their own directors and managers with strategic responsibilities, comply with the instructions provided by TXT and implement the guidelines set out in this Remuneration Policy.

For a more detailed description of the composition, of how the Remuneration Committee operates and the activities carried out during the 2022 financial year, please refer to the 2022 Report on Corporate Governance and Shareholding Structure.

3. Procedure for defining and approving the policy

Each year, the Remuneration Committee presents the Policy for approval by the Board of Directors. Once the Policy has been examined and approved, the Board of Directors presents it to a non-binding vote by the Shareholders' Meeting.

The 2022 Remuneration Policy was approved by the Shareholders' Meeting of 20 April 2022. The 2023 Remuneration Policy was approved by the Remuneration Committee in its meeting of 2 March 2023 and by the Board of Directors' meeting of 9 March 2023, and it will be submitted to the scrutiny of and a non-binding vote by the Shareholders' Meeting on 20 April 2023.

4. Remuneration of directors

Within the Board of Directors, there is a distinction between:
(i) executive directors;
(ii) non-executive and independent directors.

As at 31 December 2022, they were:

- Executive directors:
  - Enrico Magni (Chair)
  - Daniele Stefano Misani (Chief Executive Officer)

- Non-executive directors:
  - Matteo Magni

- Non-executive and independent directors:
  - Stefania Saviolo
  - Paola Generali
  - Carlo Gotta
  - Antonella Sutti

The TXT Shareholders' Meeting of 20 April 2022 set the annual compensation of each director at € 15,000, plus an additional annual compensation of € 5,000 for the participation of each director in the Risks and Internal Controls Committee (unchanged from the previous year), another € 5,000 for the participation of each director in the Remuneration Committee (unchanged from the previous year) and another € 5,000 for the participation of each director in the Transactions with related parties Committee (unchanged from the previous year). Maximum fixed and variable overall fees assignable to the Directors with specific offices have not been established.

There is no variable or share-based compensation for non-executive and independent directors.

In line with best practices, an insurance policy is envisaged, so-called D&O (Directors & Officers Liability), covering civil liability towards third parties incurred by corporate bodies, managers and auditors in the performance of their duties, intended to relieve the Group from any related damages, as a result of the relevant provisions set out by the applicable national collective labour agreement and the rules governing mandates, excluding cases of wilful misconduct and gross negligence.

5. Remuneration of executive directors and managers with strategic responsibilities

Each year, the Remuneration Committee proposes to the Board of Directors the remuneration due to directors who cover particular offices.

The remuneration of executive directors in general consists of:
- a fixed component;
- a variable annual component conditional on achieving agreed objectives (known as MBO - Management by Objectives);
- a medium/long-term variable component;
- benefits granted as per company practice (company car, supplementary health insurance), in line with the market.

In determining remuneration and its individual components, the Board of Directors takes into account whether the executive director has been delegated specific authorities. In particular, remuneration is determined on the basis of the following indicative criteria:

a. the fixed component may represent 65% to 100% of total remuneration. Total remuneration is understood to mean the sum of (i) the gross fixed annual component of the remuneration; (ii) the variable annual component which the beneficiary would receive if the target objectives are achieved; (iii) annualisation of the variable medium/long-term component which the beneficiary would receive if the medium/long-term target objectives are achieved;

b. the (annual) MBO incentive for each beneficiary is capped at a maximum amount per person, and is actually paid out in proportion to the achievement of specific objectives and considering the company's incentive policy. It may represent 0% to 35% of total remuneration. The benchmark parameters are accounting indicators, typically EBITDA or EBITA;

c. the annualised target variable medium/long-term component may represent 0% to 10% of total remuneration. The medium/long-term component consists entirely of the Stock Option Plan proposed for approval by the Shareholders' Meeting of 18 April 2019 and measured on the basis of the fair value of the options pertaining to each year.

The Chair is not granted variable medium/long-term incentives.

The fixed component (composed of salaries as managers and compensation for offices held) is sufficient to reward the director should the variable component not be paid because of the failure to achieve the performance objectives specified by the Board of Directors.

With regard to the variable components of the remuneration of executive directors, it should be noted that each year, the Remuneration Committee verifies the achievement of the specified MBO objectives. The objectives are verified after the Board of Directors has approved the Financial Statements for the year, and the variable compensation is generally paid in the month of April each year.

On 5 November 2009, the Remuneration Committee resolved that the bonuses granted to executive directors and managers with strategic responsibilities be returned if the financial results on the basis of which they were disbursed were adjusted in the subsequent 12 months ("Clawback Clause"), as also envisaged by Article 6.C.1.f of the Corporate Governance Code.

The Remuneration Committee is also responsible for assessing the proposal of awarding long-term incentives, determining their amount, should the objectives be achieved. The variable components are capped at a certain amount.

Performance objectives - i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for share-based remuneration plans) is linked - are predetermined, measurable and linked to the creation of value for shareholders in the medium-to-long term.

The 2019 Stock Option Plan envisages that the payment of variable amounts linked to the Plan is deferred over time, and executive directors have the obligation to hold on a continuous basis, until termination of the office of director, a number of shares corresponding to at least 20% of the value of the net benefit, after paying the

exercise price and taxes. For managers with strategic responsibilities, this obligation is for a period of 3 years from the date of exercising of the options, on the same quantity of at least 20% of the value of the net benefit. The payment of variable components linked to the annual MBO incentive is not deferred from the vesting date, since the balance of short term and medium-to-long term incentives is already deemed appropriate by management for delivering sustainable results. The exercise of Stock Options is conditional on the beneficiary continuing in the employment or staying on as director.

It is the Group's policy not to grant discretionary bonuses to executive directors. At the proposal of the Remuneration Committee, the Board of Directors may grant bonuses to executive directors in relation to strategically significant transactions with relevant effects on the results of the Company and/or Group.

It is the Group's policy not to grant further compensation to directors for any other particular offices assigned by the Boards of Directors of subsidiaries. The Remuneration Committee and the Board of Directors respectively assess and approve in advance any exception to this policy.

The Remuneration Committee and the Board of Directors assess the positioning, composition and more generally the competitiveness of the remuneration of directors who cover particular offices on the basis of information which is publicly available or collected as part of the company's remuneration management and, if need be, with the help of independent companies specialising in executive compensation, based on methods that assess the complexity of roles from an organisational point of view, the specific duties delegated and the individual's impact on the final business results.

The Board of Directors may make provisions (or proposals to the Shareholders' Meeting) for the adoption of incentive schemes by awarding financial instruments or options on financial instruments which, if approved, shall be disclosed at the latest in the annual Remuneration Report (without prejudice to any other disclosure requirements provided for by applicable laws).

The Remuneration Committee and the Risks and Internal Controls Committee assess the remuneration and incentive schemes for the Manager responsible for preparing corporate accounting documents and the person in charge of internal controls, and check whether they are consistent with the tasks assigned to them.

6. Managers and senior managers

The remuneration of managers and senior managers consists of:
- a gross fixed annual component (known as GAI);
- a variable annual component conditional on achieving agreed objectives (known as MBO);
- in some cases, a variable medium/long-term component;
- benefits granted as per company practice.

In determining remuneration and its individual components for managers and senior managers, the TXT Group takes into account the following indicative criteria:

a. the fixed component may represent 60% to 95% of total remuneration;

b. an (annual) MBO incentive up to a set maximum amount per person, conditional on the achievement of objectives. Some managers and senior managers in the sales department may have a short-term incentive scheme tied to the volume of licence sales. The MBO may represent between 5% and 40% of total remuneration;

c. in some cases, a medium/long-term variable component is also assigned; it may weigh between 0% and 10% of the total remuneration. The medium/long-term component consists entirely of the Stock Option Plan proposed for approval by the Shareholders' Meeting of 18 April 2019 and measured on the basis of the fair value of the options pertaining to each year.

The Group can award extraordinary bonuses should it be necessary for management purposes or in the event specific extraordinary objectives are achieved, and may also include such persons in incentive schemes by granting them financial instruments or options on financial instruments adopted by the Group, if any.

7. MBO and long-term incentive plan

The variable annual component (known as MBO) allows assessment of the beneficiary's performance on an annual basis.

The MBO objectives for directors who cover particular offices and those who have been delegated specific duties are established by the Board of Directors at the proposal of the Remuneration Committee, and are tied to annual Company and Group performance.

MBOs for managers and senior managers are defined by their immediate supervisor in agreement with the CEO and envisage objectives related to the economic and/or qualitative performance of the division/department to which they belong or the performance of the Group.

Vesting of the variable annual component is conditional on the fulfilment of an access condition (known as on/off) and is proportional to a quantitative annual performance indicator (in 2022 Gross operating profit - EBITDA). The Group sets a maximum "cap" for the bonus payable.

The Shareholders' Meeting of 18 April 2019 approved a Stock Option Plan with the aim of linking the remuneration of Beneficiaries to the creation of value for the company's shareholders, emphasising factors of strategic interest. In addition, it seeks to promote loyalty, encourage employees to stay with the company or its subsidiaries, and maintain competitiveness in the market for the remuneration of Beneficiaries, emphasising factors of strategic interest.

The Plan is qualified as a Stock Option Plan and entitles beneficiaries to purchase, subject to the fulfilment of certain conditions, a number of ordinary TXT e-solutions S.p.A. shares corresponding to the number of rights assigned.

The Plan provides for the allocation of a maximum of 600,000 Shares to beneficiaries. In order to ensure the gradual development of the Plan over time, no more than 200,000 Options may be allocated in the first tranche. The vesting of the Options is subject to the following conditions:

(i) on the Assignment Date the Beneficiary must be employed by one of the Companies of the Group and not during the notice period following resignation and/or termination; and

(ii) the achievement of predetermined joint performance objectives of:
   a. Profitability objectives, referring to the operating profit (EBITA, Earning Before Interest, Taxes & Amortisation; or EBIT, Earning Before Interest & Taxes; or EBITDA, Earning Before Interest, Taxes, Depreciation & Amortisation);
   b. Growth objectives, referring to the development of Revenues.

If the condition referred to in point (i) does not occur, the Options assigned will be changed to zero.

Upon full achievement of the performance objectives set out in point (ii), the Options will mature in full. The number of exercisable Options will be progressively reduced in the event of partial achievement of the performance objectives, up to predetermined minimum threshold values, below which the Options will be changed to zero.

The performance conditions indicated in point (ii) may be applied differently among the Beneficiaries according to specific incentive objectives determined by the Board of Directors, upon proposal of the Remuneration Committee, and in any case will be defined taking into account the medium-long term objectives of the Company, its divisions or specific areas of activity.

The Board of Directors shall determine the exercise price of the Options in the interval running between the “Market value” and the Market value reduced by 30%, as a flexible instrument possible for acting as incentive for the permanence within the company or its subsidiaries, and maintain competitiveness in the remuneration market.

The Options may be assigned to Beneficiaries in several three-year tranches, with the Plan possibly spanning approximately 5 years.

On 27 May 2019, the Board of Directors resolved to assign 135,000 options to Group employees.

On 11 March 2022, the Board of Directors verified the achievement of the profitability target, resolving the achievement of no. 54,000 options for Group employees.

The long-term incentive plans are also aimed at retaining talent: should the employment relationship terminate for any reason before the vesting date, the beneficiary ceases to participate in the Plan and, as a consequence, the bonus will not be paid, not even on a pro-rata basis.

If the conditions envisaged by Article 106 of Legislative Decree 58/1998 (Consolidated Law on Finance) (so-called (Mandatory takeover bid) occur between the Grant Date and the Minimum Vesting Date and in any case upon occurrence of an event that could affect the rights of Beneficiaries or the possibility to exercise the Options (such as, for example, mergers, de-mergers, revocation of the listing of Shares, promotion of takeover bids, or other events that could impact the ability to exercise Options), the Options may become immediately exercisable in proportion to the period of time elapsed from the beginning of the vesting period until the date of the event, with respect to the regular vesting period of 36 months ("Partial vesting"). The remaining Options would be cancelled.
Upon transfer to third parties of investments and company branches, the Options assigned to the Beneficiaries transferred would become immediately exercisable in proportion to the period of time from the beginning of the vesting period until the date of the event, with respect to the regular vesting period of 36 months ("Partial vesting"). The remaining Options would be cancelled.

The information document for the Stock Option Plan, drawn up pursuant to Article 84-bis of the Consob Regulation, is available at the company's website in the section:
http://www.txtgroup.com/it/investors/shareholders-meetings/.

8. Severance package for directors in the event of resignation, dismissal or termination of the relationship following a public takeover bid. (pursuant to Article 123-bis, paragraph 1, letter i of the Consolidated Law on Finance).

It is TXT Group's policy not to enter into agreements with directors and managers governing, on an ex-ante basis, the financial aspects relating to early termination of the relationship by the Company or the individual (known as "parachutes"). As at 31 December 2022, there were no such agreements with directors or managers.

There is no severance package for any of the directors.

Should the existing relationship with the Group terminate for reasons other than just cause, the two parties will seek to end the relationship in an amicable manner, to the extent possible. Without prejudice, in any case, to legal and/or contractual obligations, employment termination agreements with the Group are based on the relevant benchmarks and defined in compliance with the limits defined by the law and practices in the Country in which the agreement is concluded.

9. Non-competition agreements

The Group may enter into non-competition agreements with its own directors, managers and senior managers, as well as key professionals, providing for the payment of financial compensation proportional to annual remuneration based on the duration and extent of the obligation arising from the agreement.

The obligation refers to the Group's reference industry and geographical area. The scope varies in relation to the employee's role at the time the agreement is finalised and may extend to all the countries in which the Group operates.

Part 2 – 2022 Remuneration Report

Compensation paid to directors and auditors

Emoluments paid during 2022 are reported in the annexed Table 1:

Tabella 1 - Compensi corrisposti ai componenti degli organi di amministrazione e controllo e ai dirigenti con responsabilità strategiche

Nominativo	Società	Carica	Periodo per cui è stata ricoperta la carica	In carica fino a	Compensi fissi	Compensi per partecipazione a comitati	Compensi variabili (Bonus e altri incentivi)	Benefici non monetari	Altri compensi	Totale	Fair value dei compensi equity	Indennità fine carica o cessazione rapporto di lavoro
Amministratori												
Enrico Magni	TXT e-solutions SpA	Presidente	1.1-31.12	Bil 2022	265.000	-	160.000	5.558	-	430.558	-	
Daniele Stefano Misani	TXT e-solutions SpA	Amm. Del.	1.1-31.12	Bil 2022	195.000	-	160.000	5.549	-	360.549	2.039	26.296
Stefania Saviolo	TXT e-solutions SpA	Amm. Ind.	1.1-31.12	Bil 2022	30.000	15.000	-	-	-	45.000	-	-
Paola Generali	TXT e-solutions SpA	Amm. Ind.	1.1-31.12	Bil 2022	30.000	15.000	-	-	-			
Matteo Magni	TXT e-solutions SpA	Amm.	1.1-31.12	Bil 2022	20.000	5.000	-	-	-			
Carlo Gotta	TXT e-solutions SpA	Presidente	1.1-31.12	Bil 2022	16.667	10.000	-	-	-	26.667	-	-
Antonela Sutti	TXT e-solutions SpA	Amm. Ind.	1.1-31.12	Bil 2022	5.833	5.000	-	-	-	10.833	-	-
Dirigente con responsabilità strategiche			-	-	110.000	-	70.000	5.794	-	185.794	-	13.333
Collegio sindacale												
Mario Basilico	TXT e-solutions SpA	Presidente	1.1-31.12	Bil 2022	26.000	-	-	-	13.260	39.260	-	-
Luisa Cameretti	TXT e-solutions SpA	Sindaco	1.1-31.12	Bil 2022	21.000	-	-	-	-	21.000	-	-
Franco Vergani	TXT e-solutions SpA	Sindaco	1.1-31.12	Bil 2022	21.000	-	-	-	-	21.000	-	-
Massimiliano Tonarini	TXT e-solutions SpA	Supplente	1.1-31.12	Bil 2022	-	-	-	-	-	-	-	-
Fabio Maria Palmieri	TXT e-solutions SpA	Supplente	1.1-31.12	Bil 2022	-	-	-	-	-	-	-	-
Giada D'Onofrio	TXT e-solutions SpA	Supplente	1.1-31.12	Bil 2022	-	-	-	-	-	-	-	-
TOTALE					740.500	50.000	390.000	16.900	13.260	1.140.660	2.039	39.630

The table shows the emoluments paid to both directors and auditors who are in office until the approval of the 2022 financial statements.
On the basis of the Group's organisational structure, Eugenio Forcinito, the Group CFO, was identified as the Manager with Strategic Responsibilities.
The emoluments paid refer only to the Parent Company TXT e-solutions S.p.A., as subsidiaries and associates did not pay any emoluments.
"Fixed compensation" includes the relevant emoluments resolved by the Shareholders' Meeting, even though not yet paid, compensation received for covering particular offices, pursuant to Article 2389, paragraph 3 of the Italian Civil Code, and the fixed salary gross of social security contributions and taxes paid by the employee, excluding the mandatory collective social security contributions paid by the company and the provision for post-employment benefits.
Fixed compensation is detailed as follows:

Nominativo	Emolumenti deliberati Assemblea	Compensi per la carica	Comitati	Retribuzione fisse lavoro dipendente	Compensi fissi
Amministratori					
Enrico Magni	15.000	250.000	-	-	265.000
Daniele Stefano Misani	15.000	40.000	-	140.000	195.000
Stefania Saviolo	15.000	-	15.000	-	30.000
Paola Generali	15.000	-	15.000	-	30.000
Matteo Magni	15.000	-	5.000	-	20.000
Carlo Gotta	15.000	-	10.000	-	25.000
Antonella Sutti	15.000	-	5.000	-	20.000
					-
Dirigente con responsabilità strategiche	-	-		110.000	110.000

The Shareholders' Meeting of 22 April 2022 resolved to set the compensation of each director at € 15,000 for the financial year 2022. The Meeting also resolved an additional annual compensation of € 5,000 for the participation of each director in the Risks and Internal Controls Committee, another € 5,000 for the participation of each director in the Remuneration Committee (unchanged from the previous year) and another € 5,000 for the participation of each director in the Transactions with related parties Committee.

"Remuneration for participation in committees" indicates the remuneration received for the year 2022 by Stefania Saviolo, Carlo Gotta, Antonella Sutti, Paola Generali.
The breakdown of the remuneration for participation in committees is as follows:

Nominativo	Periodo per cui è stata ricoperta la carica	Comitato per il Controllo e Rischi	Comitato per la Remunerazione	Comitato Operazioni con Parti Correlate	Totale
Amministratori					
Stefania Saviolo	1.1-31.12	5.000	5.000	5.000	15.000
Paola Generali	1.1-31.12	5.000	5.000	5.000	15.000
Matteo Magni	1.1-31.12	5.000		-	5.000
Carlo Gotta	1.1-31.12	5.000	-	5.000	10.000
Antonella Sutti	1.1-31.12	-	5.000	-	5.000

The "Bonuses and other incentives" column includes the variable remuneration accrued and not yet paid according to the Management By Objectives plan - company MBO for the year 2022. Bonuses refer to the financial year 2022, are accrued for objectives achieved during the year and fully payable because they are not subject to further conditions. No part of the bonus is deferred.
TXT has no "Profit-sharing" plans in place.
The column "Non-monetary benefits" shows the value of fringe benefits (on an income tax basis) with regard to company cars, in line with TXT's human resource policies and market practices, net of withholdings borne by the employee.
The column "Other compensation" shows the fee for the Chair of the Board of Statutory Auditors Mario Basilico for the appointment as member of the 231 Supervisory Body.
The column "Fair value of equity-based compensation" shows the fair value of the compensation for the year as part of the incentive plans based on financial instruments, estimated according to international accounting standards.
The Board of Directors' meeting of 27 May 2019 assigned Stock Options to 8 people comprising directors and managers of the Group, with vesting over the three-year period 2019-2020-2021. The amounts shown refer to the fair value at the assignment date (€ 0.7804 per share) of the options assigned.
The column "Severance package for end of term of office or employment termination" shows the severance indemnities (TFR) accrued by the company employees calculated on their fixed remuneration and variable bonuses.
The Shareholders' Meeting held on 20 April 2022 did not resolve maximum overall fees assignable to the Directors with specific offices. The fixed and variable remuneration of the directors vested with these particular offices in 2022 was € 450,000.

Nominativo	Carica	Compensi fissi per cariche	Compensi variabili per cariche	Indennità di fine mandato	Totale
Enrico Magni	Presidente	250.000	160.000	-	410.000
Daniele Misani	Amm. Delegato	40.000	-	-	40.000
TOTALE		290.000	160.000	-	450.000

Stock Options held by directors, auditors, general managers and managers with strategic responsibilities

The auditors, independent directors and the Chair do not participate in any stock option incentive plans.

On 18 April 2019, the Shareholders' Meeting approved a Stock Option Plan for up to a maximum of 600,000 shares.

The Board of Directors' meeting of 27 May 2019 assigned 135,000 Stock Options to 8 people comprising directors and managers of the Group, with vesting over the three-year period 2019-2020-2021. In 2020, 27,000 options were cancelled following the resignation of two executives who were assigned options.

In 2021, 54,000 options were cancelled following the resignation of executives who were assigned options.

The following table shows the subdivision of the Stock Options assigned, vested and exercised, cancelled or not assigned in total and indication of how many assigned to the executive directors and managers with strategic responsibilities:

	Totale	di cui Amministratori e dirigenti con resposabilità strategica
Stock Options assegnate, maturate ed esercitate	54.000	18.000
Stock Options non maturate	54.000	
Stock Options non assegnate	492.000	
Totale Piano deliberato assemblea	600.000	18.000

The following table shows the details of the Stock Options assigned to executive directors and managers with strategic responsibilities:

TABELLA 2 - Stock-option assegnate ai componenti dell'organo di amministrazione e ai dirigenti con responsabilità strategiche

Nome e Cognome	Carica	Piano	Opzioni detentue all'inzio dell'esercizio 2022			Opzioni assegnate nel corso dell'esercizio 2022					Opzioni esercitate nel corso dell'esercizio 2022			Opzioni scadute nel 2022	Opzioni detentue alla fine del 2022	Opzioni di competenza 2022
			Numero opzioni	Prezzo di esercizio Euro	Periodo possibile esercizio	Numero opzioni	Prezzo di esercizio Euro	Periodo possibile esercizio	Data di assegnazione	Prezzo di mercato all'assegnazione	Numero opzioni	Prezzo di esercizio Euro	Prezzo di mercato delle azioni alla data di esercizio	Numero opzioni	Numero opzioni	Fair Value (€)
<u>**Amministratori**</u>																
Daniele Misani	Amm.	Stock Option 18.4.2019	18.000	8,67	1.3.2022 - 31.3.2023	-	-	-	-	-	18.000	8,67	8,88	-	-	2.039

Incentive plans based on financial instruments, other than stock options, held by directors, general managers and managers with strategic responsibilities

There are no incentive plans of this type.

Holdings of directors, auditors, general managers and managers with strategic responsibilities

Pursuant to Article 79 of the Consob Regulation approved by resolution no. 11971 of 14 May 1999, here below is a list of the holdings in the company TXT e-solutions S.p.A. by directors and managers with strategic responsibilities, as well as by their spouses who are not legally separated or their minor children, directly or through subsidiaries, trust companies or a third party, resulting as at 31 December 2022 from the shareholders' register, communications received and other information acquired.

The auditors have no holdings in the company.

Partecipazioni dei componenti degli organi di amministrazione e controllo e dei dirigenti con responsabilità strategica.

COGNOME E NOME	CARICA	SOCIETA' PARTECIPATA	NR. AZIONI POSSEDUTE AL 31.12.2022	NR. AZIONI ACQUISTATE/ SOTTOSCRITTE	NR. AZIONI VENDUTE	NR. AZIONI POSSEDUTE AL 31.12.2021
Amministratori						
Enrico Magni	Presidente	TXT	3.926.493	9.610	-	3.936.103
Daniele Stefano Misani	Amm. Del.	TXT	8.500	18.350	-	26.850
Stefania Saviolo	Amm. indip.	TXT	825	-	-	825
Carlo Gotta	Amm. indip.	TXT	14.050	-	-	14.050
Dirigente con responsabilità strategica			7.000	-	-	7.000
TOTALE			3.956.868	27.960	-	3.984.828

Enrico Magni:

- on 29 September 2022 purchased 3,551 shares
- on 30 September 2022 purchased 6,099 shares

Daniele Stefano Misani:

- on 12 July 2022 purchased 18,000 shares
- on 23 September 2022 purchased 350 shares

Significant events after the end of the year.

In the first few months of 2023, no shares were purchased by members of the management and control bodies and managers with strategic responsibilities.

TXT E-SOLUTIONS GROUP

CONSOLIDATED FINANCIAL STATEMENTS 2022

AS AT 31 DECEMBER 2022

TXT e-solutions S.p.A.

Registered office, management, and administration:
Via Milano, No. 150 - 20093 Cologno Monzese (MI)
Share capital:
€ 6,503,125 fully paid-in
Tax code and Milan Business Register No.:
09768170152

Corporate Units

BOARD OF DIRECTORS

ENRICO MAGNI Chair	**DANIELE MISANI** Chief Executive Officer	**MATTEO MAGNI** Director[2]	**STEFANIA SAVIOLO** Independent Director[1-2-3]
PAOLA GENERALI Independent Director[1-2-3]	**ANTONELLA SUTTI** Independent Director[1-4]	**CARLO GOTTA** Independent Director[2-3-4]	

(1) Member of the Remuneration and Appointments Committee.
(2) Member of the Risks and Internal Controls Committee.
(3) Member of Related Parties Committee.
(4) Appointed by the Shareholders' Meeting on 13 September 2021.

BOARD OF STATUTORY AUDITORS

In office until approval of the Financial Statements as of 31 December 2022:

MARIO BASILICO Chair	**LUISA CAMERETTI** Standing auditor	**FRANCO VERGANI** Standing auditor
MASSIMILIANO ALBERTO TONARINI Alternate auditor	**FABIO MARIA PALMIERI** Alternate auditor	**GIADA D'ONOFRIO** Alternate auditor

Independent Auditors:
Crowe Bompani S.p.A.
Investors relations:
E-mail: *infofinance@txtgroup.com*

Leadership Team

Enrico Magni

An experienced entrepreneur with a solid track record in guiding the growth processes of companies operating in different sectors, Enrico joined TXT as a key shareholder and now holds the position of Chair, aiming at driving the Group's growth.

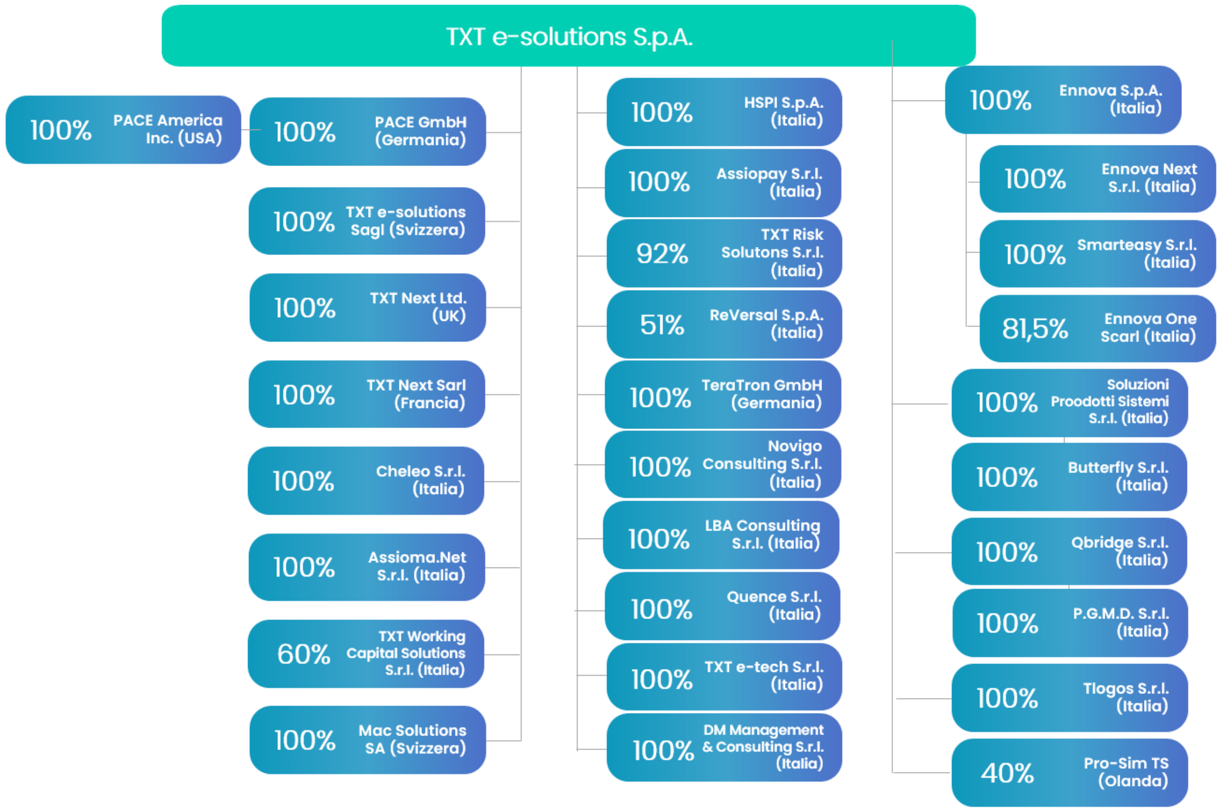
Daniele Misani

+20 years in TXT, with a strong experience in the international development of the business, from mid-2020 holds the position of Group CEO, with strategic responsibilities in defining and executing the TXT Group's international growth strategies.

Eugenio Forcinito

+20 years of experience in finance and administration and an in-depth understanding of management dynamics, over the last fifteen years Eugenio has always been focused and committed to the sustainable growth of the TXT Group.

Organisational Structure and Scope of consolidation



Contents

Balance Sheet

ASSETS	Notes	31.12.2022	Of which with related parties	31.12.2021	Of which with related parties
NON-CURRENT ASSETS					
Goodwill	8.1	63,518,197		47,147,938	
Intangible assets with a finite useful life	8.2	14,456,524		8,033,715	
Intangible assets		77,974,722		55,181,653	
Property, plant and equipment	8.3	18,292,753		12,125,958	
Tangible assets		18,292,753		12,125,958	
Investments in associates	8.4	1,041,635		-	
Other non-recurring financial receivables	8.5	18,381,325		14,600,368	
Deferred tax assets	8.6	1,353,525		1,928,665	
Other non-current assets		20,776,485		16,529,033	
TOTAL NON-CURRENT ASSETS		117,043,959		83,836,645	
CURRENT ASSETS					
Contractual assets	8.7	13,764,528		7,809,891	
Trade receivables	8.8	73,115,549	644	43,156,099	
Sundry receivables and other current assets	8.9	15,351,629		8,864,378	
Other short-term financial receivables		-		-	
HFT securities at fair value	8.10	48,489,950		48,868,752	
Cash and cash equivalents	8.11	33,014,594		36,076,104	
TOTAL CURRENT ASSETS		183,736,250	644	144,775,224	
TOTAL ASSETS		300,780,209	644	228,611,869	

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes				Of which with related parties
SHAREHOLDERS' EQUITY					
Share capital		6,503,125		6,503,125	
Reserves		20,013,393		15,266,375	
Retained earnings (accumulated losses)		70,861,088		63,011,589	
Profit (loss) for the period		11,988,306		7,873,676	
TOTAL SHAREHOLDERS' EQUITY (Group)	8.12	109,365,911		92,654,765	
Shareholders' Equity attributable to minority interests		17,135		411,778	
TOTAL SHAREHOLDERS' EQUITY	8.12	109,383,046		93,066,542	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	8.13	70,004,970	1,377,774	49,468,725	1,748,057
Provision for post-employment benefits and other employee provisions	8.14	4,772,093		3,296,650	
Deferred tax provision	8.6	3,669,580		1,961,327	
Provisions for future risks and charges	8.15	118,905		118,905	
TOTAL NON-CURRENT LIABILITIES		78,565,547	1,377,774	54,845,607	
CURRENT LIABILITIES					
Current financial liabilities	8.16	51,186,556	370,283	47,125,214	367,965
Trade payables	8.17	20,642,746		6,302,987	
Tax payables	8.18	4,288,114		3,739,356	
Sundry payables and other current liabilities	8.19	36,714,201	100,000	23,532,162	228,546
TOTAL CURRENT LIABILITIES		112,831,616	470,283	80,699,720	155,600
TOTAL LIABILITIES		191,397,163		135,545,326	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		300,780,209		228,611,869	

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Income Statement

(€ thousand)	Notes	31.12.2022	Of which with related parties	31.12.2021	Of which with related parties
Revenues and other income		150,757,707	-	96,363,218	-
TOTAL REVENUES AND OTHER INCOME	9.1	150,757,707		96,363,218	
Purchases of materials and external services	9.2	(47,984,077)	(15,789)	(23,176,030)	-
Personnel costs	9.3	(78,881,887)	(647,995)	(58,439,091)	(581,563)
Other operating costs	9.4	(1,707,334)	-	(588,647)	-
Depreciation and amortisation/Impairment	9.5	(8,273,847)	-	(4,557,386)	-
OPERATING RESULT		13,910,562		9,602,064	
Financial income (charges)	9.6	2,436,721	-	705,924	-
Share of profit (loss) of associates		(149,464)	-	-	
EARNINGS BEFORE TAXES (EBT)		16,197,819		10,307,988	
Income taxes	9.8	(4,209,513)	-	(2,468,565)	-
NET PROFIT (LOSS) FOR THE PERIOD		11,988,305		7,839,423	

Attributable to:					
Parent Company shareholders		11,988,306		7,873,676	
Minority interests		-		(34,254)	
EARNINGS PER SHARE		1.01		0.67	
DILUTED EARNINGS PER SHARE		1.01		0.67	
Number of shares		11,834,835		11,724,069	

Comprehensive Income Statement

	31.12.2022	31.12.2021
NET PROFIT (LOSS) FOR THE PERIOD	11,988,306	7,839,423
Attributable to:		
Minority interests	-	(34,254)
Parent Company shareholders	11,988,306	7,873,676
Profit/(Loss) from foreign currency translation differences	251,299	222,549
Gain/(Loss) on the effective part of hedging instruments (cash flow hedge)	1,090,819	(8,750)
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	1,342,118	213,799
Defined-benefit plans actuarial gains (losses)	316,661	(26,455)
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the period net of taxes	316,661	(26,455)
Total profit/(loss) of Other comprehensive income net of taxes	1,658,779	187,344
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	13,647,085	8,026,767
Attributable to:		
Minority interests	-	(34,254)
Parent Company shareholders	13,647,085	8,061,021

Statement of Cash Flows

	31 December 2022	31 December 2021
Net profit (loss) for the period	11,988,306	7,839,422
Non-monetary costs for Stock Options	-	10,872
Non-monetary interest	752,032	126,774
Change in fair value of monetary instruments	1,320,609	(1,103,029)
Current income taxes	4,209,513	2,081,887
Change in deferred taxes	(2,020,339)	(371,178)
Amortisation and depreciation	7,101,632	4,373,882
Other non-monetary expenses	1,076,428	-
Other changes	-	-
Cash flows from (used in) operating activities (before change in working capital)	24,428,181	12,958,630
(Increase) / Decrease in trade receivables	(7,260,235)	(3,916,798)
(Increase) / Decrease in contractual assets / inventories	(5,641,883)	(1,632,855)
Increase / (Decrease) in trade payables	3,608,082	1,701,458
(Increase) / Decrease in other assets/liabilities	3,812,468	156,303
Increase / (Decrease) in post-employment benefits	1,759,025	104,459
Changes in operating assets and liabilities	(3,722,543)	(3,587,433)
Paid income taxes	(2,540,677)	(837,823)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	18,164,961	8,533,374
of which with related parties	*(792,330)*	*(508,617)*
Increase in tangible assets	(1,690,016)	(941,550)
Increase in intangible assets	525,393	(162,741)
Capitalisation of development expenses	(106,175)	(363,136)
Decrease in tangible and intangible assets	360,894	30,145
Net cash-flow from acquisition of subsidiaries	(32,049,127)	(14,531,684)
Deconsolidation of ReVersal	-	-
(Increase) / Decrease in trading securities	(1,525,251)	(14,299,998)
(Increases) / decreases in securities at fair value	2,000,000	20,000,000
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(32,484,282)	(10,268,964)
of which with related parties	-	*(6,745,750)*
Loans issued	42,480,586	37,225,729
Loans repaid	(27,421,878)	(10,310,058)
Payment of lease liabilities	(3,406,051)	(1,635,639)
Increase / (Decrease) in financial payables	-	-
Increase / (Decrease) in other financial receivables	-	-
Distribution of dividends	-	(521,381)
Interest expense	(291,701)	(179,864)
Other changes in shareholders' equity	17,135	184,550
Net change in financial liabilities	(3,459,816)	(93,455)
(Purchase) / Sale of treasury shares	3,088,236	1,209,301
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	11,006,511	25,879,183
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,312,810)	24,143,594
Effect of changes in exchange rates on cash flows	251,299	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,076,104	11,932,508
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33,014,594	36,076,014
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	(2,725,227)	(3,939,610)
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	2,725,227	3,939,610
Of which related parties		2,238,163

Statement of changes in Shareholders' Equity as at 31 December 2022

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	Fair Value Swaps	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity (Group)	Total shareholders' equity (Minority)	Total shareholders' equity
Balances as at 31 December 2021	6,503,125	1,300,625	13,027,525	1,911,444	0	67,293	(1,131,540)	(136,404)	227,433	63,011,589	7,873,676	92,654,765	411,777	93,066,542
Profit as at 31 December 2021										7,873,676	(7,873,676)	0		0
Acquisitions of minority interests										(24,179)	0	(24,179)	(394,643)	(418,822)
Increase/purchase						-		1,090,819				1,090,819		1,090,819
Distribution of dividends												0		0
Free capital increase												0		0
Sale of treasury shares			8,851,050									8,851,050		8,851,050
Purchase of treasury shares			(5,762,814)									(5,762,814)		(5,762,814)
Actuarial differences on post-employment benefits							316,661					316,661		316,661
Exchange differences									251,299			251,299		251,299
Profit as at 31 December 2022											11,988,305	11,988,305	-	11,988,305
Balances as at 31 December 2022	6,503,125	1,300,625	16,115,759	1,911,444	0	67,293	(814,879)	954,415	478,732	70,870,720	11,988,305	109,365,911	-	109,383,046

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	Fair Value Swaps	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity (Group)	Total shareholders' equity (Minority	Total shareholders' equity
Balances as at 31 December 2020	6,503,125	1,300,625	11,818,224	1,911,444	0	56,421	(1,105,085)	(127,654)	4,884	60,617,969	4,474,067	85,454,019	409,158	85,863,178
Profit as at 31 December 2020										4,474,067	(4,474,067)	0		0
Acquisitions of minority interests										(1,560,194)	0	(1,560,194)	36,873	(1,523,321)
Increase/purchase						10,872		(8,750)		1,128		3,250		3,250
Distribution of dividends										(521,381)		(521,381)		(521,381)
Free capital increase												0		0
Sale of treasury shares			1,482,715									1,482,715		1,482,715
Purchase of treasury shares			(273,414)									(273,414)		(273,414)
Actuarial differences on post-employment benefits							(26,455)					(26,455)		(26,455)
Exchange differences									222,549			222,549		222,549
Profit as at 31 December 2021											7,873,676	7,873,676	(34,254)	7,839,423
Balances as at 31 December 2021	6,503,125	1,300,625	13,027,525	1,911,444	0	67,293	(1,131,540)	(136,404)	227,433	63,011,589	7,873,676	92,654,765	411,777	93,066,542

NOTES TO THE FINANCIAL STATEMENTS

1. Group's Structure and Scope of Consolidation

The Parent Company TXT e-solutions S.p.A. (hereinafter also "TXT") 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 December 2022 (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	EUR	100%	295,000
PACE America Inc.	USD	100%	10
TXT e-solutions S.a.g.l.	CHF	100%	40,000
TXT NEXT Sarl	EUR	100%	100,000
TXT NEXT Ltd	GBP	100%	100,000
Cheleo S.r.l.	EUR	100%	99,000
TXT Risk Solutions S.r.l. (*)	EUR	92%	250,000
Assioma.Net S.r.l.	EUR	100%	100,000
AssioPay S.r.l.	EUR	100%	10,000
MAC SOLUTIONS S.A.	CHF	100%	100,000
HSPI S.p.A.	EUR	100%	220,000
Txt Working Capital Solutions S.r.l.	EUR	60%	500,000
Reversal S.p.A. (***)	EUR	51%	400,000
TeraTron GmbH	EUR	100%	75,000
LBA Consulting S.r.l.	EUR	100%	10,000
Novigo Consulting S.r.l.	EUR	100%	50,000
DM Mgmt & Consulting Srl	EUR	100%	101,000
Pro-Sim Aviation Research B.V.	EUR	40%	720
Soluzioni Prodotti Sistemi Srl	EUR	100%	10,000
Butterfly Srl	EUR	100%	10,000
PGMD Consulting Srl	EUR	100%	20,000
QBRIDGE Srl	EUR	100%	10,000
TLOGOS Srl	EUR	100%	110,000
ENNOVA S.p.A	EUR	100%	1,098,900
TXT e-Tech Srl (**)	EUR	100%	10,000
Quence S.r.l.	EUR	100%	10,000

In addition to the interests listed above, to be noted is the Group's investment in the Innovative Complex Solution Consortium (consolidated line-by-line) as follows: 45% HSPI S.p.A., 35% TXT e-solutions and 20% Assioma.Net S.r.l.
The Consortium is the commercial vehicle through which the Group has the opportunity to participate in tenders with the central and local Public Administration. The Consortium form allows to add up the administrative and technical references of the individual Consortium companies, thus making it possible for the Consortium to access tenders and qualifications for larger supply classes and volumes.
(*) In July 2021, the share capital increase provided for in the Agreement of
€ 1,000,000 was carried out. TXT e-solutions S.p.A. owns 92%, while the respective shareholders hold 4% each.
Having assessed the terms and conditions under which the risks and rewards accrue to TXT, they
were deemed able to attribute a present ownership interest. Consequently, for the purposes of presenting
the consolidated financial statements, no third party rights have been restated in shareholders' equity
with reference to said interests. However, these rights are recorded as liabilities
with regard to potential payments, including contingent considerations, still to be made on the basis of
the aforementioned option contracts.
(**) In May 2022 a new company TXT e-Tech S.r.l. was established. For further information, reference should be made to the Directors' Report.
(***) In June 2022, the company Reversal SIM S.p.A. obtained authorisation from CONSOB to operate as a SIM. Taking into account the agreements signed, the TXT group decided to proceed with the deconsolidation of the company as TXT no longer holds the exclusive control that allows it to have a significant influence on the strategic decisions of the invested company.

The consolidated financial statements of the TXT e-solutions Group are presented in Euro, which is also the functional currency. 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 in the year)

Currency	31.12.2022	31.12.2021
British Pound (GBP)	0.8528	0.8596
US Dollar (USD)	1.0530	1.1827
Swiss Franc (CHF)	1.0047	1.0811

- Balance sheet (exchange rates as at 31 December 2022 and 31 December 2021)

Currency	31.12.2022	31.12.2021

British Pound (GBP)	0.8869	0.8403
US Dollar (USD)	1.0666	1.1326
Swiss Franc (CHF)	0.9847	1.0331

2. Acquisitions

2.1. DM Management & Consulting S.r.l.

On 19 July 2022, the TXT Group signed a contract for the acquisition of 100% of the share capital of DM Management & Consulting S.r.l.

The consideration for the purchase of 100% of DM Management & Consulting Srl was agreed between the parties at € 1.7 million paid at the closing, of which € 1.4 million was paid in cash, € 0.3 million was paid in TXT's treasury shares sold at a price corresponding to the average price of TXT's shares for the 30 business days prior to the date of closing and € 0.3 million in Earn-Outs, of which € 50 thousand short-term. The Net Financial Position resulting at closing will be settled in cash.

The fair value of the net assets acquired and the recognition of the goodwill, for which the temporary allocation was carried out (therefore, to be confirmed by the end of the so-called measurement period) is the following:

Allocation as at acquisition date		
Price		2,331,210
Net assets (liabilities)		(153,067)
Goodwill (to be allocated)	**2,178,143**	

2.2. Ennova S.p.A.

On 29 July 2022, the TXT Group completed the acquisition of 78.56% of the share capital of the company Ennova S.p.A. ("Ennova"). The consideration for the purchase of 78.56% of Ennova, representing the total shares held by non-operating shareholders, agreed between the parties at € 8.9 million, was paid in cash at closing.

The purchase contract of 78.56% does not provide for a price adjustment.

On 13 September 2022, the TXT Group signed the contract for the acquisition of a stake representing 21.44% of the share capital of Ennova S.p.A. from the minority shareholders and managers of the latter, in respect of which TXT holds the entirety of the share capital of the Company and the relative control of the same (until then TXT was not able to exercise a dominant influence over the investee company even though it held the majority of the shares).

The consideration for the purchase of 21.44% of Ennova was agreed between the parties at € 6.4 million, of which € 4.9 million (75%) was paid in cash and € 1.5 million (25%) was paid in TXT's treasury shares sold at a price corresponding to the average price of TXT's shares for the 30 business days prior to the date of closing.

The 21.44% purchase agreement includes two earn-out clauses in favour of the selling shareholders who will continue to hold strategic management roles in Ennova; the earn-outs will be recognised on the basis of Ennova's performance upon approval of Ennova's 2022 and 2023 financial statements, respectively.

The fair value of the net assets acquired and the recognition of the goodwill, for which the temporary allocation was carried out (therefore, to be confirmed by the end of the so-called measurement period) is the following:

Allocation as at acquisition date		
Price		18,800,000
Net assets (liabilities)		(9,609,489)
Goodwill (to be allocated)	**9,190,511**	

2.3. Soluzioni Prodotti Sistemi Srl

On 3 October 2022, the TXT Group signed the contract for the acquisition of 100% of the share capital of Soluzioni Prodotti Sistemi S.r.l. ("SPS").

The consideration for the purchase of 100% of SPS, net of the earn-outs described below, was agreed between the parties at € 7.7 million, subdivided as follows: € 3.5 million in cash, € 1.6 million in TXT e-solutions S.p.A. shares sold at a price corresponding to the average share price of the 30 business days prior to the closing date, € 1.6 million in doubled shares and € 1 million in earn-outs upon the occurrence of specific contractual conditions. The Net Financial Position resulting at closing will be settled in cash.

The fair value of the net assets acquired and the recognition of the goodwill, for which the temporary allocation was carried out (therefore, to be confirmed by the end of the so-called measurement period) is the following:

Allocation as at acquisition date		
Price		7,673,988
Net assets (liabilities)		(3,748,014)
Goodwill (to be allocated)	**3,925,973**	

2.4. TLogos Srl

On 21 November 2022, the TXT Group signed a contract for the acquisition of 100% of the share capital of TLOGOS S.r.l. (hereinafter "TLogos").

The consideration for the purchase of 100% of TLogos was agreed between the parties at € 5 million, namely € 3.8 million paid in cash and € 1.2 million in Shares.
The investment in TLogos represents a strategic operation for the consolidation of strong and innovative cybersecurity expertise that will strengthen the TXT Group's digital "advisory" offering in a segment with high growth potential and high added value across an increasingly wide range of industries.

The fair value of the net assets acquired and the recognition of the goodwill, for which the temporary allocation was carried out (therefore, to be confirmed by the end of the so-called measurement period) is the following:

Allocation as at acquisition date		
Price		5,000,000
Net assets (liabilities)		(1,175,630)
Goodwill (to be allocated)	**3,824,370**	

2.5. PGMD Consulting Srl

In November 2022, the TXT Group signed the final contract for the acquisition of 100% of the share capital of the company PGMD Consulting Srl, 100% owned by QBRIDGE Srl.

The consideration for the purchase of 100% of PGMD Consulting Srl was agreed at € 3,959,018, of which € 3 million paid in cash.

The fair value of the net assets acquired and the recognition of the goodwill, for which the temporary allocation was carried out (therefore, to be confirmed by the end of the so-called measurement period) is the following:

Allocation as at acquisition date		
Price		3,959,018
Net assets (liabilities)	1,067,593	
Goodwill (to be allocated)	**2,891,425**	

2.6. ProSim Training Solutions B.V.

In November 2022, the TXT Group signed a binding agreement for the investment in ProSim Training Solutions B.V. (hereinafter ProSim TS), a Dutch company.
The agreement consists of an initial share capital increase of € 0.5 million in Pro-Sim TS, against which the TXT Group will hold 40% of ProSim TS.
In addition, the agreement provides for the provision of loans and technology to support the growth of Pro-Sim TS, as well as a subsequent series of investment rounds that will allow the TXT Group to increase its stake in Pro-Sim TS until reaching 100%
after the approval of ProSim TS's financial statements closing on 31 December 2025. Further details on the investment will be provided at closing.

3. Operating segments

The TXT Group identifies its Business Units within two operating segments: a) "Aerospace & Aviation" and b) "Fintech".

The **Aerospace & Aviation and Industrial** operating segment includes the activities of TXT e-solutions S.p.A. related to A, A&A, Pace GmbH and TeraTron GmbH, DM Consulting, Ennova S.p.A e Soluzioni, Prodotti Sistemi Srl.
The **Fintech** operating segment includes companies such as Cheleo, TXT Risk Solutions and the Assioma Group, (including the B&F division of TXT e-solutions S.p.A.), MAC Solutions S.A., LBA Consulting, Novigo Consulting and Quence, HSPI S.p.A, PGMD Consulting Srl and TLogos.

The operating segments identified are largely organised and managed separately, depending on the nature of the services and products provided and the reference market.

Please refer to Note 12 for the presentation of the values of the identified sectors.

4. Basis of preparation of the consolidated financial statements

The Group's annual consolidated financial statements are prepared in accordance with the IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as at the date of drafting of these financial statements, including all interpretations of the IFRS Interpretations Committee, formerly known as the Standing Interpretations Committee ("SIC"), as well as with the measures issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005 and with any other applicable provisions and Consob regulations on financial statements.

The consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and other items for which the IFRS prescribe different assessment criteria. The carrying amount of underlying assets and liabilities of fair value hedges which would otherwise be carried at amortised cost is adjusted to take into account the changes in fair value attributable to the hedged risks.

The consolidated financial statements were prepared on the basis of the accounting records as at 31 December 2022 on a going concern basis, taking into account the Group's operating performance and operating, economic and financial outlook referred to in the Directors' report on operations, to which reference should be made for a description of these aspects. The accounting policies applied in preparing the financial statements, as well as the composition of, and changes in, individual items, are illustrated below.

The numerical values in these explanatory notes are in Euro, unless otherwise indicated.

The publication and release of this report were approved by the Board of Directors' Meeting held on 9 March 2023.

Financial statements

The consolidated financial statements are made up of the following statements, in accordance with IAS 1 - Presentation of financial statements.

- "Statement of financial position", prepared by classifying the assets and liabilities on a current/non-current basis.
- "Statement of Profit/(Loss)" and "Statement of Other Comprehensive Income", prepared in two separate statements, classifying costs based on their nature.
- "Cash flow statement", determined using the indirect method provided for by IAS 7 - Cash flow statement.
- "Statement of Changes in Shareholders' Equity".

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of TXT e-solutions S.p.A. and its subsidiaries as at 31 December 2022.

The subsidiaries are consolidated line-by-line from the acquisition date, i.e., the date when control is obtained, and cease to be consolidated on the date when control is lost. The financial statements of the subsidiaries used for consolidation purposes are prepared for the same reporting period as the parent company's, using consistent accounting policies. Intragroup balances and transactions, including any unrealised profits and losses resulting from intragroup transactions and dividends, are eliminated in full.

Unrealised profits and losses on transactions with associates or jointly controlled entities are eliminated to the extent of the Group's equity interest in those companies.

Total comprehensive income statement of a subsidiary is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

If the Parent Company loses control of a subsidiary, it:

- Derecognises the assets (including any goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amounts of any non-controlling interests in the former subsidiary;
- Reclassifies to the Income Statement the cumulative exchange differences recognised in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value through the income statement of any investment retained in the former subsidiary;
- Recognises any gain or loss in the income statement;
- Reclassifies to the income statement, or transfers directly to retained earnings if required, the Parent Company's share in the amounts previously recognised in other comprehensive income statement.

Foreign currency transactions

The financial statements are presented in Euro, which is the functional and presentation currency adopted by the Group.

Foreign currency transactions are recorded on initial recognition in the functional currency by applying the spot exchange rate as at the date of the transaction.

The monetary assets and liabilities, denominated in foreign currency, are translated into the functional currency at the exchange rate at the balance sheet date.

Exchange differences are recognised in the income statement with the exception of monetary items that form part of the net investment in a foreign operation. Such differences are recognised initially in other comprehensive income statement until the disposal of the net investment, and only then will be recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of initial recognition of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Gains or losses arising from the translation of non-monetary items are treated in line with the recognition of gains and losses arising from changes in the fair value of said items (foreign currency differences on the items with changes in fair value recognised in other comprehensive income statement or the income statement are recognised in other comprehensive income statement or the income statement, respectively).

Consolidation of foreign operations

The consolidated financial statements are presented in Euro, which is the functional and presentation currency adopted by the Parent Company. Each company of the Group determines its own functional currency, which is used to measure the items included in the individual financial statements. Exchange differences accrued by applying year-end exchange rates and average exchange rates between the functional currency of each subsidiary and the functional currency of the parent company are recognised in the translation reserve included in the shareholders' equity in the consolidated financial statements. The Group decided to carry forward the gains or losses arising from the application of the direct method of consolidation, which is the method the Group used for its consolidation.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation, and therefore are expressed in the functional currency of the foreign operation and translated at the closing rate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and of the recognised amount of the non-controlling interest in the acquiree. For each business combination, the Group defines to measure the investment in proportion to the non-controlling interest's share in the recognised amounts of the acquiree's identifiable net assets. Acquisition costs are expensed in the year and classified as administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed on the basis of the contractual terms, economic conditions, and other pertinent conditions as they exist on the acquisition date. This includes the assessment of whether an embedded derivative should be separated from the host contract.

If the business combination is achieved in stages, the pre-existing equity interest is carried at fair value as at the date of acquisition of control and the resulting gain or loss, if any, is recognised in the income statement or in the statement of comprehensive income statement. This is taken into account in determining goodwill.

The acquirer recognises any contingent consideration at the acquisition-date fair value. The change in fair value of the contingent consideration classified as an asset or liability, within the scope of IFRS 9 - Financial Instruments, will be recognised in the income statement or in the other comprehensive income statement. Where the contingent consideration does not fall within the scope of IFRS 9, it is remeasured at fair value at the reporting date and any changes are recognised in the income statement. If the contingent consideration is classified as equity, it shall not be remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests over the identifiable net assets acquired and liabilities assumed by the Group. If the fair value of net assets acquired exceeds the aggregate of the consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts which are required to be recognised at the acquisition date. If that excess remains after applying the new measurement, the resulting gain is recognised in the income statement.

After initial recognition, goodwill is measured at cost net of any accumulated impairment loss. For the purpose of impairment testing, carried out at least once a year except for any interim triggering events, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill associated with the operation disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

ASSETS AND LIABILITIES

Intangible assets

Intangible assets acquired separately are initially measured at cost, while those acquired in business combinations are recognised at the fair value at the acquisition date. After initial recognition, intangible assets are carried at their cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the corresponding costs are recognised in the income statement as incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with a finite useful life are amortised systematically over their useful lives and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The changes in the expected useful life or in the expected pattern of consumption of the future economic benefits embodied in the assets are recognised by changing the amortisation period or method, as required, and are accounted for as changes in accounting estimates. The amortisation expense related to intangible assets with a finite useful life is recognised in the income statement in the expense category consistent with the intangible asset's function.

Intangible assets with an indefinite useful life are not amortised, but they are tested for impairment annually both as an individual asset and as a cash-generating unit. The indefinite useful life assessment is reviewed annually to determine whether events and circumstances continue to support it. If they do not, the change in the useful life assessment from indefinite to finite is applied prospectively.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the intangible asset's carrying amount, and is recognised in the income statement when the asset is derecognised.

Research and development costs

Research costs are recognised as an expense in the income statement when incurred. Development costs incurred in relation to a specific project are recognised as an intangible asset when the conditions provided for by IAS 38 apply.

After initial recognition, development costs are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation begins when development is completed and the asset is available for use. Development costs are amortised with reference to the period during which the related project is expected to generate economic benefits for the Group. During the period in which the asset is not yet in use, it will be tested for impairment annually.

Software licences

Licences for use of intellectual property are carried at cost and amortised over 3 to 5 years, according to the specific type of licence.

Tangible assets

Tangible assets are measured at acquisition or production cost including directly attributable costs necessary to bring the asset to its working condition.

Tangible assets are depreciated on a straight-line basis over their useful life, i.e. the period over which an asset is expected to be available for use by an entity. Depreciation begins when the asset is available for use and is calculated on a straight-line basis using the rate deemed representative of the asset's estimated useful life. Given the nature of the assets within the separate classes, no significant parts having different useful lives were recognised.

Depreciation is calculated using the straight-line method over the estimated useful life of the relevant asset, as shown below:

Class	Useful life
Furniture and fixtures	8 years
Electronic office machinery	5 years
Motor vehicles	4 years

The costs of maintenance, repair, enhancement, upgrade, and replacement that have not led to any significant and measurable increase in the production capacity or in the useful life of the asset concerned are recognised as an expense in the period in which they are incurred.

Leasehold improvements shall be recognised in the asset class to which they refer and, if separable, they shall be depreciated in accordance with their useful life; if they are not separable, they shall be depreciated based on the shorter of the lease term or the asset's useful life.

Leases

The right to use of assets held under leases is accounted for as tangible fixed assets (historical cost of the asset and accumulated depreciation) and classified in the specific classes, recognising the financial payable to the lessor as a liability.

Lease payments are apportioned between the reduction of the outstanding liability and the finance charge to be allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability at each financial year-end.

The Group as *lessee*

(i) Activities for right to use

The Group recognises the assets for the right to use on the start date of the lease (i.e., the date on which the underlying asset is available for use). Assets for the right to use are measured at cost, net of accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the assets for the right to use includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at the effective date or before commencement net of any incentives received. Assets for right to use are amortised on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right to use or at the end of the lease term, whichever is earlier.
If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right to use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right to use asset from the effective date until the end of the useful life of the underlying asset. Assets for the right to use are subject to Impairment. Please refer to the section "Impairment of non-financial assets".

(ii) Lease-related liabilities

At the effective date of the lease, the Group recognises the lease liabilities by measuring them at the present value of the lease payments not yet paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any lease incentives to be received, variable lease payments that depend on an index or rate, and amounts expected to be paid as guarantees of residual value. The lease payments also include the exercise price of a purchase option, if it is reasonably certain that this option will be exercised by the Group, and the penalty payments for termination of the lease, if the lease term takes into account the exercise by the Group of the option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognised as an expense in the period (unless they were incurred for the production of inventories) in which the event or condition giving rise to the payment occurs.

In calculating the present value of the payments due, the Group uses the marginal lending rate at the start date if the implicit interest rate is not available or easily determinable. After the effective date, the amount of the lease liability increases to account for interest on the lease liability and decreases to account for payments made. In addition, the carrying amount of lease liabilities is restated in the event of any changes in the lease or for changes in the contractual terms for the change in payments; it is also restated in the event of changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

The Group's leasing liabilities are included under Non-Current Financial Liabilities (8.14) and Current Financial Liabilities (8.17).

(iii) Short-term leases

The Group applies the exemption for the recognition of short-term leases (i.e., leases that have a duration of 12 months or less from the start date and do not contain a redemption option).

The Group as lessor

The Group has no current financial leasing contracts in accordance with IFRS 16.

Application of IFRS 16 in the Group

The positions affected by the scope of application of IFRS 16 and which in principle had an appreciable effect are related to:

- lease contracts for the main office (Cologno)
- lease contracts for the newly acquired companies (ENNOVA, PGMD, TLOGOS and SPS)
- lease contracts for the national secondary offices (Milan, Turin, Brescia) and foreign secondary office (PACE GmbH – Berlin)
- portfolio of hire vehicles for the Company's staff

Lease contracts for offices:	Contractual years	Years remaining	Main Options
Brescia	6	4	Renewal
Berlin	6	4	Renewal
Turin	6	3	Renewal
Palermo	6	3	Renewal
Dallas	3	1	Renewal
Chiasso	3	1	Renewal
Bologna	3	3	Renewal
Rome	3	3	Renewal
Milan	2	1	Renewal
Borgomanero	6	2	Renewal
Brescia	6	2	Renewal
Cologno	6	6	Renewal
Rome - SPS	6	5	Renewal
Rome - SPS	4	3	Renewal
Milan - PGMD	6	3	Renewal
Rome - TLOGOS	6	5	Renewal
ENNOVA	6	5	Renewal

For the lease contract on the main office in Cologno Monzese, the duration set forth in the contract was used, without taking into account the early termination or further renewal options which are considered unlikely.

As regards vehicle lease contracts, these refer to medium/long-term rental agreements, usually for 4 years with monthly instalments paid in advance with an average value of € 540.

In the absence of a readily-available implicit rate, the present value of the liabilities was determined using the Group's marginal lending rate, taking into account the duration, amount funded and underlying asset for each type of contract. The Group has established that the differences between the rates to be applied for the different contract categories do not lead to significant differences in impact.

For further details, see Note 8.3 "Tangible assets" and Note 9.6 "Financial income and charges".

Impairment of non-financial assets

At the end of each reporting year, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment test is required, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If the carrying amount of an asset is greater than its recoverable amount, said asset has become impaired and is consequently reduced to its recoverable amount.

In measuring value in use, the Group discounts estimated future cash flows using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If it is not possible to determine such transactions, an appropriate measurement model is used. These calculations are corroborated by the appropriate valuation multipliers, quoted share prices of investee companies whose securities are publicly traded, and other available indicators of fair value.

The Group bases its impairment test on detailed budgets and forecasts prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts generally cover a period of five years. For longer periods, a long-term growth rate used to extrapolate cash flow projections beyond the fifth year is calculated.

Impairment losses on operating assets, including losses on inventories, are recognised in the income statement in the expense categories consistent with the intended use of the impaired asset. An exception is represented by revalued assets for which the revaluation has been recognised in other comprehensive income and classified as a revaluation surplus. In these cases, the impairment loss is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus.

At the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. An impairment loss recognised in prior periods shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal of an impairment loss shall not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

The following criteria are used to recognise impairment losses on specific types of assets:

a) Goodwill

Goodwill is tested for impairment at least annually (as at 31 December) and, more frequently, when the circumstances indicate that the carrying amount may be impaired.

The impairment loss on goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill can be allocated. Wherever the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which goodwill was allocated, an impairment loss is recognised. An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

b) Intangible assets

An intangible asset with an indefinite useful life is tested for impairment at least annually (as at 31 December) both as an individual asset and as a cash-generating unit, whichever is more appropriate to determine whether any impairment exists.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaced the corresponding regulations previously set forth in IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects relating to the project on the accounting of financial instruments: classification and measurement, impairment and hedge accounting. The Group adopted the new standard from the effective date (1 January 2018).

Classification and measurement of financial assets and liabilities

The Group does not hold financial liabilities designated at FVTPL due to the adoption of the optional regime or equity instruments designated at the FV recognized in other items of the comprehensive income statement. For completeness it is reported that the change in financial liabilities relating to the acquisition of minority shares in the extraordinary transactions described in the previous paragraphs will continue to be recorded entirely in the income statement. With regard to financial assets, the principle establishes that the classification of assets depends on the characteristics of the financial flows relating to these assets and the business model used by the Group for managing them. The breakdown of contracts signed by the Group during the year is provided below:

- 7 multi-segment life insurance contracts for € 41,074,106 (as at 31 December 2021 € 39,277,366);
- Bond loan for € 504,798 subscribed below par for € 498,000;
- Treasury management for € 5,364,359;
- Multi-year Treasury Bills for € 1,546,687;
- Investment in Banca del Fucino for € 16,541,620.

In view of the characteristics of these instruments, the Company arranged their designation at Fair Value as at 31 December. Furthermore, the Company does not have financial investments in the form of shareholdings that could fall within the scope of IFRS 9. With regard to derivative financial instruments, embedded or otherwise, the Company has exclusively entered into interest rate swap contacts linked to bank loans expenses for which hedge accounting has been activated. Trade receivables are held for the purposes of collection at the contractual due dates of the cash flows relating to them in capital share and interest, where applicable. The Company has analysed the characteristics of the contractual cash flows of these instruments and has concluded that they comply with the criteria for valuation at amortised cost in accordance with IFRS 9. Similar conclusions can be reached for the items relating to cash and cash equivalents.

Initial recognition and measurement of financial assets

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e., at amortised cost, at fair value recognised in other comprehensive income statement (OCI) and at fair value through the income statement. The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient, the Group initially values a financial asset at its fair value plus, in the case of a financial asset not at fair value through the income statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient are valued at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid ('solely payments of principal and interest (SPPI)'). This assessment is referred to as the SPPI test and is carried out at instrument level.

The Group's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The business model determines whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

A purchase or sale of a financial asset that requires delivery within a time frame generally established by regulation or convention in the marketplace (regular way trade) is recognised on the trade date, i.e., the date on which the Group commits itself to purchase or sell an asset.

Subsequent measurement of financial assets

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value recognised in other comprehensive income statement with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value recognised in other comprehensive income statement without reversal of cumulative gains and losses at the time of derecognition (equity instruments);
- Financial assets at fair value through the income statement.

In general, the most important categories for the Group are the first and the fourth.

<u>Financial assets at amortised cost</u>

The Group measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is owned as part of a business model whose objective is to own financial assets for the purpose of collecting contractual cash flows;
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

Group financial assets at amortised cost include trade receivables and other receivables as well as investments that pass the SPPI test.

<u>Financial assets at fair value through the income statement.</u>

This category includes financial assets held for trading and assets designated as at fair value through profit or loss upon initial recognition with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for the purpose of selling or repurchasing them in the near term. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments (the Group does not currently hold derivatives that are not designated as hedges). Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through the income statement, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be recognised at fair value through the income statement at initial recognition if this results in the derecognition or significant reduction of an accounting mismatch.

Financial instruments at fair value through the income statement are recognised in the balance sheet at fair value and net changes in fair value are recognised in the statements of profit/(loss) for the year.

Impairment of financial assets

The Group recognises an expected credit loss (ECL) for all financial assets represented by debt instruments not held at fair value through the income statement. ECLs are based on the difference between the contractual cash flows payable under the contract and all cash flows expected to be received by the Group, discounted at an approximation of the original effective interest rate. Expected cash flows will include cash flows arising from the application of collateral held or other credit guarantees that are an integral part of the contractual conditions. Expected losses are recognised in two phases. With regard to credit exposures for which there has been no significant increase in credit risk since the initial recognition, it is necessary to recognise credit losses resulting from the estimate of default events that are possible within the next 12 months (12-month ECL). For credit exposures for which there has been a significant increase in credit risk since initial recognition, expected losses relating to the residual duration of the exposure must be fully recognised, regardless of when the default event is expected to occur ("Lifetime ECL").

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but fully recognises the expected loss at each reference date. The Group has defined a matrix system based on historical information, revised to consider forward-looking elements with reference to specific types of borrowers and their economic environment, as a tool for determining expected losses.

A financial asset is derecognised when there is no reasonable expectation that the contractual cash flows will be recovered.

Initial recognition and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified under financial liabilities at fair value through the income statement, under loans and borrowings, or under derivatives designated as hedging instruments.

Financial liabilities are initially recorded at fair value plus transaction costs directly attributable to them in the case of loans, borrowings and payables.

The Group's financial liabilities include trade payables and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement of financial liabilities

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through the income statement

Financial liabilities at fair value through the income statement include liabilities held for trading and financial liabilities designated as at fair value through the income statement upon initial recognition.

Liabilities held for trading are all those taken on with the intention of settling or transferring them in the near term.

Gains and losses on financial liabilities held for trading are recognised in the statements of profit/(loss) for the year.

Financial liabilities are designated upon initial recognition as at fair value through the income statement only if the conditions in IFSR 9 are met.

Loans and receivables

This is the most important category for the Group. After initial recognition, loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement only when the liability is extinguished, as well as through amortisation.

The amortised cost is calculated accounting for acquisition discounts or premiums, fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is recognised in financial charges in the statement of profit/(loss). This category generally includes interest-bearing loans and receivables.

Cancellation

A financial liability is cancelled when the obligation underlying the liability is extinguished, derecognised or fulfilled. If an existing financial liability is replaced by another one from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is treated as a cancellation of the original liability, accompanied by the recognition of a new liability, with any differences in carrying amounts recognised in the statements of profit/(loss) for the year.

Derivative financial instruments and hedge accounting

The Group uses interest rate swaps to hedge against interest rate risks. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is signed and, subsequently, are re-measured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, the aforementioned hedges are referred to as "cash flow hedges".

When a hedging transaction is initiated, the Group formally designates and documents the hedge relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedge relationship meets the hedging efficacy requirements (including analysis of sources of hedge ineffectiveness and how the hedge relationship is determined). The hedge relationship meets the eligibility criteria for hedge accounting if it meets all of the following hedging efficacy requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the credit risk effect does not prevail over the changes in value resulting from the aforementioned economic relationship;
- the hedging of the relationship is the same as that resulting from the quantity of the element actually hedged by the Group and the quantity of the instrument actually used by the Group to hedge such quantity of the hedged element.

The transactions carried out by the Group, since they meet all the criteria for hedge accounting, have been accounted for as follows:

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognised in other comprehensive income statement in the cash flow hedge reserve, net of tax, while the ineffective portion is recognised directly in statements of profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Investments in associates

An associate is a company over which the Group exercises significant influence. Significant influence refers to the power to participate in determining the financial and operating policies of the associate without having control or joint control of the same.

The considerations made to determine significant influence are similar to those required to determine control over subsidiaries.

The Group's shareholding in associates is valued using the equity method.

Under the equity method, an investment in an associate is initially recognised at cost. The carrying amount of the investment is increased or decreased to reflect the investor's share of the profits and losses of the investee after the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to a separate impairment test.

The statement of profit/(loss) for the year reflects the Group's share of the associate's profit for the year. Any change in the other components of the comprehensive income statement relating to these investees is presented as part of the Group's comprehensive income statement. Furthermore, if an associate recognises a change that is directly attributable to equity, the Group recognises its share, where applicable, in the statement of changes in equity. Unrealised gains and losses arising from transactions between the Group and associates are eliminated in proportion to the shareholding in the associates.

The Group's aggregate share of the result for the year of associates is recognised in the statement of profit/(loss) for the year after the operating result and represents the result after taxes and the shares due to the other shareholders of the associate.

The financial statements of associates are prepared on the same date as the Group's financial statements. Where necessary, the financial statements are adjusted to bring them into line with Group accounting standards.

Following the application of the equity method, the Group shall assess whether it is necessary to recognise a loss in value of its equity investment in associates. At each reporting date, the Group assesses whether there is objective evidence that the investment in associates has suffered a loss in value. In this case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate and the carrying amount of the same in its financial statements, recording this difference in the statement of profit/(loss) for the year under the item "share of profit/loss of associates".

Upon the loss of significant influence over an associate, the Group values and recognises the residual investment at fair value. The difference between the carrying value of the investment at the date of the loss of significant influence and the fair value of the residual investment and the consideration received is recognised in the income statement.

Contractual assets

Contractual assets are measured at the lower of acquisition or production cost and market value. This refers mainly to consumables measured at acquisition cost, determined by the last cost incurred, which is an excellent approximation of FIFO.

Contract work in progress, consisting of services not yet completed at the end of the financial year relating to indivisible contracts that will be completed during the next twelve months, are measured on the basis of the considerations agreed in relation to the stage of completion determined using the cost-to-cost method and recognised as revenues if they meet the requirements for recognition as indicated in the "revenues from contracts with customers" section. Advance payments received from customers are deducted from inventories, within the limits of the final accrued amounts; the remaining part is recognised as a liability.

Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits comprise cash on hand and demand and short-term deposits with maturity of up to three months.

Treasury shares

Treasury shares purchased are measured at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale or cancellation of an entity's treasury shares. Any difference between the consideration paid and received, when treasury shares are reissued, is recognised in the share premium reserve. Voting and dividend rights attached to treasury shares are suspended, as is the right to receive dividends. If stock options are exercised, they are serviced with treasury shares.

Employee benefits expense

Post-employment benefits

The liability relating to employee benefits paid upon or after the end of employment and relating to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions made to estimate the amount of benefit that employees have earned to date. The liability is recognised on an accrual basis over the vesting period.

Employee post-employment benefits earned up to 31 December 2006, pursuant to Article 2120 of the Italian Civil Code, are included in defined benefit plans. Indeed, subsequent to the reform of supplementary pension schemes, since 1 January 2007 post-employment benefits earned are mandatorily paid into a supplementary pension fund or into the special Treasury Fund set up at the National Social Security Institute (INPS) if the employee exercised the specific option. Therefore, the Group's defined benefit obligation to employees exclusively regards the provisions made up to 31 December 2006.

The accounting treatment adopted by TXT since 1 January 2007 reflects the prevailing interpretation of the new law and is consistent with the accounting approach defined by the relevant professional bodies. In particular:

- Post-employment benefits earned since 1 January 2007 are considered elements of a Defined Contribution Plan even if the employee exercised the option to allocate them to the Treasury Fund at INPS. These benefits, determined based on statutory provisions and not subject to any actuarial valuation, therefore represent negative income components recognised as labour costs.
- Post-employment benefits earned as at 31 December 2006 continue instead to represent the liability for the company's obligation under a Defined Benefit Plan. This liability will not be increased further in the future with additional provisions; therefore, unlike in the past, the component relating to future increases in salaries was excluded from the actuarial calculation made to determine the balance.

External actuaries determine the present value of TXT's obligations using the Projected Unit Credit Method. With this method, the liability is projected into the future to determine the probable amount payable upon the end of employment and is then discounted to account for the time that will pass before the actual payment. The calculation takes into account the post-employment benefits earned for service in prior periods and is based on actuarial assumptions mainly regarding the interest rate, which reflects the market yields on high quality corporate bonds with a term consistent with the estimated term of the obligation and employee turnover.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of TXT's obligations at the end of the period, due to the change in the previously used actuarial parameters (described above), are recognised outside the income statement (in comprehensive income statement) and directly in equity.

Stock option plans

TXT e-solutions S.p.A. may recognise additional benefits to particular categories of employees who work in the Company and its subsidiaries, deemed to be "key management personnel" in terms of responsibility and/or skills through stock option plans. Pursuant to IFRS 2 – Share-Based Payment – the overall amount of the present value of the stock options at grant date is recognised systematically on a monthly basis in the income statement as a cost during the vesting period, with a specific reserve recognised in equity. This implicit cost is determined using specific income-equity models.

The fair value of the stock options is represented by the value of the option estimated by applying the "Black-Scholes" model which takes account of the exercise price of the option, the current price of the shares, the expected volatility, and the risk-free interest rate.

Guarantees issued, obligations

As at 31 December 2022, the Group had issued guarantees on debts and obligations of third parties and associates in the form of bank guarantees for rental security deposits, and the remainder in the form of bank guarantees for bids in tenders.

Contingent liabilities

The Group's companies may be involved in legal proceedings regarding various issues. Owing to the uncertainties inherent to said issues, it is normally hard to make a reliable estimate of the outflow of resources that could arise from said disputes. In the ordinary course of business, the management consults with legal advisors as well as legal and fiscal experts. TXT recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required and when the amount of the losses resulting from it can be reliably estimated. If an outflow of financial resources is possible, this fact is reported in the notes to the financial statements.

Dividends distributed

Dividends payable are recognised as movements in equity in the period in which they are approved by the Shareholders' Meeting.

Intragroup and transactions with related parties

The following are considered related parties of the Group:

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.

a) the associates of TXT e-solutions S.p.A.
b) the joint ventures in which TXT e-solutions S.p.A. holds an interest;
c) the managers with strategic responsibilities of TXT e-solutions S.p.A. or one of its parent companies;
d) any close family members of the parties as per the above points a) and d);
e) the 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;
f) any 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.

As for transactions with related parties, it should be noted that they cannot be classified as atypical or unusual, as they fall within the course of ordinary activities of the Group's companies. Said transactions are conducted at arm's length, considering the characteristics of the goods and services provided.

Detailed information is provided in section 11.

REVENUES AND COSTS

Revenues from contracts with customers

Revenues from contracts with customers are recognised when control of goods and services is transferred to the customer for an amount that reflects the fee that the Group expects to receive in exchange for those goods or services. The Group has generally concluded that it acts as the principal for agreements that generate revenue as it controls the goods and services before they are transferred to the customer.

The Group considers whether there are other commitments in the contract that represent obligations to be carried out, for which a portion of the transaction fee is to be allocated (e.g., guarantees, customer loyalty schemes). In determining the price of the equipment sale transaction, the Group shall consider the effects of variable fees, significant financing components, non-monetary fees and fees payable to the customer (if any).

If the fee promised in the contract includes a variable element, the Group estimates the fee amount to which it will be entitled, in exchange for the transfer of the goods to the customer.

The variable fee is estimated when the contract is entered into and cannot be recognised until it is highly probable that when the uncertainty associated with the variable fee is subsequently resolved, there will be no significant downward adjustment to the amount of cumulative revenue that has been accounted for.

Application of IFRS 15

IFRS 15 was issued in May 2014, amended in April 2016, and approved in September 2016.

The standard introduces a new 5-step model applied to revenues deriving from contracts with customers:

1. Identification of the contract

2. Identification of performance obligations

3. Determining the price of the transaction

4. Distribution of the price of the transaction across the performance obligations

5. Recognition of revenues for each *performance obligation*

(a) Revenues from software licences

With reference to the recognition of revenues deriving from the granting of software licences (regardless of whether they are for an indefinite or fixed period), IFRS 15 establishes that in general the recognition may occur at "a certain moment" when there are no residual commitments or obligations or expectations on the customer's part that the entity will make changes or carry out subsequent interventions or "over time" if the entity continues to be involved and carries out significant subsequent activities that could affect the intellectual property on which the customer is claiming rights.

(i) Revenues from licence and maintenance contracts

The Group has analysed whether maintenance services, which include an obligation to provide the customer with the right to updates and evolutions of the licence in addition to support activities, could be classified as a performance obligation distinct and separable from the granting of the right to the licences (granted for an indefinite period) currently developed and part of the commercial offer of the Group. This analysis was conducted both in the abstract and in the context of the contract and was corroborated by evaluating the commercial practices of the Group's business model. As, apart from marginal exceptions, licence rights and maintenance contracts are purchased together by the customer in the expectation of a certain degree of involvement, including subsequently, with reference to the licence itself and these subsequent maintenance activities cannot be carried out by entities other than the Group, since they are proprietary licences, the Group believes that the licence and the maintenance services have to be considered in application of IFRS 15 as a single contractual promise for which the overall fee is recognised over the period covered by the maintenance contract.

(ii) Revenues from subscription contracts

Subscription contracts grant the customer the right to exploit the Group's software licences (which can be installed on the customer's server or provided in a cloud) for a predetermined period with payment of a periodic fee. Software update and support activities carried out periodically can influence the intellectual property that is the subject of the licence and expose the customer to the results of these activities. For this line of revenue, recognition occurs "over time" throughout the contractual period.

(b) Provision of services for projects

Prior to the introduction of IFRS 15, the Group was recognising revenues from the provision of services for technological solutions projects on the basis of the projects' progress status. In accordance with IFRS 15, in order for the revenue to be recognised "over time" one of the following criteria must be satisfied:

• the customer simultaneously receives and uses benefits deriving from the service as and when provided by the entity;

• the entity's service creates or improves the activity (for example work in progress) that the customer controls as and when the activity is created or improved; or

• the entity's service does not create an activity that presents an alternative use for the entity and the entity has the enforceable right to payment for the completed service until the date considered.

The Group has assessed compliance with this provision as well as the consistency of the previous accounting model with the means of measuring project progress as permitted by IFRS 15. Projects are not usually multi-year and the payment conditions do not present significant financial components. Consequently, there was no significant impact on profits and the composition of shareholders' equity with reference to the recognition of revenues from services for projects.

(c) Other aspects

(i) Principal vs agent considerations

The Group has not identified, in the commercial relationships currently in existence, situations in which the fee is definitively charged to distributors or retailers only once the product is provided to the end user. Otherwise, for the purposes of IFRS 15, definitive recognition of the fee only once the product is provided to the end user would have resulted in deferring recognition of the revenues until that moment.

(ii) Incremental costs

In accordance with IFRS 15 the entity must record, under assets, incremental costs for obtaining the contract with the customer, if it envisages recovering them. Incremental costs for obtaining the contract are costs that the entity incurs for obtaining the contract with the customer and that would not have been incurred if the contract had not been obtained (for example a sale commission). Costs for obtaining the contract that would have been incurred even if the contract had not been obtained must instead be recorded as expenditure at the moment at which they are incurred (unless they can be explicitly charged to the customer even if the contract is not obtained). For reasons of practical expedient, the entity can record incremental costs for obtaining the contract as expenditure at the moment at which they are incurred, if the amortisation period of the asset that the entity would otherwise have recorded does not exceed one year.

Sales of other assets

Revenues from the sale of licences or other capital goods are recognised when control of the goods passes to the customer. Generally, no unusual commercial deferment terms have been applied.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is measured using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is classified as financial income in the income statement.

COSTS

Costs are recognised in the financial statements when ownership of the assets to which they refer has been transferred or the services acquired have been provided, or when the relevant future benefits cannot be estimated.

Personnel costs include, consistently with their substantial nature, stock options granted to employees. For determination of these costs, refer to the paragraph "Employee benefits expense".

Interest income and expense are recognised on an accrual basis based on interest accrued on the net value of the relevant financial assets and liabilities using the effective interest method.

Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the entity will comply with the conditions attached to them. When grants are related to expenses, they are recognised as income; however, they are recognised on a systematic basis over the periods in which the entity recognises the expenses that the grants are intended to compensate. If a grant is related to an asset, the grant is recognised as income on a straight-line basis over the expected useful life of the relevant asset.

When the TXT e-solutions Group receives a non-monetary grant, the asset and the grant are recognised at their nominal amount in the income statement on a straight-line basis over the expected useful life of the relevant asset. In case of loans or similar forms of assistance granted by government bodies or similar institutions at a below-market rate of interest, the benefit associated with the favourable interest rate is treated as an additional government grant.

INCOME TAXES

Current taxes

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and laws used to calculate the amount are those that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised outside the income statement if the tax relates to items that are recognised outside the income statement, and is therefore recognised in equity or in other comprehensive income statement, consistently with the recognition of the item it relates to. Management periodically assesses the tax position taken in the tax return with respect to situations in which tax laws are subject to interpretation and makes provisions where appropriate.

Deferred tax

Deferred tax is calculated using the liability method on the temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that it arises from:

- the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures that may be controlled and is unlikely to occur in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences as well as the unused tax losses and unused tax credits can be utilised, unless:

- the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- the deferred tax asset for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures is recognised only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised outside the income statement if the tax relates to items that are recognised outside the income statement, and is therefore recognised in equity or in other comprehensive income statement, consistently with the recognition of the item it relates to.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax relates to the same taxable entity and the same taxation authority.

Tax benefits acquired in a business combination, but that do not satisfy the criteria for separate recognition as at the acquisition date, are subsequently recognised where required when there is new information about changes in facts and circumstances. The adjustment is either treated as a reduction of goodwill (to the extent that it does not exceed goodwill), if it is recognised within the measurement period, or in the income statement, if recognised afterwards.

Indirect taxes

Expenses, revenue and assets are recognised net of value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services cannot be deducted, in which case it is recognised as part of the asset's acquisition cost or part of the expense recognised in the income statement;
- trade receivables and payables include the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the tax authorities is recognised as part of trade receivables or payables, depending on whether the balance is positive or negative.

FAIR VALUE HIERARCHY

For measurements of financial instruments recognised in the balance sheet, IFRS 13 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

- Level 1: quoted prices in an active market for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted prices included within level 1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs that are not based on observable market data.

No transfers between hierarchical levels occurred during the financial year 2022.

Comparison between fair value and carrying amount of the TXT Group's financial instruments is provided in the table below, subdivided by hierarchy level:

Amounts in €	Notes	31/12/2022	Level 1	Level 2	Level 3
Financial assets for which the fair value is identified					
- other non-current financial assets		0	0	0	0
- other current financial assets	8.5	17,958,284	0	0	17,958,284
- HFT securities at fair value	8.10	48,489,950	7,415,844	0	41,074,106
Total financial assets		66,448,234	7,415,844	0	59,032,390
Financial liabilities for which the fair value is identified					
- other non-current financial liabilities	8.13	70,004,970	0	63,287,586	6,717,384
- other current financial liabilities	8.16	51,186,556	0	46,886,556	4,300,000
Total financial liabilities		121,191,526	0	110,174,142	11,017,384

Non-current financial liabilities of Level 3 (Note 8.13) include the debt for:

- Novigo Earn-Out
- DM Consulting Srl Earn-Out
- Payable for SPS acquisition
- Ennova Earn-Out
- the TXT WORKING CAPITAL SOLUTIONS acquisition as an estimate of the additional outlay for exercising the PUT/CALL option in the period 2021-2025 to purchase the remaining 40% of the company's shares;
- HSPI payable for "Restricted Share Price Adjustment";
- the long-term portion of the Put/Call linked to the acquisition of TXT Risk Solutions S.r.l. as an estimate of the disbursements for the purchase of the residual minority interest.

Non-current financial liabilities of Level 2 (Note 8.13) include the debt for:

- a payable for medium/long-term bank loans;
- a payable to the lessor for leases and rentals pursuant to IFRS 16;

While for *current financial liabilities* of level 3 (Note 8.16) the following are included:

- Ennova S.p.A Group Earn-Out (short-term portion)
- Payable for acquisitions of TLogos, PGMD and DM.

While for *current financial liabilities* of level 2 (Note 8.16) the following are included:

- the short-term portion of the payable to the lessor for leases and rentals pursuant to IFRS 16;
- the portion of short-term payable for bank loans;

The directors have furthermore checked that the fair value of cash and cash equivalents and short-term deposits, trade receivables and payables and other current assets and liabilities is close to the book value as a result of the short-term maturity of these instruments.

Use of estimate and discretionary assessments

The preparation of the consolidated financial statements and the relevant notes in conformity with IFRSs requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and any changes are immediately recognised in the income statement. Here below are the assumptions made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenues from contracts with customers

The Group has carried out the following assessments, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

Identification of the performance obligation in a joint sale

The Group provides maintenance and assistance services to customers, which are sold either separately or together with licenses for use, as well as professional services.

The Group has determined that for the product types offered for which it is reasonable to expect that the customer requires a level of continuous involvement from the Group over a period of time, and which require a certain period of implementation by the customer, the maintenance and assistance service contract cannot be considered separately from the license contract, even if the latter exclusively envisages an up-front fee. The fact that the Group does not regularly grant the right to use its licences separately from the signing of a first maintenance contract, together with the consideration that maintenance services cannot reasonably be provided by other suppliers, are indicators that the customer does not tend to separately benefit from both products independently.

The Group, on the other hand, has established that professional services must be distinguished within the context of the contract and that a price must be independently allocable to them.

Determination of the method for estimating the value of the recognisable variable fee

In estimating any variable fee, the Group must use the expected value method or the most likely quantity method to estimate which method best determines the value of the fee to which it is entitled.

Before including any value of the variable fee in the transaction price, the Group shall assess whether a portion of the variable fee is subject to recognisability limits. The Group has determined that, on the basis of its past experience, economic forecasts and current economic conditions, the variable fee is not subject to uncertainties that could limit its recognisability. Furthermore, the uncertainty to which the variable fee is exposed will be subsequently resolved within a short period of time. *Considerations on the significant financing component in a contract*

The Group does not usually sell with formal or expected extension of payment terms exceeding one year, for which it believes that there are no significant financing components in the commercial transactions.

Determination of the time frame for project service satisfaction

The Group has determined that the input method is the best method for determining the progress of services provided for projects (for example, the development of technological solutions, consultancy, integration services, training) since there is a direct relationship between the Group's activities (for example, the hours worked and costs incurred) and the transfer of the service to the customer. The Group recognises revenues on a cost-to-cost basis (versus the total costs expected to be incurred to complete the service). Depending on the contractual clauses, orders can be managed on a Time & Material or Fixed Price basis. With the former type, revenues are recognised on the basis of the hours actually spent on the project, calculated and accepted by the customer. The agreement with the customer is essentially based on a number of hours to be invested in the project, which can be revised, including upwards, depending on the actual use of resources. Revenues for Fixed Price orders, for which a price is fixed in advance, except for subsequent adjustments, are instead determined by applying the completion percentage to the amount of the fee for the project. The calculation of the completion percentage, determined using the Cost to Cost method, i.e., the ratio between the costs incurred and the total expected costs, takes into account the hours spent by personnel involved in the project on the reference date and any other direct costs.

Impairment of non-financial assets

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is measured based on data available from binding sale agreements between knowledgeable, willing parties for similar assets or observable market prices, less the costs of disposal. Value in use is calculated using a discounted cash flow model. Cash flow projections are based on the plan for the next five years and include neither restructurings for which the Group does not have a present obligation, nor significant future investments that will increase the return on the assets of the cash-generating unit subject to measurement. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model, as well as on the expected future cash inflows and the growth rate used to extrapolate.

Deferred tax

Deferred tax assets are recognised for all unused tax losses, to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilised. Management is required to make significant estimates to determine the amount of tax assets that can be recognised based on the level of future taxable profits, when they will arise, and tax planning strategies.

Pension funds

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation requires assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates, and future benefit increases. Because of the long-term nature of these plans, the estimates are subject to a significant degree of uncertainty. All assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the interest rate of corporate bonds with average terms corresponding to the estimated term of the defined-benefit obligation. The bonds are subject to further qualitative analysis and those that present a credit spread deemed excessive are removed from the population of bonds on which the discount rate is based, as they do not represent high-quality bonds.

The mortality rate is based on mortality tables available for each country. Future salary and benefit increases are based on the expected inflation rates for each country.

Fair value measurement of contingent considerations for business combinations

Contingent considerations associated with business combinations are measured at the acquisition-date fair value within the scope of the business combination. Whenever the contingent consideration is a financial liability, its value is subsequently re-measured as at each reporting date.

Fair value is measured using discounted cash flows. Key assumptions take account of the probability of achieving each performance objective and the discount rate.

4.1. Accounting standards and interpretations applied from 1 January 2022

The accounting standards adopted in preparing the annual consolidated financial statements as at 31 December 2022 are consistent with those used in drawing up the consolidated financial statements as at 31 December 2021 and presented in the Annual Report under Note 4 "Accounting standards and basis of consolidation".
As at 31 December 2022, there are no significant effects with respect to changes in the international accounting standards (IFRS) that were expected to be applied from 1 January 2022.

The Accounting Standards, amendments and interpretations adopted by the EU applicable to the financial statements as at 31 December 2022, applied for the first time by the Company from 1 January 2022, are reported below.

On 14 May 2020, the IASB published the following amendments:

- *Amendments to IFRS 3 Business Combinations*: the amendments aim to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of the standard.

- *Amendments to IAS 16 Property, Plant and Equipment*: the amendments are intended not to allow the deduction from the cost of tangible assets of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and the related costs will therefore be recognised in the income statement.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*: the amendment clarifies that in estimating the possible cost of a contract, all costs directly attributable to the contract must be considered. Consequently, the assessment of the possible cost of a contract includes not only the incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid because it has stipulated the contract (for example, the share of depreciation of the machinery used to fulfil the contract).

- *Annual Improvements 2018-2020*: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments had no impact on the 2022 financial statements.

The New Accounting Standards and Interpretations endorsed by the EU but not yet in force are outlined below:

- On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The subsequent additions issued in July 2020, aimed at simplifying the implementation of the standard, postponed its entry into force to 1 January 2023.
  The standard is not applicable to the TXT Group.

- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.

The amendments will apply from 1 January 2023, but early application is permitted.

The New accounting standards, amendments and interpretations issued by the IASB and not yet implemented by the EU are reported below (at the reference date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for adoption of the amendments and principles described below):

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short or long-term liabilities. The amendments enter into force on 1 January 2023, although early application is permitted.

The Directors are currently assessing the possible effects of the introduction of this amendment on the consolidated financial statements of the TXT Group.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities for the same amount, such as leases and decommissioning obligations, must be accounted for. The amendments will apply from 1 January 2023, but early application is permitted.

The Directors do not expect the adoption of this amendment to have a significant effect on the TXT Group's financial statements.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment will not be applicable to the TXT Group.

- On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only those adopting IFRS for the first time to continue to recognise the amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") according to the previous accounting standards adopted. As the TXT Group is not a first-time adopter, this standard will not be applicable.

5. 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)
    - Brexit
    - Military conflict in Ukraine

The Group is exposed to financial risks deriving from exchange rate and interest rate fluctuations, and from its customers' capacity to meet their obligations to the Group (credit risk).

Currency risk

The Group's exposure to currency risk derives from the different geographical distribution of the Group's production operations and commercial activities. This exposure is mainly the result of sales in currencies other than the functional currency (in 2022, 10.4% of the Group's revenues were earned outside Italy).

Given the relatively low exposure in currencies other than the functional currency, in 2022 the Group did not enter into forward sale contracts to mitigate the impact of exchange rate volatility on the income statement.

The Group also holds controlling interests in entities that prepare their financial statements in currencies other than the Euro – the Group's functional currency. This exposes the Group to a translation risk generated as a consequence of the conversion of those subsidiaries' assets and liabilities into Euro. Management periodically monitors the main exposures to translation risk; at present, the Group has chosen to not adopt specific hedging policies against such exposures.

The currencies other than the Euro are: the British Pound Sterling (0.2% of consolidated revenues as at 31 December 2022), the US Dollar (4% of consolidated revenues as at 31 December 2022), the Swiss Franc (5.8% of consolidated revenues as at 31 December 2022).

Indicated below are the effects on profit/loss for the year of a hypothetical appreciation/depreciation of currencies versus the Euro, other conditions being equal. The effects refer to companies outside the Euro area.

US Dollar	Increase/Decrease	Effect on profit (loss)
2022	+5%	(14,816)
	-5%	16,376

British Pound Sterling	Increase/Decrease	Effect on profit (loss)
2022	+5%	(789)
	-5%	872

Swiss Franc	Increase/Decrease	Effect on profit (loss)
2022	+5%	(66,659)
	-5%	73,676

Interest rate risk

The Group's active financial exposure is subject to floating interest rates, and therefore the Group is exposed to the risk deriving from their fluctuation.

At the closing date of the financial year, the company had Interest Rate Swap derivative contracts in place to hedge the interest rate risk on financial payables. For further details, reference should be made to the IFRS9 Financial instruments section of these explanatory notes.

The table below shows the impact on the consolidated income statements, deriving from a 1% increase or decrease of the interest rates to which the Group is exposed with all other conditions being equal:

(Amounts in € thousands)	31.12.2022	Interest rate change	Financial income/charges
Net financial debt	(38,270,317)		
Fixed rate payables	119,774,861		
Financial exposure (floating rate)	(158,045,177)	+1%	(1,580,452)
		-1%	1,580,452

Credit risk

Credit risk represents the Group's exposure to potential losses arising from the non-fulfilment of obligations by counterparties.

To limit this risk, the Group mainly deals with well-known and reliable customers; sales managers assess the solvency of new customers and management continuously monitors the balance of relevant receivables so as to minimise the risk of potential losses.

The table below shows the concentration of the TXT e-solutions Group's trade receivables:

	Amount in €	Concentration %
Total receivables due from customers	73,115,549	
Receivables due from customers (Top 5)	30,073,888	41.13%
Receivables due from customers (Top 10)	34,740,268	47.51%

In general, trade receivables are mainly concentrated in Italy and in the European Union.

Receivables from an important Italian customer operating in the Aerospace business account for 21% of the Group's total trade receivables. The first five and ten customers respectively account for 41.13% and 47.51% of the total trade receivables collectible.

Liquidity and investment risk

On the basis of cash and cash equivalents of € 33,014,594, and a negative Net Financial Debt of € -38,270,317 (see Note 13), the TXT e-solutions Group does not deem to be exposed to significant liquidity risks at present.

The Group's financial instruments are exposed to market risk deriving from uncertainties around the market values of assets and liabilities produced by changes in interest rates, exchange rates and asset prices. The Group manages price risk through diversification and by setting individual or total limits on securities. Portfolio reports are regularly submitted to the Group's management. The Group's Board of Directors reviews and approves all investment decisions.

At the reporting date, the fair value of financial instruments was € 48 million. It should be noted that these instruments can be divested at any time, even before maturity, without incurring any charges.

Other risks

Covid-19

In 2022, the restrictive measures related to Covid-19 eased and there was a recovery of the economy at the global level. With the growth of the economy also driven by national support plans, there has been a significant increase in the prices of raw materials and contractions in the supply chains that have generated a strong inflationary pressure exacerbated by the current military tensions on Ukrainian territory.

Brexit

The Group operates in the United Kingdom exclusively through its subsidiary TXT Next Ltd. Revenues from the United Kingdom's only end customers amount to approximately € 1.2 million. The Group analysed the effects of Brexit and classified them as not being particularly significant.

Military conflict in Ukraine

In the current global geopolitical context triggered by the military conflict in Ukraine, the management and independent directors of TXT have currently not identified risks in the short term due to the minimal and non-strategic exposure of the TXT business in the Russian and Ukrainian regions. TXT's management constantly monitors the evolution of the conflict and the related macroeconomic instability

6. Going concern

Pursuant to IAS 1, paragraph 25, the Directors, while preparing the financial statements as at 31 December 2022, have assessed that there are no material uncertainties regarding the Company's compliance with the going concern assumption.

In assessing the going concern assumption, management took into account all available information on the future that was obtained at a date after the end of the financial year pursuant to IAS 10. This information included, but was not limited to, measures undertaken by governments and banks to provide support to entities in difficulty.

In particular, in support of the assessment and conclusions reached on the going concern assumption, the directors highlighted that:

- The Group has a sustainable net financial position and the loans guarantee the Group's ability to meet liquidity needs;
- The resilience of the Group business model, based on a solid order portfolio and the relationship with large-scale customers, has enabled us to offset the slowdown in activities related to sectors hit particularly hard by the pandemic such as, for example, the "civil aviation" segment.

For further details on the performance of the period and the outlook of operations, refer to the *Directors' Report*.

7. Transactions with related parties

On 8 November 2010, the Board of Directors of the Parent Company 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.

On 30 June 2021, the procedure governing transactions with related parties was modified; please refer to the document published on the company website.

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 31.12.2022	Receivables	Payables	Costs	Revenues
ReVersal S.p.A	644			
Paradis Srl			15,789	
Directors and key management personnel		100,000	581,563	
Total as at 31.12.2022	644	100,000	663,784	-

As at 31.12.2021	Receivables	Payables	Costs	Revenues
Directors and key management personnel		228,546	581,563	
Total as at 31.12.2021	-	228,546	581,563	-

Financial transactions

The amounts with Related Parties as at 31 December 2022 are shown for financial transactions:

As at 31 December 2022	Receivables	Payables	Charges	Income
Laserfin Srl		1,748,057		
Total as at 31.12.2022	-	1,748,057	-	-

As at 31 December 2021	Receivables	Payables	Charges	Income
Laserfin S.r.l.		2,116,021		
Total as at 31.12.2021	-	2,116,021	-	-

8. Balance sheet

8.1. Goodwill

Goodwill recorded a net increase of € 16,370,258 compared to 31 December 2021. The increase is related to the acquisitions of DM Consulting, Ennova S.p.A., SPS, TLOGOS and PGMD, described in § 2. Against the increase for the new acquisitions, there is a reduction in value as regards the goodwill of TeraTron, Quence, LBA and Novigo, due to the allocation made during 2022. In addition, there was a reduction in the value of the goodwill of Cheleo of € 711 thousand in relation to the result of the Impairment Test, as explained in this paragraph.

A breakdown of the item as at 31 December 2022 and the comparison with 31 December 2021 is shown below:

Goodwill	Amount as at 31 December 2022	Amount as at 31 December 2021
Acquisition of Cheleo	5,291,072	6,002,072
Acquisition of TeraTron	2,749,313	4,745,762
Acquisition of ReVersal	-	240,167
Acquisition of Risk Solutions	116,389	116,389
Acquisition of Pace	5,369,231	5,369,231
Acquisition of Mac Solutions	1,891,867	1,891,867
Acquisition of Working Capital	2,724,056	2,724,056
Acquisition of HSPI	5,891,096	5,891,096
Acquisition of NOVIGO	5,919,324	7,837,269
Acquisition of QUENCE	1,137,826	1,689,910
Acquisition of LBA	2,848,205	3,784,991
Acquisition of Assioma	6,855,129	6,855,129
Acquisition of PGMD	2,891,425	-
Acquisition of SPS	3,925,973	-
Acquisition of TLG	3,824,370	-
Acquisition of ENNOVA	9,905.217	-
Acquisition of DM	2,178,143	-
TOTAL GOODWILL	63,518,197	47,147,939

Goodwill derives from the acquisition of Pace, which took place in 2016, and the two acquisitions in 2018 of Cheleo S.r.l and TXT Risk Solutions S.r.l., and from the acquisition of the Assioma group in 2019 and TXT Working Capital Solutions S.r.l., Mac Solutions S.A. and HSPI S.p.A. in 2020, from the five 2021 acquisitions of Reversal, TeraTron, LBA Consulting, Novigo Consulting and Quence, and was determined, in its various components, as follows:

- The goodwill of Pace of € 5,369 thousand derives from the acquisition price of € 9,097 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,352 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 1,112 thousand, "Intellectual property of software" of € 1,350 thousand and deferred tax assets and liabilities of € 86 thousand. The purchase price was determined by including the fixed price agreed in the contract and earn-outs linked to changes in variables such as revenues and EBITDA and by applying the corresponding multiples, and the other variable figures linked to PACE's greater available liquidity on the acquisition date. Furthermore, for the purpose of drafting the Consolidated Financial Statements, the directors had decided to classify the signing of the put/call option contract with PACE's minority shareholders as the acquisition of a present ownership interest in the residual 21% of PACE capital and consequently to designate the liabilities for exercising this option at fair value on the initial recognition date (obtained by means of maturity estimate based on forecast data and the updating of this estimate to take account of the time factor). This liability was extinguished in the 2020 financial year.

- Cheleo's goodwill of € 5,292 thousand derives from the acquisition price of € 10,951 thousand, net of the fair value of shareholders' equity on the acquisition date of € 2,613 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 3,239 thousand and deferred tax of € 904 thousand. During the year, this goodwill, previously calculated for an amount of € 6,002 thousand, was reduced by € 711 thousand following the Impairment Test result.

- In 2020, the goodwill of TXT Risk Solutions was impaired by € 1,296 thousand, which brought it to a value of € 116 thousand. The original goodwill of € 1,413 thousand derived from the acquisition price of € 1,599 thousand - net of the fair value of shareholders' equity on the acquisition date of negative € 21 thousand, the valuation of intangible assets with a defined life "Intellectual Property" of € 287 thousand and the deferred tax assets of € 80 thousand.

- Assioma's goodwill of € 6,855 thousand derives from the acquisition price of € 10,882 thousand, net of the fair value of shareholders' equity on the acquisition date of € 3,439 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 822 thousand and deferred tax of € 229 thousand.

- TXT Working Capital Solutions S.r.l.'s goodwill of € 2,724 thousand derives from the acquisition price (not considering the increase in share capital with premium) of € 2,682 thousand, net of the fair value of shareholders' equity on the acquisition date of a negative € 42 thousand. It should be noted that, with the measurement period having elapsed, the preliminary allocation of the values was confirmed definitively by the directors in the current year.

- MAC SOLUTIONS S.A.'s goodwill of € 1,892 thousand derives from the acquisition price of € 6,382 thousand, net of the fair value of shareholders' equity on the acquisition date of € 2,015 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 3,432 thousand and deferred tax of € 958 thousand.

- HSPI S.p.A. 's goodwill of € 5,891 thousand derives from the acquisition price of € 12,064 thousand, net of the fair value of shareholders' equity on the acquisition date of € 4,592 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 2,193 thousand and deferred tax of € 612 thousand.

- TeraTron's goodwill of € 2,749 thousand derives from the acquisition price of € 10,214 thousand, net of the fair value of shareholders' equity on the acquisition date of € 5,468 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 2,769 thousand and deferred tax of € 773 thousand.

- LBA Consulting's goodwill of € 2,848 thousand derives from the acquisition price of € 4,622 thousand, net of the fair value of shareholders' equity on the acquisition date of € 837 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 1,367 thousand, deferred tax of € 381 thousand and a provision for risks of € 49 thousand.

- Novigo Consulting's goodwill of € 5,919 thousand derives from the acquisition price of € 9,208 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,070 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 3,076 thousand and deferred tax of € 858 thousand.

- Quence 's goodwill of € 1,137 thousand derives from the acquisition price of € 2,963 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,272 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 766 thousand and deferred tax of € 214 thousand.

- DM Consulting's goodwill of € 2,178 thousand derives from the acquisition price of € 2,331 thousand, net of the fair value of shareholders' equity on the acquisition date of € 153 thousand.

- ENNOVA's total goodwill is equal to € 9,905 thousand. In detail, the amount of € 9,190 thousand derives from the acquisition price of € 18,800 thousand, net of the fair value of shareholders' equity on the acquisition date of € 9,610 thousand.

- SPS's goodwill of € 3,926 thousand derives from the acquisition price of € 7,674 thousand, net of the fair value of shareholders' equity on the acquisition date of € 3,748 thousand.

- PGMD's goodwill of € 3,297 thousand derives from the acquisition price of € 3,959 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,067 thousand.

- TLOGOS's goodwill of € 3,824 thousand derives from the acquisition price of € 5,000 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,253 thousand.

Impairment test

Pursuant to IAS 36, goodwill is not subject to amortisation, but is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired. For the purposes of this test, goodwill is allocated to the cash-generating units or groups of cash-generating units, in compliance with the highest aggregation which shall not be larger than an operating segment as defined by IFRS 8.

The impairment test consists of measuring the recoverable value of each cash-generating unit and comparing the latter with the net carrying amount of the relevant assets, including goodwill. On 13 December 2022, the methodologies and projections on which the recoverable amounts were measured were approved by the Company's Board of Directors.

In 2020, given its strategy of growth by acquisitions, the Group had started a process for the reorganisation of its segments and of the methods and processes for monitoring and analysing the results aimed at highlighting the contribution of each component to the Group's performance. Functional to this process was the transfer, in 2020, of the Banking & Finance business unit of TXT e-solutions S.p.A. to the subsidiary Assioma.Net and the amendment of the Parent Company's Articles of Association in order to also carry out holding activities. In this phase, Management, also taking into account the acquisitions of the year, had deemed it appropriate to redesign the scope of the CGUs, so that each company was considered an independent CGU.

Due to the fact that the recent acquisitions are still being integrated and given the specific nature of some products, the reallocation of goodwill took place directly to the CGUs on the basis of the amounts originally arisen at the time of the acquisition of each company.

During 2022, the Group acquired the following companies, for which it was decided not to carry out the impairment test on goodwill not yet definitively allocated: DM Management & Consulting S.r.l., Ennova Group (Ennova S.p.A., Ennova Next S.r.l., Smarteasy S.r.l.), SPS S.r.l., Butterfly S.r.l., QBRIDGE S.r.l., P.G.M.D Consulting S.r.l., Tlogos S.r.l., ProSim TS.
This choice was made because they were acquired during the year and the underlying cash flow projections did not show any changes with respect to those considered at the time of acquisition.

Terminal Value

The terminal value in the DCF method, recognised at the end of the explicit forecast period of 3 years (2023-2025 provided by the Company, unless otherwise specified in the case of extension of the plan to 2027), is calculated assuming the investment produces a constant cash flow starting from that moment. The approach used consisted of the present value of a perpetuity growing at a constant rate g.

The estimate of the Terminal Value is generally based on the last cash flow forecast in the explicit period of the plan, appropriately modified to determine a normalised cash flow. The residual value is calculated as a perpetuity obtained by capitalising the last cash flow for the explicit period at a specific rate corresponding to Wacc adjusted for a growth or decline factor (g).
The Terminal Value flow was assumed to be equal to that of the last year of the Plan, net of the change in working capital considered nil under the steady state regime.

The rate g used was equal to 0%.

Discount rate

The discount rate used in discounting cash flows represents the estimated rate of return expected for each cash-generating unit on the market. The rate used represents the average cost of capital invested in the CGU. This rate, called Weighted Average Cost of Capital, was defined on the basis of:

We (e) = Weight attributed to own capital
W (d) = Weight attributed to minority interests (interest-bearing payables)
i (e) = The cost of own capital
i (d) = Average interest rate on minority interests (interest-bearing payables)

The cost of own capital i (e) was calculated as the sum of the rate of return on risk-free assets r (f) and a risk premium (P).
The WACC was determined for each company of the TXT Group depending on the relative location (Italy, Switzerland and Germany).

Based on the above, the discount rate used for the purposes of discounting cash flows was calculated for the entire Italy area, amounting to 7.3%, while the rate for Switzerland was 5.7% and for Germany 7.2%, based on the following assumptions:

- the "Free Risk" rate was defined on the basis of the yield on ten-year Government Bonds of each country recorded as at 31 December 2022.
- The risk premium relating to the market was estimated at 4.5% for Italy and Switzerland and 6.8% for Germany.
- A "Size and Execution Premium" of 3% was considered (based on sector studies).
- The *levered* and *unlevered* beta was considered on the basis of the sources considered (Capital IQ).

Sensitivity analysis

In order to allow a more extensive assessment of the results obtained in terms of *headroom*, sensitivity tables have been prepared:

- Sensitivity on the discount rate: variability of results as the g rate and WACC vary;
- Sensitivity on economic results: variability of results with changes in revenues (percentage of change in revenues to be applied each year with respect to plan revenues) and EBITDA margin (change in EBITDA margin to be applied each year compared to the EBITDA margin envisaged by the plan).

The impairment test on consolidated goodwill is divided into two levels: "Tier1", in which the *headroom* with respect to the consolidated net invested capital is verified, and "Tier2", in which the impairment test was carried out with reference to the cash flow generating units to which the goodwill is attributable.

In this case, the CGUs correspond to the individual companies subject to line-by-line consolidation, with the exception of:

► Pace GmbH and Pace Usa, considered part of a single German CGU;

► Novigo Consulting S.r.l. and Cheleo S.r.l. considered parts of a single Italian CGU;

► TXT e-solutions Sagl, TXT Next Ltd, TXT Next Sarl, TXT Core S.r.l. and Consorzio ICS, considered together with the parent company TXT e-solutions S.p.A. as part of a single Italian CGU.

Using the variables indicated above, as those considered most sensitive in relation to the company plans, the recoverable value was recalculated in relation to the baseline scenario and the difference from the carrying value was determined. Below is a table summarising the differences in the various scenarios:

Amounts in € thousand	Recoverable value and carrying value (baseline) difference	Recoverable value and carrying value (post sensitivity) difference		
		Δ WACC	Δ Revenue CAGR	Δ EBITDA Margin TC
Assioma CGU	7,061	4,123	4,366	1,761
Mac Solutions CGU	4,418	3,032	2,750	2,283
HSPI CGU	15,867	12,146	12,265	10,473
WKS CGU	2,498	1,754	1,933	2,264
TXT RISK CGU	2,065	1,665	1,743	1,816
Pace CGU	17,624	14,100	14,090	13,339
TeraTron CGU	3,969	2,198	1,839	1,599
Quence CGU	5,088	4,238	4,313	4,052
LBA CGU	1,366	503	503	599
ASSIOPAY CGU	2,207	1,771	1,789	1,656

Novigo-Cheleo CGU	(711)

In the scenarios of Assioma, Mac Solutions, HSPI, TXT Working Capital, TXT Risk Solutions, Pace, TeraTron, Quence, LBA, and AssioPay, the difference between the recoverable value and net book value remains largely positive.

On the other hand, it should be noted that the impairment test for the Novigo-Cheleo CGU gave a negative result, leading to an impairment loss of € 0.7 million.

8.2. Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 14,456,524 as at 31 December 2022. The changes that occurred during the year are detailed below:

Intangible assets	Software licences	Development costs	Intellectual Property	Customer Relationship	Other Intangibles	TOTAL

					under construction	
Balances as at 31 December 2021	281,912	13,104	346,307	6,681,631	710,761	8,033,715
Acquisitions	576,117	1,338,414		7,978,817	106,175	9,999,523
Disposals	(6,333)				(75,283)	(81,616)
Amortisation	(226,448)	(250,531)	(250,257)	(2,767,100)	(1,954)	(3,496,290)
Other Changes	1,191				-	1,190
Balances as at 31 December 2022	626,439	1,100,987	96,050	11,893,348	739,699	14,456,524

The breakdown of the item is as follows:

- Software licences: relate to software use licences acquired by the Company for the enhancement of software programs and for the development of advanced technologies for business purposes.

- Development costs: refer to the design and feasibility studies of the Bari (I-mole) project and to the acquisitions of the new companies of the Ennova S.p.A. Group and SPS S.r.l.

- Intangibles under constructions and Installation Costs: this item refers to capitalisation of the costs of personnel employed in the development phases of the i-MOLE project. The Research & Development project, entitled "i-MOLE: Innovative - MObile Logistic Ecosystem", provides for the supply of innovative systems and specific support services for the logistics sector. The project is still in progress, and is expected to be completed by the end of the 2022 financial year. The project will end in 2023 following a request for an extension necessary to complete the development activities.

- Intellectual Property and Customer Relationship: these intangible assets were acquired as part of company acquisitions.
    - The value of these assets relating to Pace was allocated in 2016 by the directors with the help of an independent expert and the useful life of the amortisation has been estimated at 7 years. Intellectual Property represents the intellectual property rights over the software developed and owned by Pace; the Pace Group's Customer Relationship was also considered in the allocation of the higher price paid. The residual value as at 31 December 2022 of the intellectual property in question was € 48,216, net of 2022 amortisation for € 192,857. The residual value as at 31 December 2022 of the Customer Relationship is equal to € 39,717 net of 2022 amortisation equal to € 158,857.
    - The value of Cheleo's Customer Relationship was allocated in 2018 with the help of an independent expert and the useful life of the amortisation has been estimated at 7 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 was € 1,195,344 net of 2022 amortisation for € 462,714.

- The value of the Intellectual Property of TXT Risk Solutions was allocated in 2018 by the directors with the help of an independent expert and the useful life of the amortisation has been estimated at 5 years. Intellectual property was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 of the intellectual property in question was € 47,833, net of 2022 amortisation for € 57,400.
- The value of Assioma.Net's Customer Relationship was allocated in 2019 with the help of an independent expert and the useful life of the amortisation has been estimated at 3 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 is zero as it is fully amortised with amortisation in 2022 of € 91,333.
- The value of Mac Solutions S.A.'s Customer Relationship was allocated in the 2020 financial year with the help of an independent expert and the useful life of the amortisation has been estimated at 9 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 was € 2,478,752 net of 2022 amortisation for € 381,346.
- The value of HSPI S.p.A.'s Customer Relationship was allocated in 2021 with the help of an independent expert and the useful life of the amortisation has been estimated at 8 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 was € 1,599,386 net of 2022 amortisation for € 274,181.
- The value of TeraTron's Customer Relationship was allocated in 2021 with the help of an independent expert and the useful life of the amortisation has been estimated at 8 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 is equal to € 2,115,208 net of 2022 amortisation equal to € 653,792.
- The value of LBA Consulting S.r.l.'s Customer Relationship was allocated in the current financial year with the help of an independent expert and the useful life of the amortisation has been estimated at 6 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 is equal to € 1,120,411 net of 2022 amortisation equal to € 246,870.
- The Customer Relationship value of NOVIGO Consulting (now TXT Novigo) was allocated in the current financial year with the help of an independent expert and the useful life of the amortisation has been estimated at 9 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 is equal to € 2,705,922 net of 2022 amortisation equal to € 370,284.
- The value of QUENCE's Customer Relationship was allocated in the current financial year with the help of an independent expert and the useful life of the amortisation has been estimated at 6 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2022 was € 638,607 net of 2022 amortisation for € 127,722.

8.3. Tangible assets

Net of depreciation, tangible assets amounted to € 18,292,754 as at 31 December 2022. The changes that occurred during the year are detailed below:

Tangible assets	Buildings (lease)	Vehicles (lease)	Electronic machinery (lease)	Buildings	Electronic machinery	Furniture and fixtures	Other tangible assets	Work in progress	TOTAL
Balances as at 31 December 2021	4,728,547	1,025,755	172,450	3,453,752	1,508,662	433,861	504,528	298,405	12,125,958
Acquisitions/Increases	4,075,890	1,800,009	20,849	714,357	1,390,469	783,849	1,257,451	0	10,042,874
Disposals	(44,248)	0	-	(806)	519	-	(6,338)	(228,405)	(279,278)
Depreciation	(1,454,415)	(862,298)	(41,449)	(115,849)	(763,135)	(173,186)	(195,010)	0	(3,605,342)
Other changes	7,334	1,233	1	0	16,526	0	(16,552)	0	8,542
Balances as at 31 December 2022	7,313,108	1,964,698	151,851	4,051,454	2,153,041	1,044,524	1,544,079	70,000	18,292,754

Investments in the "Electronic machinery" category mainly refer to the purchase of computer systems and hardware to bolster productive capacity, in line also with the new acquisitions carried out during the year.

The item increases in the "Buildings (lease)" category mainly includes rents linked to the new acquisitions of the year.

The increases in the "Vehicles (lease)" category relate to the vehicle fleet of the TXT e-solutions Group and of the new companies of the Group.

8.4. Investments in associates

This item includes the value of the equity investments of the associated companies ReVersal S.p.A and Prosim TS. For additional details on this latest acquisition, please see paragraph 2.6.

8.5. Sundry receivables and other non-current assets

"Sundry receivables and other non-current assets" as at 31 December 2022 amounted to € 18,381,325 compared with € 14,600,368 as at 31 December 2021. The increase refers mainly to the adjustment to Fair Value of the financial investment in the share capital of Banca del Fucino of € 2 million as at 31 December 2022. This item also includes the Fair Value of the MTM Interest Rate Swap of € 1.4 million.

8.6. Deferred tax assets/liabilities

The breakdown of deferred tax assets and liabilities as at 31 December 2022, compared to the figures as at the end of 2021, is shown below:

	Balances as at 31 December 2022	Balances as at 31 December 2021	Change
Deferred tax assets	1,353,525	1,928,665	(575,140)
Deferred tax provision	(3,669,580)	(1,961,327)	(1,708,254)
Total	(2,316,055)	(32,662)	(2,283,393)

Deferred tax assets mainly refer to the Revenue Recognition according to IFRS 15 of the licences of Boeing and America Airlines with respect to the criteria adopted for tax purposes in the relevant foreign jurisdiction, and to the prior losses of TXT Risk Solutions Srl, TXT Working Capital Srl and PACE GmbH.

The deferred tax provision mainly refers to the recognition of deferred taxes on assets acquired in 2016 with the acquisition of Pace GmbH (Customer List and Intellectual Property), in 2018 with the acquisition of Cheleo (Customer List), with the acquisition of TXT Risk Solutions (Intellectual Property), in 2019 with the acquisition of the Assioma.Net Group, and of HSPI and Mac Solutions S.A. (Customer List) in 2020, and with the acquisition of TeraTron, Quence, LBA and Novigo in 2021.

The total net change of € 2,283,393 is the result of different movements: a) provision for deferred tax assets on revenues deriving from the application of the new international accounting standard IFRS 15; b) deferred taxation on the assets acquired during the year; c) provision for deferred tax assets on the prior losses of TXT Risk Solutions S.r.l., TXT Working Capital S.r.l. and PACE GmbH.

The temporary differences of deferred tax assets and liabilities are shown by type in the tables below and compared with the previous year's figures:

	31 December 2021		Change	31 December 2022	
Deferred tax assets	Temporary differences	Tax effect	Temporary differences	Temporary differences	Tax effect
Recoverable losses (TXT Risk, WCS and PACE)	2,683,073	717,338	3,410	2,686,483	718,156
Cheleo	-	-	159,381	159,381	43,033
Provisions	118,905	28,537	0	118,905	28,537
Provision for bad debts	258,748	62,100	0	258,748	62,100
Write-down on treasury shares	244,664	58,719	0	244,664	58,719
Fair Value MTM Interest Rate Swap	205,155	49,237	(205,155)	-	-
2022 Director remuneration	-	-	250,000	250,000	60,000
Costs allocated on an accrual basis and deductible on a cash basis	772,107	185,306	(772,107)	-	-
2020 Provision for personnel restructuring risks	-	-	128,125	128,125	30,750
2022 Unpaid disability contribution	-	-	155,000	155,000	37,200
Revenue Recognitions IFRS 15	2,725,676	817,703	(2,093,221)	632,455	190,000
Pace Capitalisation CIT + Trade Tax FY22			410,000	410,000	123,000
Other	40,521	9,725	32,729	8,458	2,030
Total	7,048,849	1,928,664	(1,996,629)	5,052,220	1,353,525

Deferred tax liabilities	31 December 2021		Change	31 December 2022	
	Temporary differences	Tax effect	Temporary differences	Temporary differences	Tax effect
PACE Purchase Price Allocation	439,643	122,660	(351,714)	87,929	24,532
CHELEO Purchase Price Allocation	1,658,058	462,598	(462,714)	1,195,344	333,501
TXT RISK SOLUTIONS Purchase Price Allocation	105,234	29,360	(57,400)	47,834	13,346
ASSIOMA Purchase Price Allocation	91,337	25,483	(91,337)	0	0
MAC SOLUTIONS S.A. Purchase Price	2,860,099	797,968	(381,346)	2,478,752	691,572
HSPI Purchase Price	1,873,567	522,725	(274,181)	1,599,387	446,229
TERATRON Purchase Price	0	0	2,115,208	2,115,208	590,143
QUENCE Purchase Price	0	0	638,609	638,609	178,172
LBA Purchase Price	0	0	2,705,925	2,705,925	754,953
NOVIGO Purchase Price	0	0	1,120,411	1,120,411	312,595
Other (TXT, ENNOVA)	1,907	532	1,161,312	1,163,219	324,538
Total	7,029,844	1,961,327	6,122,772	13,152,617	3,669,580

8.7.Contractual assets

Contractual assets as at 31 December 2022 amounted to € 13,764,528 and recorded an increase of € 5,954,637 compared with the end of 2021.

Contract work in progress is recognised on the basis of the stage of completion, using the cost-to-cost method for each order. This is mainly attributable to the Parent Company, and relates to a multitude of projects.

8.8. Trade receivables

Trade receivables as at 31 December 2022, net of the provision for bad debts, amounted to € 73,115,548, up € 29,959,449 compared with the end of 2021.
The average DSO for the year 2022 is essentially in line with the previous year.

The item is detailed in the table below:

Trade receivables	31 December 2022	31 December 2021	Change
Gross value	74,069,428	43,931,229	30,138,199
Provision for bad debts	(953,880)	(775,131)	(178,749)
Net value	73,115,548	43,156,099	29,959,449

The provision for bad debts changed as follows during the year:

Provision for bad debts	31.12.2022
Opening balance	(775,131)
Release	84,991
Allocation	(263,740)
Use	
Closing balance	(953,880)

The breakdown of trade receivables into coming due and past due as at 31 December 2022, compared to 31 December 2021, is shown below:

As at 31.12.2021	Total	Coming due	Past due	
			0-90 days	More than 90 days
31 December 2022	**73,115,548**	55,768,618	13,487,229	3,859,701
31 December 2021	**43,156,099**	34,440,548	7,505,710	1,209,841

Trade receivables increased compared to 2022, but considering the breakdown of the receivables portfolio by past due brackets and in particular the concentration of receivables on large customers with an established presence on the national and international market, the bad debt provision is adequate.

8.9. Sundry receivables and other current assets

The item "Sundry receivables and other current assets", which included receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses, amounted to € 15,351,629 as at 31 December 2022, compared to € 8,864,378 as at 31 December 2021. The breakdown is shown below:

Sundry receivables and other current assets	31 December 2022	31 December 2021	Change
Receivables for research grants	2,581,823	2,464,869	116,954
Tax receivables	6,741,656	2,212,198	4,529,458
Other receivables	2,728,095	1,641,976	1,086,119
Other current assets	3,300,055	2,545,335	754,720
Total	15,351,629	8,864,378	6,487,251

The "receivables for research grants" item includes receivables for research financed by various institutes relating to contributions to expenditure to support research and development activities, subject to specific grant competitions; such grants will be disbursed upon completion of the development stages for the projects concerned.

The "tax receivables" item refers to advances relating to direct taxes.

Other current assets, amounting to € 3,300,055, consist of accrued income and prepaid expenses (adjustments of costs paid in advance not pertaining to the period).

8.10. Financial instruments at fair value

As at 31 December 2022, this item included "Financial instruments at fair value" of € 48,489,950. In particular, the net change compared to 31 December 2021 is mainly attributable to the financial loss recorded in the period (€ 0.9 million), partially offset by the contribution deriving from the new companies acquired (€ 1.0 million).

They consist of investments in multi-segment life insurance contracts with partially guaranteed capital for a fair value of € 41,074,106, a bond loan for € 504,798, and treasury management for € 5,364,359.

The figure reported by the issuer was adopted as confirmation of the fair value, where possible (level 1 instruments) comparing this with the market values.

8.11. Cash and cash equivalents

The Group's cash and cash equivalents amounted to € 33,014,594 (€ 36,076,104 as at 31 December 2021). Please refer to the statement of cash flows for details about cash flow generation and changes.

The main impacts, aside from the operating flow in the year, concern:

- disinvestment in financial instruments (Note 8.10)
- operations in treasury shares (Note 8.12)
- investment activities in new companies
- obtainment of loans and settlement of financial liabilities (Notes 8.13 and 8.16)

Cash and cash equivalents refer to ordinary current accounts held with Italian banks, amounting to € 26,705,429, as well as with foreign banks for € 6,290,063.
Cash and cash equivalents are not subject to any constraints, and there are no monetary or other types of restrictions on their transferability in Italy.

8.12. Shareholders' Equity

The Group's shareholders' equity amounts to € 109,365,911.

The Company's share capital as at 31 December 2022 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totalling € 6,503,125.

The reserves and retained earnings include the legal reserve (€ 1,300,625), share premium reserve (€ 16,115,759), merger surplus reserve (€ 1,911,444), the reserves for actuarial differences on post-employment benefits (negative € 814,876), cash flow hedge reserve (positive € 954,415 net of tax effect), translation reserve (€ 478,732), stock option reserve (€ 67,293) and retained earnings reserve (€ 70,861,088).

Shareholders' equity attributable to minority interests amounts to € 17,135. The breakdown of Shareholders' Equity reserves is as follows:

Description	Free	Required Law	Established by Shareholders' Meetings	TOTAL

Share premium reserve	16,115,759	-	-	16,115,759
Legal reserve	-	1,300,625	-	1,300,625
Merger surplus	-	-	1,911,444	1,911,444
Reserve for actuarial differences on post-employment benefits	-	-	(814,876)	(814,876)
IRS Fair Value	954,415	-	-	954,415
Reserve for retained earnings	-	-	70,861,088	70,861,088
Stock option reserve	-	-	67,293	67,293
Translation reserve	-	-	478,732	478,732
Total	17,070,174	1,300,625	72,503,675	90,874,474

Incentive plans

The Shareholders' Meeting held on 18 April 2019 approved a stock option plan for the Group's executive directors and senior managers, involving up to 600,000 shares subject to the achievement of specific performance objectives, such as performance of revenues, profit or specific individual performance objectives.

On 27 May 2019, the Board of Directors, upon favourable opinion by the Remuneration Committee, assigned 135,000 options for the purchase of an equal number of shares of the company to 8 individuals, comprising executive directors, managers with strategic responsibilities and other directors and managers of the Group, for the period 2019-2021, at the exercise price of € 8.67.

In 2020, 27,000 options were cancelled following the exit of two Group executives.

In 2021, 54,000 options were cancelled following the exit of Group executives.

During 2022, 36,000 options were exercised by two Group executives.

S.G. PLAN					
Options		2019	2020	2021	2022
(i)	Outstanding at the start of the year/period	-	135,000	108,000	54,000
(ii)	granted during the year/period	135,000	-	-	-
(iii)	forfeited during the year/period	-	(27,000)	(54,000)	-
(iv)	exercised during the year/period	-	-	-	(36,000)
(v)	expired during the year/period				
(vi)	outstanding at the end of the year/period	135,000	108,000	54,000	18,000
(vii)	exercisable at the end of year/period	-	-	54,000	18,000

Treasury shares

On 11 November 2022, the TXT e-solutions share recorded a maximum official price of € 13.60 and a minimum price of € 7.74 on 7 March 2022. As at 30 December 2022, the share price was € 12.84, € 2.70 higher than the 31 December 2021 value of € 10.14. The average daily trading volume on the stock market in 2022 was 24,321 shares, down from the previous year's average of 31,763 shares.

As at 31 December 2022, 906,600 treasury shares were held (1,243,372 as at 31 December 2021), accounting for 6.97% of shares outstanding, at an average carrying amount of € 2.35 per share. In 2022, 547,880 shares were purchased at an average price of € 10.15.

On 30 March 2022, the following treasury shares were transferred:

- 90,329 at the agreed price of € 9.84 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 28 December 2021 for the acquisition of 100% of Quence S.r.l.;
- 4,000 shares were transferred at the agreed price of € 9.15 per share to fulfil the commitments undertaken by the TXT Group towards the shareholders of HSPI S.p.A for the repurchase of 13,200 shares without voting rights.

On 2 May 2022, the following treasury shares were transferred:

- 114,753 at the agreed price of € 9.15 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the acquisition of 100% of the company Novigo S.r.l.

On 30 May 2022, the following treasury shares were transferred:

- 117,925 at the agreed price of € 9.54 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the acquisition of 100% of Novigo S.r.l.;

On 19 July 2022, 18,000 shares of TXT e-solutions Spa were sold on the basis of the provisions of the company's stock option plan.

On 25 July 2022, 28,460 TXT e-solutions Spa shares were transferred to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 19 July 2022 for the purchase of 100% of the DM Management Consulting S.r.l.

On 8 August 2022, the following treasury shares were transferred:

- 193,480 shares at the agreed price of € 9.78 per share to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the purchase of 100% of the LBA Consulting S.r.l.

On 3 October 2022, the following treasury shares were transferred:

- 135,406 shares at a price of € 11.08 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 3 October 2022 for the acquisition of 20% of the company Ennova Spa;

On 6 October 2022, the following treasury shares were transferred:

36,000 shares to implement the stock option plan for the managers of TXT e-solutions S.p.a.

On 18 November 2022, the following treasury shares were transferred:

- 144,876 at a price of € 11.09 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 3 October 2022 for the acquisition of 100% of the company Soluzioni Prodotti Sistemi S.r.l.

8.13. Non-current financial liabilities

"Non-current financial liabilities" amounted to € 70,004,971 (€ 49,468,725 as at 31 December 2021):

Non-current financial liabilities	31 December 2022	31 December 2021	Change
Payable for Earn-Out	4,948,321	2,115,296	2,781,880

Debt Guaranteed Price	51,145	51,145	-
WKS put-call payable	1,569,984	2,760,177	(1,190,193)
TXT RISK put-call payable	199,078	191,990	7,088
Bank loans	57,299,350	39,915,717	17,383,633
Non-current monetary flow swaps	-	225,729	(225,729)
Non-current payables to suppliers for leases	5,988,237	4,208,670	1,779,567
Total non-current financial liabilities	70,004,971	49,468,725	20,536,246

This item includes: a) the payable of € 804,380 for the earn-out to be paid to the shareholders of Novigo upon fulfilment of the contractual conditions, € 281,242 for the earn-out relating to the acquisition of DM Consulting S.r.l., € 2,351,779 for the payable to be paid to the shareholders of SPS S.r.l. upon occurrence of certain contractual conditions (of which € 1,351,780 for the Doubling of Shares), € 459,774 for the Doubling of Shares for the acquisition of PGMD Consulting S.r.l. and € 1,000,000 relating to the payable for the earn-out for the acquisition of Ennova S.p.A.; b) the valuation of the payable for the PUT/CALL option for € 1,569,984 for the acquisition of TXT Working Capital Solutions S.r.l., as an estimate of the additional outlay for exercising the Put/Call option in the 2021-2025 period for the purchase of the remaining 40% of the company's shares. It should be noted that during the year the payable for the Put/Call option relating to TXT Working Capital Solutions was restated for an amount of € 1,255,181 following the change in the conditions on which its recognition was based; c) the non-current portion of bank loans stipulated over the years for € 57,299,350; d) the non-current portion of the financial debt for € 5,988,237 pursuant to IFRS 16; e) the debt linked to the Restricted Share Price Adjustment for the purchase of HSPI S.p.A.; f) the long-term portion of the Put/Call option linked to the acquisition of TXT Risk Solutions S.r.l. as an estimate of the disbursements to purchase the residual minority interest.
Note that to calculate the present value of the liabilities related to the lease agreements within the scope of IFRS 16, in the absence of a readily available implicit rate, the present value of the liabilities was determined using the Group's marginal lending rate, taking into account the duration, amount funded and underlying asset for each type of contract. The Group has established that the differences between the rates to be applied for the different contract categories do not lead to significant differences in impact.

The loans referred to in point a) consist of:

- A loan for € 20,000,000.00 at a 3-month EURIBOR floating rate (360) + 0.53% spread, granted to the parent company on 01.08.2018 by UNICREDIT S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.17% per annum. As at 31 December, the residual portion amounted to € 5,021,576 and the non-current portion amounts to € 1,005,470.

- A loan for € 10,000,000.00 at a 3-month EURIBOR floating rate (360) + 0.60% spread, granted to the parent company on 27.07.2018 by BANCA NAZIONALE DEL LAVORO S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.08% for a quarter. As at 31 December, the residual portion amounted to € 2,500,000 and the non-current portion amounted to € 500,000.

- A loan for € 10,000,000.00 at a fixed rate of 0.50%, granted to the parent company on 01/08/2018 by UNIONE DI BANCHE ITALIANE S.p.A. As at 30 June, the residual portion amounted to € 672,502, all current.

- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + spread 0.65% granted to the parent company on 28/07/2021 by UNICREDIT S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.65% per annum. As at 31 December, the residual portion amounted to € 10,000,000, the non-current portion was € 8,336,644.

- A loan for € 5,000,000 at a 3-month EURIBOR floating rate (360) + spread 0.80% granted to the parent company on 03/08/2021 by BANCA NAZIONALE DEL LAVORO S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.49% per annum. As at 31 December, the residual portion amounted to € 3,181,818 and the non-current portion amounted to € 1,363,636.

- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 0.85% spread granted to the parent company on 19/11/2021 by UNICREDIT S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.85% per annum. As at 31 December, the residual portion amounted to € 8,888,889 and the non-current portion was € 6,666,666.

- A loan for € 10,000,000 at a fixed rate of 0.61% granted to the parent company on 28/12/2021 by BANCA POPOLARE DI MILANO S.P.A. As at 31 December, the residual portion amounted to € 8,571,429 and the non-current portion was € 5,714,285.

- A loan for € 5,000,000 at a fixed rate of 1.73% disbursed to the parent company on 12/05/2022 by BANCA POPOLARE DI MILANO S.P.A. As at 31 December, the residual portion amounted to € 4,146,341 and the non-current portion amounted to € 2,682,927.

- A loan for € 10,000,000 at a fixed rate of 1.8% granted to the parent company on 18/05/2022 by BPER. As at 31 December, the residual portion amounted to € 8,788,932 and the non-current portion was € 6,333,935.

- A loan for € 2,000,000 at a 6-month EURIBOR floating rate (360) + 0.99% spread granted to the parent company on 16/06/2022 by CREDEM. As at 31 December, the residual portion amounted to € 1,820,872 and the non-current portion was € 1,099,010.

- A loan for € 15,000,000 at a 3-month EURIBOR floating rate (360) + 1.6% spread granted to the parent company on 29/06/2022 by CREDIT AGRICOLE. As at 31 December, the residual portion amounted to € 13,540,314 and the non-current portion amounted to € 10,594,442.

- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 1.45% spread granted to the parent company on 09/11/2022 by UNICREDIT. As at 31 December, the residual portion amounted to € 10,000,000 and the non-current portion was € 8,888,888.

- A loan for € 1,700,000 at a 3-month EURIBOR floating rate (360) + 1% spread, granted to Assioma.Net S.r.l. on 01/10/2018 by BANCA NAZIONALE DEL LAVORO S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.68% for a quarter. As at 31 December, the residual portion amounted to € 920,833 and the non-current portion was € 637,500.

- A loan for € 1,100,000 at a 3-month EURIBOR floating rate (360) with a minimum of 1% paid to Assioma.Net S.r.l. on 17/07/2019 by BANCA NAZIONALE DEL LAVORO S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at -0.20% for a quarter. As at 31 December, the residual current portion amounted to € 91,667.

- A loan for € 500,000, interest rate fixed portion 1.10%, variable portion 3-month EURIBOR (360) - 0.32%, granted to HSPI on 27/06/2019 by INTESA SANPAOLO S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.15% per annum. As at 31 December 2022, the residual current portion amounted to € 126,098.

- A loan for € 1,800,000 at fixed interest rate granted to TeraTron GmbH by SPARKASSE BANK. As at 31 December 2022, the residual portion amounted to € 1,402,935 and the non-current portion was € 1,297,051.

- A loan for € 510,000 at fixed rate granted to Novigo Consulting. As at 31 December 2022, the residual portion amounted to € 327,423 and the non-current portion amounted to € 225,701.

- A loan for € 26,350 at fixed rate granted to DM Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 23,472 and the non-current portion amounted to € 17,137.

- A loan for € 50,000 at floating rate granted to DM Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 34,513 and the non-current portion amounted to € 17,381.

- A loan for € 50,000 at floating rate granted to DM Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 33,500 and the non-current portion amounted to € 16,833.

- A loan for € 120,000 at floating rate granted to DM Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 72,718 and the non-current portion amounted to € 48,720.

- A loan for € 50,000 at floating rate granted to DM Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 28,057 and the non-current portion amounted to € 11,307.

- A loan for € 18,350 at floating rate granted to DM Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 7,600 and the non-current portion amounted to € 4,339.

- A loan for € 30,000 at fixed rate of 0.20% granted to DM Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 28,752 and the non-current portion amounted to € 13,760.

- A loan for € 450,000 at a fixed rate of 1.570% disbursed to PGMD Consulting S.r.l. As at 31 December 2022, the residual portion amounted to € 287,026 and the non-current portion amounted to € 187,177.

- A loan for € 50,000 at a fixed rate granted to BUTTERFLY S.r.l. As at 31 December 2022, the residual portion amounted to € 22,613.

- A loan for € 500,000 at a fixed rate granted to SPS S.r.l. As at 31 December 2022, the residual portion amounted to € 163,263.

- A loan for € 750,000 at a fixed rate granted to SPS S.r.l. As at 31 December 2022, the residual portion amounted to € 515,625.

- A loan for € 223,000 at a fixed rate granted to SPS S.r.l. As at 31 December 2022, the residual portion amounted to € 197,497.

- A loan for € 250,000 at a fixed rate granted to SPS S.r.l. As at 31 December 2022, the residual portion amounted to € 172,242.

- A loan for € 221,000 at a fixed rate granted to SPS S.r.l. As at 31 December 2022, the residual portion amounted to € 179,653.

- A loan for € 600,000 at a fixed rate granted to SPS S.r.l. As at 31 December 2022, the residual portion amounted to € 522,896.

- Ennova S.p.A. has taken out loans for a total of € 10,223,000 with various credit institutions. The residual portion amounts to € 6,091,852 and the non-current portion to € 3,823,167.

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

- 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;
- negative pledge commitments pursuant to which the company may not create security interests or other restrictions on the corporate assets;
- 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;
- limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
- some obligations toward the issuers, which may make the distribution of reserves or capital, inter alia, subject to prior notification to and consent by the lending party; certain extraordinary transactions; certain transactions for the transfer or assignment of its assets.

The measurement of financial covenants and other contractual obligations is constantly monitored by the Group (annually). At the measurement date, they were all met and if not met, the Group received *"Waivers"*.
Details are presented below:

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	1,005,470	5,021,577	(4,016,107)

Maturity more than 5 years			-
Total	1,005,470	5,021,577	(4,016,107)

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	500,000	2,500,000	(2,000,000)
Maturity more than 5 years			-
Total	500,000	2,500,000	(2,000,000)

BPER loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	-	672,502	(672,502)
Maturity more than 5 years	-	-	-
Total	-	672,502	(672,502)

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	6,116,777	8,336,644	(2,219,867)
Maturity more than 5 years			-
Total	6,116,777	8,336,644	(2,219,867)

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	1,363,636	3,181,818	(1,818,182)
Maturity more than 5 years	-	-	-
Total	1,363,636	3,181,818	(1,818,182)

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	6,666,666	8,888,889	(2,222,223)
Maturity more than 5 years	-	-	-
Total	6,666,666	8,888,889	(2,222,223)

BANCA POPOLARE DI MILANO loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	5,714,285	8,571,429	(2,857,144)
Maturity more than 5 years	-	-	-
Total	5,714,285	8,571,429	(2,857,144)

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	2,682,927	-	2,682,927
Maturity more than 5 years	-	-	-
Total	2,682,927	-	2,682,927

BPER loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	6,333,935	-	6,333,935

Maturity more than 5 years	-	-	-
Total	6,333,935	-	6,333,935

CREDEM mortgage (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	1,099,010	-	1,099,010
Maturity more than 5 years	-	-	-
Total	1,099,010	-	1,099,010

CREDIT AGRICOLE loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	10,594,443	-	10,594,443
Maturity more than 5 years	-	-	-
Total	10,594,443	-	10,594,443

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	8,888,888	-	8,888,888
Maturity more than 5 years	-	-	-
Total	8,888,888	-	8,888,888

BANCA NAZIONALE DEL LAVORO loan (Assioma)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	637,500	1,012,500	(375,000)
Maturity more than 5 years		-	-
Total	637,500	1,012,500	(375,000)

BANCA INTESA loan (HSPI)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	-	126,098	(126,098)
Maturity more than 5 years	-	-	-
Total	-	126,098	(126,098)

BANCA POPOLARE DI MILANO loan (NOVIGO)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	225,701	327,423	(101,722)
Maturity more than 5 years	-		-
Total	225,701	327,423	(101,722)

SPARKASSE BANK loan (TERATRON)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	423,536	450,007	(26,471)
Maturity more than 5 years	873,515	952,928	(79,413)
Total	1,297,051	1,402,935	(105,884)

Loan (DM Consulting)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	129,478	-	129,478

Maturity more than 5 years		-	
Total	129,478	-	129,478

Banca Popolare di Sondrio loan (PGMD Consulting)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	195,557	-	195,557
Maturity more than 5 years		-	
Total	195,557	-	195,557

Loan (BUTTERFLY Consulting)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	22,613	-	22,613
Maturity more than 5 years		-	-
Total	22,613	-	22,613

Mortgage (ENNOVA)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	3,823,167	-	3,823,167
Maturity more than 5 years		-	
Total	3,823,167	-	3,823,167

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

	01/01/2022	Reclassification Current - Non-Current	Business Combinations IFRS 3	FV change	Interest	New loans	31/12/2022
Payable for WKS PUT/CALL option	2,760,177			(1,225,181)	34,988		1,569,984
Payable for PUT/CALL TXT Risk Solutions option	191,990				7,088		199,077
Debt Guaranteed Price	51,145			-			51,145
Payable for Assioma Put/Call	1,615,296	(1,615,296)					-
Obligations for financial leases and rental contracts with purchase option – NON-current portion	4,208,670	(3,128,153)	2,182,493			2,725,227	5,988,237
Interest-bearing loans and financing - NON-current portion	40,141,447	(33,166,738)	9,069,795	(225,739)		41,480,586	57,299,350
Debt for Acquisitions	500,000		4,397,176				4,897,176
Total	49,468,724	(37,910,187)	15,649,464	(1,450,920)	42,076	44,205,813	70,004,969

8.14. Provision for post-employment benefits and other employee provisions

The "Provision for post-employment benefits and other employee provisions" item as at 31 December 2022 amounted to € 4,772,093, relating mainly to obligations to employees of the Parent Company.

The breakdown of and changes in the Post-employment benefits / Severance for end of term of office item over the period are presented below:

Provision for post-employment benefits and other employee provisions	31 December 2021	Provisions	Uses / Payments	Actuarial gains / losses and other	Financial income / charges	31 December 2022
Post-employment benefits	3,296,650	2,456,269	(685,886)	(316,663)	21,722	4,772,093
Provision for severance for end of term of office	(0)					(0)
Total non-current provisions relating to employees	3,296,650	2,456,269	(685,886)	(316,663)	21,722	4,772,093

Post-employment benefits for personnel of € 4,772,093 as at 31 December 2022 (€ 3,296,650 as at 31 December 2021), were measured as a defined benefit provision.

Below is the reconciliation of the provision for post-employment benefits based on statutory regulations and IAS – IFRS carrying amount.

	2022	2021
Provision for post-employment benefits	4,915,824	2,972,670
Current cost	(172,772)	(55,718)
Financial charges	21,722	2,328
Actuarial differences	(316,663)	26,455
Actuarial differences following acquisitions	0	0
Retained earnings	323,981	350,915
Total	4,772,093	3,296,650

To calculate the present value of post-employment benefits, the following assumptions regarding the future trends in the variables included in the algorithm have been used:

• The probability of death was estimated based on the census of the Italian population by age and gender taken in 2000 by ISTAT [Italy's National Institute for Statistics], reducing it by 25%.

• The probability of removal due to total and permanent disability of the employee, such as becoming disabled and leaving the company, was estimated based on disability tables currently used in the reinsurance sector, differentiated by age and gender.

• The retirement age of a generic worker was estimated assuming that the first retirement requirement for the purpose of obtaining the Mandatory General Insurance was satisfied and that the employees started paying into INPS [Italy's Social Security Institute] no later than 28 years of age. This measurement accounts for the changes to the retirement age introduced by the Monti reform in late 2011.

• As for the probability of termination of employment due to resignations and dismissals, as at the measurement date an annual 8% staff turnover rate was calculated.

• As for the probability of requests for advance payment of benefits in TXT, an annual 2.00% advance payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.

The estimated trend in salaries of an annual nominal all-inclusive 2.00% impacted the valuation of all companies except for TXT and Assoma.net.

The estimated inflation rate used for measurement purposes was 2.5% per year.

The discount rate used for the valuations of TXT was 3.7686% per year, i.e. the rate on Bonds issued by AA-rated European Companies as at 31 December 2022 with maturity of 10+ years. The average duration of the liability was calculated at 14,7 years.

The table below shows the potential impact on post-employment benefits of the increase/decrease of certain "key" variables used for the actuarial calculation, and the consequent absolute values of the liability in alternate scenarios compared to the base scenario (which resulted in a carrying amount of € 4,772,093):

Sensitivity analysis as at 31 December 2022	% Change in liabilities (DBO)			
Type of change for the specific assumption	Decrease	Increase	Decrease	Increase
Decrease or increase of 50% in company staff turnover	-1.89%	1.17%	4,681,899	4,827,925
Decrease or increase of 50% in frequency of advance payments	-0.87%	0.74%	4,730,575	4,807,405
Decrease or increase of inflation by one percentage point	-0.76%	0.77%	4,735,824	4,808,837
Decrease or increase of discount rate by one percentage point	1.21%	-1.62%	4,829,834	4,694,784

8.15. Provisions for future risks and charges

"Provisions for future risks and charges" as at 31 December 2022 amounted to € 118,905 and mainly includes provisions for liabilities of a contractual nature that are deemed to be likely.

8.16. Current financial liabilities

The "current financial liabilities" item amounted to € 51,186,555 (€ 47,125,214 as at 31 December 2021).

Non-current financial liabilities	31 December 2022	31 December 2021	Change
Bank loans	44,380,525	35,670,188	8,710,337
IFRS 16 loans	2,504,207	1,539,384	964,823
Debt for acquisitions	-	8,814,011	(8,814,011)
DM payable	50,000	-	50,000
ENNOVA Earn-Out	2,500,000	-	2,500,000
TLOGOS Earn-Out	1,250,000	-	1,250,000

PGMD Earn-Out	500,000	-	500,000
Short-term Assioma Earn-Out	-	800,000	(800,000)
Payables to EU partners	1,823	301,630	(299,807)
Total non-current financial liabilities	51,186,555	47,125,214	4,061,341

The Bank loans item, amounting to € 44,380,525, includes:

- ➢ the short-term portion of medium/long-term loans, and in particular primarily includes the following:

  - € 4,016,107 on the loan granted by UNICREDIT S.P.A.
  - € 672,502 on the loan granted by UNIONE BANCHE ITALIANE S.P.A.
  - € 2,000,000 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.
  - € 2,219,866 on the loan granted by UNICREDIT S.P.A.
  - € 1,818,182 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.
  - € 2,222,222 on the loan granted by UNICREDIT S.P.A.
  - € 1,463,414 on the loan granted by BANCO POPOLARE DI MILANO S.P.A.
  - € 2,455,006 on the loan granted by BPER
  - € 721,862 on the loan granted by CREDEM
  - € 2,945,871 on the loan granted by CREDIT AGRICOLE
  - € 1,111,111 on the loan granted by CREDIT AGRICOLE
  - Short-term payables due to banks / hot money of € 14,900,000
  - € 375,000 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A. for the Assioma Group
  - € 105,884 on the loan granted by SPARKASSE for TeraTron GmbH
  - € 101,722 on the loan granted by BANCO POPOLARE DI MILANO S.P.A. for Novigo Consulting
  - € 97,886 on the loans granted for DM Consulting S.r.l.
  - € 2,271,391 on loans granted for Ennova S.p.A.
  - € 1,913,643 on the loan granted for SPS
  - € 99,719 on the loan granted by Banca Popolare di Sondrio per PGMD Consulting

Short-term financial liabilities include:

- ➢ The earn-out linked to the acquisition of Ennova S.p.A., amounting to € 2,500,000, subject to occurrence of certain contractual conditions;
- ➢ The payable (shares) linked to the acquisition of TLOGOS S.r.l., amounting to € 1,250,000, subject to occurrence of certain contractual conditions;
- ➢ The payable (shares) linked to the acquisition of PGMD S.r.l., amounting to € 500,000, subject to occurrence of certain contractual conditions;
- ➢ The payable linked to the acquisition of DM Consulting S.r.l., amounting to € 50,000, subject to occurrence of certain contractual conditions.

The "IFRS 16 Loans" item includes the payable to the Lessors of € 2,504,207 due to the application of IFRS 16, relating to the amount due within 12 months.

Debt to EU partners includes the financial debt to be paid to EU partners.

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

	01/01/2022	FV change	Cash flows	Business Combinations IFRS 3	Reclassification Current - Non-Current	Interest	New loans	31/12/2022
Interest-bearing loans and financing – current	15,770,188		(20,215,391)	2,179,271	31,104,099	642,357		29,480,524
Hot Money	19,900,000		(5,000,000)				-	14,900,000
Debt for acquisitions	8,814,011		(8,814,011)				4,300,000	4,300,000
Payables to EU partners	-						1,823	1,823
Payable for Assioma Put/Call	800,000	(932,504)	(1,482,792)		1,615,296			-
Obligations for financial leases and rental contracts – current portion	1,841,014		(3,406,051)	895,079	3,128,153	46,012		2,504,208
Total	47,125,214	(932,504)	(38,918,245)	3,074,350	35,847,548	688,369	4,301,823	51,186,555

8.17. Trade payables

Trade payables as at 31 December 2022 amounted to € 20,642,746 and increased by € 14,339,758 compared to 31 December 2021. This increase is mainly due to the new companies acquired. Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months.

8.18. Tax payables

Tax payables as at 31 December 2021 amounted to € 4,288,114 and related to the income tax liability of the Parent Company and other Group companies, net of advances paid during the year.

8.19. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 36,714,201 as at 31 December 2022, compared with € 23,532,162 as at 31 December 2020, as detailed in the table below:

Sundry payables and other current liabilities	31 December 2022	31 December 2021	Change
Other payables	5,780,691	3,205,015	2,575,676
Accrued expenses and deferred income	4,980,000	5,394,869	-414,869
Advance payments for multi-year orders	9,396,300	5,331,724	4,064,576
Payables due to social security institutions	4,350,857	2,315,787	2,035,070
Payables due to employees and external staff	12,206,353	7,284,767	4,921,586

Sundry payables and other current liabilities	36,714,201	23,532,162	13,182,039

"Other payables" mainly included the payables due to taxation authorities for withholding taxes on salaries of employees and external staff, VAT payables, and payables on cost accounting of ongoing projects and funded research projects.
In addition, this item includes € 1.4 million relating to the item Provisions and Risks to be attributed mainly to the newly acquired Ennova S.p.A. in relation to the amount allocated to cover the risk of penalties with the main customer or reversals of commissions receivable.

The "Accrued expenses and deferred income" item essentially referred to adjustments to maintenance and service invoices made to recognise only revenues for the period.

The "Advance payments from customers for professional services" item included the advance payments received from customers against orders currently being processed.

The item "Payables due to employees and external staff" included payables for wages and salaries relating to December 2022 as well as payables due to employees for unused annual leave.

9. Income Statement

9.1. Total revenues and other income

Consolidated revenues and other income amounted to € 150,757,707 (€ 96,363,218 as at 31 December 2021), an increase of 56.4% compared to the end of last year, as detailed below:

	31 December 2022	31 December 2021	Change	% change
Revenues	131,578,274	90,026,096	41,552,178	46.2%
Other income	19,179,433	6,337,122	12,842,311	202.7%
Total	150,757,707	96,363,218	54,394,489	56.4%

The increase compared to 31 December 2021 is mainly due to the consolidation of all the new companies acquired during the year. A breakdown of revenues into categories, that essentially reflect how their nature, total, distribution over time and any uncertainties affect the recognition of revenues and related cash flows, as well as the analysis of changes and performance compared to the first half of the previous year, is described in the *Directors' Report* to which reference should be made for further details.

9.2. Purchases of materials and external services

Purchases of materials and external services amounted to € 47,984,077, an increase over 2021, when they totalled € 23,176,029.

The item is detailed below:

	31 December 2022	31 December 2021	Change
Consumables and resale items	15,523,946	4,613,463	10,910,483
Technical consulting	16,567,464	11,154,651	5,412,813
Travel expenses	1,648,082	935,859	712,223
Utilities	891,187	626,278	264,909
Media & marketing services	622,393	272,323	350,070
Maintenance and repair	1,347,667	1,135,097	212,570
Canteen and ticket services	1,385,181	1,105,910	279,271
Administrative and legal services	5,919,283	2,143,320	3,775,963
Directors' fees	1,069,308	1,146,312	(77,004)
Subcontractors	3,009,566	42,816	2,966,750
Total	(47,984,077)	23,176,029	24,808,048

As a percentage of consolidated revenues, costs for purchasing materials and services were 31.83%, up on the previous year (24.05% as at 31 December 2021).

The overall change of € 24,808,048 compared to 31 December 2021 is mainly due to the increase of technical consulting costs of the parent company and of the subsidiaries.

There was an increase in the item travel and business trips, by virtue of the resumption of the same following the Covid-19 pandemic.

9.3. Personnel costs

Personnel costs for 2022 amounted to € 78,881,887 and increased compared to 31 December 2021 by € 20,442,796 (or 34.98%).

This increase is mainly due to the consolidation of the new subsidiaries and the expansion of the workforce.

This item includes *non-recurring reorganisation costs* for personnel of € 75 thousand.
For further details, see the Directors' Report and paragraph 12 of these notes.

	31 December 2022	31 December 2021	Change
Wages and salaries	61,384,169	45,485,289	15,898,881
Social security costs	13,856,812	10,313,162	3,543,650
Provision for post-employment benefits and other pension funds	3,116,129	2,091,506	1,024,623
Other personnel costs	524,776	549,133	(24,357)
Total	**(78,881,887)**	**58,439,091**	**20,442,796**

The employees of the TXT Group, excluding directors and external consultants, numbered 2,254 as at 31 December 2022 (1,210 as at 31 December 2021), with an increase of 1,044 employees.

TXT GROUP	Office workers	Managers	Executives	Total
31.12.2019	726	52	8	786
31.12.2020	907	69	20	996
31.12.2021	1,105	80	25	1,210
31/12/2022	2,102	108	44	2,254

9.4. Other operating costs

"Other operating costs" in 2022 amounted to € 1,707,334, compared to € 588,647 in 2021, an increase of € 1,118,687 compared to the same period of 2021.

This item mainly included expenses for miscellaneous rentals, not recognised in the accounts according to IFRS 16 and sundry operating costs (including contingent liabilities and deductible taxes).

	31 December 2022	31 December 2021	Change
Rental expense for premises and condominiums	199,752	49,450	150,302
Rental expense for motor vehicles	129,287	58,717	70,570
Contingent liabilities	655,223	94,907	560,316
Other operating costs	723,072	385,573	337,499
Total	**1,707,334**	**588,647**	**1,118,687**

9.5. Depreciation, amortisation and impairment

Amortisation, depreciation and impairment in 2022 amounted to € 4,557,386. In detail, € 7,101,633 is attributable to amortisation for the period, while the remaining € 1,172,215 mainly refer to the write-down of Cheleo's goodwill, described in the previous paragraphs, and to the write-down of receivables.

The increase is attributable to the consolidation of the new companies acquired in 2021.

Amortisation and depreciation	31.12.2022	31.12.2021
Intangible assets		
Software licences	226,448	85,353
Research and development	250,531	5,408
Intellectual Property	250,257	250,257
Customer Relationship	2,767,100	1,596,795
Other fixed assets	1,954	
Total intangible assets	3,496,290	1,937,814
Tangible assets - IFRS 16 leases		
Buildings	1,454,415	1,130,426
Vehicles	862,298	500,861

Electronic machinery	41,449	31,207
Total tangible assets - IFRS 16 leases	**2,358,162**	**1,662,494**
Other tangible assets		
Electronic machinery	763,135	546,398
Buildings	115,849	57,310
Furniture and fixtures	173,186	141,171
Other fixed assets	195,010	28,696
Total other tangible assets	**1,247,180**	**773,574**
TOTAL AMORTISATION AND DEPRECIATION	**7,101,632**	**4,373,882**

9.6. Financial income and charges

The positive balance between financial income and expenses as at 31 December 2022 amounts to € 2,287,257, compared with a positive balance of € 705,923 at the end of 2021.
Financial income also includes the result from the management of liquidity invested in financial instruments, which was overall positive during the year.

Financial income includes the positive effect deriving from the revision of the fair value of the variable component of the debt linked to the acquisition of Assioma. Net Srl (€ 932 thousand) paid on xxx and the adjustment of the estimate of the variable debt component linked to the acquisition of TXT Working Capital Srl (€ 1,225 thousand). The item Financial Income also includes € 2,241 thousand linked to the Revaluation of the Financial Investment in Banca del Fucino.

The positive effect is mitigated by changes in Fair Value of investments for a total of € 950 thousand.

Financial income (charges) as at 31 December 2022 is broken down as follows:

	31 December 2022	31 December 2021	Change
Bank interest income	1,866	6,225	(4,359)
Exchange rate gains		-	-
Capital gains HSPI guaranteed debt	-	445,194	
Other financial income	4,469,858	826,728	3,643,130
Total financial income	**4,471,725**	**1,278,148**	**3,193,577**
Change in fair value of financial instruments	-	-	-
Bank expenses	-	-	-
Bank interest expense	(741,070)	(176,813)	(564,256)
Loss on financial instruments	(692,043)	(23,037)	(669,006)
PUT/CALL update - Earn-Out		(62,966)	62,966
IFRS 16 interest expense		(54,061)	54,061
Other financial charges	(409,300)	(213,143)	(196,157)
Interest expense for post-employment benefit discounting	(21,722)	(2,328)	(19,394)
Share of profit (loss) of Associates	(149,464)	-	(149,464)
Exchange rate losses	(170,869)	(39,876)	(130,994)
Total financial charges	**(2,184,468)**	**(572,225)**	**(1,612,243)**
Total	**2,287,257**	**705,923**	**1,581,334**

	31 December 2022	31 December 2021
Bank interest income	1,866	6,225
Exchange rate gains	-	-
Capital gains HSPI guaranteed debt	-	445,194
Gains on instruments valued at FV	4,469,858	826,728
Total financial income	**4,471,725**	**1,278,148**
Bank interest expense	(741,070)	(176,813)
Exchange rate losses	(170,869)	(39,876)
Share of profit (loss) of Associates	(149,464)	
Loss on instruments valued at fair value	(692,043)	(23,037)
Other financial charges	(431,022)	(332,499)
Total financial charges	**(2,184,468)**	**(572,225)**
Total	**2,287,257**	**705,923**

9.7.Income taxes

Income taxes as at 31 December 2022 were positive to the tune of € 4,209,513 and are detailed as follows:

	31 December 2022	31 December 2021	Change
Total current taxes	4,611,413	3,537,114	1,074,299
Previous years' taxes	(75,766)	(436,754)	360,988
Total deferred tax assets	515,491	(116,901)	632,392
Total deferred tax liabilities	(841,625)	(514,895)	(326,731)
Total taxes	4,209,513	2,468,565	1,740,948

Deferred tax assets and liabilities correspond to the change in the respective balance sheet items with the exception of those that did not have an impact on the income statement, such as those relating to the value of cash flow hedging instruments linked to interest on loans.

Please refer to the "*Directors' Report*" for further details.

		31.12.2022	31.12.2021
Pre-tax profit		16,197,819	10,307,988
Country tax rate (24.5%)		3,887,476	2,525,457
Adjustments for previous years' taxes		(75,766)	(436,754)
Permanent differences		(283,945)	(109,073)
Temporary differences		52,237	(536,410)
Effect of rates of other countries		(383,172)	187,237
IRAP		1,012,684	838,107
	26%	4,209,514	2,468,565

10.Seasonality of operating segments

The segments in which the TXT e-solutions Group operates are not subject to any seasonality as far as operations are concerned.

11. Transactions with related parties

Basic net earnings per share

The *basic net earnings per share* for 2022 calculated on the net profit of € 7,873,676 attributable to the Parent Company Shareholders (€ 7,873,676 as at 31 December 2021) divided by the average number of ordinary shares outstanding in 2022 of 11,834,835 amounts to € 1.01 (€ 0.67 in 2021).

Diluted earnings per share

The diluted earnings per share is calculated by dividing the Group's results by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares and assuming the conversion of all potentially dilutive ordinary shares. The diluted earnings per share is not calculated in case of losses, as any dilutive effect would determine an increase in earnings per share.

12. 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 & Aviation and Industrial	Fintech	TXT Group TOTAL
REVENUES	85,741	65,017	150,758
Software	7,860	2,398	10,258
Services	77,881	62,619	140,500
OPERATING COSTS:			
Direct costs	50,433	43,876	94,309
Research and development costs	5,829	1,805	7,634
Commercial costs	7,725	6,424	14,149
General and administrative costs	6,853	5,554	12,407
TOTAL OPERATING COSTS	70,840	57,659	128,499
EBITDA	14,901	7,358	22,259
Amortisation of intangible fixed assets	1,385	2,111	3,496
Depreciation of tangible fixed assets	2,991	1,555	3,605

Write-downs and Restructuring Costs	410	838	1,248
OPERATING PROFIT (EBIT)	11,056	2,854	13,910
Financial income (charges)	1,301	987	2,288
EARNINGS BEFORE TAXES (EBT)	12,357	3,841	16,198
Taxes	(3,212)	(998)	(4,210)
NET PROFIT FROM CURRENT ASSETS	9,145	2,843	11,988
Profit (loss) from current operations			
NET PROFIT	9,145	2,843	11,988

(€ thousand)	Aerospace & Aviation and Industrial	Fintech	TXT Group TOTAL
Intangible assets	27,968	50,007	77,975
Tangible assets	10,404	7,889	18,293
Other fixed assets	11,011	8,349	19,360
FIXED ASSETS	49,382	66,246	115,628
Inventories	8,274	5,491	13,765
Trade receivables	47,442	25,673	73,115
Sundry receivables and other short-term assets	8,731	6,621	15,352
Trade payables	(11,380)	(9,263)	(20,643)
Tax payables	(6,071)	(1,887)	(7,958)
Sundry payables and other short-term liabilities	(20,306)	(16,528)	(36,834)
NET WORKING CAPITAL	26,690	10,107	36,797
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	(2,048)	(2,724)	(4,772)
CAPITAL EMPLOYED	74,024	73,629	147,653
Shareholders' Equity			109,383
Net financial debt			38,270
CAPITAL EMPLOYED	0	0	147,653

13.Net financial debt

The European Securities and Markets Authority (ESMA) published on 4 March 2021 the Guidelines on disclosure requirements pursuant to EU Regulation 2017/1129 ("Prospectus Regulation").

With the "Recall of attention No. 5/21" of 29 April 2021, CONSOB declared its intention to bring its supervisory practices in relation to the net financial position into line with the aforementioned ESMA guidelines. In particular, CONSOB has declared that the prospectuses approved by it, starting from 5 May 2021, must comply with the aforementioned ESMA Guidelines.

Therefore, based on the new forecasts, listed issuers will have to submit, in the explanatory notes to the annual and half-yearly financial statements, published starting from 5 May 2021, a new prospectus on the subject of debt to be drawn up according to the indications contained in paragraphs 175 and following of the aforementioned ESMA Guidelines.

In this regard, the ESMA Guidelines provide for the following main changes to the debt prospectus:

- we no longer speak of "Net financial position", but of "Total financial debt";
- in the context of non-current financial debt, trade payables and other non-current payables must also be included, i.e. payables that are not remunerated, but which have a significant implicit or explicit financing component (for example, payables to suppliers due after 12 months);
- in the context of current financial debt, the current portion of non-current financial debt must be indicated separately.
- "financial debt" includes remunerated debt (i.e., interest-bearing debt) which includes, among other things, financial liabilities relating to short- and/or long-term lease contracts. Information on lease payables must be provided separately

The application of the ESMA Guidelines and the adoption of the new definition of "Total financial debt" resulted in an increase in financial debt of € 29,176,406 as at 31 December 2022.

Net financial debt (availability) and cost of debt

Below is a summary of the main phenomena that had an impact on net financial debt, which as at 31 December 2022 was € (38,270,316) compared to financial debt of € (11,648,910) as at 31 December 2021.

(€ thousand)	31.12.2022	31.12.2021	Change
Cash and cash equivalents	(33,014,594)	(36,076,104)	3,061,510
Financial instruments at fair value	(48,489,950)	(48,868,752)	378,802
Liquid assets	(81,504,544)	(84,944,856)	3,440,312
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	21,706,030	31,354,853	(9,648,824)
Current portion of non-current financial debt	29,480,525	15,770,188	13,710,337
Current financial debt	51,186,555	47,125,042	4,061,513
Current net financial debt	(30,317,989)	(37,819,814)	7,501,825
Non-current financial debt (excluding current portion and debt instruments)	70,004,970	49,468,725	20,536,245

Debt instruments	-	-	-
Non-recurring financial receivables	(1,416,665)	-	(1,416,665)
Trade payables and other non-current payables	-	-	-
Non-current financial debt	68,588,305	49,468,725	19,119,580
Total financial debt	38,270,316	11,648,910	26,621,405
Non-monetary debts for adjustment of the price of the 2022 acquisitions to be paid in TXT shares	(1,750,000)	(5,253,000)	3,503,000
Financial investment - Banca Del Fucino	(16,541,620)	(14,299,998)	(2,241,622)
Adj. Net Available Financial Resources	19,978,696	(7,904,088)	27,882,783

Below is the breakdown of the debt referred to the application of IFRS 16:

(€ thousand)	31.12.2022	31.12.2021	Change
Debt referred to IFRS 16	(8,492,444)	(5,748,054)	(2,744,390)

For additional information on changes in the Group's Net Financial Debt, see the "Directors' Report on Operations as at 31 December 2022".

14.Disclosure of public funds

This section has been prepared for the purpose of fulfilling the disclosure obligations pursuant to Italian Law no. 127/2017, Article 1, paragraphs 125-129.

In 2022, the Group did not receive considerations from the national public administration for services that were not performed in the ordinary course of business, nor did it underwrite paid assignments to the same counterparty for such activities.

With regard to grants, contributions and economic benefits of any kind granted by the public administration, the following information is provided with reference to that already collected/used in 2022:

Denominazione Beneficiario	Data Concessione	Importi confermati	Data incasso / utilizzo	Importo incassato/utilizzato	Soggetto erogante	Causale
HSPI S.P.A. (CF 02355801206)	03/12/2020	16,874.64	01/03/2022	16,874.64	FONCOOP	Finanziamento dal fondo interprofessionale Foncoop per la formazione erogata ai dipendenti HSPI - intervento formativo dal titolo "Il miglioramento dei servizi attraverso nuove competenze per HSPI"
NOVIGO CONSULTING S.R.L. (CF 03492970987)	16/03/2022	9,800.00	01/04/2022	9,800.00	Camera di Commercio di Brescia	Non Formazione
QUENCE SRL (08461000963)	24/11/2021	2,000.00	11/12/2022	2,000.00	Regione Lombardia	Finanziamento ottenuto nell'ambito del progetto Formazione Continua di Regione Lombardia per la formazione erogata ai dipendenti Quence
QUENCE SRL (08461000963)	20/07/2021	22,500.00	04/11/2022	22,500.00	Regione Lombardia	Non Formazione

Lastly, it should be noted that the Group participates in programmes financed by the European Commission, such as "Horizon 2020", "Horizon Europe" and "European Defence Funds" with five active projects (ADMITTED, AI REGIO, XMANAI, SYNERGIES and TREASURE) and three starting on 1/1/2023 (CIRC-UITS, DA CAPO and NEUMANN); the group also participates in two projects funded by the "European Space Agency (ESA)" (IRIS phase 2 and IRIS phase 3), two German national research projects (SKAIB, D-KULT) and an Italian regional project for the Puglia Region (iMOLE).

During 2022, TXT participated in several calls for tenders of the European Commission, the results of which are pending, and has four PNRR (National Recovery and Resilience Plan) projects in the preliminary phase.

15.Subsequent events

Please refer to the paragraph "*Significant events after the reporting period and outlook*" included in the Directors' Report on Operations.

16.Remuneration of Directors, Statutory Auditors and Management

Transactions with directors and key management personnel refer exclusively to the fixed and variable components of their remuneration (composed of salaries as Company's managers and compensation for offices held). The Remuneration Report details the amounts paid to each beneficiary and the underlying policy.

17.External Auditors' fees

Information pursuant to Article 149-duodecies of Consob Issuers' Regulation.

The statement, prepared pursuant to Article 149-duodecies of the Consob Issuers' Regulation (resolution no. 11971), shows the fees for the financial year 2022 for auditing services and for services other than auditing rendered by the Auditing firm and by companies belonging to its network. These fees represent the costs incurred and recognised in the financial statements for the year, net of reimbursements of expenses and non-deductible VAT.

Type of service	Provider	Fees (€ '000)
Audit services	Crowe Bompani	228
	Crowe Global Network	17
Certification Services	Crowe Bompani	19
	Crowe Global Network	
Other services	Crowe Bompani - Crowe Global Network	

18. Certification of the consolidated financial statements

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

The undersigned Enrico Magni, as Chair 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 Art. 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 consolidated financial statements as at 31 December 2022.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2022 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission which represents a reference framework that is generally accepted at an international level.

We also certify that the consolidated financial statements as at 31 December 2022:

- 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 Art. 9 of Italian Legislative Decree No. 38/2005;

- are suitable to provide a true and fair view of the equity, economic and financial position of the issuer.

Manager responsible for preparing corporate accounting documents

Eugenio Forcinito

Chair of the Board of Directors

Enrico Magni

Milan, 9 March 2023

TXT E-SOLUTIONS S.P.A.

SEPARATE FINANCIAL STATEMENTS

2022

AS AT 31 DECEMBER 2022

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Milano, No. 150 - 20093 Cologno Monzese (MI)

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register No.:

09768170152

Corporate Units

BOARD OF DIRECTORS

ENRICO MAGNI
Chair

DANIELE MISANI
Chief Executive Officer

MATTEO MAGNI
Director[2]

STEFANIA SAVIOLO
Independent Director[1-2-3]

PAOLA GENERALI
Independent Director[1-2-3]

ANTONELLA SUTTI
Independent Director[1-4]

CARLO GOTTA
Independent Director[2-3-4]

(1) Member of the Remuneration and Appointments Committee.
(2) Member of the Risks and Internal Controls Committee.
(3) Member of Related Parties Committee.
(4) Appointed by the Shareholders' Meeting on 13 September 2021.

BOARD OF STATUTORY AUDITORS

In office until approval of the Financial Statements as of 31 December 2022:

MARIO BASILICO
Chair

LUISA CAMERETTI
Standing auditor

FRANCO VERGANI
Standing auditor

MASSIMILIANO ALBERTO TONARINI
Alternate auditor

FABIO MARIA PALMIERI
Alternate auditor

GIADA D'ONOFRIO
Alternate auditor

Independent Auditors:
Crowe Bompani S.p.A.
Investors relations:
E-mail: *infofinance@txtgroup.com*

Leadership Team

Enrico Magni

An experienced entrepreneur with a solid track record in guiding the growth processes of companies operating in different sectors, Enrico joined TXT as a key shareholder and now holds the position of Chair, aiming at driving the Group's growth.

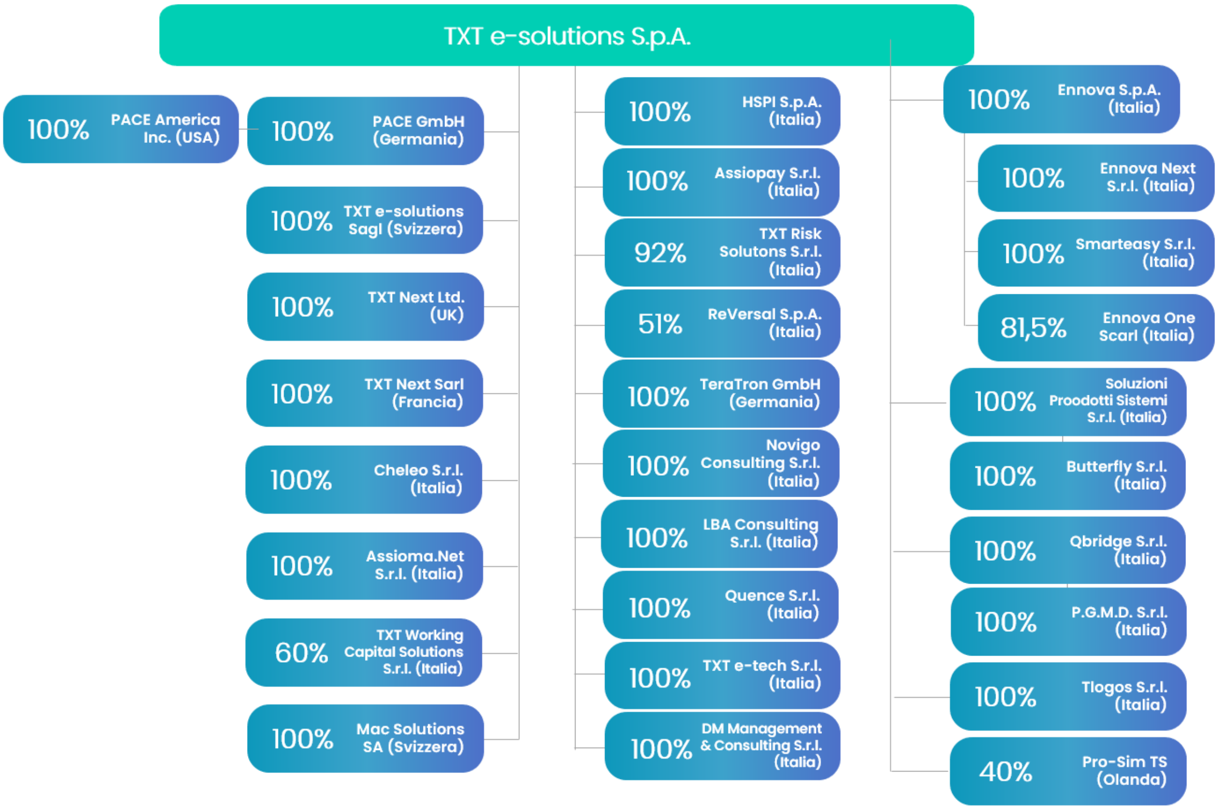
Daniele Misani

+20 years in TXT, with a strong experience in the international development of the business, from mid-2020 holds the position of Group CEO, with strategic responsibilities in defining and executing the TXT Group's international growth strategies.

Eugenio Forcinito

+20 years of experience in finance and administration and an in-depth understanding of management dynamics, over the last fifteen years Eugenio has always been focused and committed to the sustainable growth of the TXT

Organisational Structure and Scope of consolidation



Contents

Balance Sheet

ASSETS	Notes	31.12.2022	Of which with related parties	31.12.2021	Of which with related parties
NON-CURRENT ASSETS					
Goodwill					
Intangible assets with a finite useful life	8.1	44,018		76,218	
Intangible assets		44,018	0	76,218	0
Property, plant and equipment	8.2	3,677,628		3,691,464	
Work in progress	8.2	70,000		298,405	
Tangible assets		3,747,628	0	3,989,869	0
Investments	8.3	126,259,300		85,145,847	
Sundry receivables and other non-current assets	8.4	17,742,562	0	14,322,761	0
Deferred tax assets	8.5	277,306		383,899	
Other non-current assets		144,279,168	0	99,852,507	0
TOTAL NON-CURRENT ASSETS		148,070,813	0	103,918,594	0
CURRENT ASSETS					
Contractual assets	8.6	15,225		5,976,441	
Trade receivables	8.7	4,611,540	4,561,882	17,452,311	1,068,527
Sundry receivables and other current assets	8.8	2,829,499		1,949,226	
Other short-term financial receivables	8.9	765,045	765,045	36,457	36,457
HFT securities at fair value	8.10	46,943,263		47,792,552	
Cash and cash equivalents	8.11	6,310,577		22,582,654	
TOTAL CURRENT ASSETS		61,475,148	5,326,927	95,789,640	1,104,984
Assets held for sale	14	26,568,399			
TOTAL ASSETS		236,114,360	5,326,927	199,708,234	1,104,984

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes		Of which with related parties		Of which with related parties
SHAREHOLDERS' EQUITY					
Share capital		6,503,125		6,503,125	
Reserves		19,402,362		15,235,694	
Retained earnings (accumulated losses)		69,151,993		64,071,662	
Profit (loss) for the period		6,960,817		5,080,331	
TOTAL SHAREHOLDERS' EQUITY	8.12	102,018,298	0	90,890,811	0
NON-CURRENT LIABILITIES					
Non-current financial liabilities	8.13	57,398,008	1,377,774	41,511,324	1,748,057
Provision for post-employment benefits and other employee provisions	8.14	61,038	-	810,255	-
Deferred tax provision	8.5	284,314		532	
Provisions for future risks and charges	8.15	118,905		118,905	
TOTAL NON-CURRENT LIABILITIES		57,862,265	1,377,774	42,441,016	1,748,057
CURRENT LIABILITIES					
Current financial liabilities	8.16	55,912,559	12,116,218	51,181,448	8,984,453
Trade payables	8.17	3,372,264	1,459,169	6,885,233	435,356
Tax payables	8.18	1,238,488		1,626,739	

Sundry payables and other current liabilities	8.19	3,225,169	100,000	6,682,988	228,546
TOTAL CURRENT LIABILITIES		63,748,480	13,675,387	66,376,407	9,648,355
TOTAL LIABILITIES		121,610,745	15,053,161	108,817,423	11,396,412
Liabilities held for sale	14	12,485,318			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		236,114,360	15,053,161	199,708,234	11,396,412

Income Statement

	Notes	31.12.2022	Of which with related parties	31.12.2021	Of which with related parties
Revenues and other income		4,621,233	4,621,233	4,640,643	4,607,091
TOTAL REVENUES AND OTHER INCOME	9.1	4,621,233	4,621,233	4,640,643	4,607,091
Purchases of materials and external services	9.2	(5,432,428)	(1,617,136)	(4,952,830)	(1,583,165)
Personnel costs	9.3	(2,238,260)	(647,995)	(1,072,483)	(581,563)
Other operating costs	9.4	(48,559)		(34,926)	
Depreciation and amortisation/Impairment	9.5	(889,418)		(654,043)	
OPERATING RESULT		(3,987,432)	2,359,979	(2,073,638)	2,252,506
Financial income (charges)	9.6	4,059,587	(43,922)	850,260	(67,251)
EARNINGS BEFORE TAXES (EBT)		72,155	2,316,057	(1,223,378)	2,185,255
Income taxes	9.7	-		-	
NET PROFIT (LOSS) FOR THE PERIOD		72,155	2,316,057	(1,223,378)	2,185,255
Net profit from discontinued operations	14	6,888,661		6,303,709	
NET PROFIT (LOSS) FOR THE PERIOD		6,960,817		5,080,331	

Comprehensive Income Statement

(Amount in €)	2022	2021
Profit (loss) for the period	6,960,817	5,080,331
Change in fair value of available-for-sale financial assets	1,053,432	(34,931)
TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR NET OF TAXES	1,053,432	(34,931)
Defined benefit plans actuarial gains (losses)	25,000	(13,404)
TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR NET OF TAXES	25,000	(13,404)
TOTAL PROFIT/(LOSS) OF OTHER COMPREHENSIVE INCOME NET OF TAXES	1,078,432	(48,334)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,039,249	5,031,996
Of which DISCONTINUED OPERATIONS	6,888,661	

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Statement of Cash Flows

	31 December 2022	31 December 2021
Profit (loss) from continued operations	6,960,817	5,080,331
Net profit (loss) for the period	6,960,817	5,080,331
Non-monetary costs for Stock Options	-	10,872
Non-monetary interest	678,732	35,118
Change in fair value of monetary instruments	609,609	(680,170)
Current income taxes	1,477,580	1,905,763
Change in deferred taxes	390,375	(108,385)
Depreciation/amortisation, impairment and provisions	1,284,061	1,015,320
Other non-monetary expenses	-	-
Capital gains on sale of TXT Retail division	-	-
Cash flows from (used in) operating activities (before change in working capital)	11,401,174	7,258,849
of which with related parties	*2,359,977*	*2,252,506*
(Increase) / Decrease in trade receivables	(6,544,406)	3,122,888
(Increase) / Decrease in inventories	97,175	(2,147,191)
Increase / (Decrease) in trade payables	4,286,084	2,110,663
Increase / (Decrease) in other assets/liabilities	(3,871,614)	768,470
Increase / (Decrease) in post-employment benefits	(49,159)	(15,533)
Changes in operating assets and liabilities	(6,081,920)	3,839,297
Paid income taxes	(2,540,677)	(724,124)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	2,778,577	10,374,022
of which with related parties	*6,748,599*	*719,537*
Increase in tangible assets	(899,539)	(760,105)
Increase in intangible assets	-	(27,773)
Net cash flow from acquisition/assignment	(38,725,313)	(23,929,508)
(Increase) / Decrease in trading securities	2,228,405	(14,293,326)
Increase / (decrease) in HFT securities at fair value	(2,054,764)	20,000,000
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(39,451,211)	(19,010,712)
of which with related parties	*3,490,070*	*2,301,309*
Loans issued	33,683,189	37,000,000
Loans repaid	(13,815,401)	(9,916,984)
Payment of lease liabilities	(1,462,014)	(535,725)
Increase / (Decrease) in financial payables	(801,754)	11,030
Distribution of dividends	-	(468,620)
Interest expense	(291,701)	(127,456)
Other changes in shareholders' equity	-	-
(Purchase) / Sale of treasury shares	3,088,236	1,209,301
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	20,400,555	27,171,547
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(16,272,079)	18,534,857
Effect of changes in exchange rates on cash flows		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,582,654	4,047,797
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6,310,575	22,582,654
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	(1,232,034)	(2,690,843)
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	1,232,034	2,690,843

In accordance with IFRS 5, the flow attributable to "*discontinued operations*" of the newly established E-Tech Srl amounts to € 6,888,661.

Statement of changes in Shareholders' Equity as at 31 December 2022

	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 perido	Totale patrimonio netto	Totale patrimonio netto (Terzi)	Totale patrimonio netto
Saldi al 31 dicembre 2021	6,503,125	1,300,625	13,027,524	1,911,444	67,293	(915,274)	(155,918)	-	64,071,663	5,080,331	90,890,813		90,890,813
Utile al 31 dicembre 2021									5,080,331	(5,080,331)	-		-
Acquisizioni									-		-	-	-
Incremento/acquisto							1,053,432		-		1,053,432		1,053,432
Distribuzione dividendi											-		-
Aumento di capitale gratuito									-		-		-
Vendita azioni proprie			8,851,050								8,851,050		8,851,050
Acquisto azioni proprie			(5,762,814)								(5,762,814)		(5,762,814)
Attualizzazione TFR						25,000					25,000		25,000
Delta cambi								-			-		-
Utile al 31 dicembre 2022										6,960,817	6,960,817		6,960,817
Saldi al 31 dicembre 2022	6,503,125	1,300,625	16,115,760	1,911,444	67,293	(890,274)	897,514	-	69,151,993	6,960,817	102,018,299		102,018,299

1

	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 perido	Totale patrimonio netto	Totale patrimonio netto (Terzi)	Totale patrimonio netto
Saldi al 31 dicembre 2020	6,503,125	1,300,625	11,818,223	1,911,444	56,421	(901,870)	(120,987)	-	62,782,275	1,758,007	85,107,263		85,107,263
Utile al 31 dicembre 2020									1,758,007	(1,758,007)	-		-
Acquisizioni									-		-	-	-
Incremento/acquisto					10,872		(34,931)		-		(24,059)		(24,059)
Distribuzione dividendi									(468,620)		(468,620)		(468,620)
Aumento di capitale gratuito									-		-		-
Vendita azioni proprie			1,482,715								1,482,715		1,482,715
Acquisto azioni proprie			(273,414)								(273,414)		(273,414)
Attualizzazione TFR						(13,404)					(13,404)		(13,404)
Delta cambi								-			-		-
Utile al 31 dicembre 2021										5,080,331	5,080,331		5,080,331
Saldi al 31 dicembre 2021	6,503,125	1,300,625	13,027,524	1,911,444	67,293	(915,274)	(155,918)	-	64,071,663	5,080,331	90,890,813		90,890,813

Introduction

Founded in 1989, TXT e-solutions S.p.A. is a world leader in the supply of software products and strategic solutions.
It operates in dynamic markets that require high specialisation and the capacity to innovate. TXT is focused on software for the aerospace, aeronautical and automotive sector, where it offers specific products and specialist engineering services, and for the financial sector, where it concentrates on services linked to testing and software quality. Listed on the Italian Stock Market since July 2000 in the Star segment (TXT.MI), TXT has its registered office in Cologno Monzese and offices in Italy, France, the UK, Germany, Switzerland and the USA.
The Company adopted the international accounting and financial reporting standards (IAS/IFRS) starting on 1 January 2006.

This report refers to the financial year ended 31 December 2022 and all relevant accounting information was prepared in accordance with IFRS endorsed by the European Union.

In accordance with IAS 1, the balance sheet items were subdivided into current and non-current assets/liabilities, the income statement items were subdivided by type and the statement of cash flows was prepared using the indirect method.

1 Basis of preparation of the financial statements

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union at the date of drafting these financial statements, as well as with the implementing measures for Article 9 of Italian Legislative Decree no. 38/2005 and with any other applicable provisions and Consob regulations on financial statements.

The financial statements for the year ended on 31 December 2022 have been prepared on a cost basis, except for derivative financial instruments and other items for which the IFRS prescribe different assessment criteria. The carrying amount of underlying assets and liabilities of fair value hedges which would otherwise be carried at amortised cost is adjusted to take into account the changes in fair value attributable to the hedged risks.

As for further information relating to the nature of the company's business, business areas and operations, reference should be made to the Directors' report on operations.

The accounting policies applied in preparing the financial statements, as well as the composition of, and changes in, individual items, are illustrated below.

All amounts are expressed in Euro, unless otherwise indicated.

The publication and release of this report were approved by the Board of Directors' Meeting on 9 March 2023. TXT e-solutions S.p.A. is a joint-stock company listed, registered and domiciled in Italy.

In its capacity as Parent Company, TXT e-solutions S.p.A. has prepared the TXT Group's consolidated financial statements as at 31 December 2022.

<u>Financial statements</u>

The separate financial statements are made up of the following statements, in accordance with IAS 1 - Presentation of financial statements.

- "Statement of financial position", prepared by classifying the assets and liabilities on a current/non-current basis.
- "Statement of Profit/(Loss)" and "Statement of Other Comprehensive Income", prepared in two separate statements, classifying costs based on their nature.
- "Cash flow statement", determined using the indirect method provided for by IAS 7 - Cash flow statement.
- "Statement of Changes in Shareholders' Equity".

2 Acquisitions

2.1 DM Management & Consulting Srl

On 19 July 2022, the TXT Group signed a contract for the acquisition of 100% of the share capital of DM Management & Consulting S.r.l.

The consideration for the purchase of 100% of DM Management & Consulting Srl was agreed between the parties at € 1.7 million paid at the closing, of which € 1.4 million was paid in cash, € 0.3 million was paid in TXT's treasury shares sold at a price corresponding to the average price of TXT's shares for the 30 business days prior to the date of closing and € 0.3 million in Earn-Outs, of which € 50 thousand short-term. The Net Financial Position resulting at closing will be settled in cash.

2.2 Ennova S.p.A.

On 29 July 2022, the TXT Group completed the acquisition of 78.56% of the share capital of the company Ennova S.p.A. ("Ennova"). The consideration for the purchase of 78.56% of Ennova, representing the total shares held by non-operating shareholders, agreed between the parties at € 8.9 million, was paid in cash at closing.

The purchase contract of 78.56% does not provide for a price adjustment.

On 13 September 2022, the TXT Group signed the contract for the acquisition of a stake representing 21.44% of the share capital of Ennova S.p.A. from the minority shareholders and managers of the latter, in respect of which TXT holds the entirety of the share capital of the Company and the relative control of the same (until then TXT was not able to exercise a dominant influence over the investee company even though it held the majority of the shares).

The consideration for the purchase of 21.44% of Ennova was agreed between the parties at € 6.4 million, of which € 4.9 million (75%) was paid in cash and € 1.5 million (25%) was paid in TXT's treasury shares sold at a price corresponding to the average price of TXT's shares for the 30 business days prior to the date of closing.

The 21.44% purchase agreement includes two earn-out clauses in favour of the selling shareholders who will continue to hold strategic management roles in Ennova; the earn-outs will be recognised on the basis of Ennova's performance upon approval of Ennova's 2022 and 2023 financial statements, respectively.

2.3 Soluzioni Prodotti Sistemi Srl

On 3 October 2022, the TXT Group signed the contract for the acquisition of 100% of the share capital of Soluzioni Prodotti Sistemi S.r.l. ("SPS").
The consideration for the purchase of 100% of SPS, net of the earn-outs described below, was agreed between the parties at € 7.7 million, subdivided as follows: € 3.5 million in cash, € 1.6 million in TXT e-solutions S.p.A. shares sold at a price corresponding to the average share price of the 30 business days prior to the closing date, € 1.6 million in doubled shares and € 1 million in earn-outs upon the occurrence of specific contractual conditions. The Net Financial Position resulting at closing will be settled in cash.

2.4 TLogos Srl

On 21 November 2022, the TXT Group signed a contract for the acquisition of 100% of the share capital of TLOGOS S.r.l. (hereinafter "TLogos").

The consideration for the purchase of 100% of TLogos was agreed between the parties at € 5 million, namely € 3.8 million paid in cash and € 1.2 million in Shares.
The investment in TLogos represents a strategic operation for the consolidation of strong and innovative cybersecurity expertise that will strengthen the TXT Group's digital "advisory" offering in a segment with high growth potential and high added value across an increasingly wide range of industries.

2.5 PGMD Consulting Srl

In November 2022, the TXT Group signed the final contract for the acquisition of 100% of the share capital of the company PGMD Consulting Srl, 100% owned by QBRIDGE Srl.

The consideration for the purchase of 100% of PGMD Consulting Srl was agreed at € 3,959,018, of which € 3 million paid in cash.

2.6 Pro-Sim TS

In November 2022, the TXT Group signed a binding agreement for the investment in ProSim Training Solutions B.V. (hereinafter ProSim TS), a Dutch company.
The agreement consists of an initial share capital increase of € 0.5 million in Pro-Sim TS, against which the TXT Group will hold 40% of ProSim TS.

In addition, the agreement provides for the provision of loans and technology to support the growth of Pro-Sim TS, as well as a subsequent series of investment rounds that will allow the TXT Group to increase its stake in Pro-Sim TS until reaching 100% after the approval of ProSim TS's financial statements closing on 31 December 2025.

3 Relevant accounting standards

ASSETS AND LIABILITIES

Intangible assets

Intangible assets acquired separately are initially measured at cost, while those acquired in business combinations are recognised at the fair value at the acquisition date. After initial recognition, intangible assets are carried at their cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the corresponding costs are recognised in the income statement as incurred.
The useful life of intangible assets is assessed as finite or indefinite.
Intangible assets with a finite useful life are amortised systematically over their useful lives and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The changes in the expected useful life or in the expected pattern of consumption of the future economic benefits embodied in the assets are recognised by changing the amortisation period or method, as required, and are accounted for as changes in accounting estimates. The amortisation expense related to intangible assets with a finite useful life is recognised in the income statement in the expense category consistent with the intangible asset's function.
Intangible assets with an indefinite useful life are not amortised, but they are tested for impairment annually both as an individual asset and as a cash-generating unit. The indefinite useful life assessment is reviewed annually to determine whether events and circumstances continue to support it. If they do not, the change in the useful life assessment from indefinite to finite is applied prospectively.
The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the intangible asset's carrying amount, and is recognised in the income statement when the asset is derecognised.

Research and development costs

Research costs are recognised as an expense in the income statement when incurred. Development costs incurred in relation to a specific project are recognised as an intangible asset when the conditions provided for by IAS 38 apply.
After initial recognition, development costs are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation begins when development is completed and the asset is available for use. Development costs are amortised with reference to the period during which the related project is expected to generate economic benefits for the Company. During the period in which the asset is not yet in use, it will be tested for impairment annually.

Software licences

Licences for use of intellectual property are carried at cost and amortised over 3 to 5 years, according to the specific type of licence.

Tangible assets

Tangible assets are measured at acquisition or production cost including directly attributable costs necessary to bring the asset to its working condition.
Tangible assets are depreciated on a straight-line basis over their useful life, i.e. the period over which an asset is expected to be available for use by an entity. Depreciation begins when the asset is available for use and is calculated on a straight-line basis using the rate deemed representative of the asset's estimated useful life. Given the nature of the assets within the separate classes, no significant parts having different useful lives were recognised.
Depreciation is calculated using the straight-line method over the estimated useful life of the relevant asset, as shown below:

Class	Useful life
Furniture and fixtures	8 years
Electronic office machinery	5 years
Motor vehicles	4 years

The costs of maintenance, repair, enhancement, upgrade, and replacement that have not led to any significant and measurable increase in the production capacity or in the useful life of the asset concerned are recognised as an expense in the period in which they are incurred.
Leasehold improvements shall be recognised in the asset class to which they refer and, if separable, they shall be depreciated in accordance with their useful life; if they are not separable, they shall be depreciated based on the shorter of the lease term or the asset's useful life.

Leases

The right to use of assets held under leases is accounted for as tangible fixed assets (historical cost of the asset and accumulated depreciation) and classified in the specific classes, recognising the financial payable to the lessor as a liability. Depreciation is calculated in accordance with the previously mentioned method.
Lease payments are apportioned between the reduction of the outstanding liability and the finance charge to be allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability at each financial year-end.
The positions affected by the scope of application of IFRS 16 and which in principle had an appreciable effect are related to:

- Lease contract for the main office (Cologno Monzese)
- Portfolio of hire vehicles for the Company's staff

Lease contracts for offices:	Contractual years	Years remaining	Main Options
Cologno Monzese (MI)	6	5	Renewal

In 2021, TXT e-solutions S.p.A. changed its registered office in Cologno Monzese.

For the lease contract on the main office in Cologno Monzese, the duration set forth in the contract was used, without taking into account the early termination.

As regards vehicle lease contracts, these refer to medium/long-term rental agreements, usually for 4 years with monthly instalments paid in advance with an average value of € 540.

In the absence of a readily available implicit rate, the present value of the liabilities was determined using the Group's marginal lending rate, taking into account the duration, amount funded and underlying asset for each type of contract.

The Company has established that the differences between the rates to be applied for the different contract categories do not lead to significant differences in impact.

For further details, see Note 8.2 "Tangible assets" and Note 9.6 "Financial income and charges".

The Company's leasing liabilities are included under Non-Current Financial Liabilities (8.13) and Current Financial Liabilities (8.16).

Impairment of non-financial assets

At the end of each reporting period, TXT assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment test is required, TXT estimates the recoverable amount of the asset. The recoverable amount is the higher between the fair value of an asset or a cash-generating unit, net of costs to sell, and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If the carrying amount of an asset is greater than its recoverable amount, said asset has become impaired and is consequently reduced to its recoverable amount.
In measuring value in use, TXT discounts estimated future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value net of costs to sell, recent market transactions are taken into account. If it is not possible to determine such transactions, an appropriate measurement model is used. These calculations are corroborated by the appropriate valuation multipliers, quoted share prices of investee companies whose securities are publicly traded, and other available indicators of fair value.
TXT bases its impairment test on detailed budgets and forecasts prepared separately for each of the cash-generating units to which the individual assets are allocated. These budgets and forecasts generally cover a period of five years. For longer periods, a long-term growth rate used to extrapolate cash flow projections beyond the fifth year is calculated.
Impairment losses on operating assets, including losses on inventories, are recognised in the income statement in the expense categories consistent with the intended use of the impaired asset. An exception is represented by revalued assets for which the revaluation has been recognised in other comprehensive income and classified as a revaluation surplus. In these cases, the impairment loss is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus.

At the end of each reporting period, TXT assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, TXT estimates the recoverable amount of that asset. An impairment loss recognised in prior periods shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal of an impairment loss shall not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

The following criteria are used to recognise impairment losses on specific types of assets:

a) Goodwill

Goodwill is tested for impairment at least annually (as at 31 December) and, more frequently, when the circumstances indicate that the carrying amount may be impaired.

The impairment loss on goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill can be allocated. Wherever the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which goodwill was allocated, an impairment loss is recognised. An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

b) Intangible assets with an indefinite useful life

An intangible asset with an indefinite useful life is tested for impairment at least annually (as at 31 December) both as an individual asset and as a cash-generating unit, whichever is more appropriate to determine whether any impairment exists.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaced the corresponding regulations previously set forth in IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects relating to the project on the accounting of financial instruments: classification and measurement, impairment and hedge accounting. The Company adopted the new standard from the effective date (1 January 2018).

Classification and measurement of financial assets and liabilities

The Company does not hold financial liabilities designated at FVTPL due to the adoption of the optional regime or equity instruments designated at the FV recognised in other items of the comprehensive income statement. For completeness it is reported that the change in financial liabilities relating to the acquisition of minority shares in the extraordinary transactions described in the previous paragraphs will continue to be recorded entirely in the income statement. With regard to financial assets, the principle establishes that the classification of assets depends on the characteristics of the financial flows relating to these assets and the business model used by the Group for managing them. The Company signed the following contracts during the year:

- 7 multi-segment life insurance contracts for € 41,074,106 (as at 31 December 2021 € 39,277,366);
- Bond loan for € 504.798;
- Treasury management for € 5,364,359.

Furthermore, the Company does not have financial investments in the form of shareholdings that could fall within the scope of IFRS 9. With regard to derivative financial instruments, embedded or otherwise, the Company has exclusively entered into interest rate swap contacts linked to bank loans expenses for which hedge accounting has been activated. Trade receivables are held for the purposes of collection at the contractual due dates of the cash flows relating to them in capital share and interest, where applicable. The Company has analysed the characteristics of the contractual cash flows of these instruments and has concluded that they comply with the criteria for valuation at amortised cost in accordance with IFRS 9. Similar conclusions can be reached for the items relating to cash and cash equivalents.

Initial recognition and measurement of financial assets

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e., at amortised cost, at fair value recognised in other comprehensive income statement (OCI) and at fair value through the income statement. The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses to manage them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied a practical expedient, the Company initially values a financial asset at its fair value plus, in the case of a financial asset not at fair value through the income statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied a practical expedient are valued at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid ('solely payments of principal and interest (SPPI)'). This assessment is referred to as the SPPI test and is carried out at instrument level.

The Company's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The business model determines whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

A purchase or sale of a financial asset that requires delivery within a time frame generally established by regulation or convention in the marketplace (regular way trade) is recognised on the trade date, i.e., the date on which the Company commits itself to purchase or sell an asset.

Subsequent measurement of financial assets

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value recognised in other comprehensive income statement with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value recognised in other comprehensive income statement without reversal of cumulative gains and losses at the time of derecognition (equity instruments);
- Financial assets at fair value through the income statement.

In general, the most important categories for the Company are the first and the fourth.

<u>Financial assets at amortised cost</u>

The Company measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is owned as part of a business model whose objective is to own financial assets for the purpose of collecting contractual cash flows;
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

Company financial assets at amortised cost include trade receivables and other receivables as well as investments that pass the SPPI test.

<u>Financial assets at fair value through the income statement.</u>

This category includes financial assets held for trading and assets designated as at fair value through profit or loss upon initial recognition with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for the purpose of selling or repurchasing them in the near term. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments (the Company does not currently hold derivatives that are not designated as hedges). Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through the income statement, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be recognised at fair value through the income statement at initial recognition if this results in the derecognition or significant reduction of an accounting mismatch.

Financial instruments at fair value through the income statement are recognised in the balance sheet at fair value and net changes in fair value are recognised in the statements of profit/(loss) for the year.

Impairment of financial assets

The Company recognises an expected credit loss (ECL) for all financial assets represented by debt instruments not held at fair value through the income statement. ECLs are based on the difference between the contractual cash flows payable under the contract and all cash flows expected to be received by the Company, discounted at an approximation of the original effective interest rate. Expected cash flows will include cash flows arising from the application of collateral held or other credit guarantees that are an integral part of the contractual conditions. Expected losses are recognised in two phases. With regard to credit exposures for which there has been no significant increase in credit risk since the initial recognition, it is necessary to recognise credit losses resulting from the estimate of default events that are possible within the next 12 months (12-month ECL). For credit exposures for which there has been a significant increase in credit risk since initial recognition, expected losses relating to the residual duration of the exposure must be fully recognised, regardless of when the default event is expected to occur ("Lifetime ECL").

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected losses. Therefore, the Company does not monitor changes in credit risk, but fully recognises the expected loss at each reference date. The Company has defined a matrix system based on historical information, revised to consider forward-looking elements with reference to specific types of borrowers and their economic environment, as a tool for determining expected losses.

A financial asset is derecognised when there is no reasonable expectation that the contractual cash flows will be recovered.

Initial recognition and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified under financial liabilities at fair value through the income statement, under loans and borrowings, or under derivatives designated as hedging instruments.

Financial liabilities are initially recorded at fair value plus transaction costs directly attributable to them in the case of loans, borrowings and payables.

The Group's financial liabilities include trade payables and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement of financial liabilities

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through the income statement

Financial liabilities at fair value through the income statement include liabilities held for trading and financial liabilities designated as at fair value through the income statement upon initial recognition.

Liabilities held for trading are all those taken on with the intention of settling or transferring them in the near term.

Gains and losses on financial liabilities held for trading are recognised in the statements of profit/(loss) for the year.

Financial liabilities are designated upon initial recognition as at fair value through the income statement only if the conditions in IFSR 9 are met.

Loans and receivables

This is the most important category for the Company. After initial recognition, loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement only when the liability is extinguished, as well as through amortisation.

The amortised cost is calculated accounting for acquisition discounts or premiums, fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is recognised in financial charges in the statement of profit/(loss). This category generally includes interest-bearing loans and receivables.

Cancellation

A financial liability is cancelled when the obligation underlying the liability is extinguished, derecognised or fulfilled. If an existing financial liability is replaced by another one from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is treated as a cancellation of the original liability, accompanied by the recognition of a new liability, with any differences in carrying amounts recognised in the statements of profit/(loss) for the year.

Derivative financial instruments and hedge accounting

The Company uses interest rate swaps to hedge against interest rate risks. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is signed and, subsequently, are re-measured at fair value. Derivatives are recorded as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For hedge accounting purposes, the aforementioned hedges are referred to as “cash flow hedges”.

When a hedging transaction is initiated, the Company formally designates and documents the hedge relationship to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Company will assess whether the hedge relationship meets the hedging efficacy requirements (including analysis of sources of hedge ineffectiveness and how the hedge relationship is determined). The hedge relationship meets the eligibility criteria for hedge accounting if it meets all of the following hedging efficacy requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the credit risk effect does not prevail over the changes in value resulting from the aforementioned economic relationship;
- the hedging ratio of the relationship is the same as that resulting from the quantity of the element actually hedged by the Group and the quantity of the instrument actually used by the Group to hedge such quantity of the hedged element.

The transactions carried out by the Company, since they meet all the criteria for hedge accounting, have been accounted for as follows:

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognised in other comprehensive income statement in the cash flow hedge reserve, net of tax, while the ineffective portion is recognised directly in statements of profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

Investments in subsidiaries and associates

Subsidiaries are companies in which the company exercises control. Control is obtained when the Company is exposed or entitled to variable yields, deriving from its relationship with the investee company and, simultaneously, has the capacity to impact said yields by exercising its power over said entity.

Specifically, the company controls an investee company if, and only if, it has:

- power over the subject entity of the investment (i.e., it holds valid rights that grant it the current power to manage significant assets of the entity subject to investment);
- exposure or rights to variable yields deriving from the relationship with the entity subject to investment;
- the capacity to exercise its power on the entity subject to investment in order to influence the amount of its yields.

Associates are companies over which TXT e-solutions S.p.A. exercises a significant influence. Significant influence refers to the power to participate in determining the financial and operating policies of the associate without having control or joint control of the same. Significant influence is presumed when the Company holds at least 20% of the voting rights.

The considerations made to determine significant influence or joint control are similar to those required to determine control over subsidiaries.

Investments in subsidiaries and associates are recognised at cost less impairment.

On acquisition of the investment, any positive difference between the acquisition cost and the Company's share of the present value of the subsidiary's or associate's equity is therefore included in the investment's carrying amount.

Investments in subsidiaries and associates are tested for impairment at least annually, or more frequently, if necessary. If there is evidence that an impairment loss has been incurred, such loss is recognised in the income statement under impairments. If the Company's share of loss of the investee company exceeds the carrying amount of the investment, and the Company has incurred legal or constructive obligations to cover such losses, the company's interest is reduced to zero and the additional losses are recorded among liabilities. If subsequently the impairment loss no longer exists or has decreased, a reversal of the impairment loss is recognised in the income statement to the extent of the original purchase cost.

The cost of investments in foreign companies is converted into Euro at the historical acquisition and subscription exchange rates.

Contractual assets

Contractual assets are measured at the lower of acquisition or production cost and market value. This refers mainly to consumables measured at acquisition cost, determined by the last cost incurred, which is an approximation of FIFO.

Contractual assets relating to projects, consisting of services not yet completed at the end of the financial year relating to indivisible contracts that will be completed during the next twelve months, are measured on the basis of the considerations agreed in relation to the stage of completion determined using the cost-to-cost method. Advance payments received from customers are deducted from inventories, to the extent that they do not exceed the consideration accrued; the remaining part is recognised as a liability.

Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits comprise cash on hand and demand and short-term deposits with maturity of up to three months.

Treasury shares

Treasury shares are measured at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale or cancellation of an entity's treasury shares. Any difference between the consideration paid and received, when treasury shares are reissued, is recognised in the share premium reserve. Voting and dividend rights attached to treasury shares are suspended, as is the right to receive dividends. If stock options are exercised, they are serviced with treasury shares.

Employee benefits expense

Post-employment benefits

The liability relating to employee benefits paid upon or after the end of employment and relating to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions made to estimate the amount of benefit that employees have earned to date. The liability is recognised on an accrual basis over the vesting period.

Employee post-employment benefits earned up to 31 December 2006, pursuant to Article 2120 of the Italian Civil Code, are included in defined benefit plans. Indeed, subsequent to the reform of supplementary pension schemes, since 1 January 2007 post-employment benefits earned are mandatorily paid into a supplementary pension fund, or into the special Treasury Fund set up at the National Social Security Institute (INPS) if the employee exercised the specific option. Therefore, TXT's defined benefit obligation to employees exclusively regards the provisions made up to 31 December 2006.

The accounting treatment adopted by TXT since 1 January 2007 reflects the prevailing interpretation of the new law and is consistent with the accounting approach defined by the relevant professional bodies. In particular:

- Post-employment benefits earned since 1 January 2007 are considered elements of a Defined Contribution Plan even if the employee exercised the option to allocate them to the Treasury Fund at INPS. These benefits, determined based on statutory provisions and not subject to any actuarial valuation, therefore represent negative income components recognised as labour costs.
- Post-employment benefits earned as at 31 December 2006 continue instead to represent the liability for the company's obligation under a Defined Benefit Plan. This liability will not be increased further in the future with additional provisions; therefore, unlike in the past, the component relating to future increases in salaries was excluded from the actuarial calculation made to determine the balance as at 31 December 2017.

External actuaries determine the present value of TXT's obligations using the Projected Unit Credit Method. With this method, the liability is projected into the future to determine the probable amount payable upon the end of employment and is then discounted to account for the time that will pass before the actual payment. The calculation takes into account the post-employment benefits earned for service in prior periods and is based on actuarial assumptions mainly regarding the interest rate, which reflects the market yields on high quality corporate bonds with a term consistent with the estimated term of the obligation and employee turnover.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of TXT's obligations at the end of the period, due to the change in the previously used actuarial parameters (described above), are recognised outside the income statement (in the comprehensive income statement) and directly in equity.

Stock option plans

TXT e-solutions S.p.A. may recognise additional benefits to particular categories of employees who work in the Company and its subsidiaries, deemed to be "key management personnel" in terms of responsibility and/or skills through stock option plans. Pursuant to IFRS 2 – Share-Based Payment – the overall amount of the present value of the stock options at grant date is recognised systematically on a monthly basis in profit or loss as a cost during the vesting period, with a specific reserve recognised in equity. This implicit cost is determined using specific income-equity models.

The fair value of the stock options is represented by the value of the option estimated by applying the "Black-Scholes" model, which takes account of the exercise price of the option, the current price of the shares, the expected volatility, and the risk-free interest rate.

Contingent liabilities

The Company may be involved in legal proceedings regarding various issues. Owing to the uncertainties inherent to said issues, it is normally hard to make a reliable estimate of the outflow of resources that could arise from said disputes. In the ordinary course of business, the management consults with legal advisors as well as legal and fiscal experts. TXT recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required and when the amount of the losses resulting from it can be reliably estimated. If an outflow of financial resources is possible, this fact is reported in the notes to the financial statements.

Dividends

Dividends received are recorded in the income statement on an accrual basis, i.e. in the period in which the relevant right arises, following the shareholders' resolution to distribute the investee companies' dividends. If the dividend received exceeds the total comprehensive income statement of the subsidiary or associate, in the year in which it is declared, the Company assesses whether this situation may constitute an indicator of impairment of the investment.

Dividends payable are recognised as movements in equity in the period in which they are approved by the Shareholders' Meeting.

Intragroup and transactions with related parties

The following are considered to be related parties of TXT e-solutions S.p.A.:

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

- control 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) The associates of TXT e-solutions S.p.A.;

c) The joint ventures in which TXT e-solutions S.p.A. participates;

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

e) The close members of the family of parties referred to in the above points a) and d);

f) The 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.

As for transactions with related parties, including intra-group transactions, it should be noted that they cannot be classified as atypical or unusual, as they fall within the course of ordinary activities of the Group's companies. Said transactions are conducted at arm's length, considering the characteristics of the goods and services provided.

Disclosure on transactions with related parties, comprising disclosure required by Consob communication dated 27 July 2006, is provided in the "Transactions with Related Parties" section of this note to the financial statements.

Translation of foreign currency items

The financial statements are presented in Euro, which is the functional and presentation currency adopted by the Company.

Foreign currency transactions are recorded on initial recognition in the functional currency by applying the spot exchange rate at the date of the transaction.

The monetary assets and liabilities, denominated in foreign currency, are translated into the functional currency at the exchange rate at the reporting date.

Exchange differences are recognised in the income statement with the exception of monetary items that form part of the net investment in a foreign operation. Such differences are recognised initially in other comprehensive income statement until the disposal of the net investment, and only then will be recognised in the income statement. Taxes and tax credits attributable to exchange differences on monetary items are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of initial recognition of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Gains or losses arising from the translation of non-monetary items are treated in line with the recognition of gains and losses arising from changes in the fair value of said items (foreign currency differences on the items with changes in fair value recognised in the comprehensive income statement or the income statement are recognised in the comprehensive income statement or the income statement, respectively).

Non-current assets held for sale and *discontinued operations*

Non-current assets and current and non-current assets of discontinued operations are classified as held for sale if the related carrying amount will be recovered mainly through the sale or spin-off rather than through continuous use. This condition is considered to be met when the sale is highly probable and the asset or discontinued operations are available for immediate sale in their current condition. For the sale of a subsidiary that involves the loss of control, all the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether, after the sale, a shareholding is maintained or not. Verification of compliance with the conditions envisaged for the classification of an item as intended for sale requires Management to make subjective assessments by formulating reasonable and realistic assumptions on the basis of the information available.

Non-current assets held for sale, current and non-current assets pertaining to discontinued operations and directly associated liabilities are recognised in the balance sheet separately from other assets and liabilities of the company.

Immediately before classification as held for sale, assets and liabilities included in discontinued operations are valued according to the accounting standards applicable to them.

Subsequently, non-current assets held for sale are not subject to amortisation and are measured at the lesser of book value and relative fair value, less sales charges.

The classification as held for sale of equity investments valued according to the equity method implies the suspension of application of this valuation criterion; therefore, in this case, the carrying amount is equal to the value deriving from the application of the equity method at the date of reclassification.

Any negative difference between the carrying amount of non-current assets and the fair value less sales charges is recognised in the income statement as impairment; any subsequent reversals are recognised up to the amount of the impairment recognised previously, including those recognised prior to classification of the asset as held for sale.

Non-current assets and current and non-current assets (and any liabilities associated with them) of discontinued operations, classified as held for sale, constitute a discontinued operation if, alternatively: (i) they represent a significant stand-alone business unit or a significant geographical area of activity; (ii) they are part of a plan to dispose of a significant independent business unit or a significant geographical area of activity; or (iii) they refer to a subsidiary acquired exclusively for the purpose of its sale. The results of discontinued operations, as well as any capital gains/losses realised following the disposal, are indicated separately in the income statement in a specific item, net of the related tax effects, including for the years under comparison.

REVENUES AND COSTS

Revenues from contracts with customers

Revenues from contracts with customers are recognised when control of goods and services is transferred to the customer for an amount that reflects the fee that the Company expects to receive in exchange for those goods or services. The Company has generally concluded that it acts as the principal for agreements that generate revenue as it controls the goods and services before they are transferred to the customer.

The Company considers whether there are other commitments in the contract that represent obligations to be carried out, for which a portion of the transaction fee is to be allocated (e.g., guarantees, customer loyalty schemes). In determining the price of the equipment sale transaction, the Company shall consider the effects of variable fees, significant financing components, non-monetary fees and fees payable to the customer (if any).

If the fee promised in the contract includes a variable element, the Company estimates the fee amount to which it will be entitled, in exchange for the transfer of the goods to the customer.

The variable fee is estimated when the contract is entered into and cannot be recognised until it is highly probable that when the uncertainty associated with the variable fee is subsequently resolved, there will be no significant downward adjustment to the amount of cumulative revenue that has been accounted for.

Sales of other assets

Revenues from the sale of licences or other capital goods are recognised when control of the goods passes to the customer. Generally, no unusual commercial deferment terms have been applied.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is measured using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is classified as financial income in the income statement.

COSTS

Expenses are recognised in the financial statements when ownership of the assets to which they refer has been transferred or the services acquired have been provided, or when the relevant future benefits cannot be estimated.

Personnel costs include, consistently with their substantial nature, stock options/grants provided to employees. In determining these costs, reference is made to the comments in the "Employee benefits expense" section concerning the policies adopted in preparing the consolidated financial statements.

Interest income and expense are recognised on an accrual basis based on interest accrued on the net value of the relevant financial assets and liabilities using the effective interest method.

Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the entity will comply with the conditions attached to them. When grants are related to expenses, they are recognised as income; however, they are recognised on a systematic basis over the periods in which the entity recognises the expenses that the grants are intended to compensate. If a grant is related to an asset, the grant is recognised as income on a straight-line basis over the expected useful life of the relevant asset.

When TXT receives a non-monetary grant, the asset and the grant are recognised at their nominal amount in the income statement on a straight-line basis over the expected useful life of the relevant asset. In case of loans or similar forms of assistance granted by government bodies or similar institutions at a below-market rate of interest, the benefit associated with the favourable interest rate is treated as an additional government grant.

INCOME TAXES

Current taxes

Current taxes are measured at the amount expected to be paid to the taxation authorities. The tax rates and laws used to calculate the amount are those that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised outside the income statement if the tax relates to items that are recognised outside the income statement, and is therefore recognised in equity or in other comprehensive income statement, consistently with the recognition of the item it relates to. Management periodically assesses the tax position taken in the tax return with respect to situations in which tax laws are subject to interpretation and makes provisions where appropriate.

Deferred tax

Deferred tax is calculated using the so-called "liability method" on the temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that it arises from:

- the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);

- the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures that may be controlled and is unlikely to occur in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences as well as the unused tax losses and unused tax credits can be utilised, unless:

- the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- the deferred tax asset for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures is recognised only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised outside the income statement if the tax relates to items that are recognised outside the income statement, and is therefore recognised in equity or in other comprehensive income statement, consistently with the recognition of the item it relates to.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax relates to the same taxable entity and the same taxation authority.

Tax benefits acquired in a business combination, but that do not satisfy the criteria for separate recognition as at the acquisition date, are subsequently recognised where required when there is new information about changes in facts and circumstances. The adjustment is either treated as a reduction of goodwill (to the extent that it does not exceed goodwill), if it is recognised within the measurement period, or in the income statement, if recognised afterwards.

Indirect taxes

Expenses, revenue and assets are recognised net of value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services cannot be deducted, in which case it is recognised as part of the asset's acquisition cost or part of the expense recognised in the income statement;
- trade receivables and payables include the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the tax authorities is recognised as part of trade receivables or payables, depending on whether the balance is positive or negative.

FAIR VALUE HIERARCHY

For measurements of financial instruments recognised in the balance sheet, IFRS 13 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

- Level 1: quoted prices in an active market for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted prices included within level 1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs that are not based on observable market data.

No transfers between hierarchical levels occurred during the financial year 2022.

Comparison between fair value and carrying amount of the TXT Group's financial instruments is provided in the table below, subdivided by hierarchy level:

Amounts in €	Notes	31/12/2022	Level 1	Level 2	Level 3
Financial assets for which the fair value is identified					
- other non-current financial assets		-	-	-	-
- other short-term financial receivables	8.9	17,722,560			17,722,560
- HFT securities at fair value	8.10	46,943,263	5,869,157	-	41,074,106
Total financial assets		64,665,823	8,556,360	-	58,796,666
Financial liabilities for which the fair value is identified					
- other non-current financial liabilities	8.13	57,398,008	-	52,449,687	4,948,321
- other current financial liabilities	8.16	55,912,559	-	51,612,559	4,300,000
Total financial liabilities		113,310,567	-	104,062,246	9,248,321

Non-current financial liabilities of Level 3 (Note 8.13) include the debt for:

- Novigo Earn-Out
- DM Consulting Srl Earn-Out
- Payable for SPS acquisition
- Ennova S.p.A. Earn-Out
- HSPI payable for "Restricted Share Price Adjustment";

Non-current financial liabilities of Level 2 (Note 8.13) include the debt for:

- a payable for medium/long-term bank loans;
- a payable to the lessor for leases and rentals, pursuant to IFRS 16 (for the portion to be repaid beyond 12 months).

While for current financial liabilities of level 3 (Note 8.16) the following are included:

- Ennova S.p.A Group Earn-Out (short-term portion)
- Payable for acquisitions of TLogos, PGMD and DM.

While for current financial liabilities of level 2 (Note 8.16) the following are included:

- the portion of short-term payable for bank loans;
- the short-term portion of the payable to the lessor for leases and rentals pursuant to IFRS 16;
- the payable for loans received from subsidiaries through cash pooling contracts.

The directors have furthermore checked that the fair value of cash and cash equivalents and short-term deposits, trade receivables and payables and other current assets and liabilities is close to the book value as a result of the short-term maturity of these instruments.

Guarantees issued, obligations

As at 31 December 2022, the Company issued guarantees on debts and obligations of third parties and associates amounting to € 788 thousand, in particular € 265 thousand in the form of bank guarantees for rental security deposits, and the remainder in the form of bank guarantees for bids in tenders.

The Company has contractual obligations with reference to lease contracts for its offices and for the vehicle fleet for staff use with contracts stipulated for an average duration of 48 months.

4 Use of estimate and discretionary assessments

The preparation of the Company's financial statements and the relevant notes in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and any changes are immediately recognised in the income statement. Here below are the assumptions made about the future and

other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenues from contracts with customers

The Company has carried out the following assessments, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

Identification of the performance obligation in a joint sale

The Company provides maintenance and assistance services to customers who have been sold, either separately or together, licenses for use, as well as professional services.

The Company has determined that for the product types offered for which it is reasonable to expect that the customer requires a level of continuous involvement from the Group over a period of time, and which require a certain period of implementation by the customer, the maintenance and assistance service contract cannot be considered separately from the license contract, even if the latter exclusively envisages an up-front fee. The fact that the Company does not regularly grant the right to use its licences separately from the signing of a first maintenance contract, together with the consideration that maintenance services cannot reasonably be provided by other suppliers, are indicators that the customer does not tend to separately benefit from both products independently.

The Company, on the other hand, has established that professional services must be distinguished within the context of the contract and that a price must be independently allocable to them.

Determination of the method for estimating the value of the recognisable variable fee

In estimating any variable fee, the Company must use the expected value method or the most likely quantity method to estimate which method best determines the value of the fee to which it is entitled.

Before including any value of the variable fee in the transaction price, the Company shall assess whether a portion of the variable fee is subject to recognisability limits. The Company has determined that, on the basis of its past experience, economic forecasts and current economic conditions, the variable fee is not subject to uncertainties that could limit its recognisability. Furthermore, the uncertainty to which the variable fee is exposed will be subsequently resolved within a short period of time.

Considerations on the significant financing component in a contract

The Company does not usually sell with formal or expected extension of payment terms exceeding one year, for which it believes that there are no significant financing components in the commercial transactions.

Determination of the time frame for project service satisfaction

The Company has determined that the input method is the best method for determining the progress of services provided for projects (such as the development of technological solutions, consultancy, integration services, training) since there is a direct relationship between the Company's activities (for example, the hours worked and costs incurred) and the transfer of the service to the customer. The Company recognises revenues on a cost-to-cost basis (including the total costs expected to be incurred to complete the service). Depending on the contractual clauses, orders can be managed on a Time & Material or Fixed Price basis. With the former type, revenues are recognised on the basis of the hours actually spent on the project, calculated and accepted by the customer. The agreement with the customer is essentially based on a number of hours to be invested in the project, which can be revised, including upwards, depending on the actual use of resources. Revenues for Fixed Price orders, for which a price is fixed in advance, except for subsequent adjustments, are instead determined by applying the completion percentage to the amount of the fee for the project. The calculation of the completion percentage, determined using the Cost to Cost method, i.e., the ratio between the costs incurred and the total expected costs, takes into account the hours spent by personnel involved in the project on the reference date and any other direct costs.

Impairment of non-financial assets

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is measured based on data available from binding sale agreements between knowledgeable, willing parties for similar assets or observable market prices, less the costs of disposal. Value in use is calculated using a discounted cash flow model. Cash flow projections are based on the plan for the next five years and include neither restructurings for which TXT does not have a present obligation, nor significant future investments that will increase the return on the assets of the cash-generating unit subject to measurement. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model, as well as on the expected future cash inflows and the growth rate used to extrapolate. The key assumptions used to determine the recoverable amount for the various cash-generating units, including a sensitivity analysis, are detailed in Note 1.4.

Deferred tax

Deferred tax assets are recognised for all unused tax losses, to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilised. Management is required to make significant estimates to determine the amount of tax assets that can be recognised based on the level of future taxable profits, when they will arise, and tax planning strategies.

Pension funds

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation requires assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates, and future benefit increases. Because of the long-term nature of these plans, the estimates are subject to a significant degree of uncertainty. All assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the interest rate of corporate bonds with average terms corresponding to the estimated term of the defined-benefit obligation. The bonds are subject to further qualitative analysis and those that present a credit spread deemed excessive are removed from the population of bonds on which the discount rate is based, as they do not represent high-quality bonds.

The mortality rate is based on mortality tables available for each country. Future salary and benefit increases are based on the expected inflation rates for each country. Further details, including a sensitivity analysis, are provided in Note 1.13.

5 New accounting standards, interpretations and amendments adopted by the Company

The accounting standards adopted in preparing the annual separate financial statements as at 31 December 2022 are consistent with those used in drawing up the separate financial statements as at 31 December 2021.
As at 31 December 2022, there are no significant effects with respect to changes in the international accounting standards (IFRS) that were expected to be applied from 1 January 2022.

The Accounting Standards, amendments and interpretations adopted by the EU applicable to the financial statements as at 31 December 2022, applied for the first time by the Company from 1 January 2022, are reported below.

On 14 May 2020, the IASB published the following amendments:

- *Amendments to IFRS 3 Business Combinations*: the amendments aim to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of the standard.

- *Amendments to IAS 16 Property, Plant and Equipment*: the amendments are intended not to allow the deduction from the cost of tangible assets of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and the related costs will therefore be recognised in the income statement.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*: the amendment clarifies that in estimating the possible cost of a contract, all costs directly attributable to the contract must be considered. Consequently, the assessment of the possible cost of a contract includes not only the incremental costs (such as, for example, the cost of the direct material used in the processing), but also all the costs that the company cannot avoid because it has stipulated the contract (for example, the share of depreciation of the machinery used to fulfil the contract).

- *Annual Improvements 2018-2020*: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments had no impact on the 2022 financial statements.

The New Accounting Standards and Interpretations endorsed by the EU but not yet in force are outlined below:

- On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The subsequent additions issued in July 2020, aimed at simplifying the implementation of the standard, postponed its entry into force to 1 January 2023.
  The standard is not applicable to the TXT Group.

- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.

The amendments will apply from 1 January 2023, but early application is permitted.

The New accounting standards, amendments and interpretations issued by the IASB and not yet implemented by the EU are reported below (at the reference date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for adoption of the amendments and principles described below):

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other short or long-term liabilities. The amendments enter into force on 1 January 2023, although early application is permitted.

The Directors are currently assessing the possible effects of the introduction of this amendment on the consolidated financial statements of the TXT Group.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities for the same amount, such as leases and decommissioning obligations, must be accounted for. The amendments will apply from 1 January 2023, but early application is permitted.

The Directors do not expect the adoption of this amendment to have a significant effect on the TXT Group's financial statements.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment will not be applicable to the TXT Group.

- On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only those adopting IFRS for the first time to continue to recognise the amounts relating to activities subject to regulated tariffs ("Rate Regulation Activities") according to the previous accounting standards adopted. As the TXT Group is not a first-time adopter, this standard will not be applicable.

6 Financial risk management

TXT e-solutions S.p.A. has adopted an internal control system made up of a set of rules, procedures and organisational structures aimed at ensuring a correct management of the Company, including through adequate identification, management and monitoring of the main risks that could jeopardise the accomplishment of corporate goals.
This section describes the risks and uncertainties related to the economic-regulatory framework and market conditions that may affect the Company's performance; specific risks that may give rise to obligations for TXT are assessed when determining the amount of the relevant provisions and detailed in the Notes to the financial statements together with the relevant contingent liabilities.
For the purposes of risk management, the Company adopts specific procedures designed to maximise value for its shareholders, undertaking all measures necessary to prevent the risks inherent to the Company's business.
TXT is exposed to financial risks deriving from exchange rate and interest rate fluctuations, and from its customers' capacity to meet their obligations to the Company (credit risk).
With cash and cash equivalents of € 6,310,577 as at 31 December 2022 (€ 22,582,654 as at 31 December 2021) and despite a positive Net Financial Debt of € 58,110,742 (see the financial position in paragraph 11 "Net Financial Position") the liquidity risk for TXT is limited.

Financial Risks

Currency risk

The Company's exposure to currency risk derives from the different geographical distribution of the Company's production operations and commercial activities. This exposure is mainly the result of sales in currencies other than the functional currency.
In order to manage the economic impact deriving from the exchange rate fluctuations with respect to the Euro (mainly of the US Dollar), TXT has entered into forward sale contracts to mitigate the impact of exchange rate volatility on the income statement. Currency forward sales and purchases are not specific for each transaction but are carried out based on the overall balance by currency and typically have a quarterly duration.
As at 31 December 2022, there were no currency hedge contracts.

Credit risk

Credit risk represents the Company's exposure to potential losses arising from the non-fulfilment of the obligations by counterparties.

To limit this risk, TXT mainly deals with well-known and reliable customers; sales managers assess the solvency of new customers and management continuously monitors the balance of relevant receivables so as to minimise the risk of potential losses.

The table below summarises the degree of concentration of the Company TXT's trade receivables including the business unit sold to the newly-established subsidiary TXT e-tech S.r.l. (net of receivables from TXT Group companies):

	Amount in €	Concentration %
Total receivables due from customers	23,996,716	-
Receivables due from customers (Top 5)	16,615,091	69.24%
Receivables due from customers (Top 10)	17,404,624	72.53%

In general, trade receivables are mainly concentrated in Italy. Receivables from an important Italian customer operating in the Aerospace & High Tech business account for more than half of the TXT's total trade receivables. The first ten customers account for 69% of the total trade receivables collectible.

Following the transfer of the business unit to TXT e-solutions S.p.A., there is no longer any credit risk.

Interest rate risk

The Company's financial debt is predominately characterised by floating interest rates, and therefore the Company is exposed to the risk deriving from their fluctuation.

At the end of the reporting period, the Company has not entered in any derivative contracts for the purpose of hedging interest rate risk.

The net financial exposure subject to floating rates is connected to the Group's centralised treasury management.

The table below shows the impact on the income statement deriving from a 1% increase or decrease in the interest rates to which TXT is exposed, with all other conditions being equal:

(Amounts in € thousands)	31.12.2022	Interest rate change	Financial income/charges
Net Financial Position (NFP)	(58,110,742)		
Fixed rate payables	113,310,567		
Financial exposure (floating rate)	(171,421,309)	+1%	(1,714,213)
		-1%	1,714,213

Liquidity and investment risk

On the basis of cash and cash equivalents of € 6,310,577 and despite a positive Net Financial Debt of € 58,110,742 (see Note 11), the Company does not deem itself to be exposed to significant liquidity risks at present.

The Company's financial instruments are exposed to market risk deriving from uncertainties around the market values of assets and liabilities produced by changes in interest rates, exchange rates and asset prices. TXT manages price risk through diversification and by setting individual or total limits on securities. Portfolio reports are regularly submitted to the company's management. The company's Board of Directors reviews and approves all investment decisions.

At the reporting date, the fair value of financial instruments was € 47 million. It should be noted that these instruments may be divested at any time, even before maturity, without incurring any charges.

Other risks

Covid-19

In 2022, the restrictive measures related to Covid-19 eased and there was a recovery of the economy at the global level. With the growth of the economy also driven by national support plans, there has been a significant increase in the prices of raw materials and contractions in the supply chains that have generated a strong inflationary pressure exacerbated by the current military tensions on Ukrainian territory.

Brexit

TXT e-solutions S.p.A. operates in the United Kingdom exclusively through its subsidiary TXT Next Ltd. Revenues from the United Kingdom's only end customers amount to approximately € 0.7 million. TXT e-solutions S.p.A. analysed the effects of Brexit and classified them as not being particularly significant.

Military conflict in Ukraine

In the current global geopolitical context triggered by the military conflict in Ukraine, the management and independent directors of TXT have currently not identified risks in the short term due to the minimal and non-strategic exposure of the TXT business in the Russian and Ukrainian regions. TXT's management constantly monitors the evolution of the conflict and the related macroeconomic instability.

7 Going Concern

Pursuant to IAS 1, paragraph 25, the Directors, while preparing the financial statements as at 31 December 2022, have assessed that there are no material uncertainties regarding the Company's compliance with the going concern assumption.

Without prejudice to the inherent unpredictability of the potential impacts of the epidemic, management took into account the existing and foreseeable effects of the epidemic on the entity's activities. In assessing the going concern assumption, management took into account all available information on the future that was obtained at a date after the end of the financial year pursuant to IAS 10. This information included, but was not limited to, measures undertaken by governments and banks to provide support to entities in difficulty.

In particular, in support of the assessment and conclusions reached on the going concern assumption, the directors highlighted that:

- The Company has substantial cash and cash equivalents and the loans guarantee the Company's ability to meet liquidity needs;
- The positive result for the year and business forecasts are based on a good portfolio of orders with large customers.

Notes to the BALANCE SHEET and INCOME STATEMENT as at 31 December 2022

8 Balance sheet

8.1 Intangible assets with a finite useful life

Intangible assets with a finite useful life amounted to € 44,018 as at 31 December 2022, net of amortisation, and refer to licences for software use purchased by the Company for the operation of internal tools.

The changes occurring over the year are presented below:

Intangible assets	Software licences	TOTAL
Balances as at 31 December 2021	76,218	76,218
Portion contributed	(14,627)	(14,627)
Amortisation	(17,573)	(17,573)
Balances as at 31 December 2022	44,018	44,018

Balances as at 31 December 2022	Software licences	TOTAL
Historical cost	235,436	235,436
Accumulated amortisation and impairment	(191,419)	(191,419)
Net value	44,018	44,018

8.2 Tangible assets

Net of depreciation, tangible assets amounted to € 3,747,628 as at 31 December 2022. The changes that occurred during the year are detailed below:

Tangible assets	Plants	Electronic machinery	Furniture and fixtures	Buildings (lease)	Vehicles (lease)	Work in progress	TOTAL
Balances as at 31 December 2021	156,618	790,695	31,842	2,283,437	428,871	298,405	3,989,869
Acquisitions	112,145	426,681	360,713	769,445	462,589	0	2,131,573
Portion contributed	0	(634,987)		0	(668,578)	(228,405)	(1,531,970)
Depreciation	(45,954)	(196,935)	(43,674)	(490,116)	(65,164)		(841,843)
Other Changes	0		-	-	-		0
Balances as at 31 December 2022	222,809	385,454	348,881	2,562,766	157,718	70,000	3,747.629

Balances as at 31.12.2022	**Plants**	**Electronic machinery**	**Furniture and fixtures**	**Buildings (lease)**	**Vehicles (lease)**	**Work in progress**	**TOTAL**
Historical cost	286,828	1,499,518	688,906	5,283,561	1,293,278	70,000	9,122,091
Accumulated depreciation	(64,020)	(1,114,063)	(340,025)	(2,720,796)	(1,135,561)	0	(5,374,465)
Net value	**222,808**	**385,454**	**348,881**	**2,562,765**	**157,717**	**70,000**	**3,747,629**

The present amount of accumulated depreciation is deemed adequate in relation to the estimated remaining useful life.

The increases in the "vehicles (lease)" category relate to TXT e-solutions S.p.A.'s vehicle fleet.

8.3 Investments

The item "Investments" amounts to € 126,259,296 as at 31 December 2022, compared to € 85,145,847 as at 31 December 2021.

	Balances as at 31 December 2021	**Acquisitions**	**Balances as at 31 December 2022**
Investments in subsidiaries	85,145,847	39,925,049	125,070,896
Investments in associates		1,188,400	1,188,400
Investments	**85,145,847**	**41,113,449**	**126,259,296**

The changes occurring over the year are presented below:

Company name	Balances as at 31 December 2021	Acquisitions	Balances as at 31 December 2022
Pace GmbH	12,572,191		12,572,191
TXT Next S.a.r.l.	100,000		100,000
TXT Next Ltd.	113,135		113,135
TXT e-solutions S.a.g.l.	37,082		37,082

Cheleo S.r.l.	10,950,819		10,950,819
TXT Risk Solutions	1,376,000		1,376,000
Assioma.Net S.r.l.	11,880,049		11,880,049
AssioPay	4,010,739		4,010,739
TXT Working Capital	800,000		800,000
HSPI	12,064,169		12,064,169
Innovative Complex Consortium	3,500		3,500
MAC	6,381,749		6,381,749
Reversal	704,400	(704,400)	-
TeraTron GmbH	10,214,175		10,214,175
LBA Consulting	5,195,057	(572,823)	4,622,234
Novigo Consulting	5,780,000	3,427,994	9,207,994
Quence	2,962,782		2,962,782
TXT E-Tech		10,000	10,000
Ennova S.p.A.		18,800,001	18,800,001
SPS		7,673,988	7,673,988
DM		2,331,210	2,331,210
TLOGOS		5,000,000	5,000,000
PGMD		3,959,079	3,959,079
Total	**85,145,847**	**39,925,049**	**125,070,896**

The increases refer to the new acquisitions of the year described in paragraph 2.

Below is a table showing the main financial data for directly controlled companies, as required by Consob communication No. 6064293 of 28.7.06 (*).

Company name	City or foreign country	Share capital	Shareholders' Equity	Profit / Loss	% control	Carrying amount	Share of shareholders' equity
Pace GmbH	Berlin	295	7,313,970	1,420,016	100	12,572,191	7,313,970
Cheleo S.r.l.	Brescia	99	5,079,513	581,327	100	10,950,819	5,079,513
TXT e-solutions S.a.g.l.	Chiasso	44	1,623,713	265,536	100	37,082	1,623,713
TXT Next S.a.r.l.	France	100	222,182	49,079	100	100,000	222,182
Assioma.Net	Milan	100	11,976,165	1,302,606	100	11,880,049	11,976,165
TXT Working Capital S.r.l.	Milan	500	(249.018)	(327,749)	100	800,000	(249,018)
HSPI S.p.A.	Bologna	220	6,143,902	753,002	100	12,064,169	6,143,902
Mac Solutions S.A.	Chiasso	94	4,324,869	641,607	100	6,381,749	4,324,869
Innovative Complex Consortium	Bologna	10	7,796	1,204	100	3,500	7,796
TXT Next Ltd.	Great Britain	115	143,059	13,525	100	113,135	143,059
TXT Risk Solutions S.r.l.	Milan	250	(42,935)	(221,076)	100	1,376,000	(42,935)
AssioPay S.r.l.	Turin	10	1,294,838	193,858	100	4,010,739	1,294,838
Reversal	Milan	400	840,363	(66,443)	51	704,400	428,585
TeraTron GmbH	Germany	75	5,274,009	1,147,326	100	10,214,175	5,274,009
LBA Consulting	Borgomanero	10	1,591,091	701,597	100	4,622,234	1,591,091
Novigo Consulting	Brescia	50	2,005,184	754,236	100	9,207,994	2,005,184

Quence	Milan	10	1,763,993	489,606	100	2,962,782	1,763,993
Ennova S.p.A.	Turin	1,099	10,760,402	1,133,365	100	18,800,001	10,760,402
SPS S.r.l.	Rome	10	3,589,938	62,562	100	7,673,988	3,589,938
DM Consulting Srl	Parma	101	207,212	50,259	100	2,331,210	207,212
PGMD	Milan	20	1,124,976	68,948	100	5,000,000	1,124,976
TLOGOS	Rome	110	1,372,764	184,453	100	3,959,079	1,372,764
ProSim Training and Simulation BV	Netherlands	1	1,098,316	207,552	40	484,000	439,326
Total		**3,721**	**66,367,988**	**9,198,842**	**2,151**	**126,249,296**	**65,956,210**

(*) The figures refer to the financial statements drawn up for the Group's consolidated financial statements.

Below is a table showing the main financial data for indirectly controlled companies:

Company name	City or foreign country	Subsidiaries	Share capital	Shareholders' Equity	Profit / Loss	% control	Share of equity
Pace America Inc.	Seattle	Pace GmbH	9	288,087	97,142	100	288,087
Total			**9**	**288,087**	**97,142**		

The investment in Pace GmbH has been tested for impairment.

The recoverable value of the remaining investments was not analysed on the basis of discounted cash flow, instead the carrying amounts were compared with the related shareholders' equity. These investments are as follows:

- TXT e-solutions S.a.r.l. (Switzerland), 100%-owned and established in 2016, carries out primarily activities dedicated to a single customer (Pilatus), with high profitability and a low risk profile;
- TXT Next Ltd. (UK) and TXT Next S.a.r.l. (France), 100%-owned and established in 2017, they do not carry out direct activities with customers, but are dedicated to logistical support for the hiring of employees who render services to local customers, whose contractual and commercial relationships are headed and managed directly by TXT e-solutions S.p.A. and Pace GmbH;
- It was decided not to carry out the impairment test on the Investment in Ennova S.p.A., SPS, DM Consulting, PGMD and TLOGOS (all at 100%) as at 31.12.2022 as they were acquired during the year and the underlying cash flow projections do not show indicators for an impairment test.

For the investments in Pace GmbH, Cheleo, Assioma, AssioPay, TXT Risk Solutions, TXT Working Capital, MAC Solutions S.A. and HSPI S.p.A., Novigo, Quence, LBA and TeraTron, where there is a difference between the carrying amount and the corresponding fraction of the underlying shareholders' equity, the carrying amounts were tested for recoverability. The recoverable amount was assumed to be equal to the equity value, estimated by discounting the expected cash flows over an explicit forecast period of 3-5-years. In December 2022, the Company's Board of Directors approved the plans based on which the recoverable amounts were measured. The terminal value used to check the recoverable amount of the investments is consistent with that used in the impairment tests for Goodwill (for further details reference should be made to Note 8.1 of the Group's consolidated financial statements).

Discount rate

The discount rate used in discounting cash flows represents the estimated rate of return expected for each cash-generating unit on the market. The rate used represents the average cost of capital invested in the CGU. This rate, called Weighted Average Cost of Capital, was defined on the basis of:

We (e) = Weight attributed to own capital
W (d) = Weight attributed to minority interests (interest-bearing payables)
i (e) = The cost of own capital
i (d) = Average interest rate on minority interests (interest-bearing payables)

The cost of own capital i (e) was calculated as the sum of the rate of return on risk-free assets r (f) and a risk premium (P).

The WACC was determined for each company of the TXT Group depending on the relative location (Italy, Switzerland and Germany).

Based on the above, the discount rate used for the purposes of discounting cash flows was calculated for the entire Italy area, amounting to **7.3%**, while the rate for Switzerland was **5.7%** and for Germany **7.2%**, based on the following assumptions:

- the "Free Risk" rate was defined on the basis of the yield on ten-year Government Bonds of each country recorded as at 31 December 2022.
- The risk premium relating to the market was estimated at 4.5% for Italy and Switzerland and 6.8% for Germany.
- A "Size and Execution Premium" of 3% was considered (based on sector studies).
- The *levered* and *unlevered* beta was considered on the basis of the sources considered (Capital IQ).

Sensitivity analysis

In order to allow a more extensive assessment of the results obtained in terms of *headroom*, sensitivity tables have been prepared:

- Sensitivity on the discount rate: variability of results as the g rate and WACC vary;
- Sensitivity on economic results: variability of results with changes in revenues (percentage of change in revenues to be applied each year with respect to plan revenues) and EBITDA margin (change in EBITDA margin to be applied each year compared to the EBITDA margin envisaged by the plan).

For each of the above variables the value of the shareholding was calculated, compared with the carrying amount to show how the headroom of the baseline case is reduced in the sensitivity analysis.

Amounts in € thousand	Recoverable value and carrying value (baseline) difference	Recoverable value and carrying value (post sensitivity) difference		
		Δ WACC	Δ Revenue CAGR	Δ EBITDA Margin TC
Assioma Investment	11,673	9,264	8,979	6,374
Mac Solutions Investment	6,244	4,858	4,576	4,109
HSPI Investment	17,481	13,761	13,879	12,088
WKS Investment	2,415	1,969	2,076	2,275
TXT RISK investment	1,164	796	868	662
Pace Investment	14,867	11,860	11,863	11,225
TeraTron Investment	3,326	1,554	1,195	9
Quence Investment	5,590	4,740	4,815	4,554
LBA Investment	2,348	1,516	1,486	1,581
ASSIOPAY Investment	202	(132)	n/a	n/a
CHELEO Investment	881	195	(46)	97
NOVIGO Investment	96	(894)	(1,102)	(709)
ReVersal Investment	6,946	5,914	6,160	5,801

In all scenarios the difference between the recoverable value and the net book value remains very positive.

8.4 Sundry receivables and other non-current assets

Sundry receivables and other non-current assets amounted to € 17,742,562 as at 31 December 2022, up from € 14,322,761 as at 31 December 2021. The increase refers mainly to the adjustment to Fair Value of the financial investment in the share capital of Banca del Fucino of € 2 million as at 31 December 2022. This item also includes the Fair Value of the MTM Interest Rate Swap of € 1.2 million.

8.5 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities as at 31 December 2022, compared to the figures as at the end of 2021, is shown below:

	Taxes tax assets	Taxes tax liabilities	Net balance
Balance as at 31 December 2020	383,899	532	383,367
Used in the period	(106,593)		(106,593)

Provisions in the period		283,782	(283,782)
Balance as at 31 December 2021	277,306	284,314	(7,008)

Deferred tax assets refer to the temporary differences (deductible in future years) for which recovery in the next few years is deemed to be reasonably certain.

The temporary differences of deferred tax assets and liabilities are shown by type in the tables below and compared with the previous year's figures:

	31-Dec-22		31-Dec-21	
Deferred tax assets	Temporary differences	Tax effect	Temporary differences	Tax effect
Prepaid taxes for recoverable losses	-	-	-	-
Provisions for future risks and charges	118,905	28,537	118,905	28,537
Provision for bad debts	258,748	62,100	258,748	62,100
Write-down on treasury shares	244,664	58,719	244,664	58,719
Fair Value MTM Interest Rate Swap	-	-	205,155	49,237
Costs deductible in future years	533,125	127,950	772,107	185,306
Other changes	-	-	-	-
Total	1,155,442	277,306	1,599,579	383,899

The total net changes of € 277,306 is the result of various movements in temporary differences.

For the quantification of the changes with an impact on the income statement, reference should be made to chapter 9.7 “Income taxes”.

8.6 Contractual assets

Final contractual assets as at 31 December 2022 amounted to € 15,225 and show an increase of € 5,976,441, compared to the end of the 2021. The difference is attributable to the portion transferred in contributing the Business Unit to the newly-established TXT e-tech S.r.l.

The table below provides the breakdown of inventories:

(Amount in €)	as at 31.12.2022	as at 31.12.2021	Change
Inventories of services for ongoing projects	15,225	5,976,441	(5,961,216)
Total	15,225	5,976,441	(5,961,216)

8.7 Trade receivables

Trade receivables as at 31 December 2022 amounted to € 4,611,540. The difference is attributable to the portion transferred in contributing the Business Unit to the newly-established TXT e-tech S.r.l.

(Amount in €)	31.12.2022	31.12.2021	Change
Receivables due from customers	54,100	16,262,802	(16,208,702)
Receivables to be collected	0	0	0
Receivables due from customers for invoices to be issued	0	379,730	(379,730)
Provision for bad debts	0	(258,748)	258,748
Receivables due from Subsidiaries	4,557,440	1,068,527	3,488,913
Receivables due from Subsidiaries for invoices to be issued	0	0	0
Receivables due from Associates	0	0	0
Other receivables	0	0	0
Total	4,611,540	17,452,311	(12,840,771)

Receivables due from intercompany customers, all fully collectible, regard fees for services provided to subsidiaries. They amount to € 4,557,440 and show an increase of € 3,488,913 over the previous year. For further information, see the paragraph Transactions with Related Parties. Payment terms are short-term, in line with standard market practices.

8.8 Sundry receivables and other current assets

The "Sundry receivables and other current assets" item includes receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses. The balance as at 31 December 2022 was € 2,829,499 compared to the balance of € 1,949,226 as at 31 December 2021.

The breakdown is shown below:

(Amount in €)	as at 31.12.2022	as at 31.12.2021	Change
Receivables for Research Grants	0	386,640	16,102
Tax receivables	1,904,005	732,099	1,171,906
Advances to suppliers and employees	147,055	129,022	29,926
Accrued income and prepaid expenses	653,872	700,800	(35,928)
Other receivables	124,567	665	123,902
Total	2,829,499	1,949,226	1,305,907

The item "Receivables for research grants" includes receivables for research financed by various institutes relating to contributions for research and development activities, subject to specific grant competitions; such grants will be disbursed upon completion of the development stages for the projects concerned. The balance is down from the previous year, as a result of the reduction in research activities carried out with grants. This item is zero as it was entirely transferred to TXT e-Tech S.r.l.

Tax receivables of € 1,904,005 (€ 732,099 as at 31 December 2021) represent the receivables due from taxation authorities as shown below in detail:

(Amount in €)	as at 31.12.2022	as at 31.12.2021	Change
Other tax receivables	259,260	0	259,260

Interest income withholding	0	0	0
Tax advances	1,630,852	724,124	906,728
Other withholding taxes paid	13,893	7,975	5,918
Total	1,904,005	732,099	1,171,906

The increase in the item tax credits, equal to € 1,171,906, is mainly due to higher advances paid during the year.

The "Advances to suppliers and employees" item mainly represents the company's receivable due from employees for the advance payment of foreign taxes due abroad, pending receipt of the tax credit due with the tax returns pursuant to double taxation agreements.

The "Accrued income and prepaid expenses" item, equal to € 664,872, represents adjustments to prepaid costs not pertaining to the year, whose invoices were received and accounted for as at 31 December 2022. The value is in line with 2021.

8.9 Other financial receivables

The item "Other financial receivables" amounted to € 765,045 as at 31 December 2022, compared to € 36,457 as at 31 December 2021.

The amount refers to the receivables for cash-pooling due from its parent companies. The cash pooling contract is designed to centralise and better manage the Group's treasury, and provides for a 12-month EURIBOR rate plus a spread of 1%.

8.10 Financial instruments at fair value

As at 31 December 2022, this item included "Financial instruments at fair value" of € 46,943,263. They consist of investments in multi-segment life insurance contracts with partially guaranteed capital for a fair value of € 41,074,106, a bond loan for € 504,798, and treasury management for € 5,364,359.

The fair value hierarchy for insurance instruments, hybrid or otherwise, was classified as level 3, whilst for the second and third category it was considered as qualifying at level 1.

The figure reported by the issuer was adopted as confirmation of the fair value, where possible (level 1 instruments) comparing this with the market values.

8.11 Cash and cash equivalents

Cash and cash equivalents amounted to € 6,310,577, down by € 22,582,654 compared to 31 December 2021. Reference should be made to the cash flow statement for details on the generation and changes in cash flow; the changes in the year with the main impact relate to the following:

- investment in financial instruments; Notes 8.9 and 8.10.
- payment of dividends; Note 8.12.
- transactions in treasury shares; Note 8.12
- acquisition of loans; Notes 8.13 and 8.16

Cash and cash equivalents all relate to ordinary current accounts with Italian banks.

Cash and cash equivalents are not subject to any constraints, and there are no monetary or other types of restrictions on their transferability.

8.12 Shareholders' equity

The Company's share capital as at 31 December 2022 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totalling € 6,503,125.

The reserves and retained earnings include the legal reserve (€ 1,300,625), which represents one-fifth of the share capital, the share premium reserve (€ 16,115,760), the merger surplus reserve (€ 1,911,444), "reserve for actuarial differences on post-employment benefits" (negative for € 890,274), Cash Flow Hedge reserve (negative for € 897,514 net of the related tax effect), and reserves for retained earnings (€ 69,151,993).

Description	Free	Required	Established by	TOTAL
		Law	Shareholders' Meeting	
Share premium reserve	16,115,760	-	-	16,115,760
Legal reserve	-	1,300,625	-	1,300,625
Merger surplus	-	-	1,911,444	1,911,444
Reserve for actuarial differences on post-employment benefits	-	-	(890,274)	(890,274)
IRS Fair Value	897,514	-	-	897,514
Stock option reserve	-	-	67,293	67,293
Reserve for retained earnings	-	-	69,151,993	69,151,993
Total	**17,013,275**	**1,300,625**	**70,240,456**	**88,554,356**

<u>Incentive plans</u>

The Shareholders' Meeting held on 18 April 2019 approved a stock option plan for the Group's executive directors and senior managers, involving up to 600,000 shares subject to the achievement of specific performance objectives, such as performance of revenues, profit or specific individual performance objectives.

On 27 May 2019, the Board of Directors, upon favourable opinion by the Remuneration Committee, assigned 135,000 options for the purchase of an equal number of shares of the company to 8 individuals, comprising executive directors, managers with strategic responsibilities and other directors and managers of the Group, for the period 2019-2021, at the exercise price of € 8.67.

In 2020, 27,000 options were cancelled following the exit of two Group executives.

In 2021, 54,000 options were cancelled following the exit of Group executives.

During 2022, 36,000 options were exercised by two Group executives.

S.G. PLAN					
Options		2019	2020	2021	2022
(i)	Outstanding at the start of the year/period	-	135,000	108,000	54,000
(ii)	granted during the year/period	135,000	-	-	-
(iii)	forfeited during the year/period	-	(27,000)	(54,000)	-
(iv)	exercised during the year/period	-	-	-	(36,000)
(v)	expired during the year/period				
(vi)	outstanding at the end of the year/period	135,000	108,000	54,000	18,000
(vii)	exercisable at the end of year/period	-	-	54,000	18,000

Treasury shares

On 11 November 2022, the TXT e-solutions share recorded a maximum official price of € 13.60 and a minimum price of € 7.74 on 7 March 2022. As at 30 December 2022, the share price was € 12.84, € 2.70 higher than the 31 December 2021 value of € 10.14. The average daily trading volume on the stock market in 2022 was 24,321 shares, down from the previous year's average of 31,763 shares.
As at 31 December 2022, 906,600 treasury shares were held (1,243,372 as at 31 December 2021), accounting for 6.97% of shares outstanding, at an average carrying amount of € 2.35 per share. In 2022, 547,880 shares were purchased at an average price of € 10.15.
On 30 March 2022, the following treasury shares were transferred:

- 90,329 at the agreed price of € 9.84 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 28 December 2021 for the acquisition of 100% of Quence S.r.l.;
- 4,000 shares were transferred at the agreed price of € 9.15 per share to fulfil the commitments undertaken by the TXT Group towards the shareholders of HSPI S.p.A for the repurchase of 13,200 shares without voting rights.

On 2 May 2022, the following treasury shares were transferred:

- 114,753 at the agreed price of € 9.15 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the acquisition of 100% of the company Novigo S.r.l.

On 30 May 2022, the following treasury shares were transferred:

- 117,925 at the agreed price of € 9.54 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the acquisition of 100% of Novigo S.r.l.;

On 19 July 2022, 18,000 shares of TXT e-solutions Spa were sold on the basis of the provisions of the company's stock option plan.

On 25 July 2022, 28,460 TXT e-solutions Spa shares were transferred to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 19 July 2022 for the purchase of 100% of the DM Management Consulting S.r.l.

On 8 August 2022, the following treasury shares were transferred:

- 193,480 shares at the agreed price of € 9.78 per share to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 29 November 2021 for the purchase of 100% of the LBA Consulting S.r.l.

On 3 October 2022, the following treasury shares were transferred:

- 135,406 shares at a price of € 11.08 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 3 October 2022 for the acquisition of 20% of the company Ennova Spa;

On 6 October 2022, the following treasury shares were transferred:

36,000 shares to implement the stock option plan for the managers of TXT e-solutions S.p.A.

On 18 November 2022, the following treasury shares were transferred:

- 144,876 at a price of € 11.09 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 3 October 2022 for the acquisition of 100% of the company Soluzioni Prodotti Sistemi S.r.l.

8.13 Non-current financial liabilities

"Non-current financial liabilities" amounted to € 57,398,008 (€ 41,511,324 as at 31 December 2021).

	as at 31.12.2022	as at 31.12.2021	Change
Earn-Out	4,948,321	2,166,441	2,781,880
Bank loans	50,968,282	37,172,859	13,795,423
Non-current monetary flow swaps	-	205,155	- 205,155
Payable due to suppliers for leases	1,481,405	1,966,869	- 485,464
Total	57,398,008	41,511,324	15,886,684

This item includes: a) the payable of € 804,380 for the earn-out to be paid to the shareholders of Novigo upon the fulfilment of the contractual conditions, € 281,242 for the earn-out relating to the acquisition of DM Consulting Srl, € 2,351,779 for the payable to the shareholders of SPS S.r.l. upon occurrence of certain contractual conditions (of which € 1,351,780 for the doubling of shares) and € 1,000,000 relating to the payable for earn-out for the acquisition of Ennova S.p.A. and the "Restricted Share Price" payable in connection with the purchase of the investment in HSPI S.p.A.; b) medium/long-term loans for the portion due beyond 12 months; c) the non-current portion of the financial debt for € 1,481,405 pursuant to IFRS 16.

The loans referred to in point a) consist of:

- A loan for € 20,000,000.00 at a 3-month EURIBOR floating rate (360) + 0.53% spread, granted to the parent company on 01.08.2018 by UNICREDIT S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.17% per annum. As at 31 December, the residual portion amounted to € 5,021,576 and the non-current portion amounts to € 1,005,470.

- A loan for € 10,000,000.00 at a 3-month EURIBOR floating rate (360) + 0.60% spread, granted to the parent company on 27.07.2018 by BANCA NAZIONALE DEL LAVORO S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.08% for a quarter. As at 31 December, the residual portion amounted to € 2,500,000 and the non-current portion amounted to € 500,000.

- A loan for € 10,000,000.00 at a fixed rate of 0.50%, granted to the parent company on 01.08.2018 by UNIONE DI BANCHE ITALIANE S.p.A. As at 30 June, the residual portion amounted to € 672,502, entirely current.

- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 0.65% spread granted to the parent company on 28.07.2021 by UNICREDIT S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0,65% per annum. As at 31 December, the residual portion amounted to € 10,000,000, the non-current portion was € 8,336,644.

- A loan for € 5,000,000 at a 3-month EURIBOR floating rate (360) + 0.80% spread granted to the parent company on 03.08.2021 by BANCA NAZIONALE DEL LAVORO S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.49% per annum. As at 31 December, the residual portion amounted to € 3,181,818 and the non-current portion amounted to € 1,363,636.

- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 0.85% spread granted to the parent company on 19.11.2021 by UNICREDI S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.85% per annum. As at 31 December, the residual portion amounted to € 8,888,889 and the non-current portion was € 6,666,666.

- A loan for € 10,000,000 at a fixed rate of 0.61% granted to the parent company on 28.12.2021 by BANCA POPOLARE DI MILANO S.P.A. As at 31 December, the residual portion amounted to € 8,571,429 and the non-current portion was € 5,714,285.

- A loan for € 5,000,000 at a fixed rate of 1.73% disbursed to the parent company on 12.05.2022 by BANCA POPOLARE DI MILANO S.P.A. As at 31 December, the residual portion amounted to € 4,146,341 and the non-current portion amounted to € 2,682,927.

- A loan for € 10,000,000 at a fixed rate of 1.8% granted to the parent company on 18.05.2022 by BPER. As at 31 December, the residual portion amounted to € 8,788,932 and the non-current portion was € 6,333,935.

- A loan for € 2,000,000 at a 6-month EURIBOR floating rate (360) + 0.99% spread granted to the parent company on 16.06.2022 by CREDEM. As at 31 December, the residual portion amounted to € 1,820,872 and the non-current portion was € 1,099,010.

- A loan for € 15,000,000 at a 3-month EURIBOR floating rate (360) + 1.6% spread granted to the parent company on 29.06.2022 by CREDIT AGRICOLE. As at 31 December, the residual portion amounted to € 13,540,314 and the non-current portion amounted to € 10,594,442.

- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 1.45% spread granted to the parent company on 09.11.2022 by UNICREDIT. As at 31 December, the residual portion amounted to € 10,000,000 and the non-current portion was € 8,888,888.

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

- 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 debt 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;
- negative pledge commitments pursuant to which the company may not create security interests or other restrictions on the corporate assets;
- "pari passu" clauses, on the basis of which the loans will have the same degree of priority in the repayment with respect to other financial liabilities and "change of control" clauses, which are activated in the event of disinvestments by the majority shareholder;
- limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
- some obligations toward the issuers, which may make the distribution of reserves or capital, inter alia, subject to prior notification to and consent by the lending party; certain extraordinary transactions; certain transactions for the transfer or assignment of its assets.

The measurement of financial covenants and other contractual obligations is constantly monitored by the Group; as at 31 December 2022 they were respected.

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	1,005,470	5,021,577	(4,016,107)
Maturity more than 5 years			-
Total	1,005,470	5,021,577	(4,016,107)

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	500,000	2,500,000	(2,000,000)
Maturity more than 5 years			-
Total	500,000	2,500,000	(2,000,000)

BPER loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	-	672,502	(672,502)
Maturity more than 5 years	-	-	-
Total	-	672,502	(672,502)

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	6,116,777	8,336,644	(2,219,867)
Maturity more than 5 years			-
Total	6,116,777	8,336,644	(2,219,867)

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	1,363,636	3,181,818	(1,818,182)
Maturity more than 5 years	-	-	-
Total	1,363,636	3,181,818	(1,818,182)

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	6,666,666	8,888,889	(2,222,223)
Maturity more than 5 years	-	-	-
Total	6,666,666	8,888,889	(2,222,223)

BANCA POPOLARE DI MILANO loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	5,714,285	8,571,429	(2,857,144)
Maturity more than 5 years	-	-	-
Total	5,714,285	8,571,429	(2,857,144)

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	2,682,927	-	2,682,927
Maturity more than 5 years	-	-	-
Total	2,682,927	-	2,682,927

BPER loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	6,333,935	-	6,333,935
Maturity more than 5 years	-	-	-
Total	6,333,935	-	6,333,935

CREDEM mortgage (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	1,099,010	-	1,099,010
Maturity more than 5 years	-	-	-
Total	1,099,010	-	1,099,010

CREDIT AGRICOLE loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	10,594,443	-	10,594,443
Maturity more than 5 years	-	-	-
Total	10,594,443	-	10,594,443

UNICREDIT S.P.A. loan (TXT)	31.12.2022	31.12.2021	Change
Maturity 1-5 years	8,888,888	-	8,888,888
Maturity more than 5 years	-	-	-
Total	8,888,888	-	8,888,888

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

	01-Jan-22	Cash flows	Reclassification Current - Non-Current	Change in fair value	Interest	New loans	31-Dec-22
Payable for Novigo Earn-Out	500,000		0			304,380	804,380
Debt for acquisitions						4,092,796	4,092,796
Payable for Assioma Put/Call	1,615,296		(1,615,296)		0		0
Debt Guaranteed Price	51,145			0			51,145
Obligations for financial leases and rental contracts with purchase option – NON-current portion	1,966,869		(1,478,187)			992,724	1,481,406
Interest-bearing loans and financing - NON-current portion	37,378,014		(16,758,319)	(205,155)		30,553,742	50,968,282
Total liabilities deriving from financial assets	41,511,324	0	(19,851,802)	(205,155)	0	35,943,642	57,398,009

8.14 Provision for post-employment benefits and other employee provisions

The "Provision for post-employment benefits and other employee provisions" item as at 31 December 2022 amounted to € 736,096, for both defined contribution plans and defined benefit plans. The portion referring to *discontinued operations* is equal to € 675,058.

Provision for post-employment benefits and other employee provisions	**31 December 2021**	**Provisions**	**Uses / Payments**	**Actuarial gains / losses and other**	**Financial income / charges**	**31 December 2022**
Post-employment benefits	810,255	1,401,066	(1,453,792)	(25,000)	3.568	736,096
Provision for severance for end of term of office	(0)					(0)
Total non-current provisions relating to employees	**810,254**	**1,401,066**	**(1,453,792)**	**(25,000)**	**3,568**	**736,096**
Of which discontinued operations						**675,058**
Total attributable to TXT						**61,038**

The breakdown of and changes in the total post-employment benefits for this item over the year are presented below:

Post-employment benefits for personnel of € 736,096 as at 31 December 2022 (€ 810,255 as at 31 December 2021), were measured as a defined benefit provision.

The portion allocated to the provision amounted to € 1,401,066.

Below is the reconciliation of the provision for post-employment benefits based on statutory regulations and IAS – IFRS carrying amount.

	2022	2021
Provision for post-employment benefits	**769,604**	**761,688**
Current cost	(60,642)	(27,342)
Financial charges	3,568	(188)
Actuarial differences	(25,000)	13,404
Actuarial differences following acquisitions		
Retained earnings	48,566	62,692
Total	**736,096**	**810,255**

To calculate the present value of post-employment benefits, the following assumptions regarding the future trends in the variables included in the algorithm have been used:

• The probability of death was estimated based on the census of the Italian population by age and gender taken in 2000 by ISTAT [Italy's National Institute for Statistics], reducing it by 25%.

• The probability of removal due to total and permanent disability of the employee, such as becoming disabled and leaving the company, was estimated based on disability tables currently used in the reinsurance sector, differentiated by age and gender.

• The retirement age of a generic worker was estimated assuming that the first retirement requirement for the purpose of obtaining the Mandatory General Insurance was satisfied and that the employees started paying into INPS [Italy's Social Security Institute] no later than 28 years of age. This measurement accounts for the changes to the retirement age introduced by the Monti reform in late 2011.

• As for the probability of termination of employment due to resignations and dismissals, as at the measurement date an annual 8% staff turnover rate was calculated.

• As for the probability of requests for advance payment of benefits in TXT, an annual 2.00% advance payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.

The estimated trend in salaries of an annual nominal all-inclusive 2.00% impacted the valuation of all companies except for TXT and Assoma.net.

The estimated inflation rate used for measurement purposes was 2.5% per year.

The discount rate used for the valuations of TXT was 3.7686% per year, i.e. the rate on Bonds issued by AA-rated European Companies as at 31 December 2022 with maturity of 10+ years. The average duration of the liability was calculated at 14,7 years.

The table below shows the potential impact on post-employment benefits of the increase/decrease of certain "key" variables used for the actuarial calculation, and the consequent absolute values of the liability in alternate scenarios compared to the base scenario (which resulted in a carrying amount of € 736,096):

Sensitivity analysis as at 31 December 2022	% Change in liabilities (DBO)

Type of change for the specific assumption	Decrease	Increase	Decrease	Increase
Decrease or increase of 50% in company staff turnover	-1.89%	1.17%	722,184	744,709
Decrease or increase of 50% in frequency of advance payments	-0.87%	0.74%	729,692	741,543
Decrease or increase of inflation by one percentage point	-0.76%	0.77%	730,502	741,764
Decrease or increase of discount rate by one percentage point	1.21%	-1.62%	745,003	724,172

8.15 Provisions for future risks and charges

"Provisions for future risks and charges" as at 31 December 2022 amounted to € 118,905 and mainly includes provisions for contingent liabilities of a contractual nature.

8.16 Current financial liabilities

Current financial liabilities amounted to € 55,912,559 (€ 51,181,447 as at 31 December 2021), an increase of € 4,731,112.

(Amount in €)	31/12/2022	31.12.2021	Change
Bank loans and overdraft facilities	39,403,288	34,609,713	4,793,575
Cash Pooling from subsidiaries	11,745,936	8,616,489	3,129,447
Advances for partners of funded projects	0	301,630	(301,630)
Others	29,607	33,964	(4,357)
Assioma Earn-Out	0	800,000	(800,000)
Debt for acquisitions	4,300,001	6,258,839	(1,958,838)
Payables due to suppliers for leases - IFRS 16	433,728	560,812	(127,084)
Total	55,912,559	51,181,447	4,731,112

The Bank loans and overdraft facilities item of € 34,403,288 includes:

- € 4,016,107 on the loan granted by UNICREDIT S.P.A.
- € 672,502 on the loan granted by UNIONE BANCHE ITALIANE S.P.A.
- € 2,000,000 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.
- € 2,219,866 on the loan granted by UNICREDIT S.P.A.
- € 1,818,182 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.
- € 2,222,222 on the loan granted by UNICREDIT S.P.A.
- € 1,463,414 on the loan granted by BANCO POPOLARE DI MILANO S.P.A.
- € 2,455,006 on the loan granted by BPER
- € 721,862 on the loan granted by CREDEM
- € 2,945,871 on the loan granted by CREDIT AGRICOLE
- € 1,111,111 on the loan granted by CREDIT AGRICOLE
- Short-term payables due to banks / hot money of € 14,900,000

The IFRS 16 Loans item includes the € 591,772 payable to the Lessors due to application of IFRS 16, relating to the amount due within 12 months.

The loans granted by subsidiaries to the Parent Company through cash-pooling contracts amount to € 11,745,936 (€ 8,616,489 as at 31 December 2020). Interest expense accrued on these loans was calculated by applying an interest rate equal to the 12-month Euribor + 1% spread.

The table below details the loans by counterparty, and compares the values with those of 31 December 2021:

(Amount in €)	31/12/2022	31.12.2021	Change
Pace GmbH	1,591,492	1,004,041	587,451
TXT e-solutions S.a.g.l. (CH)	1,349,898	1,050,000	299,898
TXT Next S.a.r.l.		150,000	(150,000)
TXT NEXT Ltd.	39,529	38,361	1,168
TXT Working Capital Solutions S.r.l.		257,808	(257,808)
Mac Solutions S.A.	1,699,990	1,099,990	600,000
Cheleo S.r.l.	3,625,539	4,104,068	(478,529)
Assioma.Net S.r.l.		438,483	(438,483)
Quence	900,000		900,000
Novigo	1,200,000		1,200,000
LBA	300,000		300,000
HSPI	400,000	-	400,000
AssioPay S.r.l.	639,487	473,737	165,750
Total	11,745,935	8,616,488	3,129,447

The changes are mainly due to the subsidiary Cheleo S.r.l.'s cash generation, net of the relevant net changes in working capital, which generated a cash surplus accredited on the Cash-pooling accounts.

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

	01-gen-22	FV change	Cash flows	Reclassification Current - Non-Current	Interest	New loans	31-Dec-22
Interest-bearing loans and financing – current	34,609,713		(12,607,102)	16,758,319	642,358		39,403,288
Assioma Earn-Out	800,000	(932,504)	(1,482,792)	1,615,296			0
Obligations for financial leases and rental contracts – current portion	560,814		(1,620,058)	1,478,187	14,787		433,730
Payables to EU partners	301,630					(301,630)	0
Cash Pooling	8,616,488					3,129,447	11,745,935
Debt for acquisitions	6,258,839					(1,958,839)	4,300,000
Other current liabilities	33,964					(4,357)	29,607
Total liabilities deriving from financial assets	51,181,447	(932,504)	(15,709,952)	19,851,802	657,145	864,621	55,912,559

8.17 Trade payables

Trade payables as at 31 December 2022 amounted to € 3,372,264 (€ 6,885,233 as at 31 December 2021). Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months. This item includes advance payments from customers.

8.18 Tax payables

As at 31 December 2022, the company had tax payables for € 1,238,488.

8.19 Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 3,225,169 as at 31 December 2022 compared to € 6,682,988 as at 31 December 2021 as shown in the table below:

(Amount in €)	as at 31.12.2022	as at 31.12.2021	Change
Payables due to social security institutions	1,229,942	1,112,644	117,299
Payables due to employees and external staff	753,395	4,049,641	(3,296,246)
Tax payables other than income taxes	547,978	545,324	2,654
Accrued expenses and deferred income	693,853	975,379	(281,526)
Total	3,225,169	6,682,988	(3,457,819)

The item payables due to employees and external staff includes:

- variable remuneration (bonuses) of € 0.3 million (€ 1.5 million as at 31 December 2021) that will be paid during 2023 based on the achievement of corporate and personal performance targets;
- provisions for deferred remuneration (predominantly the thirteenth month bonus, leave and holiday pay) for the difference.
- The reduction is generally due to the contribution linked to the transfer of personnel employed in the business unit involved in the transaction.

Tax payables other than income taxes mainly include payables for withholding taxes made on behalf of employees, external staff and freelance professionals in the amount of € 547,978 (€ 422,083 as at 31 December 2021).

The "Accrued expenses and deferred income" item mainly refers to the reversal of revenues pertaining to the following year invoiced in advance to customers and other costs pertaining to the current year for the remaining portion.

9 Income Statement

9.1 Total revenues and other income

Revenues and other income for 2021 totalled € 4,621,233, up compared to € 4,499,293 in 2021.

The figures shown are net of the transfer by TXT e-solutions S.p.A. of the business unit consisting of its two operating divisions (Aerospace & Defense and Industrial & Automotive) to the new company TXT E-tech S.r.l.

	31 December 2022	31 December 2021	Change
Revenues and other income	4,621,233	4,499,293	121,940
Total	4,621,233	4,499,293	121,940

For additional information on the analysis of revenues and other income, as well as the breakdown by line of revenue, see the Directors' report on operations.

9.2 Purchases of materials and external services

Purchases of materials and external services amounted to € 5,432,428, an increase over 2021, when they amounted to € 4,952,830.

The item is detailed below:

	31 December 2022	31 December 2021	Change
Consumables and resale items	86,469	(907)	87,376
Technical consulting	621,283	550,268	71,015
Travel expenses	1,249,380	1,106,571	142,809
Utilities	202,608	179,449	23,159
Media & marketing services	428,490	403,394	25,095
Intercompany charges	1,597,889	1,583,166	14,723
Canteen and ticket services	68,097	45,559	22,537
General, administrative and legal services	757,874	648,154	109,719
Directors' fees	420,338	372,292	48,046
Total	5,432,428	4,952,830	479,597

9.3 Personnel costs

Personnel costs for 2022 amounted to € 2,238,260 and increased compared to 2021 by € 1,072,483.

This increase is mainly attributable to the increase in the average number of staff over the course of the year and the recruitment of highly specialist personnel.

	31 December 2022	31 December 2021	Change
Wages and salaries	1,727,189	829,549	897,639
Social security costs	402,356	194,461	207,894
Provision for post-employment benefits and other pension funds	111,696	49,031	62,665
Other personnel costs	(2,980)	(559)	(2,421)
Total	2,238,260	1,072,483	1,165,777

The employees of TXT e-solutions, excluding directors and external consultants, numbered 579 as at 31 December 2022 (514 as at 31 December 2021).

The table below shows the breakdown of employees by level at the end of the year and the comparison with the previous year.

TXT ITALIA S.P.A.	Office workers	Managers	Executives	Total
31.12.2019	447	32	6	485
31.12.2020	389	23	8	420
31.12.2021	481	24	9	514
31/12/2022	543	26	10	579

9.4 Other operating costs

The item "other operating costs" amounted to € 48,559, an increase of € 34,926 compared to the 2021 financial year. This item includes costs relating to the occasional rental of vehicles for travel, costs for donations and deductible taxes.

9.5 Depreciation, amortisation and impairment

Depreciation and amortisation as at 31 December 2021 amounted to € 859,416 (€ 654,040 as at 31 December 2021).

These amounts have been calculated based on the useful life of the capitalised asset or cost and its use in production. In relation to the rates applied, reference should be made to the relevant paragraphs of these Notes.

Amortisation and depreciation	31.12.2022	31.12.2021
Intangible assets		
Software licences	17,573	15,609
Total intangible assets	17,573	15,609
Tangible assets - IFRS 16 leases		
Buildings	490,116	363,952
Vehicles	65,164	69,620
Electronic machinery	-	10,149
Total tangible assets - IFRS 16 leases	555,280	443,721
Other tangible assets		
Electronic machinery	196,935	168.942
Furniture and fixtures	43,674	8,366
Other fixed assets	45,954	17,402
Total other tangible assets	286,563	194,710
TOTAL AMORTISATION AND DEPRECIATION	859,416	654,040

9.6 Financial income and charges

The balance between financial income and charges as at 31 December 2022 is positive for € 4,059,587.

Financial income includes the positive effect deriving from the revision of the fair value of the variable component of the debt linked to the acquisition of Assioma. Net S.r.l. (€ 932 thousand) paid during the year. The item Financial Income also includes € 2,241 thousand linked to the Revaluation of the Financial Investment in Banca del Fucino.

The positive effect is offset by the changes in fair value of investments for a total of € 950 thousand, mainly due to the positive changes in Fair Value on the investments described in Note 8.10 and the gain on the change in the debt related to the shares of HSPI, recorded last year.

Financial income is detailed as follows:

(Amount in €)	31.12.2022	31.12.2021	Change
Bank interest income	939	21	918
Exchange rate gains	1,225,254	1,786	1,223,468
Interest income on intercompany loans	34	13,700	(13,666)
Change in fair value of financial instruments	(256,240)	812,176	(1,068,416)
Change in HSPI debt	3,468,561	445,194	3,023,367
Other financial income	2,476,940	6	2,476,935
Total	6,915,489	1,272,882	5,642,606

Financial charges are detailed as follows:

(Amount in €)	31.12.2022	31.12.2021	Change
Change in fair value of financial instruments	-	-	-
Bank expenses	103,586	113,144	(9,558)
Bank interest expense	666,290	162,011	504,279
Loss on financial instruments	650,598	702	649,896
Exchange rate losses	1,325,326	44,177	1,281,149
IFRS 16 interest expense	12,872	10,125	2,747
Interest expense on intercompany loans	48,175	67,251	(19,076)
Interest expense for post-employment benefit discounting	3,568	(188)	3,755
Other	45,486	25,399	20,087
Losses on forward sales	0	0	0
Differences on hedging IRS (Interest Rate Swap)	0	0	0
Total	2,855,901	422,622	2,433,279

9.7 Income taxes

Income taxes had a negative effect on the result for € 1,477,580. Taxes were allocated to TXT e-tech S.r.l. upon transfer of the Business Unit.

The total is shown below:

	31.12.2022	31.12.2021	Change
Current taxes	1,417,319	1,905,763	(488,444)
Deferred tax assets	57,356	(97,787)	155,143
Deferred tax liabilities	356	433	(77)
Deferred taxes of previous years	2,549	0	2,549
Total	1,477,580	1,808,409	(330,829)

Starting from this year, the company is participating with the subsidiaries TXT Risk Solutions S.r.l. and TXT Working Capital Solutions S.r.l. in the Tax Consolidation.

The "current taxes" item refers to IRES (company earnings' tax) and IRAP (regional business tax).

10 Transactions with related parties

Transactions with related parties essentially refer to the exchange of services, as well as funding and lending activities with the subsidiaries. All transactions fall within the course of ordinary activities and are conducted at arm's length, i.e. under the conditions that would apply between two independent parties, and are carried out in the interest of the companies. Amounts of transactions with related parties carried out for trading or financial purposes are indicated below.

Trade transactions

As at 31 December 2022	Receivables	Payables	Costs	Revenues
Pace GmbH		3,007	339,173	1,475,719
TXT e-solutions S.a.g.l. (CH)	365,298	37,033	4,597	225,456
TXT NEXT S.a.r.l.	525	1,728		
TXT NEXT Ltd.		183,026	341,880	
Cheleo S.r.l.	30,029	4,614		139,444
Txt Risk Solutions S.r.l.	471,879	329,424	161,856	111,604
TXT Working Capital Solutions S.A.	49,222	153,397		36,375
AssioPay	14,361	751		102,158
Assioma.Net S.r.l.	1,825,856	83,693	262,328	1,338,663
Innovative Complex Consortium				
Mac Solutions S.A.	46,313	11,391		230,912
HSPI S.p.A.	1,638,550	630,655	480,059	869,820
Quence S.r.l.	79,143	13,064	11,455	94,099
Novigo	17,200	3,782		215
LBA	10,800	2,307		
TeraTron				
PGMD				
TLOGOS				
SPS				
ENNOVA				
DM Consulting	10,288	1,297		
ReVersal	644			644
Ennova				

TXT E-Tech	1,776			
Paradis Srl			15,789	
Directors and key management personnel		100,000	647,995	
Total as at 31.12.2022	**4,561,882**	**1,559,169**	**2,265,132**	**4,621,233**

As at 31 December 2021	Receivables	Payables	Costs	Revenues
Pace GmbH	154,395	20,802	273,103	1,375,423
TXT e-solutions S.a.g.l. (CH)	136,692	28,718	72,415	265,111
TXT NEXT S.a.r.l.	525	1,356		430
TXT NEXT Ltd.		43,578	263,855	
Cheleo S.r.l.	(2,942)	10,479		145,629
Txt Risk Solutions S.r.l.	301,741	131,594	13,625	201,477
TXT Working Capital Solutions S.A.	448	153,519	621	15,025
AssioPay	1,470	450		160,164
Assioma.Net S.r.l.	27,324	1,805	784,164	1,774,688
Innovative Complex Consortium		(9,900)	180,000	
Mac Solutions S.A.	21,046	5,788		215,281
HSPI S.p.A.	427,828	47,166	185,238	453,862
Directors and key management personnel		228,546	581,563	
Total as at 31.12.2021	1,068,527	663,902	2,354,584	4,607,091

Financial transactions

As at 31 December 2022	Receivables	Payables	Charges	Income
Pace GmbH		1,591,492	11,255	
TXT Working Capital S.r.l.	184,871		256	230
Mac Solutions S.A.		1,699,990	3,439	
TXT e-solutions S.a.g.l. (CH)		1,349,898	3,719	
TXT NEXT S.a.r.l.			373	
TXT NEXT Ltd.	52,199	39,529	444	
Cheleo S.r.l.		3,625,539	19,185	
TXT RISK	116,457			401
AssioPay S.r.l.		639,487	2,422	
HSPI		400,000	107	2,252
Assioma.Net S.r.l.	311,518			1,359
Quence S.r.l.		900,000	885	
Novigo		1,200,000	3,782	
LBA		300,000	2,307	
TeraTron				
PGMD				
TLOGOS				
SPS				
ENNOVA				
DM Consulting				
ReVersal				
Ennova S.p.A.				
TXT E-Tech	100,000			11
Laserfin S.r.l.		1,748,057		
Total as at 31.12.2022	**765,045**	**13,493,992**	**48,175**	**4,253**

As at 31 December 2021	Receivables	Payables	Charges	Income
Pace GmbH		1,004,041	12,814	
TXT Working Capital S.r.l.		257,808	1,527	

Mac Solutions S.A.		1,099,990	3,875	
TXT e-solutions S.a.g.l. (CH)		1,050,000	3,020	
TXT NEXT S.a.r.l.		150,000	747	
TXT NEXT Ltd.		38,361	445	
Cheleo S.r.l.		4,104,068	24,924	
TXT RISK	36,457		434	
AssioPay S.r.l.		473,737	1,322	
HSPI			1,333	
Assioma.Net S.r.l.		438,483	16,810	
Laserfin S.r.l.		2,116,021		
Total as at 31.12.2021	36,457	10,732,510	67,251	0

Impact of positions or transactions with related parties on the balance sheet, income statement and cash flows

	Total	Related parties	Impact
Trade receivables	4,611,540.00	4,561,881.84	99%
Other financial receivables	765,045.00	765,045.25	100%
Current financial liabilities	55,912,559.00	12,116,218.00	22%
Trade payables	3,372,264.00	1,459,168.52	43%
Sundry payables and other current liabilities	3,225,169.00	99,999.78	3%
Total Revenues	4,621,233.00	4,621,233.00	100%
Purchases of materials and external services	5,432,428.00	1,617,136.00	30%
Personnel costs	2,238,260.00	647,995.00	29%
Financial income and Financial charges	4,059,587.00	43,922.23	1%

	Total	Related parties	Impact
Net cash from operating activities	2,778,577	6,748,599	243%
Net cash used in investing activities	(39,451,211)	0	0%
Net cash used in financing activities	20,400,555	3,490,070	17%

Transactions with directors and key management personnel refer to the fixed and variable components of their remuneration (composed of salaries as Company's managers and compensation for offices held). The Remuneration Report details the amounts paid to each beneficiary and the underlying policy.

11 Net Financial Debt

The European Securities and Markets Authority (ESMA) published on 4 March 2021 the Guidelines on disclosure requirements pursuant to EU Regulation 2017/1129 ("Prospectus Regulation").

With the "Recall of attention No. 5/21" of 29 April 2021, CONSOB declared its intention to bring its supervisory practices in relation to the net financial position into line with the aforementioned ESMA guidelines. In particular, CONSOB has declared that the prospectuses approved by it, starting from 5 May 2021, must comply with the aforementioned ESMA Guidelines.

Therefore, based on the new forecasts, listed issuers will have to submit, in the explanatory notes to the annual and half-yearly financial statements, published starting from 5 May 2021, a new prospectus on the subject of debt to be drawn up according to the indications contained in paragraphs 175 and following of the aforementioned ESMA Guidelines.

In this regard, the ESMA Guidelines provide for the following main changes to the debt prospectus:

- we no longer speak of “Net financial position”, but of “Total financial debt”;
- in the context of non-current financial debt, trade payables and other non-current payables must also be included, i.e. payables that are not remunerated, but which have a significant implicit or explicit financing component (for example, payables to suppliers due after 12 months);
- in the context of current financial debt, the current portion of non-current financial debt must be indicated separately.
- “financial debt” includes remunerated debt (i.e., interest-bearing debt) which includes, among other things, financial liabilities relating to short- and/or long-term lease contracts. Information on lease payables must be provided separately.

The application of the ESMA Guidelines and the adoption of the new definition of "Total financial debt" resulted in an increase in financial debt of € 36,594,680 as at 31 December 2022.

Net financial debt (availability)

Below is a summary of the main phenomena that had an impact on net financial debt, which as at 31 December 2022 was € 58,110,743, compared to € (22,281,108) as at 31 December 2021.

(€ thousand)	31.12.2022	31.12.2021	Change
Cash and cash equivalents	(6,310,577)	(22,582,654)	16,272,077
Current financial assets	- 765,045		
Financial instruments at fair value	(46,943,263)	(47,792,552)	849,289
Liquid assets	(54,018,885)	(70,375,206)	17,121,366
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	31,409,271	36,435,276	(5,026,005)
Current portion of non-current financial debt	24,503,288	14,709,713	9,793,575
Current financial debt	55,912,559	51,144,990	4,767,570
Current net financial debt	1,893,674	(19,230,216)	21,888,935
Non-current financial debt (excluding current portion and debt instruments)	57,398,008	41,511,324	15,886,684

Other financial receivables	(1,180,940)	0	(1,180,940)
Trade payables and other non-current payables		0	0
Non-current financial debt	56,217,068	41,511,324	14,705,744
Total financial debt	58,110,743	22,281,108	36,594,680

Below is the breakdown of the debt referred to the application of IFRS 16:

(€ thousand)	31.12.2021	31.12.2020	Change
Debt referred to IFRS 16	(2,527,681)	(1,591,568)	(936,113)

For further details, reference should be made to the Directors' report on operations.

12 Disclosure of public funds

Please refer to Note 14 of the Consolidated Financial Statements.

13 Subsequent events

Please refer to the paragraph "*Significant events after the reporting period and outlook*" included in the Directors' Report on Operations.

14 Extraordinary Transactions

As mentioned in the introduction, the activities related to the transfer of the business unit to the new company wholly owned by TXT e-solutions S.p.A. were identified as discontinued operations.
On 15 December 2022, TXT e-solutions S.p.A. finalised the transfer of its business unit consisting of its two operating divisions (Aerospace & Defense and Industrial & Automotive) to the new company TXT E-tech S.r.l., a vertical excellence focused on digital innovation in the industrial sector. With the transfer, TXT e-solutions S.p.A. will concentrate on the role of holding company and on the provision of general services offered to the TXT Group companies, promoting their operational efficiency. In addition, this transaction will make it possible to simplify the organisational and managerial structure in line with the Group's growth objectives.
The transfer will be effective from 1 January 2023.
For further details on the transfer, reference should be made to the Directors' Report.

A breakdown of "Assets and Liabilities" held for sale is provided below:

BALANCE SHEET: ASSETS	**BALANCE SHEET ASSETS**		
Amounts in Euro	Amounts in Euro	**Notes**	**31/12/2022**
NON-CURRENT ASSETS	**NON-CURRENT ASSETS**		
- Goodwill	- Goodwill		
- Intangible assets with a finite useful life	Intangible assets with a finite useful life		6,245

Intangible assets	**Intangible Assets**		**6,245**
- Electronic office machinery	- Electronic equipment		491,057
- Vehicles	- Cars		396,245
Tangible assets	**Tangible Assets**		**887,302**
- Equity investments	- Investments		0
- Sundry receivables and other non-current assets	- Sundry receivables and other non-current assets		0
- Deferred tax assets	Assets for anticipated taxation		0
Other non-current assets	**Other non-current assets**		**0**
TOTAL NON-CURRENT ASSETS	**TOTAL NON-RECURRENT ASSETS**	**(A)**	**893,547**
CURRENT ASSETS	**CURRENT ASSETS:**		
Inventories	Inventories		5,864,041
Trade receivables	Trade receivables		19,385,177
Sundry receivables and other current assets	Other current assets		425,635
Other financial receivables	Other Financial receivables		
Cash and cash equivalents	Cash and other liquid equivalents		
TOTAL CURRENT ASSETS	**TOTAL CURRENT ASSETS**	**(B)**	**25,674,852**
TOTAL ASSETS	**TOTAL ASSETS**	**(A + B)**	**26,568,399**
BALANCE SHEET: LIABILITIES AND SHAREHOLDERS' EQUITY	**BALANCE SHEET: LIABILITIES**		
Amounts in Euro	Amounts in Euro	**Notes**	**31/12/2022**
SHAREHOLDERS' EQUITY	**SHAREHOLDERS' EQUITY**		
Share capital	Share capital		0
Reserves	Reserves		0
Retained earnings (accumulated losses)	Retained earnings (accumulated losses)		0
Profit (loss) for the year	Profit (loss) for the year		0
TOTAL SHAREHOLDERS' EQUITY	**TOTAL SHAREHOLDERS' EQUITY**	**(A)**	**0**
NON-CURRENT LIABILITIES	**NON-CURRENT LIABILITIES**		
Non-current financial liabilities	Non-current financial liabilities		239,311
Provision for post-employment benefits and other employee provisions	Severance and other allocations for HR		675,058
Deferred tax provision	Deferred tax fund		0
Sundry payables and other non-current liabilities	Other non-current liabilities		0
TOTAL NON-CURRENT LIABILITIES	**TOTAL NON-CURRENT LIABILITIES**	**(B)**	**914,369**
CURRENT LIABILITIES	**CURRENT LIABILITIES**		
Current financial liabilities	Current financial liabilities		159,867
Trade payables	Trade payables		7,799,053
Tax payables	Tax payables		0
Sundry payables and other current liabilities	Other current liabilities		3,612,029
TOTAL CURRENT LIABILITIES	**TOTAL CURRENT LIABILITIES**	**(C)**	**11,570,949**
TOTAL LIABILITIES	**TOTAL LIABILITIES**	**(E = B + C)**	**12,485,318**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**TOTAL EQUITY AND LIABILITIES**	**(A + E)**	**12,485,318**
NET TRANSFER	**NET BALANCE**		**14,083,081**

	Notes	31.12.2022	Of which with related parties	31.12.2021	Of which with related parties
Revenues and other income		4,621,233	4,621,233	4,640,643	4,607,091

TOTAL REVENUES AND OTHER INCOME	9.1	4,621,233	4,621,233	4,640,643	4,607,091
Purchases of materials and external services	9.2	(5,432,428)	(1,617,136)	(4,952,830)	(1,583,165)
Personnel costs	9.3	(2,238,260)	(647,995)	(1,072,483)	(581,563)
Other operating costs	9.4	(48,559)		(34,926)	
Depreciation and amortisation/Impairment	9.5	(889,418)		(654,043)	
OPERATING RESULT		(3,987,432)	2,359,979	(2,073,638)	2,252,506
Financial income (charges)	9.6	4,059,587	(43,922)	850,260	(67,251)
EARNINGS BEFORE TAXES (EBT)		72,155	2,316,057	(1,223,378)	2,185,255
Income taxes	9.7	-		-	
NET PROFIT (LOSS) FOR THE PERIOD		72,155	2,316,057	(1,223,378)	2,185,255
Net profit from discontinued operations	14	6,888,661		6,303,709	
NET PROFIT (LOSS) FOR THE PERIOD		6,960,817		5,080,331	

15 Proposal for allocation of profit or coverage of losses

Based on the results achieved and in view of the company liquidity that is sufficient to finance, together with treasury shares and medium/long-term loans, the ambitious growth plans of the Group, the Board decided to propose to the Shareholders' Meeting to distribute a dividend of € 0.18 per share (nil in 2021) for each of the outstanding shares, excluding treasury shares and with payment starting from 24 May 2023, record date 23 May 2023 and ex-dividend date 22 May 2023. Total dividends will therefore be approximately € 2.1 million, distributed to the 12.0 million shares outstanding (shares issued net of shares owned by the company).

16 Certification of the financial statements

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

The undersigned Enrico Magni, as Chair 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 Art. 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 financial statements as at 31 December 2022.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2022 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission which represents a reference framework that is generally accepted at international level.

We also certify that the financial statements as at 31 December 2022:

- correspond to the accounting books and records;
- are 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, equity and economic position of the issuer.

Manager responsible for preparing corporate accounting documents

Eugenio Forcinito

Chair of the Board of Directors

Enrico Magni

Milan, 9 March 2023