TXT E-SOLUTIONS GROUP

ANNUAL REPORT

As at 31 December 2021

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 number:
09768170152

Corporate Units

BOARD OF DIRECTORS:

In office until approval of the financial statements as at 31 December 2022:

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 at 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

CHAIR

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

GROUP CEO

+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

GROUP CFO

+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.

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Organisational structure and scope of consolidation

TXT e-solutions Group – Key data

Income data (€ thousand)	2021	%	2020	%	VAR %
REVENUES	96,363	100.0	68,753	100.0	40.2
EBITDA	14,516	15.1	8,560	12.5	69.6
Net Profit	7,839	8.1	4,715	6.9	66.3
Net Profit attributable to minority interests	34		(241)		
Net Profit	7,873	8.2	4,474	6.5	76.0

Financial data (€ thousand)	31.12.2021	31.12.2020	Var
Fixed assets	81,281	47,412	33,869
Net working capital	24,177	19,148	5,029
Severance & other non-current liabilities	(3,297)	(2,757)	(540)
Capital employed	102,161	63,803	38,358
Net Financial Position - Cash	9,094	(22,060)	31,154
Shareholder's equity	92,655	85,454	7,201
Shareholders' Equity attributable to minority interests	412	409	3

Data per share (in €)	31.12.2021	31.12.2020	Var
Number of shares outstanding *	11,724,059	11,684,590	39,469
Operating profit per share *	0.67	0.38	0.29
Shareholder's equity per share *	7.90	7.31	0.59

Additional information	31.12.2021	31.12.2020	Var
Number of employees	1,210	996	214
TXT share price *	10.14	7.88	2.26

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 write-downs 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 2021

The year 2021 was marked by three important development paths:

- research and completion of several acquisitions. During the year, more than 5 opportunities were assessed, due diligence was carried out on various companies and 5 acquisitions were completed.
  - On 27 May 2021, TXT e-solutions S.p.A. has formalised its entry, through a capital increase with which it became a 51% shareholder, into a FinTech start-up (business name **Reversal S.p.A.**), which will deal with financial products for asset management. The acquisition of the 51% shareholding was carried out through the subscription by TXT e-Solutions of a capital increase of € 0.51 million, including a share premium of € 0.49 million, paid in using cash on hand. TXT undertook to guarantee additional capital for the growth of ReVersal through interest-bearing loans, to be paid in several tranches and on specific requests, for a total maximum amount paid of € 0.8 million (interest equal to Euribor + 1 point).
  - On 29 July 2021, TXT e-solutions S.p.A. executed the final agreement for the acquisition of 100% of the German company **TeraTron GmbH**. TeraTron is a German company that has been on the market for over 20 years, a leader in offering innovative IoT solutions for digitalisation, automation, and security, mainly in the Automotive, Industrial (Industry 4.0) and Healthcare markets, and a growing presence in other sectors with strong innovative and technological content. TeraTron's customer portfolio is international and has long-standing relationships with numerous companies including Audi, BMW, HILTI, John Deere, Porsche, Volkswagen, and Volvo. TeraTron differs from the competition thanks to its specialised end-to-end offer that covers all phases of the sales process, from the identification of customer needs, to design, production, maintenance, and after-sales support. Through approximately 45 specialised resources and a prestigious owned headquarters built in 2018, TeraTron is recognised by its customers as a one-stop shop provider of IoT solutions and for the design of new concepts based on technologies such as RFID, transponder technology, NFC, Bluetooth, WLAN, encoding/cryptology technologies, vehicle interfaces (CAN/LIN), IOS/Android App. The acquisition of TeraTron was unanimously approved by TXT's Board of Directors; the consideration ("Price") for the purchase of 100% of TeraTron was agreed by the parties for a total amount of € 10.1 million paid in cash at the closing.
  - On 29 November 2021, final contracts were signed for the acquisition of 100% of the capital of **Novigo Consulting S.r.l.** and for the acquisition of 100% of the capital of **LBA Consulting S.r.l.** The new Novigo and LBA acquisitions strengthen TXT's offering in sectors already covered, such as the digital consumer credit management and corporate financial products segments where the subsidiary Cheleo operates, and the digital payments and e-commerce segment where the subsidiary Assiopay operates, adding new proprietary products (an e-commerce platform and a digital cash register) and important technological and process expertise, broadening the customer base and the portfolio of fintech solutions that will benefit from important synergies.

    LBA was established in 2007 by the two sales partners and current managers and today has 20 in-house specialised resources, over 30 active international clients and 2021 revenues (pro-forma) of approximately € 2.5 million with an EBITDA margin of 30%; LBA historically boasts advanced ERP and CRM skills that have evolved into the offer of consultancy services and the development of high added value custom applications and, since 2018, the development and marketing of proprietary solutions in the field of digital payments and e-commerce. The consideration for the acquisition of 100% of LBA has been agreed between the parties as € 2.73 million paid in cash at closing plus price adjustment to be paid in ordinary TXT treasury shares within 30 days of the approval of LBA's 2021 financial statements based on the actual EBITDA reported by LBA in the current year. The Net Financial Position of LBA as at 31 December 2021 will be settled in shares as part of the planned adjustment within 30 days from the closing date. The contract for the acquisition of LBA shares provides for retention and claw-back clauses for the two selling shareholders and managers expiring between the date of approval of the LBA financial statements, which will close on 31 December 2024, and the date of approval of the LBA financial statements, which will close on 31 December 2026; the maximum value of the claw-back provided for by the agreement, if due by the LBA selling shareholders to TXT, is equal to the value of the price adjustment paid by TXT to the LBA selling shareholders on the closing date.

Novigo was established in 2013 as a spin-off of the IT department of a leading European banking institution and today has 25 in-house specialised resources, over 40 active customers and 2021 revenues of approximately € 3 million with an EBITDA margin of 23%; Novigo has strong technological and process expertise offered within two main business lines, the first linked to the development of software and applications for the digital management market of credit mediation and sales networks for financial agents and the second to the implementation and management of IT Cloud infrastructures for the financial market, with high standards of security and automation. The consideration for the purchase of 100% of Novigo was agreed between the parties in € 3.5 million paid at closing, of which € 2.45 million (70%) paid in cash and € 1.05 million (30%) through the payment of ordinary TXT treasury shares; the Novigo Enterprise Value will be adjusted within thirty days from the date of approval of the 2021 financial statements on the basis of the actual EBITDA reported by the company in the current year. The Net Financial Position of Novigo as at 31 December 2021 for € 0.6 million will be settled in cash within thirty days from the date of approval of the 2021 financial statements. The contract for the acquisition of Novigo shares provides for retention and earn-out clauses for the three selling shareholders and managers of Novigo with expiry on the approval of the financial statements which will close on 31 December 2024; the maximum value of the earn-out provided for by the contract, if due by TXT to the selling shareholders of Novigo, will be equal to € 0.8 million to be settled through the payment of ordinary TXT treasury shares.

- On 28 December 2021, the final contract for the acquisition of 100% of the company **Quence S.r.l.** was executed. With the acquisition of Quence, TXT complements its offering in the SW Quality Assurance segment by strengthening its leadership position in the domestic market. In line with the recent Novigo and LBA extraordinary transactions, the Quence extraordinary transaction has the strategic objective of strengthening TXT's fintech offering and acquiring market shares in sectors already covered; in the case of the newly acquired Quence, the software engineering segment is strengthened with specialised services of SW Application Lifecycle Management (ALM), SW Quality Assurance & Testing and Data Intelligence, provided to a prestigious client portfolio operating in the financial, banking and insurance sector. Quence boasts strong multi-year partnerships with leading software vendors; Quence's business model is to provide customers with specialised expertise offered through bundled services and risk sharing or through consultancy alongside sale and integration of financial software. The consideration for the purchase of 100% of Quence was agreed between the parties at € 2.0 million paid at closing, of which € 1.4 million (70%) was paid in cash and € 0.6 million (30%) was paid in ordinary TXT treasury shares sold at the market price at the close of the trading day prior to the date of closing. Quence's Net Financial Position resulting as at 31 December 2021 will be settled partially in cash and partially in ordinary TXT shares in the same proportions as applied to the Enterprise Value payment.

On 11 January 2021, the TXT Group purchased from Andrea Serra its shareholding in AssioPay S.r.l., representing 49% of its share capital, for a consideration of € 1.6 million. The Price for purchase of the shareholding was agreed by the parties as follows:
An amount of € 1.6 million ("Price") of which:
• € 0.8 million in cash ("Cash Price");
• € 0.8 million through the payment of ordinary TXT treasury shares ("Share Price");
• an amount - which may be negative (and therefore due from the seller to the buyer) or positive (and therefore due from the buyer to the seller) - equal to the NFP Closing (defined as the value of AssioPay NFP recorded on the last day immediately prior to the closing date).

On 28 January 2021, as part of its policy to optimize the asset allocation of available liquidity, it made a financial investment of approximately € 14.3 million in the share capital of Banca del Fucino S.p.A. ("Bank"), against the issue of new shares equal to approximately 9% of the share capital (post-money). The share capital increase reserved for TXT took place on the basis of a delegation granted to the Bank's Board of Directors, which has accepted TXT's investment proposal. Banca del Fucino is the parent company of the Igea Banca Banking Group and fully controls Igea Digital Bank S.p.A., a digital bank with excellent growth prospects in the current market context. The capital strengthening of the Bank, which in the last period recorded a total of more than € 45 million in capital increase paid in cash, is aimed at implementing the 2020-2023 business plan, focused on the business model of a specialty bank with a strong Fintech vocation.

- **Growth strategies in the COVID-19 period**: The COVID-19 emergency had an impact on the Group's business activities, within a global context that is now recovering. The TXT Group, like the entire market, has found itself having to react so as to mitigate the impacts and rethink the ambitious and challenging growth targets set for the year. The resilience of our model, based on a solid outlook for orders and on the ability to react to the new scenario, 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 and to grow in sectors less affected by the pandemic.

The main operating and consolidated financial results for 2021 were as follows:

€ thousand	2021	%	2020	%	Var %
REVENUES	96,363	100	68,753	100	40.2
Direct costs	57,013	59.2	39,470	57.4	44.4
GROSS MARGIN	39,350	40.8	29,283	42.6	34.4
Research and Development costs	6,890	7.2	6,684	9.7	3.1
Commercial costs	9,751	10.1	7,636	11.1	27.7
General and Administrative costs	8,193	8.5	6,403	9.3	28.0
EBITDA	14,516	15.1	8,560	12.5	69.6
Depreciation	2,436	2.5	2,016	2.9	20.8
Amortization	2,122	2.2	2,802	4.1	(24.3)
Riorganization and Non Recurrent Costs	(356)	(0.4)	(592)	(0.9)	(39.9)
OPERATING PROFIT (EBIT)	9,602	10.0	3,150	4.6	204.8
Financial income (charges)	706	0.7	570	0.8	23.9
Non-recurrent financial income (charges)	0	0.0	2,157	3.1	(100.0)
EARNINGS BEFORE TAXES (EBT)	10,308	10.7	5,877	8.5	75.4
Taxes	(2,469)	(2.6)	(1,162)	(1.7)	112.5
NET PROFIT	7,839	8.1	4,715	6.9	66.3

- Revenues amounted to € 96.4 million, up 40.2% from € 68.8 million in 2020. Within the same consolidation scope, revenues increased by 13.3%, with the acquisitions contributing € 18.3 million. Software revenues in 2021 were € 8.4 million, decreasing by -2.31% compared to 2020. Revenues from services amounted to € 87.9 million, up 46.2% compared to 2020 (€ 60.1 million).

  International revenues represent 29.8% of revenues (€ 28.7 million as at 31.12.2021).

  The Aerospace, Aviation and Automotive Division had revenues for € 54.0 million, up +32.1% compared to 2020 (€ 40.8 million).

  The Fintech Division had revenues for € 42.4 million, an increase of +51.9% compared to 2020.

- EBITDA was € 14.5 million, an increase of +69.6% compared to 2020 (€ 8.6 million), after investments in research and development (+3.1%). General and administrative costs, as a percentage of revenues, have decreased from 9.3% in 2020 to 8.5% in 2021, despite the costs related to acquisitions and mainly due to cost containment and optimisation over a broader scope of business after acquisitions. The margin on revenues went from 12.5% in 2020 to 15.1% in 2021.

- Financial income and charges the net balance was € 0.7 million compared to € 2.7 million in the previous year. Financial income attributable to the management of financial investments amounted to € 0.8 million, an increase compared to € 0.6 million in 2020 mainly due to the effect of the greater volatility of the financial markets in the current year. The prudent and diversified management with investments mainly in multi-segment insurance has made it possible to contain the losses generated by the volatility of the financial markets linked to the COVID-19 pandemic.

- Net profit was € 7.8 million (€ 4.7 million in 2020), net of tax charges of € 2.5 million, up on 2020 due to the operating result.

- The consolidated Net Financial Debt as at 31 December 2021 was positive for € 9.1 million, compared to negative for € 22.1 million as at 31 December 2020 (liquidity), an increase of € 31.2 million, mainly due to the effect of acquisitions net of the NFP acquired (€ 11.6 million), the acquisition of a stake in Banca del Fucino for € 14.3 million and the net balance between the purchase and sale of treasury shares (€ 1.2 million), and other positive changes in net working capital.

- Consolidated shareholders' equity as at 31 December 2021 was € 93.1 million, an increase of € 7.2 million compared to 31 December 2020 (€ 85.9 million) mainly due to the net effect of the trading of treasury shares (€ 1.2 million), a decrease due to the purchase of minority shares in Assiopay S.r.l. and Reversal S.p.A. (€ 1.5 million), the distribution of dividends (€ 0.5 million) and of the net profit for the year of € 7.9 million.

GROUP REVENUES AND GROSS MARGINS

Revenues and direct costs in 2021, compared with those of the previous year, are shown below on the basis of the operating segments also reported in the notes to the financial statements pursuant to IFRS 8:

€ thousand	2021	%	2020	%	Var %
TXT AEROSPACE, AVIATION & AUTOMOTIVE					
Revenues	53,971	100	40,847	100	32.1
Software	7,148	13.2	7,478	18.3	(4.4)
Services	46,823	86.8	33,369	81.7	40.3
Direct costs	30,183	55.9	23,026	56.4	31.1
Gross margin	23,788	44.1	17,821	43.6	33.5
TXT FINTECH					
Revenues	42,392	100	27,906	100	51.9
Software	1,280	3.0	1,148	4.1	11.5
Services	41,112	97.0	26,758	95.9	53.6
Direct costs	26,830	63.3	16,444	58.9	63.2
Gross margin	15,562	36.7	11,462	41.1	35.8
TOTAL TXT					
Revenues	96,363	100	68,753	100	40.2
Software	8,428	8.7	8,626	12.5	(2.3)
Services	87,935	91.3	60,127	87.5	46.2
Direct costs	57,013	59.2	39,470	57.4	44.4
Gross margin	39,350	40.8	29,283	42.6	34.4

TXT Aerospace, Aviation & Automotive Division

Revenues of the Aerospace, Aviation & Automotive Division were € 54.0 million in 2021, compared to € 40.8 million in 2020, an increase of 32.1%. The increase of € 13.2 million is attributable to € 8.8 million, equal to 21.5%, for organic development and for the difference resulting from the purchase of TeraTron GmbH. Software revenues in 2021 were € 7.1 million, substantially in line with preceding year (€ 7.5 million in 2020). International revenues represent 41% of the Division's revenues (€ 22.1 million as at 31.12.2021).

Gross Margin was € 23.8 million, up 33.5% from € 17.8 million in 2020, mainly due to the effect of the reduction in the increase in volumes and containment of margins on service activities.

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 defense 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), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), Lufthansa (DE), American Airlines (USA) and Delta Airlines (USA).

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

On 29 July 2021, TXT e-solutions S.p.A. formalised the acquisition of TeraTron GmbH, a German company that has been on the market for more than 20 years and is a leader in offering innovative IoT solutions for digitalisation, automation, and security mainly in the Automotive, Industrial (Industry 4.0) and Healthcare markets, and a growing presence in other sectors with strong innovative and technological content. The consideration ("Price") for the acquisition of 100% of TeraTron was agreed between the parties in € 10.1 million paid in cash at the closing

TXT FINTECH Division

The revenues of the TXT Fintech Division amounted to € 42.4 million, an increase of 51.9% compared to € 27.9 million in 2020, of which € 14.1 million from the consolidation of the new companies that have joined the TXT Group.

International revenues of € 6.6 million, an increase of € 4.0 million compared to the previous year (€ 2.6 million), represent 15.6% of the Division's revenues.

The gross margin was € 15.6 million, +35.8% compared to 2020 (€ 11.5 million). Mainly due to the increase in volumes also thanks to the contribution of acquisitions.

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

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 programs, 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 its 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.

On 29 November 2021, final contracts were signed for the acquisition of 100% of the capital of **Novigo Consulting S.r.l.** and for the acquisition of 100% of the capital of **LBA Consulting S.r.l.** The new Novigo and LBA acquisitions strengthen TXT's offering in sectors already covered, such as the digital consumer credit management and corporate financial products segments where the subsidiary Cheleo operates, and the digital payments and e-commerce segment where the subsidiary Assiopay operates, adding new proprietary products (an e-commerce platform and a digital cash register) and important technological and process expertise, broadening the customer base and the portfolio of fintech solutions that will benefit from important synergies.

The consideration for the acquisition of 100% of LBA has been agreed between the parties as € 2.73 million paid in cash at closing plus price adjustment to be paid in ordinary TXT treasury shares within 30 days of the approval of LBA's 2021 financial statements based on the actual EBITDA reported by LBA in the current year. The Net Financial Position of LBA as at 31 December 2021 will be settled in shares as part of the planned adjustment within 30 days from the closing date. The contract for the acquisition of LBA shares provides for retention and claw-back clauses for the two selling shareholders and managers expiring between the date of approval of the LBA financial statements, which will close on 31 December 2024, and the date of approval of the LBA financial statements, which will close on 31 December 2026; the maximum value of the claw-back provided

for by the agreement, if due by the LBA selling shareholders to TXT, is equal to the value of the price adjustment paid by TXT to the LBA selling shareholders on the closing date.
The consideration for the purchase of 100% of Novigo was agreed between the parties in € 3.5 million paid at closing, of which € 2.45 million (70%) paid in cash and € 1.05 million (30%) through the payment of ordinary TXT treasury shares; the Novigo Enterprise Value will be adjusted within thirty days from the date of approval of the 2021 financial statements on the basis of the actual EBITDA reported by the company in the current year. The contract for the acquisition of Novigo shares provides for retention and earn-out clauses for the three selling shareholders and managers of Novigo with expiry on the approval of the financial statements which will close on 31 December 2024; the maximum value of the earn-out provided for by the contract, if due by TXT to the selling shareholders of Novigo, will be equal to € 0.8 million to be settled through the payment of ordinary TXT treasury shares.
On 28 December 2021, the final contract for the acquisition of 100% of the company **Quence S.r.l.** was executed. With the acquisition of Quence, TXT complements its offering in the SW Quality Assurance segment by strengthening its leadership position in the domestic market. The extraordinary Quence operation has the strategic objective of strengthening the TXT Fintech offering in the software engineering segment with specialized services of SW Application Lifecycle Management (ALM), SW Quality Assurance & Testing and Data Intelligence. The consideration for the purchase of 100% of Quence was agreed between the parties at € 2.0 million paid at closing, of which € 1.4 million (70%) was paid in cash and € 0.6 million (30%) was paid in ordinary TXT treasury shares sold at the market price at the close of the trading day prior to the date of closing. Quence's Net Financial Position resulting as at 31 December 2021 will be settled partially in cash and partially in ordinary TXT shares in the same proportions as applied to the Enterprise Value payment.
The acquisitions initiated in 2019 continued in 2020 and 2021 within the Fintech Division and they enable TXT to significantly broaden its target customers and extend its mix of new products, expertise and high value-added specialisations, strengthening its market presence.

RESEARCH AND DEVELOPMENT ACTIVITIES

The TXT Aerospace, Aviation & Automotive Division 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.
In 2021, investments continued and resulted in the issue of new software solutions in the areas of Flight Operations (Pacelab FPO Cloud), Training with Augmented Reality and Virtual Reality technologies (Pacelab WEAVR) and the configuration of airplane cabins (Pacelab CABIN).
Pacelab FPO Cloud is aimed at airlines and allows pilots to optimise their route during flight to reduce fuel consumption and pollution and to avoid turbulence. A study is under way with one of the main North American airlines, based on the new cloud-based software, which offers innovative functionalities.
Pacelab CABIN is a TXT software product addressed to airplane manufacturers to support the configuration of passenger airplane cabins during the sale phases to airlines. Pacelab CABIN, already in use by the main manufacturers, was extended to allow a Cloud-based collaboration between geographically distributed configuration teams and to offer innovative ways of interactive and collaborative configuration and visualisation of cabin configurations through Augmented Reality technologies. Thanks to these new functions, important innovations were introduced in the cabin configuration process, permitting a significant extension of the already existing relationship with a major US company for the cabin design of their main airplanes.

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

In 2021, the projects in progress continued as part of the subsidised research program co-financed by the European Commission research framework HORIZON 2020, by the German Aviation Research Program and by the regional development funds in Lombardy and Puglia.

The projects aim to develop new industrial applications and skills on innovative technologies such as Artificial Intelligence, Big Data Analysis, IoT and Augmented Reality in different domains such as aeronautics and manufacturing and are based on TXT's experience in Industry 4.0, Digital manufacturing and Training & Simulation:

- The purpose of the XMANAI project, coordinated by TXT, is to develop an eXplainable Artificial Intelligence platform to support use-cases in the manufacturing field (end-users: FORD, CNH, Whirlpool)
- The AI REGIO project supports the implementation of digital transformation paths guided by Artificial Intelligence for small and medium manufacturing companies towards the future industry 5.0
- The ADMITTED project, coordinated by TXT, aims at building a BigData environment and a set of algorithms for the analysis of test flight data for the next generation of Leonardo helicopters (Next Generation Civil Tilt Rotor)
- The ICARUS project aims to build a Big Data analysis platform in the aeronautical sector that allows to share data from different sources by tracking it with blockchain and analysing it to extract value from it.
- The FASTEN project aims to develop a platform for production systems entirely connected for high-customisation products, using sophisticated software technologies for self-learning, self-optimisation and advanced control.
- The OPTIMAL project aims to develop improved fuel efficiency techniques and big data analytics on flight outputs.
- The SMART4CPPS project aims to develop IoT and Big Data applications for predictive maintenance programs.
- The purpose of the QU4LITY project is to develop the concept of “augmented worker” in the manufacturing sector, supporting the worker with Augmented Reality, Artificial Intelligence and Internet of Things

The projects are being carried out as part of international consortia from 3 to 43 partners, consisting of leading companies in the sector, important universities and research centres.

The Fintech Division is characterised by its ability to create cutting-edge and highly reliable products.

Assiopay continues to develop a ViP (Voucher Intelligent Payment platform) payment processing platform to allow the complete management of payment instruments based on the concept of vouchers, the management of fidelity cards and POS terminals. The advantage of the platform is to simplify the payment life cycle and make the management of the voucher uniform regardless of the issuer and its physical form (paper, electronic, virtualised on mobile), the type of terminal used and the infrastructure used. The modularity of the platform allows to package the services to the customer according to their real needs. Although the company was established only in 2019, the platform is now used in Italy by most of the meal voucher issuers and by various large-scale retail operators.

The I-Mole research project, developed by Assioma.Net, aims to create the tools for an ecosystem dedicated to logistics. The project purpose is to invest more than € 6 million. It has already obtained a non-repayable loan from the Puglia Region for over 60% of the investments. The research idea is to overcome the limits and the fragmentation of traditional management systems with an innovative logistics framework on which to grow an ecosystem. I-Mole consists of a Digital Business Ecosystem, made up of all the Organisations that offer and/or purchase goods/services made available by I-Mole. Companies contribute both to enriching the services of the ecosystem and to extending the market to which these services are sold: each company can be a supplier of one or more services; user of one or more services; provider of some services and user of other services available in the ecosystem.

Cheleo, a Group company specialised in the design of financial applications for Banks and Financial Companies, distinguishes itself for the specialised advisory support provided to customers. As part of Consumer Credit, it offers a suite of financial products that are always compliant with regulatory provisions.

The financial applications are constantly subject to implementations and developments resulting from the directives issued by the Supervisory Bodies, the Bank of Italy and the ECB in the first place, always in respect of compliance, increasing their functional coverage and, at the same time, evolving their architecture according to new technological and IT opportunities.

In 2021, the Group confirmed this investment trend mainly in the following areas:

a) New native web front-end for salary-backed loans (QUEEN)
b) New QUEEN configurator
c) Completion of the native web front-end for the leasing application (ACE)
d) ECB reporting - Bankit
e) Cheleo - Faraday Suite integration
f) Automatic management of amortised cost and accruals
g) New Developments on Factoring application (KING)
h) Research and Development, testing of new products

TXT Risk Solutions has continued to innovate its FARADAY solution, which has as its strong point the on-going evolution both functional and in the application of innovative technologies applied to risk management.

In 2021, it has generated considerable expertise and built up a set of AI models developed across different sectors, enabling it to have a warehouse of intelligent models to be used as semi-finished products on customers; it has developed new probabilistic models for sectors not yet explored including:

- crypto-currency module, which makes it possible to identify within the financial intermediary the customers who have a high probability of using virtual currencies and to investigate the behavior of these subjects in the bank's normal operations. The module was installed in MpS to the satisfaction of the customer.
- the module for the renewal management of the appropriate audits enables, with the application of artificial intelligence, the reduction of human intervention only to the situations that really need to be reviewed, providing a significant saving of time and resources.
- PA control module in which control techniques borrowed from financial intermediaries were applied and artificial intelligence systems were introduced to make decisions on administrative control processes.

GROUP REVENUES

Revenues amounted to € 96.4 million, up 40.2% from € 68.8 million in 2020. Within the same consolidation scope, revenues increased by 13.3%, with the acquisitions contributing € 18.3 million. Software revenues in 2021 were € 8.4 million, slightly decreasing compared to 2020. Revenues from services amounted to € 87.9 million, up 46.2% compared to 2020 (€ 60.1 million). The Aerospace, Aviation and Automotive Division had revenues for € 54.0 million, up +32.1% compared to 2020 (€ 40.8 million). The Fintech Division had revenues for € 42.4 million, an increase of +51.9% compared to 2020.

Commercial costs were € 9.8 million, up 27.7% compared to 2020, the incidence of these costs on revenues decreased from 11.1% in 2020 to 10.1% in 2021.

General and administrative costs amounted to € 8.2 million, up € 1.8 million compared to 2020 (€ 6.4 million). Costs as a percentage of revenues decreased from 9.3% in 2020 to 8.5% in 2021, mainly due to cost containment and optimisation over a broader scope of activities after the acquisitions of TeraTron GmbH, Novigo Consulting S.r.l., LBA Consulting S.r.l., and Quence S.r.l.

Gross operating profit (EBITDA) was € 14.5 million, an increase of 69.6% compared to 2020 (€ 8.6 million), after investments in research and development (+3.1%). General and administrative costs, as a percentage of revenues, have decreased from 9.3% in 2020 to 8.5% in 2021, despite the costs related to acquisitions and mainly due to cost containment and optimisation over a broader scope of business after acquisitions. The margin on revenues went from 12.4% in 2020 to 15.1% in 2021.

Pre-tax profit came to € 7.8 million, compared to € 5.9 million in 2020. Financial income attributable to the management of financial investments amounted to € 0.7 million. The prudent and diversified management with investments mainly in multi-segment insurance has made it possible to contain the losses generated by the volatility of the financial markets linked to the COVID-19 pandemic. In 2020, this item also includes a positive non-recurring financial income due to the precise calculation of the value of the PUT/CALL option on the remaining 21% of the capital of PACE.

CONSOLIDATED CAPITAL EMPLOYED

As at 31 December 2021, Capital Employed totaled € 102.2 million, up € 38.4 million compared to 31 December 2020 (€ 63.8 million), mainly due to the acquisitions of the year (€ 21.4 million) and organic growth of € 16.9 million.

The table below shows the details:

€ thousand	31.12.2021	31.12.2020	Total variance	of which M&A 2021	of which TXT
Intangible assets	52,626	37,653	14,973	15,753	(780)
Tangible assets	12,126	7,460	4,666	3,885	781
Other fixed assets	16,529	2,299	14,230	101	14,129
Fixed Assets	81,281	47,412	33,869	19,739	14,130
Inventories	7,810	4,749	3,061	1,450	1,611
Trade receivables	43,156	35,411	7,745	3,268	4,477
Other short term assets	8,864	5,782	3,082	1,800	1,282
Trade payables	(6,303)	(4,176)	(2,127)	(541)	(1,586)
Tax payables	(5,700)	(5,147)	(553)	(690)	137
Other payables and short term liabilities	(23,650)	(17,471)	(6,179)	(3,265)	(2,914)
Net working capital	24,177	19,148	5,029	2,022	3,007
Severance and other non current liabilities	(3,297)	(2,757)	(540)	(347)	(193)
Capital employed - Continuing Operations	102,161	63,803	38,358	21,414	16,944
Shareholders' equity	92,655	85,454	7,201	0	7,201
Shareholders' equity	412	409	3	412	(409)
Net financial debt	9,094	(22,060)	31,154	21,002	10,152
Financing of capital employed	102,161	63,803	38358	21414	16,944

Intangible assets amounted to € 52.6 million, up by € 15.0 million due to acquisitions (€ 15.8 million) net of the amortisation/depreciation for the year on intangible assets for the intellectual property of the software and customer portfolio for the acquisitions carried out during the year.
Tangible assets of € 12.1 million, increased by € 4.7 million compared to 31 December 2020 mainly due to the acquisitions carried out during the year (€ 3.9 million) and the difference due to the net effect of investments of the year net of depreciation for the period. Among the investments of the year, the right to use of the property in which TXT moved its registered office in the meeting of 13 September 2021 in Cologno Monzese is recorded (€ 2.2 million)
Other fixed assets of € 16.5 million consisted mainly of a financial investment in the capital of Banca del Fucino equal to € 14.3 million and the difference from deferred tax assets. The increase due to the effect of the acquisitions amounts to € 0.1 million.
Net working capital rose by € 5.0 million from € 19.1 million as at 31 December 2020 to € 24.2 million as at 31 December 2021, due to organic growth (€ 3.0 million) net of the consolidation of acquisitions carried out during the year and due to the effect of said acquisitions for the year (€ 2.0 million).
Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities of € 3.3 million increased by € 0.5 million compared to the end of 2020 due to the acquisitions carried out in 2021 (€ 0.4 million).

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 n. 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 € 35,860,772 as at 31 December 2021.

Net financial debt (availability) and cost of debt

Below is a summary of the main phenomena that had an impact on the net financial availability which as at 31 December 2021 was equal to € -9,093,910 (€ 22,060,117 as at 31 December 2020).

(€ thousand)	31.12.2021	31.12.2020	Change
Cash and cash equivalents	(36,076)	(11,933)	(24,144)
Financial instruments at fair value	(48,869)	(68,161)	19,292
Liquid assets	(84,944)	(80,093)	(4,851)
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	28,800	20,354	8,446
Current portion of non-current financial debt	15,770	10,281	5,489
Current financial indebtedness	45,070	30,635	13,935
Current net financial indebtedness	(40,375)	(49,458)	(9,084)
Non-current financial debt (excluding current portion and debt instruments)	49,469	27,398	22,070
Debt instruments	-	-	-
Trade payables and other non-current payables	-	-	-
Non-current financial indebtedness	49,469	27,398	22,070
Net financial debt	9,094	(22,060)	31,155

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	(5,748)	(5,074)	(674)

Follow TXT Group's net financial position as at 31 December 2021:

.000 Euro	31.12.2021	31.12.2020	Var
Cash	36,076	11,933	24,143
Trading securities at fair value	48,869	68,161	(19,292)
Short term Financial Debts	(44,570)	(30,635)	(13,935)
Short term Financial Resources	40,375	49,459	(9,084)
Non current Financial Debts - Lessors IFRS 16	(4,209)	(3,580)	(629)
Other Non current Financial Debts	(45,260)	(23,818)	(21,442)
Non current Financial Debts	(49,469)	(27,398)	(22,071)
Net Available Financial Resources	(9,094)	22,061	(31,155)
Non-monetary debts for adjustment of the price of the 2021 acquisitions to be paid in TXT shares	5,253	-	5,253
	(3,841)	22,061	(25,902)

The Net Financial Position as at 31 December 2021 is detailed as follows:

- *Cash and cash equivalents of € 36.1 million are mainly in Euro, held with major Italian banks.* Last year liquidity was deposited in current accounts for € 11.9 million. The increase is mainly due to the consolidation of acquisitions during the year and new financing requests.
- *Financial instruments at fair value* of € 48.9 million are composed of investments in partial return multi-segment insurance funds (€ 40.4 million) and in bond funds, balanced and absolute return funds with a medium-low risk profile (€ 0.6 million) and treasury management for € 7.9 million.
- *Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)* as at 31 December 2021 amounted to € 28,8 million and refer (a) for € 19,9 million to short-term loans (hot money); (b) for € 0.8 million to the estimated disbursement for the first Earn Out of the Assioma shareholders; (c) for € 1.5 million to the short-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 related contracts following the adoption of the new accounting standard (IFRS 16); (d) for € 0.3 million to payables to EU Partners; and (e) for € 6.3 million to estimated disbursements to complete acquisitions in the last months of the year.
- Current portion of non-current financial debt amount to € 15,8 million and refer to Current portion of non-current financial debt.
- *Non-current financial debt (excluding current portion and debt instruments)* as at 31 December 2021 of € 49.5 million refer (a) for € 39.9 million to the portion of new medium-to long-term loans for the portion with a maturity of more than 12 months; (b) for € 2.8 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 and for the acquisition of TXT Risk Solutions (€ 0.2 million); (c) for € 1.6 million to estimated disbursement for the second Earn Out of the Assioma shareholders; (d) for € 0.1 million to the payable related to the Restricted Share Price Adjustment for the acquisition of HSPI S.p.A.; (e) for € 0.2 million to the long-term portion of the Put/Call related to TXT Risk Solutions S.r.l. after renegotiation; (f) for € 4.2 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; (g) for € 0.2 million to the debt for interest rate risk hedging (fair value interest rate swap); and (h) for € 0.5 million estimated disbursement for the first Earn Out of Novigo shareholders.

Liquidity management

As at 31 December 2021, most of the negotiable financial instruments (€ 48.9 million) had been invested in multi-segment insurance products (€ 40.9 million) from which the company can decide to divest at any time and without specific charges to deal with investment opportunities. Multi-segment insurance products allow you to combine:

- Separate Management - First Line (€ 34.5 million), which has the characteristic of a substantial guarantee on invested capital, stability of returns over time, as investments are made in high quality securities, easily liquidated, with minimum exposure to strong and rapid fluctuations in value.

- Bond balanced and insurance funds - Third Line (€ 6.4 million) that allow for participation in the performance of financial markets.

During the year, liquidity management recorded a loss of € 0.8 million.

Q4 2021 ANALYSIS

Analysis of the operating results for the fourth quarter of 2021, compared with those for the fourth quarter of the previous year, are presented below:

€ thousand	Q4 2021	%	Q4 2020	%	Var %
REVENUES	29,630	100	20,927	100	41.6
Direct costs	16,891	57.0	13,125	62.7	28.7
GROSS MARGIN	12,739	43.0	7,802	37.3	63.3
Research and Development costs	1,799	6.1	1,639	7.8	9.8
Commercial costs	3,270	11.0	1,881	9.0	73.8
General and Administrative costs	1,910	6.4	1,841	8.8	3.7
EBITDA	5,760	19.4	2,441	11.7	136.0
Depreciation	1,511	5.1	2,429	11.6	(37.8)
Riorganization and Non Recurrent Costs	9	0.0	(242)	(1.2)	(103.7)
OPERATING PROFIT (EBIT)	4,240	14.3	(230)	(1.1)	(1943.5)
Financial income (charges)	361	1.2	228	1.1	58.3
Non-recurrent financial income (charges)	0	0.0	1,331	6.4	(100.0)
EARNINGS BEFORE TAXES (EBT)	4,601	15.5	1,329	6.4	246.2
Taxes	(893)	(3.0)	(224)	(1.1)	298.7
NET PROFIT	3,708	12.5	1,105	5.3	235.6

Performance compared to the fourth quarter of the prior year was as follows:

- Net revenues amounted to € 29.6 million, up 41.6% from the fourth quarter of 2020 (€ 20.9 million). Within the same consolidation scope, revenues increased by 25.4%, with the acquisitions contributing € 3.3 million. Revenues from software, subscriptions and maintenance amounted to € 2.1 million, in line with the fourth quarter of 2020 (€ 2.1 million). Revenues from services amounted to € 27.5 million, up by 46.2% compared to € 18.8 million in 2020.
- EBITDA in the fourth quarter of 2021 was € 5.8 million, an increase of +136% compared with the fourth quarter of 2020 (€ 2.4 million), also thanks to significant savings in commercial costs. Profitability on revenues in the fourth quarter of 2021 was 19.4%.
- Financial and non-recurring income and (charges) were positive by € 0.4 million. Investments in cash and cash equivalents generated financial income of € 0.8 million (€ 0.2 million in the fourth quarter 2020). In the fourth quarter of 2020, income of € 1.3 million was recorded under this item for the lower cost to be paid for the PUT/CALL option linked to the acquisition of the ownership interest of the share capital of TXT Risk Solutions.
- The Result before taxes was therefore a positive € 4.6 million, compared to a negative € 1.3 million in the fourth quarter of 2020.
- Net profit in the fourth quarter of 2021 was a positive € 3.7 million, compared to a negative € 1.1 million in the same period of 2020 after provisions for taxes in the amount of € 0.9 million.

EMPLOYEES

As at 31 December 2021, there were 1,210 employees, an increase of 214 employees compared to 996 personnel units as at 31 December 2020 due to a growth in the business and to the acquisitions (118 employees).

PARENT COMPANY'S PERFORMANCE

TXT's results for 2021, compared with 2020 figures, are presented below:

Income data (€ thousand)	2021	%	2020	%	VAR %
REVENUES	38,692	100.0	27,518	100.0	40.6
EBITDA	7,056	18.2	2,958	10.7	138.5
Operating Profit (EBIT)	6,041	15.6	1,650	6.0	266.1
Net Profit	5,080	13.1	1,758	6.4	189.0

Financial data (€ thousand)	31.12.2021	31.12.2020	Var
Fixed assets	103,919	57,727	46,192
Net working capital	10,100	15,115	(5,015)
Severance & other non-current lia	(810)	(812)	2
Capital employed	113,209	72,030	41,179
Net Financial Position - Cash	(22,318)	13,077	(35,395)
Shareholder's equity	90,891	85,107	5,784

Additional information	31.12.2021	31.12.2020	Var
Number of employees	514	420	94
TXT share price *	10.14	7.88	2.26

As at 31 December 2021, the Parent Company had 514 employees, an increase of 94 employees compared to 420 personnel units as at 31 December 2020 due to the organic growth in the Aerospace sector.

The extraordinary shareholders' meeting of TXT e-solutions ("TXT e-Solutions") on 13 September 2021 approved, among other things, i) the transfer of the company's registered office from the municipality of Milan to the municipality of Cologno Monzese; and ii) an amendment supplementing Article 15 of the Articles of Association in order to provide for the procedures to be adopted in the case of the appointment by co-optation of a Director when a member of the Board of Directors drawn from the minority list resigns.

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

	Patrimonio Netto			Utile Netto		
(Euro/000)	31.12.2021	31.12.2020	31.12.2019	31.12.2021	31.12.2020	31.12.2019
Come da bilancio TXT e-solutions S.p.A.	90.891	85.107	84.054	5.080	1.758	3.209
Eccedenza dei patrimoni netti dei bilanci comprensivi dei risultati di esercizio, rispetto ai valori di carico delle partecipazioni in	(44.532)	(31.478)	(17.443)	4.144	3.131	2.849
Rettifiche di consolidamento, al netto dell'effetto fiscale, per:						
- differenza tra prezzo di acquisto e corrispondente patrimonio netto contabile (goodwill)	44.593	30.431	19.640			
- differenza allocata a IP, CR e DTA con PPA	7.028	6.682	4.586	(1.847)	(1.336)	(1.194)
- imposte differite passive su differenza allocato a IP e CR con PPA	(1.961)	(1.864)	(1.279)	515	373	294
- Put/call minority	(2.951)	(3.015)	(7.537)	(53)	789	(4.229)
- eliminazione dividendi infragruppo						
- ripresa svalutazione partecipaione Sense iR			-			39
- altre rettifiche			-		-	(520)
Ricalcolato TXT Group	93.067	85.863	82.021	7.839	4.715	448

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

In 2021, TXT e-solutions' shares recorded a maximum official price of € 10.66 on 15 November 2021 and a minimum price of € 6.76 on 19 March 2021. As at 30 December 2021, the share price was € 10.14

The average daily trading volume on the stock exchange in 2021 was 31,763 shares, an improvement on the daily average of 24,916 shares during 2020.

As at 31 December 2021, 1,243,372 treasury shares were held (1,401,429 as at 31 December 2020), accounting for 9.56% of shares outstanding, at an average carrying amount of € 3.28 per share. In 2021, 33,940 shares were purchased at an average price of € 7.84.

On 12 February 2021, in exchange for the acquisition of the shares of the company AssioPay S.r.l., as partial consideration for the price agreed with its shareholders, 129,497 shares were transferred at the agreed price of € 7.59 each.

On 16 August 2021, TXT sold 62,500 treasury shares at a price of € 8.00 each for a total consideration of € 500,000 as part of the extraordinary acquisition of TeraTron GmbH.

The purchase of treasury shares was authorised again by the Shareholders' Meeting of 22 April 2021. The plan provides for the purchase of shares up to a maximum of 20% of the share capital.

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

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES AND RISK MANAGEMENT

As part of a broader substantial transformation, in terms of growth, optimisation of spaces and modernisation of image, TXT e-solutions S.p.A. has selected a new headquarters where to transfer the management and operational offices of Milan.

The selection of a new office was due to the need to modify the space available to carry out the Company's office activities, in line with the Group's strategic and growth plans. In particular, the Group intends to concentrate the workforce in Milan, currently operating in two different sites, in a single location, maintaining a constant level of flexibility in the management of personnel that allows the organic and inorganic growth of the Group, managing new configurations and environments to favour smart-working activities, with simultaneous rotation of the workstations used. This transaction also allows the Company to emphasize its growth strategies within a process for the transition towards the hi-tech sector.

In June, following in-depth assessments, the Board of Directors has approved a lease contract for non-residential executed with Laserfin S.r.l. concerning certain parts of a property located in Cologno Monzese (MI), via Milano No. 150, which allow the achievement of the purposes described above.

On 13 September 2021, the Shareholders' Meeting resolved to transfer the Company's registered office from Milan to Cologno Monzese.

The lease agreement provides for some very advantageous terms and conditions for the Group's objectives and will take effect from September, with annual lease payments of € 380,000.00 and a saving of € 60,000 compared to the current conditions of the lease contracts relating to the operating sites in via Frigia and Cesano Boscone.

This is a transaction with related parties as Laserfin is controlled by Laserline S.p.A., the relative majority shareholder of TXT and a company wholly owned by Enrico Magni, Chair of the Board of Directors of TXT.

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Transactions by TXT e-solutions S.p.A. with related parties, as identified by IAS 24, essentially refer to the provision of services and the funding and lending activities with the Group's 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 Group companies.

On a half-yearly basis, directors and managers with strategic responsibilities declare any transactions with the Parent Company and with subsidiaries, including through third parties, in accordance with the provisions of IAS 24.

Amounts of transactions with related parties for trading, financial or other purposes are highlighted in Note 11 of the "Notes to the consolidated financial statements".

The identification, approval and execution of transactions with related parties by TXT are governed by the "Procedure governing transactions with related parties" approved on 8 November 2010 and published on the website: www.txtgroup.com/it/governance.

Reference should be made to the specific "Risk Management" section in the Explanatory Notes for a description of the risks, including in relation to the use of financial instruments by companies included in the consolidated financial statements.

CORPORATE GOVERNANCE, REMUNERATION REPORT AND DECLARATION ON NON-FINANCIAL INFORMATION

The Parent Company's Articles of Association comply with the provisions of the Corporate Governance Code issued by the Corporate Governance Committee for Listed Companies.
Appendix 2 includes the Annual Report on Corporate Governance and the Shareholding Structure.
Appendix 3 includes the Report on the remuneration of directors.
Appendix 4 includes the Declaration on non-financial information.

ADDITIONAL INFORMATION

TXT e-solutions S.p.A. controls, directly or indirectly, a number of companies based in countries outside of the European Community (Non-EU Companies) of significant importance pursuant to Article 36 of Consob Regulation 16191/2007 concerning the regulation of markets ("Market Regulation"). The Company has practices and procedures in place to ensure respect of the provisions pursuant to the aforementioned Consob regulation.
In compliance with the provisions of Article 2428, paragraph 4 of the Italian Civil Code, it is hereby certified that TXT e-solutions S.p.A. at the end of the financial year has secondary offices in Turin, Via Spano 43/45 and Parmigiana d'Arco (NA) Via ex-Aeroporto consorzio Il sole.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

The year 2021 was characterized by a recovery of the economy at global level with the easing of restrictive measures linked to covid favored to the acceleration of vaccination campaigns; for 2021 and 2022 the global economy is expected to grow respectively by 5.9% and 4.4% (International Monetary Fund estimates), after a contraction of 3.1% recorded in 2020. 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 supply chains that have generated a strong inflationary push exacerbated by the current military tensions on Ukrainian territory.
For 2022, in continuity with the accelerated growth plan implemented in 2021, TXT Group's objectives include sustained expansion in Europe and North America and the development of the broad and diversified customer base already acquired in the two current divisions as well as the new domestic and international customers acquired through the M&A transactions concluded in 2021: (i) in the industrial market (Aerospace, Automotive, etc.), after a 2021 that recorded a double-digit organic growth rate for TXT, the Group is in a privileged position to benefit from the economic recovery and to ride the current recovery trend of the civil aviation market after two years of slowdowns related to the Covid epidemic, with additional new benefits resulting from the technological and commercial synergies generated by the consolidation and integration of TeraTron in favor of the automotive segment; (ii) for the Fintech Division - which includes the offer for the public administration - in 2022, following the significant investments in M&A that have characterized the three-year period just ended, an acceleration of organic growth is expected favored by the start of activities on public tenders won in the last quarter of 2021 and the signing of important new contracts in the AML segments, risk management, digital payments and consumer credit, as well as significant inorganic growth driven by the extraordinary acquisition transactions concluded in the fourth quarter of 2021 that are bringing positive effects at the level of marginality and positioning in strategic segments.

Manager responsible for preparing corporate accounting documents

Chair of the Board of Directors

Eugenio Forcinito

Enrico Magni

Milan, 11 March 2022

REPORT ON CORPORATE AND SHAREHOLDING STRUCTURE 2021

Pursuant to Article 123-bis of

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. 20249/2017 concerning markets.
Consob Regulation on transactions with related parties: Regulation no. 17221 of 12 March 2010 (and subsequent amendments) 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.
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.
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. The average capitalisation in 2021 was € 95.8 million and 2021 Revenues came to € 96.3 million.

2. INFORMATION on the SHAREHOLDING STRUCTURE (pursuant to Article 123-bis, paragraph 1 of the Consolidated Law on Finance) at 31 December 2021

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 2021, 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 13 September 2021 and the company has not received any communications or notifications of changes as at 31 December 2021.
This information is based on the information contained in the Shareholders' Register and in communications by shareholders pursuant to Article 120 of the Consolidated Finance Law as at 31 December 2021.

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)

On 27 July 2018, the Company entered into a loan agreement with Banca Nazionale del Lavoro S.p.A. for € 10 million, maturing in 5 years. This loan envisages the faculty for the bank to withdraw from the agreement in the event there is a Change of Control, in other words on occurrence of an event or a series of events due to which the shareholder Laserline S.p.A. reduces its investment in the share capital under 20%.

On 1 August 2018, the Company entered into a loan agreement with UniCredit S.p.A. for € 20 million, maturing in 5 years. This loan envisages the obligation to fully repay it in advance without the application of any commission within 15 days as from when Enrico Magni ceases to hold, directly or indirectly, also via third party companies, an investment of at least 20% of the share capital.

On 28 July 2021, the Company entered into a loan agreement with UniCredit S.p.A. for € 10 million, maturing in 5 years. This loan envisages the obligation to fully repay it in advance without the application of any commission within 15 days as from when Enrico Magni ceases to hold, directly or indirectly, also via third party companies, an investment of at least 20% of the share capital.

On 19 November 2021, the Company entered into a loan agreement with UniCredit S.p.A. for € 10 million, maturing in 5 years. This loan envisages the obligation to fully repay it in advance without the application of any commission within 15 days as from when Enrico Magni ceases to hold, directly or indirectly, also via third party companies, an investment of at least 20% of the share capital.

On 28 December 2021, the Company entered into a loan agreement with Banco BPM S.p.A. for € 10 million, maturing in 4 years. This loan provides for the obligation of full repayment if Enrico Magni

ceases to hold directly or indirectly 60% of Laserline S.p.A. and/or the aforementioned company ceases to hold at least 25.62% of the share capital.
The Company and its subsidiaries did not enter into any other significant agreements that are effective, change or terminate if the Company's controlling interests change.

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 2021, no such agreement was entered into.
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 2021, 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 2021, there were no delegated powers to increase share capital.
On 18 June 2020, 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 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.

As at end of the reporting period, the company owned 1,243,372 treasury shares (1,401,429 as at December 2020), accounting for 9.5598% of shares outstanding, with an average carrying amount of € 3.28 per share. During 2021, 33,940 shares were purchased at an average price of € 7.84. As regards disposals, the following transactions took place:

- On 12 February 2021, in exchange for the acquisition of the shares of the company AssioPay S.r.l., as partial consideration for the price agreed with its shareholders, 129,497 shares were transferred at the agreed price of € 7.59 each
- On August 16, 2021, 62,500 shares were sold at the agreed price of € 500,000 to the sole director of TeraTron GmbH.

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.

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.

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 subparagraph 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 (*Recommendation n. 24*), 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;
- Eurizion Capital SGR Spa, 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 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:

<u>Enrico Magni (in office as from 19 April 2018)</u>
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 affairs. 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. She has been an independent director since 2014 of the Natuzzi Group (NYSE-listed) and since 2017 of the Stefanel Group, where she is also the Chair of the Appointments and Remuneration Committee. For over 20 years she has provided management consultancy to fashion, design and luxury 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 and Insurance Business from the Università Cattolica del Sacro Cuore in Milan, with full marks. Since 2003 she has been the Owner and Managing Director of GetSolution. She is the Chair of Assintel, Director of the Chamber of Commerce of Milan, Monza, Brianza and Lodi, Chair of EDI Confcommercio S.r.l., the National Digital Innovation Hub of Confcommercio, member of the Board of Confcommercio of Milan, Monza, Brianza and Lodi, Director of Confcommercio Nazionale and independent director of Tinexta S.p.A., a company listed on the STAR segment of the Italian Stock Exchange. She has national and international experience in Compliance, Cybersecurity and Governance consulting, and graduated in 1999 with honours in Banking and Insurance Sciences from Università Cattolica del Sacro Cuore di Milano. Since 2003 she has been the Owner and Managing Director of GetSolution. She is Chair of Assintel, a director of the Chamber of Commerce of Milan, Monza, Brianza and Lodi, a member of the Board of Confcommercio of Milan, Monza, Brianza and Lodi and an independent director of Tinexta S.p.A., a company listed on the STAR segment of the Italian Stock Exchange. She has gained experience in consulting in the area of Compliance and Security of Information Systems and Governance.

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..
Independent directors hold office in companies that are not part of the TXT Group.

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.

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*).

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 2021, 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 71%; 4-6 years 29%.

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 a Nomination 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 organizational 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,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 2021 financial year, the Board of Directors held 11 meetings with an average duration of 1 hour and 25 minutes. Directors had an average attendance of 94%, while that of the Statutory Auditors was 88%.
5 meetings have been scheduled for 2021, and the first was held on 9 March 2021. As set forth in the regulatory provisions in effect, the Company has disclosed, in its press release issued on 21 January 2021, the following dates of the Board of Directors' meetings and the Shareholders' Meeting to be held in 2021, for a review of the economic-financial data, according to the following schedule:

- 9 March 2021: Board of Directors for approval of the draft 2020 Financial Statements
- 22 April 2021: Shareholders' Meeting for approval of the 2020 Financial Statements (single call)
- 12 May 2021: Board of Directors for approval of the interim report as at 31.3.2021
- 5 August 2021: Board of Directors for approval of the half-yearly financial report as at 30.6.2021
- 8 November 2021: Board of Directors for approval of the interim report as at 30.9.2021.

The Chairperson 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 Risk and Internal Controls Committee. During 2021, 50% 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 (52% in 2020). 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 2021, several managers of the TXT Group participated in the Board meetings: Eugenio Forcinito, CFO, Andrea Favini, CEO Assistant, Luigi Piccinno, Internal Auditor and Secretary of the Board. 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 Chairman 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 9 March 2021, 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 (*Criterion 1.C.4.*).
In order to ensure the correct management 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" 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.

<u>Insurance agreements</u>

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.

<u>General agreements</u>

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.

<u>Tenders</u>

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.

<u>Intellectual Property</u>

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

<u>Collection of sums</u>

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, the bank for deposits and loans, the inland revenue agencies, 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, the Bank for deposits and loans, 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 the Bank for deposits and loans 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.

<u>Discounting of bills</u>

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.

<u>Charging of taxes and contributions to accounts</u>

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.

<u>Factoring of receivables</u>

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.

<u>Intercompany transactions</u>

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

DISPUTES

<u>Representation before the legal authorities</u>

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.

<u>Representation in labour disputes</u>

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 2021, 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, organization 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, 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 appointed by the Shareholders' Meeting of 18 June 2020, confirming Carlo Gotta as independent director. On 8 November, the Board carried out, using the same criteria, the assessment on the independence of the non-executive directors appointed by the Shareholders' Meeting of 18 June 2020, confirming Antonella Sutti as independent director.

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 Regulations are available on the Company's portal at: https://www.txtgroup.com/it/investors/corporate-governance/

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.

The Board of Directors approved on 8 March 2017 a new "Internal Dealing Procedure", in accordance with regulatory changes.

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 € 5,000 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. NOMINATION COMMITTEE

The Board of Directors has not established, within it, a Committee for appointment proposals, given that this function, also in view of the composition of the Company's shareholders and the size of the Board, is in fact carried out by the latter. 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 2021 financial year, the Committee has held one meeting on 5 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 2022. The first meeting of the Committee for 2022 is scheduled for 9 March 2022.
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.
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 2020 remuneration policy, including it in the Remuneration Report;
- has assessed the proposal to grant an extraordinary bonus to some executives;
- has reviewed the 2021 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.
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.

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.
An end-of-term severance package equal to 25% of the fee for particular offices resolved upon and accrued each year was confirmed by the Shareholders' Meeting held on 21 April 2017 in favour of the Chair of the Board of Directors. It shall be paid when the term of office as Member of the Board of Directors ends. With the termination of the office at the Shareholders' Meeting of 18 June 2020, the Company paid this emolument. 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, on the occasion of the termination of office and/or the dissolution of the 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 pursuant to principle 6.P.5 includes:

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 (*Principles 7.P.3. and 7.P.4.*).

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)(Recommendation n. 25). 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 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 2021 financial year, the Committee held six meetings, coordinated by the Chair, on 18 January, 5 March, 3 June, 5 August, 10 November and 10 December. The directors participated in all committee meetings held during their effective term of office. At least 4 meetings have been possibly scheduled for 2022. The first meeting of the Risks and Internal Controls Committee for 2021 will be 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 meeting. The Statutory Auditors had an average attendance of 78%.

Under invitation by the Committee, non-members have taken part in the Risks and Internal Controls Committee's Meetings (Recommendation n. 17). In 2021, 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 external auditors EY S.p.A. and Crowe Bompani S.p.A.(incoming auditors). Andrea Favini, CEO Assistant, and Giulia Basile, Head of legal affairs, also intervened on a few 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 External 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 External Auditors (on assessment of results mentioned in the report and in the letter of recommendations).

During said meetings, the Committee also examined:

- the 2020 consolidated Financial Statements, the 2021 half-yearly report and the results on the auditing process, as well as the interim reports;
- the assessments of the impairment tests;
- the assessment of the risks deriving from the Covid-19 pandemic;
- 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 2022 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 Corporate Governance Code defines this system as:

"The internal 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 the aforementioned 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 main risks' structured analyses and priorities;

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 2021, 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 reference to
subcontracting and relationships with third parties and the particular area of IT 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 1 July 2020 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, as a member of the Supervisory Body and Luigi Piccinno, who has been a member for many years and internal auditor. 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. External 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* (*Principle 7.P.3., letter c*).
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 meetings (*Principle 7.P.3*). In particular, in 2021, the parties involved in the internal control system met and exchanged information in two meetings: 5 March and 5 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. On 30 June 2021, the Procedure with Related Parties was amended.

"Transactions of Greater Importance": shall mean transactions exceeding 5% of any of the following relevance ratios, to be applied according to the specific transaction:

• Amount relevance ratio: identifies the ratio between the countervalue of the transaction and the equity taken from the most recent consolidated balance sheet published by TXT or, if higher, TXT's capitalisation recorded at the end of the last trading day included in the reference period of the most recent periodic accounting document published (annual or half-yearly or interim reports). Should the economic conditions of the transaction be determined, the transaction amount shall be:

a. for cash components, the amount paid by or to the other party;

b. for financial instrument components, the fair value determined at the date of the transaction, in accordance with international accounting standards adopted by Regulation (EC) no. 1606/2002;

c. for funding or guarantees, the maximum amount payable.

If the economic conditions of the transaction depend, in whole or in part, on items not yet known, the transaction amount is the maximum amount allowable or payable under the agreement.

• Asset relevance ratio: the ratio between the total assets of the entity involved in the transaction and TXT's total assets. The data to be used shall be obtained from the most recently published TXT consolidated balance sheet. Where possible, similar data should be used for determining the total assets of the entity involved in the transaction.

For transactions involving the acquisition and disposal of shares in companies that have an impact on the area of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital concerned.

For transactions involving the acquisition and disposal of shares in companies that do not have an impact on the area of consolidation, the value of the numerator is:

a. in the case of acquisition, the transaction amount, plus the liabilities of the company acquired taken on by the purchaser, if any;

b. in the case of disposal, the amount of the sold asset.

For transactions involving the acquisition and disposal of other assets (other than the acquisition of company shares), the value of the numerator is:

a. in the case of acquisition, the higher of the consideration or the carrying amount that will be attributed to the asset;

b. in the case of disposal, the carrying amount of the asset.

• Liabilities relevance ratio: the ratio between the total liabilities of the entity acquired and TXT's total assets. The data to be used shall be obtained from the most recently published TXT consolidated balance sheet, if drawn up. Where possible, similar data should be used for determining the total liabilities of the company or business branch acquired.

(ii) transactions with the listed parent company or any entities related to the latter which are in turn related to TXT, where at least one of the above-mentioned relevance ratios exceeds 2.5%;

(iii) transactions with related parties that may affect the Company's management autonomy (including those involving an intangible asset), which exceed the same thresholds of significance indicated in point (i) at 5.0% and, in the hypotheses of point (ii), at 2.5%.

In order to calculate the aforementioned amounts, each single transaction is considered, or, should several transactions be connected because of the same purpose or goal, the total amount of all connected transactions is considered.

The Board of Directors has the power to decide on Transactions with Related Parties, and in any case the power to decide on Transactions of Greater Importance (jointly, the "Transactions"). For this purpose, the Board of Directors must receive, with reasonable prior notice, adequate and complete disclosure on the features of the Transactions, such as the nature, means of execution, conditions, including economic conditions, interests, underlying reasons and any risks for the Company. Both in the information-gathering phase and in the decision-making phase, the Board of Directors shall attentively examine the Transactions. This analysis shall be supported by adequate documentation showing the reasons for the Transactions, their profitability, and that the transaction conditions are materially correct. In particular, should the Transaction conditions be equivalent to market or standard conditions, detailed supporting documentation shall be provided.
The Board of Directors decides on the Transactions after justified, non-binding advice of a

committee solely composed of non-related non-executive directors, with the majority of them being independent (the "TRP Committee") which examines the interests of the Company in reference to the Transaction, its profitability and if its conditions are materially correct.
In order to issue non-binding advice, the TRP Committee shall receive exhaustive and adequate disclosure on the Transactions and their features. The Related Parties Committee may be supported – at the Company's expenses – by one or more independent experts that are not related and have no direct or indirect personal interest in the transaction and are chosen by the Related Parties Committee itself. These experts may express an opinion or draft a report on the economic conditions and/or the technical aspects and/or on the legitimacy of the transactions. The maximum amount that may be charged to the Company for external consultants shall be proportional to the value of the Transaction, and in any case, it shall not exceed € 20,000 for each single transaction.
The Board of Directors and the Board of Statutory Auditors shall receive exhaustive disclosure on Transactions.
The decision of the Board of Directors may be taken despite advice to the contrary from the Related Parties Committee.
If one or more members of the Transactions with Related Parties Committee declare themselves to be, regarding a specific transaction, connected with some related parties, in order to safeguard the substantive fairness of the transaction, the reasoned favourable opinion must be issued by the Non-related Independent Directors who may be present or, if there are not at least two Non-related Independent Directors, by the Non-related Independent Director who may be present or in his absence, by the Board of Statutory Auditors, as equivalent in accordance with Consob Regulations. The faculty to appoint an independent expert is reserved. If the Board of Directors asks for the opinion of the Board of Statutory Auditors, the members of the Board itself, if they have an interest, on their own or on behalf of third parties, in the transaction, shall notify the other Statutory Auditors, specifying the nature, the terms, the origin and extent of said interest.
The resolutions of the TXT Board of Directors on the transactions shall provide full information on the interests of the Company, reasons, profitability and material correctness of the transactions for the Company and the group to which the Company belongs (the "TXT Group"). The Directors Involved in the Transaction shall abstain from voting on it. Should said transactions be the responsibility of the Shareholders' Meeting or should they be authorised by the latter, pursuant to the law or the Articles of Association, the aforementioned procedure shall apply to the negotiation, information-gathering and decision-making phases.
Transactions of Limited Value are excluded from the above procedural rules (Transactions with related Parties which, considered individually, have a value not exceeding € 80,000 (eighty thousand), if the Related Party is a natural person; € 100,000 (one hundred thousand), if the Related Party is a legal person) provided that they do not present elements of risk connected with the characteristics of the transaction itself and on the assumption that such transactions cannot have a significant impact on the Company's financial position. Similarly, the remuneration plans based on financial instruments approved by the Shareholders' Meeting, pursuant to Article 114-bis of the Consolidated Law on Finance and related implementation provisions, are also excluded from this procedure, also in light of the Shareholders' Meeting competence and rigorous disclosure process. Furthermore, the decisions taken by the Shareholders' Meeting on issues stated in Article 2389, paragraph 1, of the Italian Civil Code, regarding remuneration of members of the Board of Directors and the Executive Committee, are likewise excluded from this procedure, as well as the decisions on the remuneration of directors who cover particular offices up to the amount decided by the Shareholders' Meeting pursuant to Article 2389, paragraph 3, of the Italian Civil Code. Finally, resolutions on remuneration of managers and directors who cover particular offices not included

in the aforementioned examples and of Managers with strategic responsibilities are excluded from this procedure, provided that:

- the Company has implemented a remuneration policy;
- a committee composed of mainly independent non-executive directors has been set up to deal with the remuneration policy;
- the remuneration awarded is identified in accordance with this policy and quantified on the basis of criteria that do not involve discretionary assessments.

Transactions with or between companies controlled, even jointly, by TXT are excluded from this procedure, as long as in the TXT-controlled companies there are no significant interests of other parties related to the Company. Interests are considered as non-significant if they are limited to the fact that one or more directors or Managers with strategic responsibilities hold office both with TXT and its subsidiaries.
Transactions with associated companies are also exempt from the procedure concerning transactions with related parties, as long as the associated companies do not have any significant interests of other Company's related parties.
Ordinary transactions that are performed at market or standard conditions are completely excluded from this procedure.
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 Transactions with Related Parties Committee met on 26 April, 3 June and 30 June 2021 to update the Related Parties procedure in accordance with recent legislative changes and to carry out an assessment on the new registered office of Txt e-solutions S.p.A, expressing a non-binding opinion on the existence of the Company's interest in the conclusion of the Lease Agreement and in the completion of the Transaction as well as on the convenience and substantial correctness of the relevant conditions.

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 Eurizion 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.

Franco Vergani

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.

Luisa Cameretti

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.

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 2021 financial year, the Board of Statutory Auditors held 5 meetings, with an average duration of 1 hour and 46 minutes. 5 meetings have been scheduled for 2022, the first of which was held on 19 January 2022.

The Board of Statutory Auditors assessed the independence of its members (*Criterion 8.C.1.*). In performing the above-mentioned assessments, the Board considered compatible and significant the criteria provided for by the Code concerning Directors' independence (*Criterion 8.C.1.*).

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 (*Criterion 2.C.2.*). 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 (*Recommendation n.30*).

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(Recommendation n.37).

The Board of Statutory Auditors oversaw the independence of external 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 external 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.

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

In 2021, the Company took part in the spring and fall event "Virtual Star Conference", organised by Borsa Italiana. The Company also participated in the Tech Sector Days and organised, mainly by teleconference, further meetings with investors.

The CEO at 31 December 2021 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.

Shareholder engagement

The Board of Directors promotes the dialogue with the shareholders and the other stakeholders relevant for the Company, involving, for this purpose, a specific corporate structure responsible for the relations with the financial community, which ensures adequate and timely information in the relations with investors. In the context of relations with shareholders, the Board of Directors promotes initiatives aimed at promoting the widest possible participation of shareholders in the meetings and gatherings organised by the Company, also by making available, in a timely and continuous manner, the relevant corporate documentation in a dedicated section of the Company's website. At the date of the Report, the Board of Directors had not approved a specific policy for dialogue with shareholders; the Board will proceed in the course of the 2022 financial year with the definition and adoption of the "Policy for managing dialogue with the generality of shareholders", in line with Recommendation no. 3.

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 Borsa Italiana headquarters, but they may also be 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 External 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 all standing auditors have participated in the Shareholders' Meeting of 18 June 2020, while five out of seven directors and two auditors out of three attended the Shareholders' Meeting of 15 October 2020. During the course of the Meeting of 18 June 2020, 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.

In order to encourage maximum shareholder participation, taking into account the provisions of Law Decree 18/2020 regarding participation in the Shareholders' Meetings during the Covid-19 emergency period, the Shareholders' Meetings were held in 2020 exclusively by video conference through the designated representative.

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).

At 31 December 2021, the market capitalisation of the company was € 95.8 million, compared to € 91.4 million at 31 December 2020.

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.

In 2021, three Shareholders' Meetings were convened, two ordinary ones and one extraordinary.

The Ordinary Shareholders' Meeting of 22 April 2021 approved the 2020 Financial Statements, the Remuneration Report, the emoluments for the directors, the renewal of the treasury share purchase programme, the appointment of the auditing company for the financial years 2021-2029 and the determination of the relative remuneration and the appointment of a director.
The Ordinary Shareholders' Meeting of 13 September 2021 appointed two members of the Board of Directors.
The Extraordinary Shareholders' Meeting of 13 September 2021 approved: the transfer of the Company's registered office and the amendment of Article 15 of the Articles of Association.
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 18 June 2020 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	**Direct shareholder**	**No. of shares**	**As a % of ordinary capital**	**As a % of voting capital**
Enrico Magni (through Laserline S.p.A.)	NO	3,926,493	30.19%	33.38%
Treasury shares (with suspended voting right)	NO	1,243,372	9.56%	-
Market	YES	7,836,385	60.25%	66.62
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				-	11/12						
Amm. Del.	Daniele Misani	1977	15.07.2019	18.06.2020	31.12.2022	M	x				-	12/12						
Amm.	Matteo Magni	1982	18.06.2020	18.06.2020	31.12.2022	M		x			-	12/12	M	6/6				
Amm.	Paola Generali	1975	18.06.2020	18.06.2020	31.12.2022	m		x	x	x	1	11/12	P	6/6	M	1/1	P	3/3
Amm.	Stefania Saviolo	1965	17.04.2014	18.06.2020	31.12.2022	M		x	x	x	-	11/12	M	6/6	P	1/1	M	3/3
Amm.	Carlo Gotta	1963	12.05.2021	12.05.2021(***)	31.12.2022	-		x	x	x	-	8/9	M	4/4			M	2/2
Amm.	Antonella Sutti	1964	13.09.2021	13.09.2021	31.12.2022	-		x	x	x	-	2/3			M			
AMMINISTRATORI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO																		
Amm.	Valentina Cogliati	1958	10.05.2012	18.06.2020	04.05.2021	M		x	x	x	-	3/3	M	1/2			M	0/1
Amm.	Fabienne Dejean Schwalbe	1965	03.08.2017	18.06.2020	10.06.2021	m		x	x	x	-	3/3			M	1/1		
	N. riunioni svolte durante l'esercizio 2021:			CDA: 12	CCR: 6	CR: 1	CPC:3											
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 dimensioni. 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 partecipare; p.e. 6/8; 8/8 ecc.).

(**) 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

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	5/5	-
Standing Auditor	Luisa Cameretti	1965	17.04.2014	01.01.2020	31.12.2022	Majority	x	5/5	-
Standing Auditor	Franco Vergani	1966	18.06.2020	18.06.2020	31.12.2022	Majority	x	4/5	-
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 2021

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 11 March 2022, the Company's Board of Directors, at the instruction of the Remuneration Committee, adopted the "2021 Remuneration Policy", to be subject to a non-binding vote by the Shareholders' Meeting of 20 April 2022.

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 2021", illustrating the policy implemented by the TXT e-solutions Group during the 2021 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 objectives of the Group (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 2021 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 2021 financial year, please refer to the 2021 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 2021 Remuneration Policy was approved by the Shareholders' Meeting of 22 April 2021. The 2022 Remuneration Policy was approved by the Remuneration Committee in its meeting of 9 March 2022 and by the Board of Directors' meeting of 11 March 2022, and it will be submitted to the scrutiny of and a non-binding vote by the Shareholders' Meeting on 20 April 2022.

4. Remuneration of directors

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

At 31 December 2021, 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

- o Antonella Sutti

The TXT Shareholders' Meeting of 22 April 2021 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 ("Claw back 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 strike 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 2021 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.

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/governance/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 TUF).

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 2021, 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 – 2021 Remuneration Report

Compensation paid to directors and auditors

Emoluments paid during 2021 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	-	100.000	5.558	-	370.558	-	
Daniele Stefano Misani	TXT e-solutions SpA	Amm. Del.	1.1-31.12	Bil 2022	195.000	-	100.000	5.549	-	300.549	5.438	21.852
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.	18.6-31.12	Bil 2022	30.000	15.000	-	-	-			
Matteo Magni	TXT e-solutions SpA	Amm.	18.6-31.12	Bil 2022	20.000	5.000	-	-	-			
Valentina Cogliati	TXT e-solutions SpA	Amm. Ind.	1.1-4.5	Cessato	8.333	3.333	-	-	-	11.667	-	-
Carlo Gotta	TXT e-solutions SpA	Presidente	12.5-31.12	Bil 2022	16.667	6.667	-	-	-	23.333	-	-
Fabienne Dejean Schwalbe	TXT e-solutions SpA	Amm. Ind.	1.1-10.6	Cessato	10.000	2.083	-	-	-	12.083	-	-
Antonela Sutti	TXT e-solutions SpA	Amm. Ind.	13.9-31.12	Bil 2022	5.833	833	-	-	-	6.667	-	-
Dirigente con responsabilità strategiche			-	-	110.000	-	40.000	5.794	-	155.794	-	-
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					758.833	47.917	240.000	16.900	13.260	1.006.910	5.438	21.852

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 Executive 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	241.667	-	-	256.667
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
Valentina Cogliati	5.000	-	3.333	-	8.333
Carlo Gotta	10.000	-	6.667	-	16.667
Fabienne Dejean Schwalbe	7.500	-	2.500	-	10.000
Antonella Sutti	5.000	-	833	-	5.833
					-
Dirigente con responsabilità strategiche	-	-		110.000	110.000

The Shareholders' Meeting of 22 April 2021 resolved to set the compensation of each director at € 15,000 for the financial year 2021. 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 2021 financial year by Stefania Saviolo, Fabienne Dejean Schwalbe (resigned as from 10 June 2021) co-opted by the Board of Directors on 12 May with Carlo Gotta, confirmed by the Shareholders' Meeting of 13 September 2021, Valentina Cogliati (resigned as from 4 May 2021), replaced with Antonella Sutti by the Shareholders' Meeting of 13 September 2021, Paola Generali. The remuneration specified for Valentina Cogliati and Fabienne Dejean Schwalbe refers to their participation in the Risks and Internal Controls Committee and Transactions with Related Parties Committee on a pro-rata basis until the approval of the financial statements as at 31 December 2021.
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
Valentina Cogliati	1.1-4.5	1.667	-	1.667	3.333
Carlo Gotta	12.5-31.12	3.333	-	3.333	6.667
Fabienne Dejean Schwalbe	1.1-10.6	-	2.083	-	2.083
Antonella Sutti	13.9-31.12	-	833	-	833

The column "Bonuses and other incentives" includes portions of variable compensation vested and not yet paid, according to the corporate Management by Objectives – MBO plan for the financial year 2021. The listed bonuses relate to the 2021 financial year, vested following the achievement of performance targets during the financial year, and are fully payable because they are not subject to any 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 2021 did not resolve maximum overall fees assignable to the Directors with specific offices. Fixed and variable compensation in 2021 amounted to € 390,000.

Nominativo	Carica	Compensi fissi per cariche	Compensi variabili per cariche	Indennità di fine mandato	Totale
Enrico Magni	Presidente	250.000	100.000	-	350.000
Daniele Misani	Amm. Delegato	40.000	-	-	40.000
TOTALE		290.000	100.000	-	390.000

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 with the indication of how many assigned to the executive directors and managers with strategic responsibilities:

	Totale	di cui Amministratori e Dirigenti con Responsabilità strategiche
Stock Options assegnate, maturate ed esercitate	-	-
Stock Options assegnate non maturate	108.000	18.000
Stock Options non assegnate	492.000	
Totale Piano deliberato assemblea	600.000	

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 detenute all'inzio dell'esercizio 2021			Opzioni assegnate nel corso dell'esercizio 2021					Opzioni esercitate nel corso dell'esercizio 2021			Opzioni scadute nel 2021	Opzioni detenute alla fine del 2021	Opzioni di competenza 2021
			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 (€)
Amministratori																
Daniele Misani	Amm.	Stock Option 18.4.2019	18.000	8,67	1.3.2022 - 31.3.2023	-	-	-	-	-	-	-	-	-	-	5.438

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 2021 from the shareholders' register, communications received and other information acquired.

The auditors have no holdings in the company.

COGNOME E NOME	CARICA	SOCIETA' PARTECIPATA	NR. AZIONI POSSEDUTE AL 31.12.2020	NR. AZIONI ACQUISTATE/ SOTTOSCRITTE	NR. AZIONI VENDUTE	NR. AZIONI POSSEDUTE AL 31.12.2021
Amministratori						
Enrico Magni	Presidente	TXT	3.853.081	73.412	-	3.926.493
Daniele Stefano Misani	Amm. Del.	TXT	6.500	2.000	-	8.500
Stefania Saviolo	Amm. indip.	TXT	825	-	-	825
Carlo Gotta	Amm. indip.	TXT	14.050	-	-	14.050
Dirigente con responsabilità strategica			6.000	1.000	-	7.000
TOTALE			3.880.456	76.412	-	3.956.868

Enrico Magni:

- on 2 February 2021, purchased 2,000 shares

- on 10 February 2021, purchased 15,000 shares
- on 11 February 2021, purchased 52,412 shares
- on 26 February 2021, purchased 4,000 shares

Daniele Stefano Misani:

- on 23 March 2021, purchased 2,000 shares

Eugenio Forcinito as executive with strategic responsibilities:

- on 17 March 2021, purchased 1,000 shares

Significant events after the end of the year.

At the beginning of 2022 no purchase by directors, general managers and manager with strategic responsibility of ordinary shares.

TXT E-SOLUTIONS

CONSOLIDATED FINANCIAL STATEMENTS 2021

As at 31 December 2021

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 number:
09768170152

Corporate Units

BOARD OF DIRECTORS:

In office until approval of the financial statements as at 31 December 2022:

- **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 at 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

Imprenditore esperto e con un solido track record come guida nei processi di crescita di aziende operanti in diversi settori, Enrico è entrato in TXT come azionista di riferimento e ad oggi ricopre la carica di Chairman, con l'obiettivo di guidare la crescita del Gruppo.

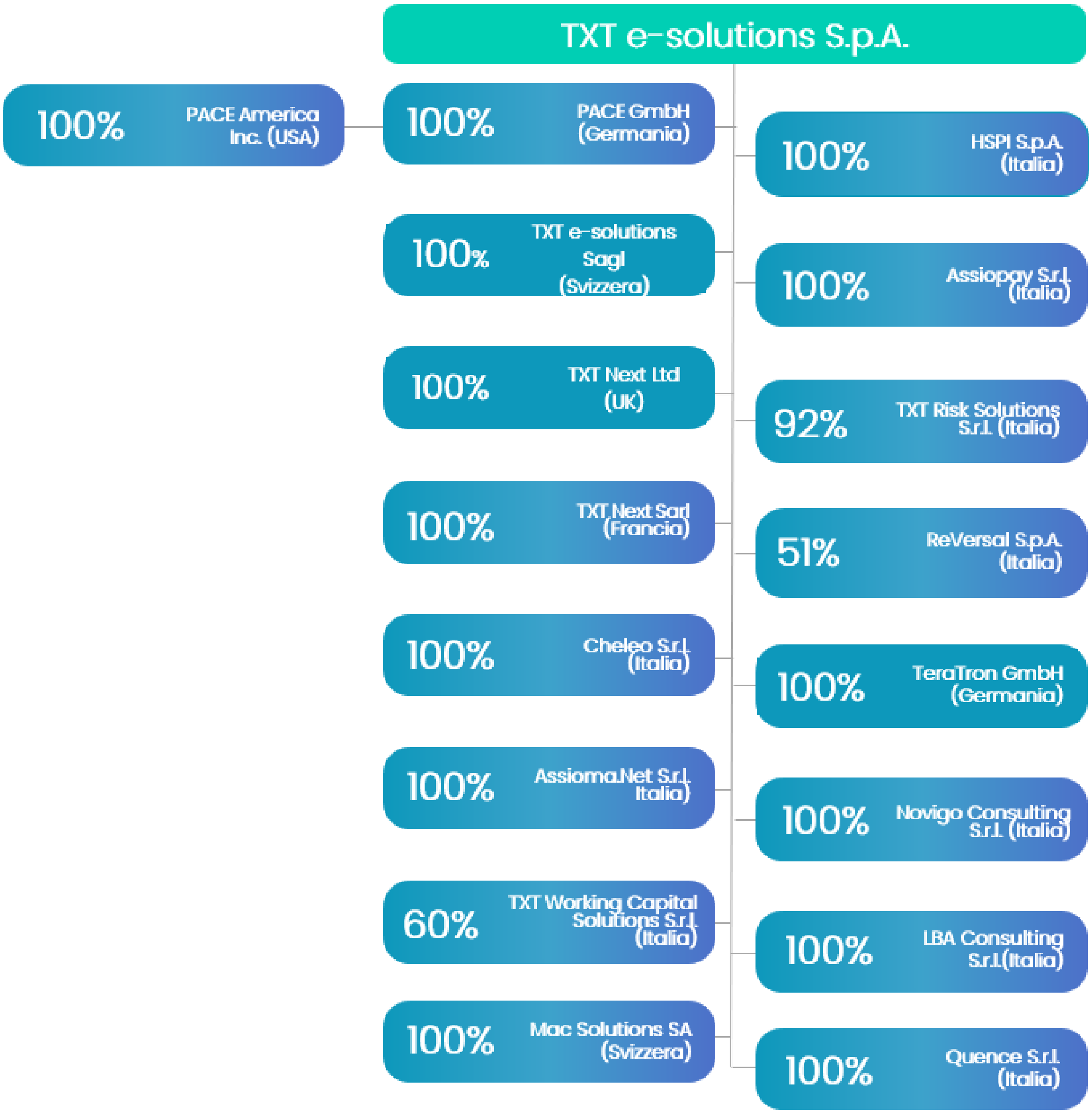
Daniele Misani

+ 20 anni in TXT, forte esperienza nello sviluppo internazionale del business e da metà del 2020 ricopre la carica di Group CEO, con responsabilità strategiche nella definizione e nell'esecuzione delle strategie di crescita internazionale del Gruppo TXT.

Eugenio Forcinito

+20 anni di esperienza nel settore finanziario e amministrativo e una profonda conoscenza delle dinamiche manageriali, negli ultimi quindici anni Eugenio è sempre stato focalizzato e impegnato in una crescita sostenibile del Gruppo TXT.

Organisational structure and scope of consolidation



Balance sheet

ASSETS	Notes	31.12.2021	Of which with related parties	31.12.2020	Of which with related parties
NON-CURRENT ASSETS					
Goodwill	8.1	44,592,766		30,431,313	
Intangible assets with a finite useful life	8.2	8,033,715		7,221,447	
Intangible assets		52,626,482		37,652,760	
Property, plant and equipment	8.3	12,125,958		7,460,326	
Tangible assets		12,125,958		7,460,326	
Investments in associates	8.4	-		-	
Other non-recurring financial receivables	8.5	14,600,368		227,066	
Deferred tax assets	8.6	1,928,665		2,072,381	
Other non-current assets		16,529,033		2,299,447	
TOTAL NON-CURRENT ASSETS		81,281,473		47,412,533	
CURRENT ASSETS					
Contractual assets	8.7	7,809,891		4,749,088	
Trade receivables	8.8	43,156,099		35,410,803	
Sundry receivables and other current assets	8.9	8,864,378		5,782,068	
Other short-term financial receivables		-		-	
HFT securities at fair value	8.10	48,868,752		68,160,917	
Cash and cash equivalents	8.11	36,076,104		11,932,508	
TOTAL CURRENT ASSETS		144,775,224		126,035,384	-
TOTAL ASSETS		226,056,696		173,447,917	-

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes				Of which with related parties
SHAREHOLDERS' EQUITY					
Share capital		6,503,125		6,503,125	
Reserves		15,266,375		13,858,858	
Retained earnings (accumulated losses)		63,011,589		60,617,969	
Profit (loss) for the year		7,873,676		4,474,067	
TOTAL SHAREHOLDERS' EQUITY (Group)	8.12	92,654,765		85,454,019	0
Shareholders' Equity attributable to minority interests		411,778		409,158	
TOTAL SHAREHOLDERS' EQUITY	8.12	93,066,542		85,863,177	-
NON-CURRENT LIABILITIES					
Non-current financial liabilities	8.13	49,468,725	1,748,057	27,398,339	
Provision for post-employment benefits and other employee provisions	8.14	3,296,650		2,757,450	
Deferred tax provision	8.6	1,961,327		1,864,250	
Provisions for future risks and charges	8.15	118,905		118,905	
TOTAL NON-CURRENT LIABILITIES		54,845,607	1,748,057	32,138,944	-
CURRENT LIABILITIES					
Current financial liabilities	8.16	44,570,042	367,965	30,634,968	
Trade payables	8.17	6,302,987		4,176,210	
Tax payables	8.18	3,739,356		3,282,649	
Sundry payables and other current liabilities	8.19	23,532,162	228,546	17,351,969	155,600
TOTAL CURRENT LIABILITIES		78,144,547	596,511	55,445,796	155,600
TOTAL LIABILITIES		132,990,154	2,344,567	87,584,740	155,600
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		226,056,696	2,344,567	173,447,917	155,600

Income Statement

(€ thousand)	31.12.2021	Of which with related parties	31.12.2020	Of which with related parties
Revenues and other income	96,363,218	0	68,752,872	
TOTAL REVENUES AND OTHER INCOME	96,363,218		68,752,872	
Purchases of materials and external services	(23,176,030)	0	(15,183,289)	(6,800)
Personnel costs	(58,439,091)	(581,563)	(45,102,515)	(561,145)
Other operating costs	(588,647)	0	(497,470)	
Depreciation and amortisation/Impairment	(4,557,386)	0	(4,818,893)	
OPERATING RESULT	9,602,064	(581,563)	3,150,705	(567,945)
Financial income (charges)	705,924	0	2,726,084	
EARNINGS BEFORE TAXES (EBT)	10,307,988		5,876,789	
Income taxes	(2,468,565)	0	(1,161,790)	
NET PROFIT (LOSS) FOR THE PERIOD	7,839,423		4,714,999	
Attributable to:				
Parent Company shareholders	7,873,676		4,474,067	
Minority interests	(34,254)		240,932	
EARNINGS PER SHARE	0.67		0.38	
DILUTED EARNINGS PER SHARE	0.67		0.38	
Number of shares	11,724,069		11,684,590	

Consolidated Statement of Comprehensive Income

	31.12.2021	31.12.2020
NET PROFIT (LOSS) FOR THE PERIOD	7,839,423	4,714,999
Attributable to:		
Minority interests	(34,254)	240,932
Parent Company shareholders	7,873,677	4,474,067
Profit/(Loss) from foreign currency translation differences	222,549	(23,019)
	(8,750)	42,054
Total items of other comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of taxes	213,799	19,035
Defined benefit plans actuarial gains (losses)	(26,455)	(170,099)
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	(26,455)	(170,099)
Total profit/(loss) of other comprehensive income net of taxes	187,344	(151,064)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,026,767	4,563,935
Attributable to:		
Minority interests	(34,254)	240,932
Parent Company shareholders	8,061,021	4,323,003

Consolidated Statement of Cash Flows

	31/12/2021	31/12/2020
Net profit (loss) for the period	7,839,423	4,714,999
Non-monetary costs for Stock Options	10,872	32,628
Non-monetary Interest	126,774	150,687
Change in fair value of monetary instruments	-1,103,029	-1,700,911
Current income taxes	2,081,887	381,198
Change in deferred taxes	-371,178	-378,694
Depreciation/amortisation, impairment and provisions	4,373,882	3,438,896
Other changes	-	52,969
Cash flows from (used in) operating activities (before change in working capital)	12,958,631	6,691,772
(Increase) / Decrease in trade receivables	-3,916,798	-9,592,400
(Increase) / Decrease in inventories	-1,632,855	-593,457
Increase / (Decrease) in trade payables	1,701,458	145,535
Increase / (Decrease) in other assets/liabilities	156,303	3,547,704
Increase / (Decrease) in post-employment benefits	104,459	-1,185,674
Changes in operating assets and liabilities	-3,587,433	-7,678,292
Paid income taxes	-837,823	-172,000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	8,533,375	-1,158,520
Of which with related parties	-508,617	-1,216,281
Increase in tangible assets	-941,550	-781,972
Increase in intangible assets	-162,741	-25,790
Capitalisation of Development expenses	-363,136	-347,625
Decrease in tangible and intangible assets	30,145	64,875
Net cash-flow from acquisition of subsidiaries	-14,531,684	-11,765,948
(Increase)/Decrease of financial investments	-14,299,998	-
(Increase) / Decrease in trading securities	20,000,000	20,000,000
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	-10,268,964	7,143,540
Of which with related parties	-	*-6,745,750*
Loans issued	37,225,729	16,000,000
Loans repaid	-10,310,058	-10,570,211
Payment of lease liabilities	-1,635,639	-1,540,393
Increase/(Decrease) in other financial receivables	-	-
Increase / (Decrease) in financial payables	-	-
Distribution of dividends	-521,381	-
Interest expense	-179,864	-141,907
Other changes in shareholders' equity	184,550	-
Net change in financial liabilities	-93,455	-5,902,292
(Purchase)/Sale of treasury shares	1,209,301	-3,300,772
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	25,879,183	-5,455,575
Of which with related parties	-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24,143,594	529,445
Effect of changes in exchange rates on cash flows	-	-23,020
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,932,508	11,426,083
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36,076,104	11,932,508
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	-3,969,610	-493,832
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	3,969,610	493,832
Of which with related parties	*2,238,163*	-

Statement of changes in Shareholders' Equity as at 31 December 2021

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Fair Value Swap	Riserva di traduzione	Utili a nuovo	Utile (perdita) del perido	Totale patrimonio netto (Gruppo)	Totale patrimonio netto (Terzi)	Totale patrimonio netto
Saldi al 31 dicembre 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
Utile al 31 dicembre 2020										4.474.067	(4.474.067)	0		0
Acquisizioni minoranze										(1.560.194)	0	(1.560.194)	36.873	(1.523.321)
Incremento/acquisto						10.872		(8.750)		1.128		3.250		3.250
Distribuzione dividendi										(521.381)		(521.381)		(521.381)
Aumento di capitale gratuito												0		0
Vendita azioni proprie			1.482.715									1.482.715		1.482.715
Acquisto azioni proprie			(273.414)									(273.414)		(273.414)
Differenze attuariali TFR							(26.455)					(26.455)		(26.455)
Delta cambi									222.549			222.549		222.549
Utile al 31 dicembre 2021											7.873.676	7.873.676	(34.254)	7.839.423
Saldi al 31 dicembre 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

	Capitale sociale	Riserva legale	Riserva da sovrapprezzo azioni	Avanzo di fusione	First time application	Stock options	Differenze attuariali TFR	Fair Value Swap	Riserva di traduzione	Utili a nuovo	Utile (perdita) del perido	Totale patrimonio netto (Gruppo)	Totale patrimonio netto (Terzi)	Totale patrimonio netto
Saldi al 31 dicembre 2019	6.503.125	1.300.625	12.571.450	1.911.444	0	23.793	(934.986)	(169.708)	27.903	60.303.632	314.337	81.851.614	168.226	82.019.840
Utile al 31 dicembre 2019										314.337	(314.337)	-		-
Acquisizioni minoranze							-					-		-
Incremento/acquisto						32.628		42.054				74.682		74.682
Distribuzione dividendi												-		-
Aumento di capitale gratuito												-		-
Vendita azioni proprie			4.565.921									4.565.921		4.565.921
Acquisto azioni proprie			(5.319.147)									(5.319.147)		(5.319.147)
Differenze attuariali TFR							(170.099)					(170.099)		(170.099)
Delta cambi									(23.019)			(23.019)		(23.019)
Utile al 31 dicembre 2020											4.474.067	4.474.067	240.932	4.714.999
Saldi al 31 dicembre 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

NOTES TO THE FINANCIAL STATEMENTS

1. Group's Structure and Scope of Consolidation

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

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 31 December 2021 (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 S.a.r.l.	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
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.
The Group signed option contracts for the minority interests of TXT Working Capital Solutions S.r.l. and TXT Risk Solutions S.r.l..
After evaluating the terms and conditions of exercise, these options were considered capable of attributing a present ownership interest as at 31 December 2021 taking into account the risks associated with the change in fair value of the options that affect their exercise by the holders.

Consequently, for the purposes of presenting the consolidated financial statements, no third-party rights have been restated in the 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.

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	31.12.2021	31.12.2020
British Pound (GBP)	0.8596	0.8897
US Dollar (USD)	1.1827	1.1422
Swiss Franc (CHF)	1.0811	1.0705

- Balance sheet (exchange rates as at 31 December 2021 and 31 December 2020)

Currency	31.12.2021	31.12.2020
British Pound (GBP)	0.8403	0.8990
US Dollar (USD)	1.1326	1.2271
Swiss Franc (CHF)	1.0331	1.0802

2. Acquisitions

2.1. AssioPay S.r.l

On 11 January 2021, the TXT Group purchased from Andrea Serra its shareholding in AssioPay S.r.l., representing 49% of its share capital, for a consideration of € 1.6 million. The price for purchase of the Shareholding was agreed by the parties as follows:

An amount of € 1.6 million ("Price") of which:

- € 0.8 million in cash ("Cash Price"); and
- € 0.8 million through the payment of ordinary TXT treasury shares ("Share Price");
- an amount - which may be negative (and therefore due from the seller to the buyer) or positive (and therefore due from the buyer to the seller) - equal to the NFP Closing (defined as the value of Assiopay's NFP recorded on the last day immediately preceding the closing date).

2.2. Banca del Fucino

On 28 January 2021, as part of its policy to optimize the asset allocation of available liquidity, it made a financial investment of approximately € 14.3 million in the share capital of Banca del Fucino S.p.A. ("Bank"), against the issue of new shares equal to approximately 9% of the share capital (post-money). The share capital increase reserved for TXT took place on the basis of a delegation granted to the Bank's Board of Directors, which has accepted TXT's investment proposal. Banca del Fucino is the parent company of the Igea Banca Banking Group and fully controls Igea Digital Bank S.p.A., a digital bank with excellent growth prospects in the current market context. The capital strengthening of the Bank, which in the last period recorded a total of more than € 45 million in capital increase paid in cash, is aimed at implementing the 2020-2023 business plan, focused on the business model of a specialty bank with a strong Fintech vocation.

2.3. Reversal S.p.A.

On 27 May 2021, TXT e-Solutions S.p.A. subscribed a share capital increase in the start-up ReVersal S.p.A., obtaining an equity investment equal to 51% of the share capital of the start-up.

The investment in ReVersal, a company that deals primarily on financial products for wealth management, was unanimously approved by TXT's Board of Directors and represents a key milestone in the Fintech division's growth project driven by strategic investments in innovative start-ups and mature FinTech's operating in segments with high growth potential and a strong digital focus.

The purchase of the 51% shareholding took place via the subscription by TXT e-Solutions S.p.A. of a capital increase for € 500,400 (including a share premium of € 0.49 million), paid in cash using available liquidity.

TXT undertook to guarantee additional capital for the growth of ReVersal through interest-bearing loans, to be paid in several tranches and on specific requests, for a total maximum amount of € 0.8 million (interest equal to Euribor + 1 point).
Based on the analyses carried out and the business plan, the Break-Even Point is envisaged for the first year of operations.

2.4. TXT Risk Solutions S.r.l

During the first half of 2021, TXT e-solutions S.p.A. ("TXT") acquired the shares (74.87%) relating to TXT Risk Solutions S.r.l. sold by Cheleo S.r.l.. In July, 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.

2.5. TeraTron GmbH

On 29 July 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the German company TeraTron GmbH. The data will be consolidated from 1 August 2021.

The acquisition of TeraTron GmbH closed with a consideration for the acquisition of 100% of TeraTron GmbH amounting to € 10.1 million paid in cash at closing.

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		10,100,000
Price adjustment		114,175
Net assets (liabilities)	5,468,413	
Goodwill (to be allocated)	**4,745,762**	

2.6. LBA Consulting S.r.l.

On 29 November 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the share capital of the company LBA Consulting S.r.l.. The data were consolidated starting from 1 December 2021.

The consideration for the acquisition of 100% of LBA ("LBA Enterprise Value") has been agreed between the parties as € 2.73 million paid in cash at closing plus price adjustment to be paid in TXT ordinary treasury shares within 30 days of the approval of LBA's 2021 financial statements based on the actual EBITDA reported by LBA in the current year. The Net Financial Position of LBA as at 31 December 2021 will be settled in shares as part of the planned adjustment within 30 days from the closing date.
The LBA acquisition agreement includes retention and claw-back clauses for the two selling shareholders and managers expiring the date of approval of the financial statements closing on 31 December 2024. The maximum value of the claw-back provided for in the contract is equal to the value of the price adjustment paid by TXT to the selling shareholders.

Component	Euro
Price paid in cash	2,730,000
Price adjustment for EBITDA-NFP (estimated based on the best estimates available at the balance sheet date)	2,465,057
Total (100%)	5,195,057

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		5,195,057
Net assets (liabilities)	837,243	
Goodwill (to be allocated)	**4,357,814**	

2.7. Novigo Consulting S.r.l.

On 29 November 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the company Novigo Consulting S.r.l.. The data were consolidated starting from 1 December 2021.

The consideration for the purchase of 100% of Novigo ("Novigo Enterprise Value") was agreed between the parties in € 3.5 million paid at closing, of which € 2.45 million (70%) paid in cash as at 31 December 2021 and € 1.05 million (30%) through the payment of ordinary TXT treasury shares; the Novigo Enterprise Value will be adjusted within thirty days from the date of approval of the 2021 financial statements on the basis of the actual EBITDA reported by the company in the current year. The Net Financial Position of Novigo as at 31 December 2021 will be settled in cash.
The acquisition agreement includes retention and earn-out clauses for the three selling shareholders expiring on the approval of the financial statements for the year ending 31 December 2024.
The maximum value of the earn-outs provided in the contract is €0.8, to be settled through the payment of TXT ordinary treasury shares.

Component	Euro
Price paid in cash	2,450,000
Price to be paid with treasury shares	1,050,000
Price adjustment for EBITDA-NFP (estimated on the basis of the best estimates available as at the balance sheet date)	1,780,000
Earn-out (estimated on the basis of the best estimates available as at the balance sheet date)	500,000
Total (100%)	5,780,000

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		5,780,000
Net assets (liabilities)	1,070,726	
Goodwill (to be allocated)	**4,709,274**	

2.8. Quence S.r.l.

On 28 December 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the company Quence S.r.l.. The economic data will be consolidated starting from 1 January 2022, while only the balance sheet as at the acquisition date has been consolidated with the data updated to 31 December 2021.
The consideration for the purchase of 100% of Quence ("Enterprise Value") was agreed between the parties at € 2.0 million paid at closing, of which € 1.4 million (70%) was paid in cash and € 0.6 million (30%) was paid in ordinary TXT treasury shares sold at the market price at the close of the trading day prior to the date of closing.

Component	Euro
Price paid in cash	2,009,000
Price to be paid with treasury shares	861,000
Price adjustment for EBITDA-NFP (estimated on the basis of the best estimates available as at the balance sheet date)	92,782
Total (100%)	2,962,782

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		2,962,782
Net assets (liabilities)	1,272,872	
Goodwill (to be allocated)	**1,689,910**	

3. Business Units

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

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.), HSPI, MAC Solutions S.A., LBA Consulting, Novigo Consulting and Quence.
The "Aerospace, Aviation & Transportation" operating segment includes the activities of TXT e-solutions S.p.A. related to A,A&A, Pace GmbH and TeraTron GmbH.

The two 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 2021 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.
All amounts are expressed in Euro, unless otherwise indicated.
The publication and release of this report were approved by the Board of Directors' Meeting held on 11 March 2022.

<u>Financial statements</u>

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 2021.
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 whether to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate 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 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 national secondary offices (Milan, Turin, Brescia) and foreign secondary office (PACE – 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

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 Group signed the following contracts during the year:

- 7 multi-segment life insurance contracts for € 39,277,366 (as at 31 December 2020 € 59,874,094);
- Bond loan for € 579,518 subscribed below par for € 498,000;
- Treasury management for € 7,935,668;
- Multi-year Treasury Bills for € 1,076,200;
- Investment in Banca del Fucino for € 14,299,999.

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.

Financial assets at amortised cost

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.

Financial assets at fair value through the income statement.

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 2021, 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 payables 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 expedience, 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. In view of the above the TXT Group does not recognise commercial costs incurred under assets as they are considered mostly recurring in nature.

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 2021.

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	31.12.2021	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		14,299,999	0	0	14,299,999
- HFT securities at fair value	8.10	48,868,752	8,515,186	0	40,353,566
Total financial assets		48,868,752	8,515,186	0	54,653,564
Financial liabilities for which the fair value is identified					
- other non-current financial liabilities	8.13	49,468,725	0	44,350,117	5,118,608
- other current financial liabilities	8.16	44,570,042	0	37,511,203	7,058,839
Total financial liabilities		94,038,766	0	81,861,319	12,177,447

Non-current financial liabilities of Level 3 (Note 8.13) include the debt for:

- Earn-Out Assioma Net S.r.l. Group (long term portion);
- 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";
- Earn-Out of Novigo;
- 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;
- non-current monetary flow swaps.

While for *current financial liabilities* of level 3 (Note 8.16) the following are included:

- Assioma Net S.r.l. Group Earn-Out (short term portion);
- Debt for acquisitions of Novigo, LBA and Quence.

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 whom have been sold, either separately or together, 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 2021

The accounting standards adopted in preparing the annual consolidated financial statements as at 31 December 2021 are consistent with those used in drawing up the consolidated financial statements as at 31 December 2020 and presented in the Annual Report under Note 4 "Accounting standards and basis of consolidation".
As at 31 December 2021, there are no significant effects with respect to changes in the international accounting standards (IFRS) that were expected to be applied from 1 January 2021.

Accounting standards, amendments and interpretations endorsed by the EU and applicable to the financial statements as at 31 December 2021:

Document title	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
Reform of the benchmarks for determining interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	1 January 2021	(EU) 2021/25 13 January 2021	14 January 2021
Concessions on fees related to COVID-19 (Amendment to IFRS 16)	May 2020	1 June 2020	(EU) 2020/1434 9 October 2020	12 October 2020

Concessions on fees related to COVID-19 after 30 June 2021 (Amendment to IFRS 16)	March 2021	1 April 2021[1]	(EU) 2021/1421 30 August 2021	31 August 2021
Extension of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	(EU) 2020/2097 15 December 2020	16 December 2020

Reform of interest rate reference indices - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Amendments to IFRS 9, IAS 39 and IFRS 7, which were issued by the IASB in order to respond in a timely manner to the potential effects on the financial statements related to uncertainties arising from the ongoing reform of interbank rates, became effective on 1 January 2020 (so-called IBOR Reform). Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that refer to Phase 2 of the IASB's IBOR Reform project, which focused on the potential accounting implications of replacing a benchmark interest rate index with a new alternative benchmark index, became effective on 1 January 2021.

Concessions on fees related to COVID-19 (Amendment to IFRS 16)

In March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)" with which it extended by one year the period of application of the practical expedient introduced in May 2020 with the document "Covid-19-Related Rent Concessions (Amendment to IFRS 16)". The 2021 amendment applies to annual financial years starting on or after 1 April 2021 and early application is permitted.

The adoption of these amendments had no impact on the 2021 Report.

New Accounting Standards and Interpretations endorsed by the EU but not yet in force:

In 2021, the European Commission endorsed and published the following new accounting standards, amendments and interpretations to supplement the existing ones approved and published by the International Accounting Standards Board ("IASB"):

Document title	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
IFRS 17 Insurance Contracts and the subsequent amendment	May 2017 and June 2020	1 January 2023	(EU) 2021/2036 19 November 2021	23 November 2021
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, contingent liabilities and contingent assets; annual cycle of improvements to IFRS 2018-20	May 2020	1 January 2022	(UE) 2021/1080 28 June 2021	2 July 2021

The company does not anticipate any impacts arising from the future application of the new provisions.

New accounting standards, amendments and interpretations issued by the IASB and not yet implemented by the EU

The main documents published by the International Accounting Standard Board (IASB), which are not yet applicable as they have not yet been approved by the European Union, are illustrated below.

Document title	Issue date by the IASB	Effective date of the IASB document	Date of expected approval by the EU
Classification of liabilities as current or non-current (amendment to IAS 1), including the subsequent amendment issued in July 2020	January 2020 July 2020	1 January 2023	TDB
Disclosure of accounting policies (Amendment to IAS 1 and IFRS Practice Statement 2)	February 2021	1 January 2023	TDB
Definition of Accounting Estimates (Amendment to IAS 8)	February 2021	1 January 2023	TDB
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	TDB

The Company is still assessing the impact of these amendments, to the extent that they are applicable.

5. Financial risk management

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

- Currency risk;
- Interest rate risk;
- Credit risk;
- Liquidity 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 2021, 29.8% of the Group's revenues were earned outside Italy).
Given the relatively low exposure in currencies other than the functional currency, in 2021 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 (0.3% of consolidated revenues as at 31 December 2021), the US Dollar (5.2% of consolidated revenues as at 31 December 2021), the Swiss Franc (9.1% of consolidated revenues as at 31 December 2021).
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)
2021	+5%	(13,461)
	-5%	14,878

British Pound Sterling	Increase/Decrease	Effect on net profit (loss)
2021	+5%	(595)
	-5%	658

Swiss Franc	Increase/Decrease	Effect on profit (loss)
2021	+5%	(79,270)
	-5%	87,614

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:

(Importi in Euro/000)	31.12.2021	Variazione tasso interesse	Proventi/Oneri Finanziari
Posizione Finanziaria Netta (PFN)	- 9.093.910		
Debiti a tasso fisso	94.038.766		
Esposizione finanziaria a tasso variabile	- 103.132.677	+1%	(1.031.327)
		-1%	1.031.327

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	43,156,099	
Receivables due from customers (Top 5)	19,057,490	44.16%
Receivables due from customers (Top 10)	21,732,074	50.36%

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 43% of the Group's total trade receivables. The first five and ten customers respectively account for 44.16% and 50.36% of the total trade receivables collectible.

Liquidity and investment risk

On the basis of cash and cash equivalents of € 36,076,297, and a negative Net Financial Position of € -9,093,910 (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 € 49 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

Covid-19, an infectious disease caused by a new virus, was declared a global pandemic by WHO on 11 March 2020. The measures to contain the spread of Covid-19 have had a significant impact on the global economy. Entities must consider the impacts of Covid-19 when preparing their financial statements.

The impact of Covid-19 may give rise to the need to apply further considerations in the areas subject to estimates and assessments. Given the evolution of Covid-19 and the limited experience with regard to the economic and financial impacts of the pandemic, changes in estimates in the measurement of assets and liabilities may also be necessary in the future.

The areas related to the preparation of the financial statements identified as potentially susceptible to greater impacts were:

• determination of expected losses on financial assets;

• impairment of both current (e.g., inventories) and non-current assets (e.g., tangible and intangible assets);

• recovery of assets due to deferred tax assets;

• revised estimates on the useful life and residual value of fixed assets;

• provisions for risks and liabilities deriving from contractual or criminal breaches.

Specific comments in relation to the individual areas are presented in the relevant notes where relevant.

With reference to the shares and contributions to which the company has had recourse or has had access, the following should be noted:

- In May 2020, TXT e-solutions S.p.A. and Assioma.Net S.r.l. requested and obtained, from the financial institutions with which they signed medium-term loan agreements, BNL, UBI and UniCredit, the deferment of the payment of solely the principal portions for the third and fourth quarters of 2020. This transaction will make it possible to deal with any delays in collections from customers with an impact on current operations;

- In 2020, the Group made use of social safety nets, in particular the Redundancy Fund: for a few months, the redundancy fund for the "Covid-2019 emergency" was activated in order to mitigate the effects of the pandemic, with the intention of returning to normal work once the events attributable to the health emergency are overcome.

Regarding operations, information is provided on the measures put in place, in line with the recommendation of WHO and national authorities, to preserve the health of its employees and support the prevention of contagion in their administrative and operating offices, such as work from home incentives, reduced shifts in operating areas to minimize the movement of workers, cleaning of work spaces, distribution of personal protective equipment, testing of suspicious cases and measurement of body temperature.

The year 2021 was characterised by a global economic recovery as the easing of covid-related restrictive measures favoured the acceleration of vaccination campaigns; for 2021 and 2022, the global economy is expected to grow by 5.9% and 4.4% respectively (International Monetary Fund estimates), after a 3.1% contraction in 2020. 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 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 2021, 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 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 31.12.2021	Receivables	Payables	Costs	Revenues
Directors and key management personnel		228,546	581,563	
Total as at 31.12.2021	-	228,546	581,563	-

As at 31 December 2020	Receivables	Payables	Costs	Revenues
HSPI S.p.A.	-	-	6,800	-
Directors and key management personnel	-	155,600	561,145	-
Total as at 31.12.2020	-	155,600	567,945	-

Financial transactions

The amounts with Related Parties as at 31 December 2021 are shown for financial transactions:

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	-	-

As at 31 December 2020	Receivables	Payables	Charges	Income
Directors and key management personnel	-	-	-	-
Total as at 31 December 2020	-	-	-	-

EXPLANATORY NOTES

8. Balance sheet

8.1.Goodwill

Goodwill increased net by € 14,161,453 compared to 31 December 2020. The increase is related to the acquisitions of Reversal, TeraTron GmbH, LBA Consulting, Novigo Consulting and Quence

described in § 2. Against the increase for the new acquisitions, there is a reduction in value as regards the goodwill of HSPI S.p.A. due to the allocation made in the second half of 2021.
A breakdown of the item as at 31 December 2021 and the comparison with 31 December 2020 is shown below:

Goodwill	Amount as at 31 December 2021	Amount as at 31 December 2020
Acquisition of PACE	5,369,231	5,369,231
Acquisition of Cheleo	6,002,072	6,002,072
Acquisition of TXT RISK SOLUTIONS	116,389	116,389
Acquisition of Assioma	6,855,129	6,855,129
Acquisition of Working Capital Solutions	2,724,056	2,724,056
Acquisition of Mac Solutions S.A.	1,891,867	1,891,867
Acquisition of HSPI	5,891,096	7,472,569
Acquisition of TeraTron	4,745,762	-
Acquisition of ReVersal	240,167	-
Acquisition of LBA Consulting	4,357,814	-
Acquisition of Novigo Consulting	4,709,274	-
Acquisition of Quence	1,689,910	-
TOTAL GOODWILL	44,592,766	30,431,313

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 € 6,002 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.

- 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. 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. 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. 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.

- Reversal's goodwill of € 240 thousand derives from the acquisition price paid for the equivalent of a 51% stake through the subscription of a capital increase of € 500 thousand

- TeraTron's goodwill of € 4,746 thousand derives, as described in paragraph 2, from the acquisition price of € 10,214 thousand net of the fair value of the book equity at the acquisition date of € 4,746 thousand.

- LBA Consulting goodwill of € 4,358 thousand derives, as described in paragraph 2, from the acquisition price of € 5,195 thousand, net of the fair value of shareholders' equity on the acquisition date of € 837 thousand.
- Novigo Consulting goodwill of € 4,709 thousand derives, as described in paragraph 2, from the acquisition price of € 5,780 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,071 thousand.

- Quence goodwill of € 1,690 thousand derives, as described in paragraph 2, from the acquisition price of € 2,963 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,272 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 2021, the methodologies and projections on which the recoverable amounts were measured were approved by the Company's Board of Directors.

In 2021, considering the continuation of the strategy of growth by acquisitions, the Group 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, 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.

In addition, it was decided not to impair the goodwill that was not yet definitively allocated of Reversal, TeraTron GmbH, LBA Consulting S.r.l., Novigo Consulting S.r.l. and Quence S.r.l. as at 31.12.2021 as they were acquired during the year and as the underlying cash flow projections do not differ from those made at the time of acquisition.

Assumptions made by management were used in making these forecasts, including an estimation of future sales volumes, direct and indirect costs, changes in the working capital and investments.

Terminal Value

The terminal value in the DCF method, recognised at the end of the explicit forecast period of 5 years, 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.

Terminal value = net cash flow at the end of the explicit forecast period adjusted for rate g and divided by the difference between the discount rate (Wacc) and the constant rate g. 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 rate g used was equal to 1.50%.

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.

On the basis of the structure, a discount rate used for the purposes of discounting cash flows for the Pace CGU (consolidated) of **7.00%** was calculated based on the following assumptions:

- the rates on German and US 10-year government bonds as at 31 December 2021 were used as the "Free Risk" rate, based on the relative contribution of each market to the weighted average plan results of 0.50%;
- the risk premium relative to the market was estimated at 5.00%;
- an additional 1.5% risk was considered (based on sector studies), in order to align the WACC with that used by analysts;
- beta was estimated at 1.00, in line with the previous year.

The cost of own capital is therefore: 0.50% + 1.50%+ 5.00%*1.00 = 7.00%.

The discount rate used to discount cash flows is **7.67%**, for the Cash Generating Units of Cheleo S.r.l., Assioma.Net, TXT Risk Solutions S.r.l., TXT Working Capital Solutions S.r.l., HSPI S.p.A., MAC Solutions S.A. based on the following assumptions:

- The rate on 10-year Italian government bonds (BTPs) as at 31 December 2021 was used as the "Free Risk" rate, equal to 1.17%;
- The risk premium relative to the market was estimated at 5.00%;
- An additional 1.50% risk was considered (based on sector studies), in order to align the WACC with that used by analysts;
- Beta was estimated at 1.00, in line with the previous year.

The cost of own capital is therefore:1.17% +1.50%+ 5.00%*1.00 = 7.67%

The decision to consider own capital alone stems from the following considerations.

As at 31.12.2021, the TXT Group showed a negative net financial position of € 9,093 thousand which consists of medium/long-term bank debt, cash investments and the debt arising from the latest acquisitions.

Sensitivity analysis

In order to test the fair value measurement model for changes in variables, changes in four key variables were simulated:

1. An increase in the interest rate used to discount cash flows by 200 bps, other conditions being equal (Pace CGU from 7.00% to 9.00% - Cheleo, Assioma, Risk CGU from 7.67% to 9.67%);
2. A reduction in the growth rate in calculating the terminal value of 50 bps, other conditions being equal (from 1.50 to 1.00);
3. A reduction in the growth rate of revenues forecast in the business plan for each year of the 2022-2026 period of -75% for the Aerospace CGU and -50% for the Fintech CGU;
4. A reduction in the EBITDA Margin applied to the terminal value of 200 bps, other conditions being equal.

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 g-rate	Δ Revenue CAGR	Δ EBITDA Margin TC
Assioma CGU	5,705	3,254	5,198	6,237	3,737
Cheleo CGU	2,101	379	121	(11)	(96)
MAC CGU	7,958	6,022	7,557	6,116	7,139
HSPI CGU	4,492	1,977	3,979	785	1,808
WKS CGU	30,586	25,990	29,632	12,144	30,361
TXT RISK CGU	297	130	263	430	141
Pace CGU	19,517	14,972	18,535	17,929	17,236

In all scenarios for Assioma, Pace, MAC, HSPI, RISK and WKS, the difference between the recoverable value and the net book value remains very positive.

8.2. Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 8,033,715 as at 31 December 2021. The changes that occurred during the year are detailed below:

Intangible assets	Software licences	Development costs	Intellectual Property	Customer Relationship	Intangibles under construction	TOTAL
Balances as at 31 December 2020	173,765	18,512	596,564	6,084,982	347,625	7,221,447
Acquisitions	183,241			2,193,444	363,136	2,739,821
Disposals						-
Amortisation	(85,353)	(5,408)	(250,257)	(1,596,795)		(1,937,814)
Other Changes	10,260					10,260
Balances as at 31 December 2021	281,912	13,104	346,307	6,681,631	710,761	8,033,715

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;

- Intangibles under constructions: this item refers to the capitalization 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;

- 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 2021 of the intellectual property in question was € 241,074, net of 2021 amortisation for € 192,857. The residual value as at 31 December 2021 of the Customer Relationship was € 198,574 net of 2021 amortisation for € 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 2021 was € 1,658,059 net of 2021 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 2021 of the intellectual property in question was € 105,233, net of 2021 amortisation for € 57,400;
- The value of Assioma'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 2021 was € 91,333 net of 2021 amortisation for € 274,000;
- 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 2021 was € 2,860,099 net of 2021 amortisation for € 381,346;
- The value of HSPI S.p.A.'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 8 years. Customer Relationship was valued as part of the allocation of the higher price paid. The residual value at 31 December 2021 was € 1,873,567 net of 2021 amortisation for € 319,877.

8.3. Tangible assets

Net of depreciation, tangible assets amounted to € 12,125,958 as at 31 December 2021. 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 2020	4,269,412	733,225	22,420	579,017	1,420,548	268,882	166,820	-	7,460,326
Acquisitions/Increases	2,977,515	806,629	185,466	2,932,045	662,818	245,238	429,153	298,405	8,537,268
Disposals	(1,387,954)	(13,238)	(4,229)		(28,307)	(80)	(1,758)		(1,435,566)
Amortisation	(1,130,426)	(500,861)	(31,207)	(57,310)	(546,398)	(80,180)	(89,687)		(2,436,069)
Other changes									0
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	12,125,959

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 increases in the “Leased buildings” category are mainly attributable to the right to use the new building in Cologno by the Parent Company, which is also to be referred to the increase in tangible assets. Moreover, rents related to new acquisitions during the year have to be taken into account.

The increases in the "Vehicles (lease)" category relate to TXT e-solutions Group's vehicle fleet.

8.4. Sundry receivables and other non-current assets

"Sundry receivables and other non-current assets" as at 31 December 2021 amounted to € 14,600,368 compared with € 277,066 as at 31 December 2020. The increase refers mainly to a financial investment in the share capital of Banca del Fucino of € 14.3 million. As at 31 December 2021, we verified the fair value of the investment without detecting anomalies.

8.5. Deferred tax assets/liabilities

The breakdown of deferred tax assets and liabilities as at 31 December 2021, compared to the figures as at the end of 2020, is shown below:

	Balances as at 31 December 2021	Balances as at 31 December 2020	Change
Deferred tax assets	1,928,665	2,072,381	(143,716)
Deferred tax provision	(1,961,327)	(1,864,250)	(97,077)
Total	(32,662)	208,131	(240,793)

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.

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), with the acquisition in 2019 of the Assioma Group and of HSPI e Mac Solutions S.A. (Customer List) in 2020.

The total net change of € 143,716 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 2020		Change	31 December 2021	
Deferred tax assets	Temporary differences	Tax effect	Temporary differences	Temporary differences	Tax effect
Recoverable losses (TXT Risk, WCS and PACE)	1,459,740	350,338	1,223,333	2,683,073	717,338
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	159,194	38,207	45,961	205,155	49,237
Costs allocated on an accrual basis and deductible on a cash basis	362,256	86,941	409,851	772,107	185,306
Revenue Recognitions IFRS 15	4,818,898	1,445,669	(2,093,221)	2,725,676	817,703
Other	7,792	1,870	32,729	40,521	9,725
Total	7,430,196	2,072,381	(381,347)	7,048,849	1,928,664

	31 December 2020		Change	31 December 2021	
Deferred tax liabilities	Temporary differences	Tax effect	Temporary differences	Temporary differences	Tax effect
PACE Purchase Price Allocation	791,357	220,789	(351,714)	439,643	122,660
CHELEO Purchase Price Allocation	2,120,772	591,695	(462,714)	1,658,058	462,598

TXT RISK SOLUTIONS Purchase Price Allocation	162,634	45,375	(57,400)	105,234	29,360
ASSIOMA Purchase Price Allocation	365,337	101,929	(274,000)	91,337	25,483
MAC SOLUTIONS S.A. Purchase Price	3,241,445	904,363	(381,346)	2,860,099	797,968
HSPI Purchase Price	0	0	1,873,567	1,873,567	522,725
Other	355	99	1,552	1,907	532
Total	6,681,900	1,864,250	347,944	7,029,844	1,961,327

Not all changes in equity were offset by the income statement. For further details, reference should be made to Note 8.12 on shareholders' equity and taxes in the income statement, Note 9.7.

As of 31 December 2021, the Group has recognized deferred tax assets on the tax losses generated by the subsidiaries PACE, TXT Risk and TXT WCS. In particular, with reference to the losses generated by PACE, the Group prudently decided to recognize deferred tax assets only on a portion of these losses (€ 357,000 not allocated).

8.6. Contractual assets

Contractual assets as at 31 December 2021 amounted to € 7,809,891 and showed an increase of € 3,060,803, compared to the end of the year 2020.

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.

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8.7. Trade receivables

Trade receivables as at 31 December 2021, net of the provision for bad debts, amounted to € 43,156,099, up € 7,745,296 compared with the end of 2020.
The average DSO for the year 2021 is improving compared to the end of the previous year.

The item is detailed in the table below:

Trade receivables	31 December 2021	31 December 2020	Change
Gross value	43,931,229	35,999,872	7,931,357
Provision for bad debts	(775,131)	(589,069)	(186,062)
Net value	43,156,099	35,410,803	7,745,296

The provision for bad debts changed as follows during the year:

Provision for bad debts	31.12.2021
Opening amount	(589,069)
Allocation	(205,738)
Use	19,677
Closing amount	(775,131)

The breakdown of trade receivables into coming due and past due as at 31 December 2021, compared to 31 December 2020, is shown below:

As at 31.12.2021	Total	Coming due	Past due	
			0-90 days	More than 90 days
31 December 2021	**43,156,099**	34,440,548	7,505,710	1,209,841
31 December 2020	**35,410,803**	23,597,405	7,180,535	4,632,863

Trade receivables increased compared to 2020 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.

8.8. 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 € 8,864,378 as at 31 December 2021, compared to € 5,782,069 at 31 December 2020. The breakdown is shown below:

Sundry receivables and other current assets	31 December 2021	31 December 2020	Change
Receivables for research grants	2,464,869	1,724,494	740,375
Tax receivables	2,212,198	1,315,339	896,859
Other receivables	1,641,976	821,049	820,927
Other current assets	2,545,335	1,921,187	624,148
Total	8,864,378	5,782,069	3,082,309

The item "receivables for research grants" 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.

Other current assets, amounting to € 2,545,335, consist of accrued income and prepaid expenses (adjustments of costs paid in advance not pertaining to the period).

8.9. Financial instruments at fair value

As at 31 December 2021, this item included "Financial instruments at fair value" of € 48,868,752. In particular, the net change with respect to 31 December 2020 is attributable primarily to the partial disinvestments carried out in the period.

They consist of investments in multi-segment life insurance contracts with partially guaranteed capital for a fair value of € 39,327,366, bond loan for € 579,518, treasury management for € 7,938,000.

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.

8.10. Cash and cash equivalents

The Group's cash and cash equivalents amounted to € 36,076,104 (€ 11,932,508 as at 31 December 2020). 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 € 29,647,054, as well as with foreign banks for € 6,414,974.
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.

8.11. Shareholders' Equity

The Group's shareholders' equity amounted to € 92,654,765 and the minority shareholders' equity amounted to € 411,778 for a total of € 93,066,542.

The Company's share capital as at 31 December 2021 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totaling € 6,503,125.

Reserves and retained earnings include the legal reserve (€ 1,300,625), share premium reserve (€ 13,027,523), merger surplus reserve (€ 1,911,444), reserve for actuarial differences on post-employment benefits (negative € 1,131,540), Cash Flow Hedge reserve (negative for € 136,404, net of the related tax effect), translation reserve (€ 227,433), stock option reserve (€ 67,293) and retained earnings reserve (€ 63,011,589).

Shareholders' Equity attributable to minority interests amounted to € 411,778.

Description	Free	Required by Law	Established by Shareholders' Meeting	TOTAL
Share premium reserve	13,027,523	-	-	13,027,523
Legal reserve	-	1,300,625	-	1,300,625
Merger surplus	-	-	1,911,444	1,911,444
Reserve for actuarial differences on post-employment benefits	-	-	(1,131,540)	(1,131,540)
IRS Fair Value	(136,404)	-	-	(136,404)
Reserve for retained earnings	-	-	63,011,589	63,011,589
Stock option reserve	-	-	67,293	67,293
Translation reserve	-	-	227,433	227,433
Total	12,891,120	1,300,625	64,086,219	78,277,964

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.

S.G. PLAN 2019-2021				
Options		2019	2020	2021
(i)	Outstanding at the start of the year/period	-	135,000	108,000
(ii)	granted during the year/period	135,000	-	-
(iii)	forfeited during the year/period	-	(27,000)	(54,000)
(iv)	exercised during the year/period	-	-	-
(v)	expired during the year/period			
(vi)	outstanding at the end of the year/period	135,000	108,000	54,000
(vii)	exercisable at the end of year/period	-	-	54,000

Treasury shares

On 15 November 2021, TXT e-solutions' shares recorded a maximum official price of € 10.66 and a minimum price of € 6.76 on 19 March 2021. As at 31 December 2021, the share price was € 10.14, € 2.26 higher than the € 7.88 recorded as at 31 December 2020. The average daily trading volume on the stock market in 2021 was 31,763 shares, up from the previous year's average of 24,990 shares.

As at 31 December 2021, 1,243,372 treasury shares were held (1,401,429 as at 31 December 2020), accounting for 9.56% of shares outstanding, at an average carrying amount of € 3.28 per share. In 2021, 33,940 shares were purchased at an average price of € 7.84.

On 12 February 2021, in exchange for the acquisition of the shares of the company AssioPay S.r.l., as partial consideration for the price agreed with its shareholders, 129,497 shares were transferred at the agreed price of € 7.59 each.

On 16 August 2021, it sold 62,500 treasury shares at a price of € 8.00 for a consideration of € 500,000 as part of the extraordinary acquisition of TeraTron GmbH.

8.12. Non-current financial liabilities

“Non-current financial liabilities” amounted to € 49,468,725 (€ 27,398,338 as at 31 December 2020).

Non-current financial liabilities	31 December 2021	31 December 2020	Change
Payable for Earn-Out	2,115,296	1,592,352	522,944
Debt Guaranteed Price	51,145	496,339	(445,194)
WKS put-call payable	2,760,177	2,713,526	46,651
TXT RISK put-call payable	191,990	142,000	49,990
Bank loans	39,915,717	18,671,170	21,244,547
Non-current monetary flow swaps	225,729	203,099	22,630
Non-current payables to suppliers for leasing	4,208,670	3,579,852	628,818
Total non-current financial liabilities	49,468,725	27,398,338	22,070,387

This item includes: a) the payable for € 1,615,296 for the Earn-Out to be paid to Assioma shareholders on verification of the contractual conditions and the debt in the amount of € 500,000 for the Earn-Out to be paid to Novigo shareholders upon verification of the contractual conditions; b) the valuation of the payable for the Put-Call option for € 2,760,177 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 period 2021-2025 for the purchase of the remaining 40% of the interest in the company; c) the non-current portion of bank loans entered into over the years for € 39,915,717; d) the payable for the hedging against interest rate risk (fair value Interest Rate Swap) for € 225,729; e) the non-current portion of the financial debt for € 4,208,670 pursuant to IFRS 16; f) the liability

related to the Restricted Share Price Adjustment for the acquisition of HSPI S.p.A.; g) the long-term portion of the Put-Call related to the acquisition of TXT Risk Solutions S.r.l. as an estimate of the disbursements for the purchase of 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 € 9,028,460, the non-current portion amounts to € 5,021,577.

- 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 € 4,500,000, the non-current portion amounted to € 2,500,000.

- 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 € 3,354,112, the non-current portion was € 672,502.

- 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 € 5,000,000, the non-current portion amounted to € 3,181,818.

- 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 € 10,000,000, the non-current portion was € 8,888,889.

- 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 € 10,000,000, the non-current portion was € 8,571,429.

- 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 € 1,204,166, the non-current portion was € 920,833.

- 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 portion amounted to € 458,333, the non-current portion was € 91,667.

- A loan for € 500,000, interest rate fixed portion 1.10%, variable portion EURIBOR 3 months (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 2021, 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 2021, the residual portion amounted to € 1,508,819, the non-current portion was € 1,402,935.

- A loan for € 510,000 at fixed rate granted to Novigo Consulting. As at 31 December 2021, the residual portion amounted to € 427,632, the non-current portion amounted to € 327,423.

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). These were respected at the measurement date.
Details are presented below:

UNICREDIT S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	5,021,577	9,028,459	(4,006,882)
Maturity more than 5 years			-
Total	5,021,577	9,028,459	(4,006,882)

BANCA NAZIONALE DEL LAVORO S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	2,500,000	4,500,000	(2,000,000)
Maturity more than 5 years			-

Total	2,500,000	4,500,000	(2,000,000)

Loan from BPER	31.12.2021	31.12.2020	Change
Maturity 1-5 years	672,502	3,354,112	(2,681,610)
Maturity more than 5 years	-	-	-
Total	672,502	3,354,112	(2,681,610)

UNICREDIT S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	8,336,644	-	8,336,644
Maturity more than 5 years		-	-
Total	8,336,644	-	8,336,644

BANCA NAZIONALE DEL LAVORO S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	3,181,818	-	3,181,818
Maturity more than 5 years	-	-	-
Total	3,181,818	-	3,181,818

UNICREDIT S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	8,888,889	-	8,888,889
Maturity more than 5 years	-	-	-
Total	8,888,889	-	8,888,889

Loan from BANCA POPOLARE DI MILANO	31.12.2021	31.12.2020	Change
Maturity 1-5 years	8,571,429	-	8,571,429
Maturity more than 5 years	-	-	-
Total	8,571,429	-	8,571,429

BANCA NAZIONALE DEL LAVORO (Assioma) Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	1,012,500	1,591,667	(579,167)
Maturity more than 5 years		70,833	(70,833)
Total	1,012,500	1,662,500	(650,000)

BANCA INTESA (HSPI) loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	-	126,098	(126,098)
Maturity more than 5 years	-	-	-
Total	-	126,098	(126,098)

BANCA POPOLARE DI MILANO (NOVIGO) loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	327,423		327,423
Maturity more than 5 years	-		-
Total	327,423	-	327,423

SPARKASSE BANK (TERATRON) loan	31.12.2021	31.12.2020	Change

Maturity 1-5 years	450,007		450,007
Maturity more than 5 years	952,928		952,928
Total	1,402,935	-	1,402,935

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

	01.01.2021	Cash flows	Reclassify Current - Non-Current	Business Combinations IFRS 3	Change in fair value	Interest	New loans	31.12.2021
Payable for WKS PUT/CALL option	2,713,526					46,651		2,760,177
Payable for PUT/CALL TXT Risk Solutions option	142,000				49,990			191,990
Debt Guaranteed Price	496,339				(445,194)			51,145
Payable for Assioma Put/Call	1,592,352					22,944		1,615,296
Obligations for financial leases and rental contracts with purchase option - NON current portion	3,579,850		(3,340,789)				3,969,610	4,208,670
Interest-bearing loans and financing - NON-current portion	18,874,271		(15,547,162)	1,791,708	22,630		35,000,000	40,141,446
Payable for Earn-Out Novigo				500,000				500,000
Total liabilities deriving from financial assets	27,398,338	-	(18,887,951)	2,291,708	(372,574)	69,595	38,969,610	49,468,724

8.13. Provision for post-employment benefits and other employee provisions

The "Provision for post-employment benefits and other employee provisions" item as at 31 December 2021 amounted to € 3,296,650, 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 2020	Provisions	Uses/Payments	Actuarial gains/losses and other	Financial income/charges	31 December 2021
Post-employment benefits	2,757,450	2,091,506	(1,581,090)	26,455	2,328	3,296,650
Provision for severance for end of term of office	(0)					(0)
Total non-current provisions relating to employees	2,757,450	2,091,506	(1,581,090)	26,455	2,328	3,296,650

Post-employment benefits for personnel of € 3,296,650 as at 31 December 2021 (€ 2,757,450 as at 31 December 2020), 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.

	2021	2020
Provision for post-employment benefits	2,972,670	2,406,535
Current cost	(55,718)	(20,304)
Financial charges	2,328	7,171
Actuarial differences	26,455	32,810
Actuarial differences following acquisitions	0	137,289
Retained earnings	350,915	193,949
Total	3,296,650	2,757,450

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% has only an impact on the valuation for the companies HSPI, AssioPay and Cheleo. Future salaries do not have an impact on the valuation of TXT and Assioma.Net.

The estimated inflation rate used for measurement purposes was 1.5% per year.

The discount rate used for the valuation of TXT was -0.4403% per year, i.e., the rate on Bonds issued by AA-rated European Companies as at 31 December 2021 with maturities of between 7 and 10 years. The average duration of the liability was calculated at 7.67 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 € 3,296,650):

Sensitivity analysis as at 31 December 2021	% Change in liabilities (DBO)			
Type of change for the specific assumption	Decrease	Increase	Decrease	Increase
Decrease or increase of 50% in company staff turnover	2.30%	-1.77%	3,372,473	3,238,299
Decrease or increase of 50% in frequency of advance payments	0.02%	-0.06%	3,297,309	3,294,672
Decrease or increase of inflation by one percentage point	-0.65%	0.65%	3,275,222	3,318,078
Decrease or increase of discount rate by one percentage point	1.21%	-1.18%	3,336,539	3,257,749

8.14. Provisions for future risks and charges

"Provisions for future risks and charges" as at 31 December 2021 amounted to € 118,905 and mainly includes provisions for liabilities of a contractual nature that are deemed to be likely.

8.15. Current financial liabilities

The "current financial liabilities" item amounted to € 44,570,042 (€ 30,634,969 as at 31 December 2020).

Non-current financial liabilities	31 December 2021	31 December 2020	Change
Bank loans	35,670,188	28,181,251	7,488,937
IFRS 16 loans	1,539,384	1,493,718	45,666
Debt for acquisitions	6,258,839	-	6,258,839
TXT RISK Put/Call option	-	160,000	- 160,000
Short term Assioma Earn-Out	800,000	800,000	-
Payables to EU partners	301,630	-	301,630
Total non-current financial liabilities	44,570,042	30,634,969	13,935,073

The item Bank loans, amounting to € 35,670,188, includes:

- the short-term portion of medium/long-term loans, and in particular primarily includes the following:
  - € 4,006,883 on the loan granted by UNICREDIT S.P.A.
  - € 2,681,610 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.
  - € 1,663,356 on the loan granted by UNICREDIT S.P.A.
  - € 1,818,182 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.
  - € 1,111,111 on the loan granted by UNICREDIT S.P.A.
  - € 1,428,571 on the loan granted by BANCO POPOLARE DI MILANO S.P.A.
  - Short-term payables due to banks/hot money of € 19,900,000
  - € 650,000 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A. for the Assioma Group
  - € 204,382 on the loan granted by BANCA INTESA for HSPI S.p.A.
  - € 105,884 on the loan granted by SPARKASSE for TeraTron GmbH
  - € 100,209 on the loan granted by BANCO POPOLARE DI MILANO S.P.A. for Novigo Consulting

The short-term Earn-Out of Assioma includes the portion of € 800,000 maturing in June 2022.

The IFRS 16 Loans item includes the € 1,539,384 payable to the Lessors 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 item payable for acquisitions includes the financial debt (€ 1.5 million) and the non-financial debt relating to shares to be paid (€ 4.8 million) to the old shareholders of the latest acquisitions which took place between November and December 2021.

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

	01.01.2021	Decision on distribution of dividends	Cash flows	Business Combinations IFRS 3	Disposals	Reclassify Current - Non-Current	Interest	New loans	31.12.2021
Interest-bearing loans and financing – current	10,281,251		(10,310,058)	205,968		15,547,162	45,865		15,770,188
Hot Money	17,900,000							2,000,000	19,900,000
Debt for acquisitions	-							6,258,839	6,258,839
Payables to EU partners	-							301,630	301,630
Payable for Assioma Put/Call	800,000								800,000
Risk Put/Call CHELEO Payable	160,000		(160,000)						-
Obligations for financial leases and rental contracts - current portion	1,493,719		(1,635,639)		(1,710,588)	3,340,789	51,104		1,539,384
Total liabilities deriving from financial assets	30,634,970	-	(12,105,697)	205,968	(1,710,588)	(18,887,951)	96,969	8,560,469	44,570,042

8.16. Trade payables

Trade payables as at 31 December 2021 amount to € 6,302,987 and increase by € 2,126,777 compared to 31 December 2020. Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months.

8.17. Tax payables

Tax payables as at 31 December 2021 totalled € 3,739,356 and refer to VAT payables of the subsidiary PACE GmbH and income taxes of the parent company and other Group companies net of advances paid during the year.

8.18. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 23,532,162 as at 31 December 2021, compared with € 17,351,968 as at 31 December 2020, as detailed in the table below:

Sundry payables and other current liabilities	31 December 2021	31 December 2020	Change
Other payables	3,205,015	1,586,186	1,618,829
Accrued expenses and deferred income	5,394,869	4,286,727	1,108,142
Advance payments for multi-year orders	5,331,724	4,151,971	1,179,753
Payables due to social security institutions	2,315,787	1,860,972	454,815
Payables due to employees and external staff	7,284,767	5,466,112	1,818,655
Sundry payables and other current liabilities	23,532,162	17,351,968	6,180,194

"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.

The item "Accrued expenses and deferred income" essentially referred to adjustments to maintenance and service invoices made to recognise only revenues for the period.

The item "Advance payments from customers for professional services" 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 2021 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 € 96,363,218 (€ 68,752,872 as at 31 December 2020), an increase of 40.2% compared to the end of last year, as detailed below:

	31 December 2021	31 December 2020	Change	% change
Revenues	90,026,096	64,848,481	25,177,615	38.8%
Other income	6,337,122	3,904,391	2,432,731	62.3%
Total	96,363,218	68,752,872	27,610,346	40.2%

The increase compared to 31 December 2020 is mainly due to the consolidation of MAC Solutions S.A. and HSPI for the entire year, and for acquisitions made 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. Purchase of materials and external services

Purchases of materials and external services amounted to € 23,176,029, an increase over 2020, when they totalled € 15,183,289.
The item is detailed below:

	31 December 2021	31 December 2020	Change
Consumables and resale items	4,613,463	1,632,214	2,981,249
Technical consulting	11,154,651	7,971,146	3,183,505
Travel expenses	935,859	715,563	220,296
Utilities	626,278	522,365	103,913
Media & marketing services	272,323	357,391	(85,068)
Maintenance and repair	1,135,097	930,854	204,243
Canteen and ticket services	1,105,910	496,585	609,325
Administrative and legal services	2,143,320	1,263,055	880,265
Directors' fees	1,146,312	1,245,682	(99,370)
Subcontractors	42,816	48,436	(5,620)
Total	23,176,030	15,183,289	7,992,741

As a percentage of consolidated revenues, costs for purchasing materials and services were 24.05% up on the previous year (22.10% as at 31 December 2020).

The overall change of € 7,992,738 compared to 31 December 2020 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 2021 amounted to € 58,439,091 and increased compared to 31 December 2020 by € 13,336,576 (or 29.57%).

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 € 356 thousand.
For further details see the Directors' Report and paragraph 12 of these notes.

	31 December 2021	31 December 2020	Change
Wages and salaries	45,485,289	33,794,409	11,690,880
Social security costs	10,313,162	8,596,644	1,716,518
Provision for post-employment benefits and other pension funds	2,091,506	1,612,377	479,129
Other personnel costs	549,133	1,099,085	(549,952)
Total	58,439,091	45,102,515	13,336,576

The employees of the TXT Group, excluding directors and external consultants, numbered 1,210 as at 31 December 2021 (996 as at 31 December 2020), with an increase of 214 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

9.4. Other operating costs

"Other operating costs" in 2021 amounted to € 588,597, compared to € 497,468 in 2020, an increase of € 91,129 compared to the same period of 2020.

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 2021	31 December 2020	Change
Rental expense for premises and condominiums	49,450	58,424	(8,974)
Rental expense for motor vehicles	58,717	65,673	(6,956)
Contingent liabilities	94,907	112,414	(17,507)
Other operating costs	385,523	260,957	124,566
Total	588,597	497,468	91,129

9.5. Depreciation, amortisation and impairment

Amortisation, depreciation and impairment in 2021 amounted to € 4,557,386. In detail, € 4,373,882 is attributable to depreciation and amortisation for the period, the remaining € 183,504 refers mainly to the write-down of receivables.

The increase is attributable to the consolidation of the new companies acquired in 2021.

Amortisation	31.12.2021	31.12.2020
Intangible assets		
Software licences	85,353	79,673
Research and development	5,408	4,368
Intellectual Property	250,257	250,257
Customer Relationship	1,596,795	1,086,245
Total intangible assets	1,937,814	1,420,543
Tangible assets - IFRS 16 leases		
Buildings	1,130,426	1,003,497
Vehicles	500,861	435,277
Electronic machinery	31,207	15,575
Total tangible assets - IFRS 16 leases	1,662,494	1,454,350
Other tangible assets		
Electronic machinery	546,398	466,110
Buildings	57,310	18,716
Furniture and fixtures	80,180	49,881
Other fixed assets	89,687	29,295
Total other tangible assets	773,574	564,003
TOTAL AMORTISATION AND DEPRECIATION	4,373,882	3,438,895

9.6. Financial income and charges

The positive balance between financial income and expenses as at 31 December 2021 amounts to € 705,923, compared with a positive balance of € 2,726,084 at the end of 2020.
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 effect of changes in the fair value of investments. The decrease compared to the 2020 period, which was due to the positive effect from the revision of the estimate of the fair value of the variable component of the debt linked to the acquisition of TXT Risk Solutions and to the adjustment the fair value of the variable debt component linked to the acquisition of Pace GmbH. In 2021, the positive effect was recognised regarding the guaranteed debt for HSPI (€ 445,194 as at 31 December 2021).

Financial income (charges) as at 31 December 2021 is broken down as follows:

	31 December 2021	31 December 2020
Bank interest income	6,225	4,246
Exchange rate gains	-	-
Capital gains HSPI guaranteed debt	445,194	-
Gains on instruments valued at FV	826,728	3,255,046
Total financial income	1,278,148	3,259,292

Bank interest expense	(176,813)	(165,524)
Exchange rate losses	(39,876)	(82,201)
Loss on instruments valued at fair value	(23,037)	(23,126)
Other financial charges	(332,499)	(262,356)
Total financial charges	(572,225)	(533,207)
Total	705,923	2,726,084

	31 December 2021	31 December 2020	Change
Bank interest income	6,225	4,246	1,979
Exchange rate gains			-
Capital gains HSPI guaranteed debt	445,194		
Other financial income	826,728	3,255,046	(2,428,318)
Total financial income	1,278,148	3,259,292	(1,981,144)
Change in fair value of financial instruments	-	-	-
Bank expenses	-	-	-
Bank interest expense	(176,813)	(165,524)	(11,289)
Loss on financial instruments	(23,037)	(23,126)	89
PUT/CALL update - Earn-Out	(62,966)	(62,966)	-
Interest expense IFRS 16	(54,061)	(54,061)	-
Other financial charges	(213,143)	(138,158)	(74,985)
Interest expense for post-employment benefit discounting	(2,328)	(7,171)	4,843
Exchange rate losses	(39,876)	(82,201)	42,325
Total financial charges	(572,225)	(533,207)	(39,017)
Total	705,923	2,726,084	(2,020,162)

9.7. Income taxes

Income taxes as at 31 December 2021 were positive to the tune of € 2,468,565 and are detailed as follows:

	31 December 2021	31 December 2020	Change
Total current taxes	3,537,114	1,733,231	1,803,883
Previous years' taxes	(436,754)	(179,811)	(256,943)
Total deferred tax assets	(116,901)	(18,558)	(98,343)
Total deferred tax liabilities	(514,895)	(373,073)	(141,822)
Total taxes	2,468,565	1,161,789	1,306,775

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.

Utile ante-imposte	10,307,988
Aliquota fiscale paese (24.5%)	2,525,457
Rettifiche per imposte periodi precedenti	(436,754)
Utilizzo delle perdite	
Differenze permanenti	(109,073)
Differenze temporanee tassabili in esercizi successivi	(584,328)

Differenze temporanee deducibili in esercizi successivi		47,918
Effetto delle aliquote degli altri paesi		187,237
IRAP		838,107
	24%	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 2021 calculated on the net profit of € 7,873,676 attributable to the Parent Company Shareholders (€ 4,474,067 as at 31 December 2020) divided by the average number of ordinary shares outstanding in 2021 of 11,724,069 amounts to € 0.67 (€ 0.38 in 2020).

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	Fintech	TOTAL TXT
REVENUES	53,971	42,392	96,363
Software	7,148	1,280	8,428
Services	46,823	41,112	87,935
OPERATING COSTS:			
Direct costs	30,183	26,830	57,013
Research and development costs	4,643	2,247	6,890
Commercial costs	4,528	5,759	10,287
General and administrative costs	4,716	2,941	7,657
TOTAL OPERATING COSTS	44,070	37,777	81,847
EBITDA	9,901	4,615	14,516
Amortisation of intangible fixed assets	383	1,554	1,937
Depreciation of tangible fixed assets	1,364	1,072	2,436
Write-downs and Restructuring Costs	342	199	541

OPERATING PROFIT (EBIT)	7,812	1,790	9,602
Financial income (charges)	395	311	706
EARNINGS BEFORE TAXES (EBT)	8,207	2,101	10,308
Taxes	(1,966)	(503)	(2,469)
NET PROFIT FROM CURRENT ASSETS	6,241	1,598	7,839
Profit (loss) from current operations			
NET PROFIT	6,241	1,598	7,839

The main balance sheet data broken down by business segment were as follows:

(€ thousand)	Aerospace	Fintech	TOTAL TXT
Intangibles assets	10,761	41,865	52,626
Tangibles Assets	6,792	5,334	12,126
Other non-current assets	9,258	7,271	16,529
FIXED ASSETS	26,810	54,471	81,281
Contractual Assets	7,769	40	7,809
Trade receivables	21,161	21,995	43,156
Sundry receivables and other current assets	4,965	3,899	8,864
Trade payables	-3,394	-2,909	-6,303
Tax payables	-4,538	-1,162	-5,700
Sundry payables and other current liabilities	-12,734	-10,916	-23,650
Net working capital	13,228	10,948	24,176
Post-employment benefits and other non-current liabilities	-825	-2,472	-3,297
Capital employed	39,213	62,947	102,160
Group shareholders' equity			93,067
Shareholders' Equity attributable to minority interests			
Net financial position (Cash)			9,093
Financing of capital employed			102,160

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 n. 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 € 35,860,772 as at 31 December 2021.

Net financial debt (availability) and cost of debt

Below is a summary of the main phenomena that had an impact on the net financial availability which as at 31 December 2021 was equal to € 9,093,910 (€ 22,060,117) as at 31 December 2020).

(Amounts in €)	31.12.2021	31.12.2020	Var
Cash and cash equivalents	-36,076,104	-11,932,508	- 24,143,596
Financial instruments at fair value	-48,868,752	-68,160,917	19,292,165
Liquid assets	-84,944,856	-80,093,425	-4,851,431
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	28,799,853	20,353,718	8,446,135
Current portion of non-current financial debt	15,770,188	10,281,251	5,488,937
Current financial indebtedness	44,570,042	30,634,969	13,935,073
Current net financial indebtedness	-40,374,814	-49,458,456	9,083,642
Non-current financial debt (excluding current portion and debt instruments)	49,468,725	27,398,338	22,070,387
Debt instruments	-	-	-
Trade payables and other non-current payables	-	-	-
Non-current financial indebtedness	49,468,725	27,398,338	22,070,387
Net financial debt	9,093,910	-22,060,118	31,154,028

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

(Amounts in €)	31.12.2021	31.12.2020	Var
Debt referred to IFRS 16	(5.748.054)	(5.073.570)	(674.484)

For additional information on changes in the Group's Net Financial Position, see the "Directors' Report on Operations as at 31 December 2021".

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 2021, 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 2021:

Beneficiary	Award date	Confirmed amounts	Date of collection/use	Amount collected/used	Paying entity	Purpose
TXT e-solutions (Tax Code: 09768170152)	16.02.2020	21,016.08	27.09.2021	21,016.08	FONDIR	Provisions for the preparation of the annual and multi-year financial statements of the State (2001 Budget Law)
TXT e-solutions (Tax Code: 09768170152)	19.10.2020	3,600.00	22.10.2021	3,600.00	FONARCOM	Provisions for the preparation of the annual and multi-year financial statements of the State (2001 Budget Law)
HSPI S.p.A. (Tax Code 02355801206)	18.02.2020	10,109.30	27.09.2021	10,109.30	FONDIR	Provisions for the preparation of the annual and multi-year financial statements of the State (2001 Budget Law)
HSPI S.p.A. (Tax Code 02355801206)	24.09.2020	7,767.20	29.03.2021	7,767.20	FONDIR	Provisions for the preparation of the annual and multi-year financial statements of the State (2001 Budget Law)

In addition, for the sake of completeness, it should be noted that in 2018 the Group benefited from the following tax incentives and benefits: so-called super-amortisation (Italian Law no. 208 of 28 December 2015, as amended).
Finally, it should be noted that the Group participates in the "New Horizon 2020 - European Framework Programme for Research and Innovation" initiative with six active projects (ADMITTED, FASTEN, ICARUS, QU4LITY, AI REGIO and XMANAI); it also participates in a German national research project (OPSTIMAL) and two Italian regional ones for the Lombardy (SMART4CPPS) and the Puglia region (iMOLE).
During 2021, TXT participated in several calls for tenders of the European Commission

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 2021 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	Beneficiary	Fees (€ '000)
Auditing	Crowe Bompani	Parent Company TXT e-solutions S.p.A.	117
Auditing	Crowe Bompani	Cheleo S.r.l.	4
Auditing	Crowe Bompani	Reversal SIM S.p.A.	3
Audit of non-financial declarations pursuant to Italian Legislative Decree no. 254/16	Crowe Bompani	Parent Company TXT e-solutions S.p.A.	2
Auditing	Crowe Bompani	Assioma Group	10
Auditing	Crowe Bompani	HSPI	10
Auditing	Crowe Bompani	MAC Solutions S.A.	2
Auditing	Crowe Bompani	Txt Risk Solutions	1
Auditing	Crowe Bompani	TXT Working Capital Solutions	1

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 Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 dated 24 February 1998:

- the adequacy, in relation to the company's characteristics; and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2021.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2021 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 2021:

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

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

Milan, 11 March 2022

TXT E-SOLUTIONS SPA

SEPARATE FINANCIAL STATEMENTS

2021

AS AT 31 DECEMBER 2021

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 number:
09768170152

Corporate Units

BOARD OF DIRECTORS:

In office until approval of the financial statements as at 31 December 2022:

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 at 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*
Telephone: +39 02 257711

Leadership Team

Enrico Magni

CHAIRMAN

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

GROUP CEO

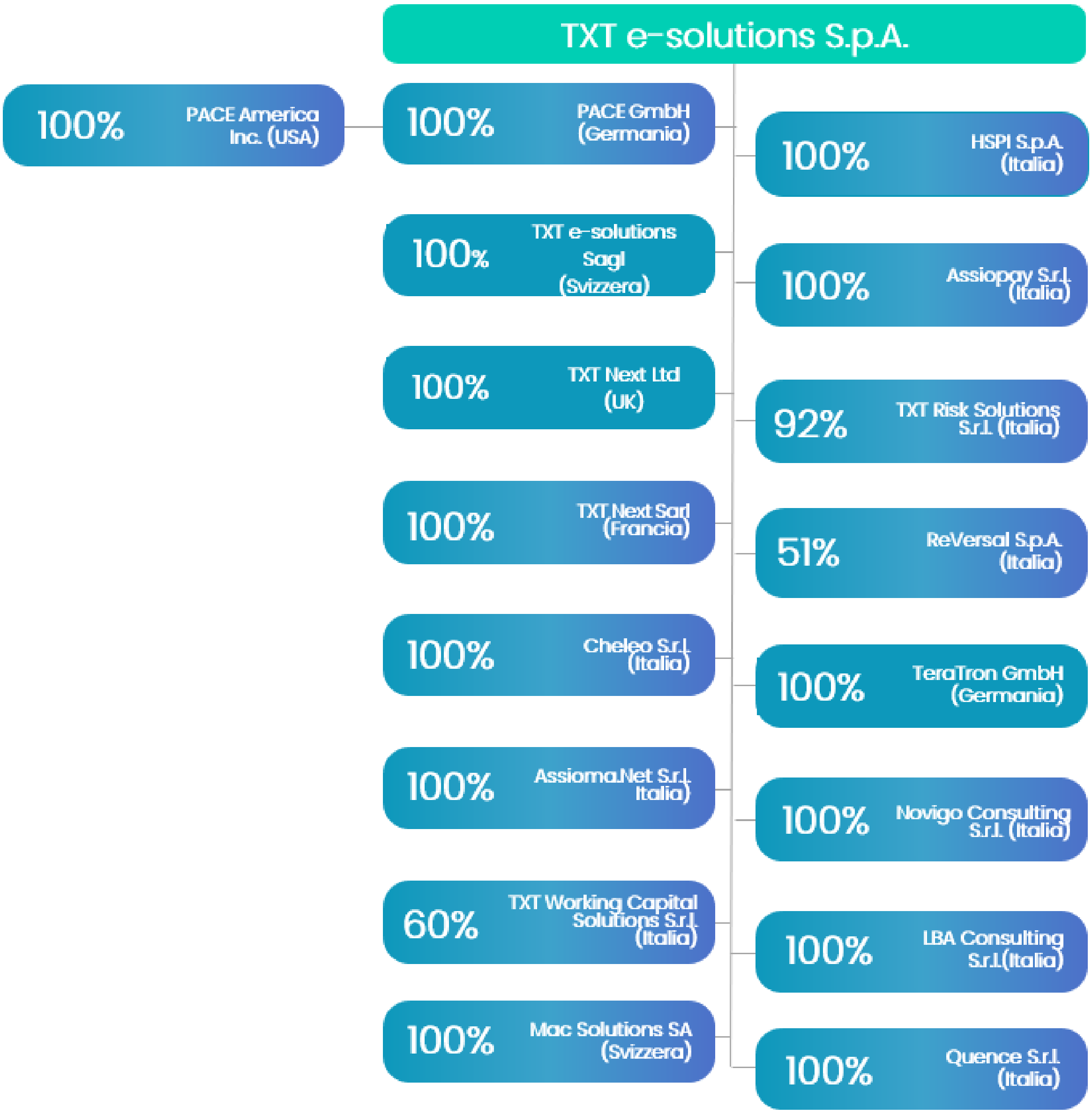
+20 years in TXT, with a strong experience in the international development of the business, from mid-2020 holds the position of Group CEO, with strategic responsibilities in defining and executing the TXT Group's international growth strategies.

Eugenio Forcinito

GROUP CFO

+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.

Organizational structure and consolidated perimeter



Balance sheet

ASSETS	31.12.2021	Of which with related parties	31.12.2020	Of which with related parties
NON-CURRENT ASSETS				
Goodwill				
Intangible assets with a finite useful life	76,218		72,536	
Intangible assets	76,218	0	72,536	0
Property, plant and equipment	3,691,464		2,450,069	
Work in progress	298,405			
Tangible assets	3,989,869	0	2,450,069	0
Investments	85,145,847		54,902,694	
Sundry receivables and other non-current assets	14,322,761	0	27,182	0
Deferred tax assets	383,899		275,082	
Other non-current assets	99,852,507	0	55,204,957	0
TOTAL NON-CURRENT ASSETS	103,918,594	0	57,727,562	0
CURRENT ASSETS				
Period-end inventory	5,976,441		3,829,249	
Trade receivables	17,452,311	1,068,527	20,575,198	3,075,042
Sundry receivables and other current assets	1,949,226		1,450,754	
Other short-term financial receivables	36,457	36,457	502,440	502,440
HFT securities at fair value	47,792,552		67,112,382	
Cash and cash equivalents	22,582,654		4,047,797	
TOTAL CURRENT ASSETS	95,789,640	1,104,984	97,517,820	3,577,482
TOTAL ASSETS	199,708,234	1,104,984	155,245,382	3,577,482

LIABILITIES AND SHAREHOLDERS' EQUITY		Of which with related parties		Of which with related parties
SHAREHOLDERS' EQUITY				
Share capital	6,503,125		6,503,125	
Reserves	15,235,694		14,063,856	
Retained earnings (accumulated losses)	64,071,662		62,782,274	
Profit (loss) for the year	5,080,331		1,758,007	
TOTAL SHAREHOLDERS' EQUITY	90,890,811	0	85,107,262	0
NON-CURRENT LIABILITIES				
Non-current financial liabilities	41,511,324		20,171,618	
Provision for post-employment benefits and other employee provisions	810,255	-	812,384	
Deferred tax provision	532		99	
Provisions for future risks and charges	118,905		118,905	
TOTAL NON-CURRENT LIABILITIES	42,441,016	0	21,103,006	0
CURRENT LIABILITIES				
Current financial liabilities	51,181,448	10,732,510	37,911,335	9,994,957
Trade payables	6,885,233	435,356	4,774,570	190,356
Tax payables	1,626,739		677,054	
Sundry payables and other current liabilities	6,682,988	228,546	5,672,154	155,600
TOTAL CURRENT LIABILITIES	66,376,407	11,396,412	49,035,113	10,340,913
TOTAL LIABILITIES	108,817,423	11,396,412	70,138,119	10,340,913
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	199,708,234	11,396,412	155,245,382	10,340,913

Income statement

	31.12.2021	Of which with related parties	31.12.2020	Of which with related parties
Revenues and other income	38,691,772	4,607,091	27,518,055	2,762,851
TOTAL REVENUES AND OTHER INCOME	38,691,772	4,607,091	27,518,055	2,762,851
Purchases of materials and external services	(8,430,047)	(1,773,021)	(5,289,286)	(639,160)
Personnel costs	(23,115,834)	(581,563)	(19,572,845)	(561,145)
Other operating costs	(90,044)		(80,439)	
Depreciation and amortisation/Impairment	(1,015,319)		(925,513)	
OPERATING RESULT	6,040,529	2,252,506	1,649,972	1,562,546
Financial income (charges)	848,211	(67,251)	669,971	(70,486)
EARNINGS BEFORE TAXES (EBT)	6,888,740	2,185,255	2,319,943	1,492,060
Income taxes	(1,808,409)		(561,936)	
NET PROFIT (LOSS) FOR THE PERIOD	5,080,331	2,185,255	1,758,007	1,492,060
Net profit from discontinued operations	0		0	
NET PROFIT (LOSS) FOR THE PERIOD	5,080,331		1,758,007	
EARNINGS PER SHARE	0.43		0.15	
DILUTED EARNINGS PER SHARE	0.43		0.15	
Number of shares	11,724,069		11,684,590	

Comprehensive Income Statement

(Amount in €)	2021	2020
Profit (loss) for the period	5,080,331	1,758,007
Change in fair value of available-for-sale financial assets	(34,931)	37,758
TOTAL ITEMS OF THE COMPREHENSIVE INCOME STATEMENT THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR NET OF TAXES	(34,931)	37,758
Defined benefit plans actuarial gains (losses)	(13,404)	(22,164)
TOTAL ITEMS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR NET OF TAXES	(13,404)	(22,164)
TOTAL PROFIT/(LOSS) OF COMPREHENSIVE INCOME STATEMENT NET OF TAXES	(48,334)	15,594
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,031,996	1,773,601

Statement of Cash Flows

	31 December 2021	31 December 2020
Profit (loss) from continued operations	5.080.331	1.758.007
Profit (Loss) discontinued operations		
Net profit (loss) for the period	5.080.331	1.758.007
Non-monetary costs for Stock Options	10.872	32.628
Non-monetary interest	35.118	39.408
Change in fair value of monetary instruments	(680.170)	(830.816)
Current income taxes	1.905.763	289.968
Change in deferred taxes	(108.385)	(14.254)
Depreciation/amortisation, impairment and provisions	1.015.320	925.511
Cash flows from (used in) operating activities (before change in working capital)	7.258.849	2.200.452
of which with related parties	*2.252.506*	*1.562.547*
(Increase) / Decrease in trade receivables	3.122.888	(9.821.841)
(Increase) / Decrease in inventories	(2.147.191)	256.344
Increase / (Decrease) in trade payables	2.110.663	2.246.657
Increase / (Decrease) in other assets/liabilities	768.470	571.096
Increase / (Decrease) in post-employment benefits	(15.533)	(1.274.459)
Changes in operating assets and liabilities	3.839.297	- 8.022.203
Paid income taxes	(724.124)	-
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	10.374.022	(5.821.751)
of which with related parties	*719.537*	*2.157.761*
Increase in tangible assets	(760.105)	(422.104)
Increase in intangible assets	(27.773)	(18.179)
Net cash flow from acquisition/assignment	(23.929.508)	(21.305.532)
(Increase) / Decrease in trading securities	(14.293.326)	(247.927)
Increase/(Decrease) in other financial receivables	20.000.000	20.000.000
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(19.010.712)	(1.993.742)
of which with related parties	*3.301.309*	*6.745.750*
Loans issued	37.000.000	20.804.310
Loans repaid	(9.916.984)	(10.182.710)
Payment of lease liabilities	(535.725)	(626.441)
Increase / (Decrease) in financial payables	11.030	(742.318)
Distribution of dividends	(468.620)	-
Interest expense	(127.456)	(141.907)
(Purchase)/Sale of treasury shares	1.209.301	(3.300.772)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	27.171.547	5.810.162
of which with related parties	*(1.844.492)*	*5.106.792*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18.534.857	- 2.005.332
Effect of changes in exchange rates on cash flows		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4.047.797	6.053.126
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22.582.654	4.047.795
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	(2.690.843)	(204.493)
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	2.690.843	204.493
of which with related parties	*2.238.163*	*-*

Statement of changes in Shareholders' Equity at 31 December 2021

	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

	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 2019	6.503.125	1.300.625	12.571.449	1.911.444	23.793	(879.706)	(158.745)	-	59.573.709	3.208.566	84.054.260		84.054.260
Utile al 31 dicembre 2019									3.208.566	(3.208.566)	-		-
Incremento/acquisto					32.628		37.758		-		70.386		70.386
Distribuzione dividendi											-		-
Vendita azioni proprie			4.565.921								4.565.921		4.565.921
Acquisto azioni proprie			(5.319.147)								(5.319.147)		(5.319.147)
Attualizzazione TFR						(22.164)					(22.164)		(22.164)
Delta cambi								-			-		-
Utile al 31 dicembre 2020										1.758.007	1.758.007		1.758.007
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

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 related 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 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 2021 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 2021 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. 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 2021.

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".

2 Acquisitions

2.1 AssioPay S.r.l

On 11 January 2021, the TXT Group purchased from Andrea Serra and from its subsidiary Assioma Net S.r.l theirs shareholding in AssioPay S.r.l., of which from Andrea Serra 49% of its share capital, for a consideration of € 2.0 million (of which €1.0 million in shares) and from Assioma Net 51% of share capital for a consideration of 2.0 million.

2.2 Banca del Fucino

On 28 January 2021, as part of its policy to optimize the asset allocation of available liquidity, it made a financial investment of approximately € 14.3 million in the share capital of Banca del Fucino S.p.A. ("Bank"), against the issue of new shares equal to approximately 9% of the share capital (post-money). The share capital increase reserved for TXT took place on the basis of a delegation granted to the Bank's Board of Directors, which has accepted TXT's investment proposal. Banca del Fucino is the parent company of the Igea Banca Banking Group and fully controls Igea Digital Bank S.p.A., a digital bank with excellent growth prospects in the current market context. The capital strengthening of the Bank, which in the last period recorded a total of more than € 45 million in capital increase paid in cash, is aimed at implementing the 2020-2023 business plan, focused on the business model of a specialty bank with a strong Fintech vocation

2.3 Reversal S.p.A.

On 27 May 2021, TXT e-Solutions S.p.A. subscribed a share capital increase in the start-up ReVersal S.p.A., obtaining an equity investment equal to 51% of the share capital of the start-up.

The investment in ReVersal, a company that deals primarily on financial products for wealth management, was unanimously approved by TXT's Board of Directors and represents a key milestone in the Fintech division's growth project driven by strategic investments in innovative start-ups and mature fintechs operating in segments with high growth potential and a strong digital focus.

The purchase of the 51% shareholding took place via the subscription by TXT e-Solutions S.p.A. of a capital increase for € 500,400 (including a share premium of € 0.49 million), paid in cash using available liquidity.

TXT undertook to guarantee additional capital for the growth of ReVersal through interest-bearing loans, to be paid in several tranches and on specific requests, for a total maximum amount of € 0.8 million (interest equal to Euribor + 1 point).
Based on the analyses carried out and the business plan, the Break-Even Point is envisaged for the first year of operations.

2.4 TXT Risk Solutions S.r.l

During the first half of 2021, TXT e-solutions S.p.A. ("TXT") acquired the shares (74.87%) relating to TXT Risk Solutions S.r.l. sold by Cheleo S.r.l.. In July, 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.

2.5 TeraTron GmbH

On 29 July 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the German company TeraTron GmbH. The data will be consolidated from 1 August 2021.

The acquisition of TeraTron GmbH closed with a consideration for the acquisition of 100% of TeraTron GmbH amounting to € 10.1 million paid in cash at closing.

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 paid		10,100,000
Price adjustment		114,175
Net assets (liabilities)	5,468,413	
Goodwill (to be allocated)	**4,745,762**	

2.6 LBA Consulting S.r.l.

On 29 November 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the share capital of the company LBA Consulting S.r.l.. The data will be consolidated from 1 December 2021.

The consideration for the acquisition of 100% of LBA ("LBA Enterprise Value") has been agreed between the parties as € 2.73 million paid in cash at closing plus price adjustment to be paid in

TXT ordinary treasury shares within 30 days of the approval of LBA's 2021 financial statements based on the actual EBITDA reported by LBA in the current year. The Net Financial Position of LBA as at 31 December 2021 will be settled in shares as part of the planned adjustment within 30 days from the closing date.
The LBA acquisition agreement includes retention and claw-back clauses for the two selling shareholders and managers expiring the date of approval of the financial statements closing on 31 December 2024. The maximum value of the claw-back provided for in the contract is equal to the value of the price adjustment paid by TXT to the selling shareholders.

Component	Euro
Price paid in cash	2,730,000
Price adjustment for EBITDA-NFP	2,465,057
Total (100%)	**5,195,057**

2.7 Novigo Consulting S.r.l.

On 29 November 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the company Novigo Consulting S.r.l.. The data will be consolidated from 1 December 2021.

The consideration for the purchase of 100% of Novigo ("Novigo Enterprise Value") was agreed between the parties in € 3.5 million paid at closing, of which € 2.45 million (70%) paid in cash and € 1.05 million (30%) through the payment of ordinary TXT treasury shares; the Novigo Enterprise Value will be adjusted within thirty days from the date of approval of the 2021 financial statements on the basis of the actual EBITDA reported by the company in the current year. The Net Financial Position of Novigo as at 31 December 2021 will be settled in cash.
The acquisition agreement includes retention and earn-out clauses for the three selling shareholders expiring on the approval of the financial statements for the year ending 31 December 2024.
The maximum value of the earn-outs provided in the contract is €0.8, to be settled through the payment of TXT ordinary treasury shares.

Component	Euro
Price paid in cash	2,450,000
Price paid with treasury shares	1,050,000
Price adjustment for EBITDA-NFP	1,780,000
Earn-Out	500,000
Total (100%)	**5,780,000**

2.8 Quence S.r.l.

On 28 December 2021, TXT e-solutions S.p.A. executed the final contract for the acquisition of 100% of the company Quence S.r.l.. The data will be consolidated from 1 January 2022.

The consideration for the purchase of 100% of Quence ("Enterprise Value") was agreed between the parties at € 2.0 million paid at closing, of which € 1.4 million (70%) was paid in cash and € 0.6 million (30%) was paid in ordinary TXT treasury shares sold at the market price at the close of the trading day prior to the date of closing.
Financial position of Quence S.r.l. as of 31 December 2021 will be settled in cash and TXT ordinary shares.

Component	Euro
Price paid in cash	2,009,000
Price paid with treasury shares	861,000
Price adjustment for EBITDA-NFP	92,782
Total (100%)	**2,962,782**

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 of 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	6	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 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 8.2 "Tangible assets" and Note 9.6 "Financial income and charges".
The Group'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 Group 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 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 new 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 Group signed the following contracts during the year:

- 7 multi-segment life insurance contracts for € 39,277,366 (as at 31 December 2020 € 58,825,559);
- Bond loan for € 579,518;
- Treasury management for € 7,935,668.

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 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 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.

Financial assets at amortised cost

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.
Group financial assets at amortised cost include trade receivables and other receivables as well as investments that pass the SPPI test.

Financial assets at fair value through the income statement.

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 hedge ratio of the hedge relationship is the same as that resulting from the quantity of the element actually hedged by the Company and the quantity of the instrument actually used by the Company 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 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 payables 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).

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.
<u>Sales of other assets</u>

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 value 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 effect related to the favourable interest rate is considered as an additional public contribution.

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 2021.
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	31.12.2021	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	14,322,761			14,322,861
- HFT securities at fair value	8.10	47,792,552	8,515,186	-	39,277,366
Total financial assets		62,115,313	8,515,186	-	53,577,365
Financial liabilities for which the fair value is identified					
- other non-current financial liabilities	8.13	41,511,324	-	39,344,883	2,166,441
- other current financial liabilities	8.16	51,181,447	-	44,122,608	7,058,839
Total financial liabilities		92,692,771	-	83,467,491	9,225,280

Non-current financial liabilities of Level 3 (Note 8.13) include the debt for:

- Earn-Out of Assioma Group and Novigo Consulting (long term portion);
- HSPI payable for "Restricted Share Price Adjustment".

Non-current financial liabilities of Level 2 (Note 8.13) include the debt for:

- non-current monetary flow swaps;
- 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:

- the short-term portion of the Assioma Group's Earn-Out.

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 debt consisting of the disbursements related to the latest acquisitions carried out in the last months of 2021;
- 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 2021, the Company issued guarantees on debts and obligations of third parties and associates amounting to € 718 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 the offices in Milan (expiring in August 2024) and Turin (expiring in April 2025) 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 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 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 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 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 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 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 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 (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.

Taxes

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 consolidated financial statements as at 31 December 2021 are consistent with those used in drawing up the consolidated financial statements as at 31 December 2020 and presented in the Annual Report under Note 4 “Accounting standards and basis of consolidation”.
As at 31 December 2021, there are no significant effects with respect to changes in the international accounting standards (IFRS) that were expected to be applied from 1 January 2021.

Accounting standards, amendments and interpretations endorsed by the EU and applicable to the financial statements as at 31 December 2021:

Document title	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
Reform of the benchmarks for determining interest rates - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	1 January 2021	(EU) 2021/25 13 January 2021	14 January 2021
Concessions on fees related to COVID-19 (Amendment to IFRS 16)	May 2020	1 June 2020	(EU) 2020/1434 9 October 2020	12 October 2020
Concessions on fees related to COVID-19 after 30 June 2021 (Amendment to IFRS 16)	March 2021	1 April 2021[2]	(EU) 2021/1421 30 August 2021	31 August 2021
Extension of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	(EU) 2020/2097 15 December 2020	16 December 2020

Reform of interest rate reference indices - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Amendments to IFRS 9, IAS 39 and IFRS 7, which were issued by the IASB in order to respond in a timely manner to the potential effects on the financial statements related to uncertainties arising from the ongoing reform of interbank rates, became effective on 1 January 2020 (so-called IBOR Reform). Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that refer to Phase 2 of the IASB's IBOR Reform project, which focused on the potential accounting implications of replacing a benchmark interest rate index with a new alternative benchmark index, became effective on 1 January 2021.

Concessions on fees related to COVID-19 (Amendment to IFRS 16)

In March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)" with which it extended by one year the period of application of the practical expedient introduced in May 2020 with the document "Covid-19-Related Rent Concessions (Amendment to IFRS 16)". The 2021 amendment applies to annual financial years starting on or after 1 April 2021 and early application is permitted.

The adoption of these amendments had no impact on the 2021 Report.

New Accounting Standards and Interpretations endorsed by the EU but not yet in force:

In 2021, the European Commission endorsed and published the following new accounting standards, amendments and interpretations to supplement the existing ones approved and published by the International Accounting Standards Board ("IASB"):

Document title	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
IFRS 17 Insurance Contracts and the subsequent amendment	May 2017 and June 2020	1 January 2023	(EU) 2021/2036 19 November 2021	23 November 2021
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions,	May 2020	1 January 2022	(UE) 2021/1080 28 June 2021	2 July 2021

contingent liabilities and contingent assets; annual cycle of improvements to IFRS 2018-20				

The company does not anticipate any impacts arising from the future application of the new provisions.

New accounting standards, amendments and interpretations issued by the IASB and not yet implemented by the EU

The main documents published by the International Accounting Standard Board (IASB), which are not yet applicable as they have not yet been approved by the European Union, are illustrated below.

Document title	Issue date by the IASB	Effective date of the IASB document	Date of expected approval by the EU
Classification of liabilities as current or non-current (amendment to IAS 1), including the subsequent amendment issued in July 2020	January 2020 July 2020	1 January 2023	TDB
Disclosure of accounting policies (Amendment to IAS 1 and IFRS Practice Statement 2)	February 2021	1 January 2023	TDB
Definition of Accounting Estimates (Amendment to IAS 8)	February 2021	1 January 2023	TDB
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	TDB

The Company is still assessing the impact of these amendments, to the extent that they are 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 € 22,582,654 as at 31 December 2021 (€ 4,047,797 as at 31 December 2020) and despite a negative Net Financial Position of € 22,282,109 (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 2021, 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's trade receivables (net of receivables from TXT Group companies):

TXT

	Amount in €	Concentration %
Total receivables due from customers	17,452,311	-
Receivables due from customers (Top 5)	14,627,262	83.81%
Receivables due from customers (Top 10)	15,347,862	87.94%

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 82% of the total trade receivables collectible.

Interest rate risk

The Company's 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)	31.12.2021	Interest rate change	Financial income/charges
Net Financial Position (NFP)	(22,281,109)		
Fixed rate payables	92,692,771		
Financial exposure (floating rate)	(114,973,880)	+1%	(1,149,739)
		-1%	1,149,739

Liquidity and investment risk

On the basis of cash and cash equivalents of € 22,582,654 and despite a negative Net Financial Position of € 22,281,109 (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 € 67 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

Covid-19, an infectious disease caused by a new virus, was declared a global pandemic by WHO on 11 March 2020. The measures to contain the spread of Covid-19 have had a significant impact on the global economy. Entities must consider the impacts of Covid-19 when preparing their financial statements.
The impact of Covid-19 may give rise to the need to apply further considerations in the areas subject to estimates and assessments. Given the evolution of Covid-19 and the limited experience with regard to the economic and financial impacts of the pandemic, changes in estimates in the measurement of assets and liabilities may also be necessary in the future.
The areas related to the preparation of the financial statements identified as potentially susceptible to greater impacts were:

• determination of expected losses on financial assets;

• impairment of both current (e.g., inventories) and non-current assets (e.g., tangible and intangible assets);

• recovery of assets due to deferred tax assets;

• revised estimates on the useful life and residual value of fixed assets;

• provisions for risks and liabilities deriving from contractual or criminal breaches.

Specific comments in relation to the individual areas are presented in the relevant notes where relevant.

With reference to the shares and contributions to which the company has had recourse or has had access, the following should be noted:

- In May 2020, TXT e-solutions S.p.A. requested and obtained from the financial institutions with which they signed medium-term loan agreements, the deferment of the payment of solely the principal portions for the third and fourth quarters of 2020. This transaction will make it possible to deal with any delays in collections from customers with an impact on current operations;
- In 2020, the Company made use of social safety nets, in particular the Redundancy Fund: for a few months, the redundancy fund for the "Covid-2019 emergency" was activated in order to mitigate the effects of the pandemic, with the intention of returning to normal work once the events attributable to the health emergency are overcome.

Regarding operations, information is provided on the measures put in place, in line with the recommendation of WHO and national authorities, to preserve the health of its employees and support the prevention of contagion in their administrative and operating offices, such as work from home incentives, reduced shifts in operating areas to minimize the movement of workers, cleaning of work spaces, distribution of personal protective equipment, testing of suspicious cases and measurement of body temperature.

The year 2021 was characterised by a global economic recovery as the easing of covid-related restrictive measures favoured the acceleration of vaccination campaigns; for 2021 and 2022, the global economy is expected to grow by 5.9% and 4.4% respectively (International Monetary Fund estimates), after a 3.1% contraction in 2020. 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 approx.€ 1 thousand. 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.

7 Going Concern

Pursuant to IAS 1, paragraph 25, the Directors, while preparing the financial statements as at 31 December 2021, 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 2021

8 Balance sheet

8.1 Intangible assets with a finite useful life

Intangible assets with a finite useful life amounted to € 76,218 as at 31 December 2021, 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 2020	72,536	72,536
Acquisitions	27,773	27,773
Amortisation	(24,091)	(24,091)
Balances as at 31 December 2021	76,218	76,218

Balances as at 31 December 2021	Software licences	TOTAL
Historical cost	259,187	259,187
Accumulated amortisation and impairment	(182,970)	(182,970)
Net value	76,218	76,218

8.2 Tangible assets

Net of depreciation, tangible assets amounted to € 3,989,869, as at 31 December 2021, up € 1,539,800 compared to 31 December 2020. The changes that occurred during the year are detailed below:

Tangible assets	Plants	Electronic machinery	Furniture and fixtures	Buildings (lease)	Electronic machinery (lease)	Vehicles (lease)	Work in progress	TOTAL
Balances as at 31 December 2020	0	824,070	30,223	1,125,413	14,379	455,984	0	2,450,069
Acquisitions	174,020	277,680	10,000	2,417,757		273,086	298,405	3,450,948
Disposals	0	(6,673)		(895,781)	(4,229)	(13,237)		(919,920)
Amortisation	(17,402)	(304,382)	(8,381)	(363,952)	(10,150)	(286,962)		(991,229)
Other Changes	0		-	-	-	-		0
Balances as at 31 December 2021	156,618	790,695	31,842	2,283,437	0	428,871	298,405	3,989,869

Balances as at 31.12.2021	**Plants**	**Electronic machinery**	**Furniture and fixtures**	**Buildings (lease)**	**Electronic machinery (lease)**	**Vehicles (lease)**	**Work in progress**	**TOTAL**
Historical cost	174,020	2,036,240	328,193	4,514,117	0	1,449,298	298,405	8,800,272
Accumulated depreciation	(17,402)	(1,245,545)	(296,351)	(2,230,679)	0	(1,020,427)	0	(4,810,403)
Net value	**156,618**	**790,695**	**31,842**	**2,283,437**	**0**	**428,871**	**298,405**	**3,989,869**

The present amount of accumulated depreciation is deemed adequate in relation to the estimated remaining useful life.
Buildings under lease in 2021 have increased due to the new building in Cologno, while the old contracts in Milan and Turin have been disposed of; connected to the new building in Cologno are also the fixed assets in progress (€ 298,405) related to the works in progress in the new building.
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" amounted to € 54,902,694 as at 31 December 2020, compared to € 29,555,456 as at 31 December 2019.

	Balances as at 31 December 2020	**Acquisitions**	**Balances as at 31 December 2021**
Investments in subsidiaries	54,902,694	30,243,153	85,145,847
Investments in associates	-	-	-
Investments	**54,902,694**	**30,243,153**	**85,145,847**

The changes occurring over the year are presented below:

Company name	Balances as at 31 December 2020	Acquisitions	Balances as at 31 December 2021
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	5,195,057
Novigo Consulting	-	5,780,000	5,780,000
Quence	-	2,962,782	2,962,782
Total	**54,902,694**	**30,243,153**	**85,145,847**

The increases refer to the new acquisitions of the year described in paragraph 2 with the exception of the equity investments of TXT Risk Solutions and AssioPay, companies that were already part of the Group in 2020 as they were the subsidiaries of other companies of the Group.
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	5,893,954	963,480	100	12,572,191	5,893,954
Cheleo S.r.l.	Brescia	99	4,705,820	359,171	100	10,950,819	4,705,820
TXT e-solutions S.a.g.L.	Chiasso	44	1,289,407	356,189	100	37,082	1,289,407
TXT Next S.a.r.l.	France	100	323,103	60,906	100	100,000	323,103
Assioma.Net	Milan	30	10,593,774	2,474,387	100	11,880,049	10,593,774
TXT Working Capital S.r.l.	Milan	500	78,731	(480,087)	100	800,000	78,731
HSPI S.p.A.	Bologna	220	5,303,988	513,528	100	12,064,169	5,303,988
Mac Solutions S.A.	Chiasso	94	3,500,175	832,010	100	6,381,749	3,500,175
Innovative Complex Consortium	Bologna	10	6,592	1,118	100	3,500	6,592
TXT Next Ltd.	Great Britain	115	137,275	8,438	100	113,135	137,275
TXT Risk Solutions S.r.l.	Milan	250	178,141	(174,417)	100	1,376,000	178,141
AssioPay S.r.l.	Turin	10	1,098,549	262,514	100	4,010,739	1,098,549
Reversal	Milan	400	840,363	(69,905)	51	704,400	428,585
TeraTron GmbH	Gummersbach (Germany)	75	6,126,683	661,431	100	10,214,175	6,126,683
LBA Consulting	Borgomanero	10	885,569	48,546	100	5,195,057	885,569
Novigo Consulting	Brescia	50	1,252,873	182,654	100	5,780,000	1,252,873
Quence	Milan	10	1,272,837	0	100	2,962,782	1,272,837
Total		2,311	43,487,835	5,999,963		85,145,847	43,076,057

(*) 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	183,763	131,702	100	183,763
Total			9	183,763	131,702		

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 perform an impairment test on the Investment in Reversal, TeraTron GmbH, LBA Consulting, Novigo Consulting and Quence (51% Reversal, the others 100%) as at 31.12.2021 as they were acquired during the year and the underlying cash flow projections do not show indicators for an impairment test.

The investments in Pace GmBH, Cheleo, Assioma, AssioPay, TXT Risk Solutions, TXT Working Capital, MAC Solutions S.A. and HSPI S.p.A., 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 5-year forecast period. In December 2021, 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).
For considerations on the valuation as at 31 December 2021, please refer to the section "Fair value hierarchy".
For the different treatment of the PUT/CALL options for the purposes of consolidation, please refer to the explanatory notes of the same.

Discount rate

The discount rate used in discounting cash flows represents the estimated rate of return on the market.
For the investment in Pace GmbH, the rates on German and US 10-year government bonds as at 31 December 2021 were considered as "Free Risk" rate, based on the relative contribution of each market to the weighted average plan results of 0.50%.
For the investment in Cheleo S.r.l., Assioma.Net S.r.l., AssioPay, MAC Solutions S.A., TXT Risk Solutions, TXT Working Capital and HSPI, the rate on 10-year Italian government bonds (BTPs) as at 31 December 2021 was considered as "Free Risk" rate, equal to 1.17%.
The valuation parameters were applied in accordance with prior years:

- The risk premium relative to the market was estimated at 5.00%;
- Beta was estimated at 1.00, in line with the previous year;

- An additional 1.5% risk was considered (based on sector studies), in order to align the WACC with that used by analysts;
- Long-term growth rate (g) 1.50%.

The cost of own capital is therefore:
For Pace GmbH: 0.50% + 1.5% + 5.00% * 1.00 = 7.00%.
For Cheleo S.r.l. and Assioma.Net S.r.l., TXT Risk Solutions, TXT Working Capital Solutions, AssioPay, MAC Solutions S.A., HSPI: 1.17% + 1.50% + 5.00% * 1.00 = 7.67%.
Despite a negative Net Financial Position and as a precaution, it was decided not to consider medium/long-term loans as a source of financing for invested capital, but to consider the entire invested capital covered by equity and therefore calculate the cost of capital entirely consisting of the cost of own capital.
The discount rate is therefore equal to 7.00% for Pace GmbH and 7.67% for Cheleo S.r.l. and Assioma.Net S.r.l., TXT Risk Solutions, TXT Working Capital Solutions, AssioPay, MAC Solutions S.A., HSPI.

Sensitivity analysis

In order to test the fair value measurement model for changes in variables, changes in four key variables were simulated:

1. Increase in the interest rate used to discount cash flows by 200 basis points, other conditions being equal (Pace from 7.00% to 9.00% - Cheleo S.r.l. and Assioma.Net S.r.l., TXT Risk Solutions, TXT Working Capital Solutions, AssioPay, MAC Solutions S.A., HSPI from 7.67% to 9.67%);
2. A reduction in the growth rate in calculating the terminal value of 50 bps, other conditions being equal (from 1.50 to 1.00);
3. Reduction in the growth rate of revenues forecast in the business plan for each year of the period 2022-2026 of -75%;
4. Reduction in the EBITDA Margin applied to the terminal value of 200 bps, other conditions being equal.

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 amount (Post sensitivity) difference			
		Δ WACC	Δ g-rate	Δ Revenue CAGR	Δ EBITDA Margin TC
Pace GmbH	5,655	2,976	5,084	6,012	3,348
Assioma.Net S.r.l.	4,219	2,007	3,764	6,177	2,257
AssioPay S.r.l.	1,785	1,065	1,638	-199	1,490
Txt Risk Solutions	1,765	1,336	1,677	1,261	1,598
TXT Working Capital Solutions	72,574	62,529	70,486	30,961	72,353
MAC Solutions S.A.	2,628	1,667	2,434	2,114	1,857
HSPI S.p.A.	5,341	3,094	4,878	568	2,741
Cheleo S.r.l.	2,472	1,185	2,207	2,271	1,987

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 € 14,322,761 as at 31 December 2021, up from € 27,182 as at 31 December 2020. The increase mainly refers to the investment in Banca del Fucino for € 14,299,999.

8.5 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities as at 31 December 2021, compared to the figures as at the end of 2020, is shown below:

	Taxes tax assets	Taxes tax liabilities	Net balance
Balance as at 31 December 2020	275,081	99	274,982
Used in the period	(50,319)	(100)	(50,219)
Provisions in the period	159,137	533	158,604
Balance as at 31 December 2021	383,899	532	383,367

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:

Deferred tax assets	31-Dec-21		31-Dec-20	
	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	159,194	38,207
Costs deductible in future years	772,107	185,306	362,256	86,941
Other changes	-	-	2,404	577
Total	1,599,579	383,899	1,146,171	275,081

Deferred tax liabilities	31 December 2021		31 December 2020	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Exchange differences	2,221	533	413	99
Total	2,221	99	413	99

The total net changes of € 383,367 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 2021 amounted to € 5,976,441 and show an increase of € 2,147,192, compared to the end of the 2020 financial year. These are activities carried out but not yet invoiced to customers for services for ongoing projects.

The table below provides the breakdown of inventories:

(Amount in €)	as at 31.12.2021	as at 31.12.2020	Change
Inventories of services for ongoing projects	5,976,441	3,829,249	2,147,192
Total	5,976,441	3,829,249	2,147,192

8.7 Trade receivables

Trade receivables as at 31 December 2021, net of the provision for bad debts, amounted to € 17,452,311 as shown in detail below:

(Amount in €)	31.12.2021	31.12.2020	Change
Receivables due from customers	16,262,802	17,572,638	(1,309,836)
Receivables to be collected	0	0	0
Receivables due from customers for invoices to be issued	379,730	186,469	193,261
Provision for bad debts	(258,748)	(258,748)	0
Receivables due from Subsidiaries	1,068,527	3,074,839	(2,006,312)
Other receivables	0	0	0
Total	17,452,311	20,575,198	(3,122,888)

The change compared to the previous year includes the effect of the improvement in the average collection times.
The provision for bad debts amounted to € 258,748.
This provision is deemed suitable to manage any possible losses.
Receivables due from customers for invoices to be issued include amounts for orders completed and not yet invoiced.
Receivables due from intercompany customers, all fully collectible, regard fees for services provided to subsidiaries. They amount to € 1,068,527, down € 2,006,312 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.
The table below includes the detail for receivables past due and not impaired as at 31 December 2021 compared with the situation as at 31 December 2020.

(Amount in €)	Trade receivables	Performing	0 - 90 days	91 - 180 days	181 - 360 days	More than 360 days	Non-performing
Trade receivables	17,711,059	12,465,832	4,599,238	217,480	180,483	248,026	5,245,227
Provision for bad debts	(258,748)	(10,997)	(23,871)	(4,196)	(19,344)	(200,340)	(258,748)
Balance as at 31.12.2021	17,452,311	12,454,835	4,575,367	213,283	161,140	47,686	4,986,479

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 2021 was € 1,948,561 compared to the balance of € 1,450,755 as at 31 December 2020. The breakdown is shown below:

(Amount in €)	as at 31.12.2021	as at 31.12.2020	Change
Receivables due from EU	386,640	386,640	0
Tax receivables	732,099	360,364	371,735
Advances to suppliers and employees	127,822	115,521	12,301
Accrued income and prepaid expenses	700,800	524,414	176,386
Other receivables	1,865	63,816	(61,951)
Total	1,949,226	1,450,755	498,471

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.
Tax receivables of € 732,099 (€ 360,364 as at 31 December 2020) represent the receivables due from taxation authorities as shown below in detail:

(Amount in €)	as at 31.12.2021	as at 31.12.2020	Change
IRES receivable for IRAP deductibility on personnel costs	0	0	0
Interest income withholding	0	296	(296)
Tax advances	724,124	354,387	369,737
Other withholding taxes paid	7,975	5,681	2,294
Total	732,099	360,364	371,735

The increase in the item tax credits, equal to € 369,737, 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 € 700,800, represents adjustments to prepaid costs not pertaining to the year, whose invoices were received and accounted for as at 31 December 2021. The increase compared to 2020 is mainly due to maintenance services and licence fees for the use by the company of software instruments paid in advance.

8.9 Other financial receivables

The item "Other financial receivables" amounted to € 36.457 as at 31 December 2021, compared to € 502,440 as at 31 December 2020.

The amount refers to the receivables for cash-pooling due to TXT e-solutions S.p.A. from its subsidiary TXT Risk. 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 2021, this item included "Financial instruments at fair value" of € 47,792,552. They consist of investments in six multi-segment life insurance contracts with partially guaranteed

capital for a fair value of € 39,856,884, bond loan for € 579,518 and treasury management for € 7,935,668.
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 € 22,582,654, an increase of € 18,534,857 compared to 31 December 2020. Reference should be made to the cash flow statement for details on the generation and changes in cash; 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 2021 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totaling € 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 (€ 13,027,524), the merger surplus reserve (€ 1,911,444), "reserve for actuarial differences on post-employment benefits" (negative for € 915,274), Cash Flow Hedge reserve (negative for € 155,918 net of the related tax effect), and reserves for retained earnings (€ 64,124,254).

Description	Free	Required by Law	Established by Shareholders' Meeting	TOTAL
Share premium reserve	13,027,524	0	0	13,027,524
Legal reserve	0	1,300,625	0	1,300,625
Merger surplus	0	0	1,911,444	1,911,444
Reserve for actuarial differences on post-employment benefits	0	0	(915,274)	(915,274)
IRS Fair Value	(155,918)	0	0	(155,918)
Stock option reserve	0	0	56,421	67,293
Reserve for retained earnings	0	0	64,071,663	64,071,663
Total	**12,871,607**	**1,300,625**	**65,124,254**	**79,307,357**

<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 two Group executives.

S.G. PLAN 2019-2021				
Options		2019	2020	2021
(i)	Outstanding at the start of the year/period	-	135,000	108,000
(ii)	granted during the year/period	135,000	-	-
(iii)	forfeited during the year/period	-	(27,000)	(54,000)
(iv)	exercised during the year/period	-	-	-
(v)	expired during the year/period			
(vi)	outstanding at the end of the year/period	135,000	108,000	54,000
(vii)	exercisable at the end of year/period	-	-	54,000

Treasury shares

On 15 November 2021, TXT e-solutions' shares recorded a maximum official price of € 10.66 and a minimum price of € 6.76 on 19 March 2021. As at 31 December 2021, the share price was € 10.14, € 2.26 higher than the € 7.88 recorded as at 31 December 2020. The average daily trading volume on the stock market in 2021 was 31,763 shares, up from the previous year's average of 24,990 shares. As at 31 December 2021, 1,243,372 treasury shares were held (1,401,429 as at 31 December 2020), accounting for 9.56% of shares outstanding, at an average carrying amount of € 3.28 per share. In 2021, 33,940 shares were purchased at an average price of € 7.84.
On 12 February 2021, in exchange for the acquisition of the shares of the company AssioPay S.r.l., as partial consideration for the price agreed with its shareholders, 129,497 shares were transferred at the agreed price of € 7.59 each.
On 16 August 2021, it sold 62,500 treasury shares at a price of € 8.00 for a consideration of € 500,000 as part of the extraordinary acquisition of TeraTron GmbH.

8.13 Non-current financial liabilities

"Non-current financial liabilities" amounted to € 41,511,324 (€ 20,171,618 as at 31 December 2020).

	as at 31.12.2021	as at 31.12.2020	Change
Earn-Out	2,166,441	2,088,691	77,750
Bank loans	37,172,859	16,882,572	20,290,287
Non-current monetary flow swaps	205,155	159,194	45,961
Payable due to suppliers for leases	1,966,869	1,041,162	925,707
Total	41,511,324	20,171,618	21,339,706

This item includes: a) medium/long-term loans for the amount due after 12 months; b) the debt for an amount of € 1,615,296 for the Earn-Out to be paid to Assioma shareholders; c) the non-current part of the financial debt for € 1,966,869 in accordance with IFRS 16; d) the payable for hedging against exchange rate risk (fair value Interest Rate Swap) for € 205,155; e) the payable "Restricted Share Price" in connection with the purchase of the shareholding in HSPI S.p.A.; f) the payable of € 500,000 for the Earn-Out to be paid to the shareholders of Novigo Consulting.

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 € 9,028,460, the non-current portion amounts to € 5,021,577.

- 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 € 4,500,000, the non-current portion amounted to € 2,500,000.
- 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 € 3,354,112, the non-current portion was € 672,502.
- 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 € 5,000,000, the non-current portion amounted to € 3,181,818.
- 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 € 10,000,000, the non-current portion was € 8,888,889.
- 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 € 10,000,000, the non-current portion was € 8,571,429.

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; as at 31 December 2021 the following requirements were met.

UNICREDIT S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	5,021,577	9,028,459	(4,006,882)
Maturity more than 5 years			-
Total	5,021,577	9,028,459	(4,006,882)

BANCA NAZIONALE DEL LAVORO S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	2,500,000	4,500,000	(2,000,000)
Maturity more than 5 years			-
Total	2,500,000	4,500,000	(2,000,000)

Loan from BPER	31.12.2021	31.12.2020	Change
Maturity 1-5 years	672,502	3,354,112	(2,681,610)
Maturity more than 5 years	-	-	-
Total	672,502	3,354,112	(2,681,610)

UNICREDIT S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	8,336,644	-	8,336,644
Maturity more than 5 years		-	-
Total	8,336,644	-	8,336,644

BANCA NAZIONALE DEL LAVORO S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	3,181,818	-	3,181,818
Maturity more than 5 years	-	-	-
Total	3,181,818	-	3,181,818

UNICREDIT S.P.A. Loan	31.12.2021	31.12.2020	Change
Maturity 1-5 years	8,888,889	-	8,888,889
Maturity more than 5 years	-	-	-
Total	8,888,889	-	8,888,889

Loan from BANCA POPOLARE DI MILANO	31.12.2021	31.12.2020	Change
Maturity 1-5 years	8,571,429	-	8,571,429
Maturity more than 5 years	-	-	-
Total	8,571,429	-	8,571,429

The table required by IAS 7 on changes in liabilities linked to financing activities is provided below.

	01-gen-21	Cash flows	Reclassification Current - Non-Current	Change in fair value	Interest	New funding	31-Dec-21
Payable for Earn-Out Novigo	0		0			500,000	500,000
Payable for Assioma Put/Call	1,592,352				22,944		1,615,296
Debt Guaranteed Price	496,339			(445,194)			51,145
Obligations for financial leases and rental contracts with purchase option - NON current portion	1,041,163		(851,889)			1,777,595	1,966,869
Interest-bearing loans and financing - NON-current portion	17,041,764		(14,709,712)	45,962		35,000,000	37,378,014
Total liabilities deriving from financial assets	20,171,618	0	(15,561,601)	(399,232)	22,944	37,277,595	41,511,324

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 2021 amounted to € 810,255, for both defined contribution plans and defined benefit plans.
The breakdown of and changes in the total post-employment benefits for this item over the year are presented below:

Provision for post-employment benefits and other employee provisions	31 December 2020	Provisions	Uses/Payments	Actuarial gains/losses and other	Financial income/charges	31 December 2021
Post-employment benefits	812,384	1,078,007	(1,093,352)	13,404	(188)	810,255
Total non-current provisions relating to employees	812,384	1,078,007	(1,093,352)	13,404	(188)	810,255

Post-employment benefits for personnel of € 810,255 as at 31 December 2021 (€ 812,384 as at 31 December 2020), were measured as a defined benefit provision.
The portion allocated to the provision amounted to € 1,078,007.
Below is the reconciliation of the provision for post-employment benefits based on statutory regulations and IAS – IFRS carrying amount.

Provision for post-employment benefits	2021	2020
	761,688	749,692
Current cost	(27,342)	(20,785)
Financial charges	(188)	1,411
Actuarial differences	13,404	22,164
Actuarial differences following acquisitions	0	(16,820)
Retained earnings	62,692	76,722
Total	810,255	812,384

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% has only an impact on the valuation for the companies HSPI, AssioPay and Cheleo. Future salaries do not have an impact on the valuation of TXT and Assioma.Net.

The estimated inflation rate used for measurement purposes was 1.5% per year.

The discount rate used for the valuation of TXT was -0.4403% per year, i.e., the rate on Bonds issued by AA-rated European Companies as at 31 December 2021 with maturities of between 7 and 10 years. The average duration of the liability was calculated at 7.67 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 € 810,255):

Sensitivity analysis as at 31 December 2021	% Change in liabilities (DBO)			
Type of change for the specific assumption	Reduction	Increase	Reduction	Increase
Decrease or increase of 50% in company staff turnover	2,30%	-1,77%	828.891	795.914
Decrease or increase of 50% in frequency of advance payments	0,02%	-0,06%	810.417	809.769
Decrease or increase of inflation by one percentage point	-0,65%	0,65%	804.988	815.522
Decrease or increase of discount rate by one percentage point	1,21%	-1,18%	820.059	800.694

8.15 Provisions for future risks and charges

"Provisions for future risks and charges" as at 31 December 2021 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 € 51,181,447 (€ 37,911,335 as at 31 December 2020), an increase of € 7,011,272.

(Amount in €)	31.12.2021	31.12.2020	Change
Bank loans and overdraft facilities	34,609,713	26,565,974	8,043,740
Cash Pooling from subsidiaries	8,616,489	9,994,957	(1,378,468)
Advances for partners of funded projects	301,630	0	301,630
Others	33,964	0	33,964
Assioma Earn-Out	800,000	800,000	0
Debt for acquisitions	6,258,839	0	6,258,839
Payables due to suppliers for leases - IFRS 16	560,812	550,406	10,407
Total	51,181,447	37,911,336	13,270,111

The Bank loans and overdraft facilities item of € 26,565,974 includes:

- the short-term portion of medium/long-term loans, and in particular includes the following:
- € 4,006,883 on the loan granted by UNICREDIT S.P.A.;
- € 2,000,000 on the loan granted by UNIONE BANCHE ITALIANE S.P.A.;
- € 2.681.610 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.;
- € 1,663,356 on the loan granted by UNICREDIT S.P.A.;
- € 1,818,182 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.;
- € 1,111,111 on the loan granted by UNICREDIT S.P.A.;
- € 1,428,571 on the loan granted by BANCO BPM S.P.A.;
- Short-term payables due to banks/hot money for € 19,900,000.

The IFRS 16 Loans item includes the € 560,812 payable to the Lessors due to the 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 € 8,616,489 (€ 9,994,362 as at 31 December 2019). Interest expense of € 67,251 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 2020:

(Amount in €)	31.12.2021	31.12.2020	Change
Pace GmbH	1,004,041	1,357,556	(353,515)
TXT e-solutions S.a.g.L. (CH)	1,050,000	450,000	600,000
TXT Next S.a.r.l.	150,000	150,000	0
TXT NEXT Ltd.	38,361		(3,076)
TXT Working Capital Solutions S.r.l.	257,808	500,000	(242,192)
Mac Solutions S.A.	1,099,990	899,990	200,000
Cheleo S.r.l.	4,104,068	3,500,000	604,068
Assioma.Net S.r.l.	438,483	3,095,974	(2,657,492)
AssioPay S.r.l.	473,737	0	473,737
Total	8,616,489	9,994,957	(1,378,468)

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-21	Decision on distribution of dividends	Cash flows	Reclassification Current - Non-Current	Interest	New funding	31-Dec-21
Interest-bearing loans and financing – current	26,565,973		(8,665,972)	14,709,712		2,000,000	34,609,713
Payable for Cheleo Earn-Out	0						0
Earn-Out Assioma	800,000						800,000
Obligations for financial leases and rental contracts - current portion	550,407		(535,725)	851,889	12,174	(317,932)	560,814
Payables to EU partners	0					301,630	301,630
Cash Pooling	9,994,956					(1,378,468)	8,616,488
Debt for acquisitions						6,258,839	6,258,839
Other current liabilities						33,964	33,964
Total liabilities deriving from financial assets	37,911,336	0	(9,201,697)	15,561,601	12,174	6,898,032	51,181,447

8.17 Trade payables

Trade payables as at 31 December 2021 amounted to € 6,885,233 (€ 4,774,570 as at 31 December 2020). 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

The Company had tax payables of € 1,626,739 as at 31 December 2021, net of the advances paid during the year.

8.19 Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted as at 31 December 2021 to € 6,682,988 compared to € 5,672,154 as at 31 December 2020 as shown in the table below:

(Amount in €)	as at 31.12.2021	as at 31.12.2020	Change
Payables due to social security institutions	1,112,644	913,450	199,194
Payables due to employees and external staff	4,049,641	3,217,197	832,444
Tax payables other than income taxes	545,324	610,654	(65,330)
Accrued expenses and deferred income	975,379	930,853	44,526
Total	6,682,988	5,672,154	1,010,834

The item payables due to employees and external staff includes:

- Variable remuneration (bonuses) of € 1.5 million (€ 1.1 million as at 31 December 2020) that will be paid during 2022 to personnel 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.

Tax payables other than income taxes mainly include VAT payables in the amount of € 123,241 (€ 233,339 as at 31 December 2020) and payables for withholding taxes made on behalf of employees, external staff and freelance professionals in the amount of € 422,083 (€ 377,314 as at 31 December 2020).

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 2020 amounted to € 27,518,055, up 13.6% compared with the previous year.

	31 December 2021	31 December 2020	Change	% change
Revenues and other income	38,691,772	27,518,055	11,173,718	40.61%
Total	38,691,772	27,518,055	11,173,718	40.61%

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 € 8,430,047, an increase over 2020 when it was € 5,289,286.
The item is detailed below:

	31 December 2021	31 December 2020	Change
Consumables and resale items	162,312	168,803	(6,492)
Technical consulting	964,108	859,869	104,239
Travel expenses	1,938,790	1,216,460	722,330
Utilities	314,408	197,270	117,138
Media & marketing services	425,777	245,008	180,768
Intercompany charges	1,595,564	450,994	1,144,570
Canteen and ticket services	589,773	360,586	229,187
General, administrative and legal services	1,787,035	1,121,244	665,791
Directors' fees	652,281	669,052	(16,771)
Total	8,430,047	5,289,286	3,140,761

As a percentage of revenues, costs for purchasing materials and services were down compared to the previous year and amounted to 21.79% (19% in 2020).

9.3 Personnel costs

Personnel costs for 2021 amounted to € 23,115,834 and increase compared to 2020 by € 3,543,531 (+18%).
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 2021	31 December 2020	Change
Wages and salaries	17,777,146	14,803,725	2,973,420
Social security costs	4,167,002	3,767,578	399,424
Provision for post-employment benefits and other pension funds	1,050,665	865,951	184,714
Other personnel costs	121,021	135,048	(14,028)
Total	23,115,834	19,572,303	3,543,531

The employees of TXT e-solutions, excluding directors and external consultants, numbered 514 as at 31 December 2021 (420 as at 31 December 2020).
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

9.4 Other operating costs

The item "other operating costs" amounted to € 90,044, an increase of € 9,604 compared to the 2020 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 € 1,015,319 (€ 925,512 as at 31 December 2020).
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	31.12.2021	31.12.2020
Intangible assets		
Software licences	24,091	21,974
Total intangible assets	24,091	21,974
Tangible assets - IFRS 16 leases		
Buildings	363,952	316,114
Vehicles	286,962	293,450
Electronic machinery	10,150	10,150
Total tangible assets - IFRS 16 leases	661,064	619,713
Other tangible assets		
Electronic machinery	304,382	275,891
Furniture and fixtures	8,381	7,933
Other fixed assets	17,402	0
Total other tangible assets	330,165	283,824
TOTAL AMORTISATION AND DEPRECIATION	1,015,319	925,511

9.6 Financial income and charges

The balance between financial income and charges as at 31 December 2021 was positive for € 848,211 mainly due to the effect of 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 €)	31.12.2021	31.12.2020	Change
Bank interest income	21	1,138	(1,117)
Exchange rate gains	1,786	45,639	(43,853)
Interest income on intercompany loans	13,700	3,171	10,529
Change in fair value of financial instruments	812,176	1,017,064	(204,888)
Change in HSPI debt	445,194	0	445,194
Other financial income	6	56,536	(56,530)

Total	1,272,882	1,123,547	149,335

Financial charges are detailed as follows:

(Amount in €)	31.12.2020	31.12.2020	Change
Change in fair value of financial instruments	-	-	-
Bank expenses	113,144	43,917	69,227
Bank interest expense	162,011	163,398	(1,387)
Loss on financial instruments	702	23,212	(22,510)
Exchange rate losses	44,177	108,573	(64,396)
IFRS 16 interest expense	12,174	13,674	(1,500)
Interest expense on intercompany loans	67,251	73,657	(6,406)
Interest expense for post-employment benefit discounting	(188)	1,411	(1,598)
Other	25,399	25,734	(335)
Losses on forward sales	0	0	0
Differences on hedging IRS (Interest Rate Swap)	0	0	0
Total	424,671	453,576	(28,905)

9.7 Income taxes

Income taxes had a negative effect on the result for € 561,936.
The total is shown below:

	31.12.2021	31.12.2020	Change
Current taxes	1,905,763	588,113	1,317,650
Deferred tax assets	(97,787)	(25,988)	(71,799)
Deferred tax liabilities	433	(189)	622
Deferred taxes of previous years	0	0	0
Total	1,808,409	561,936	1,246,473

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).

IRES reconciliation		
Description	Amount	Taxes
Earnings before taxes (EBT)	6,888,740	
Differences that will not be carried forward in future years:	(347,490)	(83,398)
Taxes expensed in the year		1,569,900
Temporary differences taxable in future years:	(2,220)	533
	199,657	
Reversal of temporary differences from previous years:	(206,964)	(49,671)
IRES tax base for the year	6,531,723	
Current theoretical IRES for the year		1,567,613
Use of previous years' losses	0	
Current effective IRES for the year		1,567,613

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 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

As at 31 December 2020	Receivables	Payables	Costs	Revenues
Pace GmbH	863,814	23,295	80,229	1,479,381
TXT e-solutions S.a.g.L. (CH)	121,814	19,347	88,558	179,237
TXT NEXT S.a.r.l.		609		
TXT NEXT Ltd.		31,737	232,614	
Cheleo S.r.l.	135,203	0		112,068
Txt Risk Solutions S.r.l.	327,796			187,573
TXT Working Capital Solutions S.A.	8,758			
AssioPay	18,102			5,228
Assioma.Net S.r.l.	1,585,571	8,266	49,593	799,365
Innovative Complex Consortium		13,542	101,100	
Mac Solutions S.A.	13,984	1,913		
HSPI S.p.A.		91,648	80,266	
Total as at 31.12.2020	3,075,042	190,356	632,360	2,762,851

Financial transactions

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

As at 31 December 2020	Receivables	Payables	Charges	Income
Pace GmbH		1,357,556	15,914	
TXT Working Capital S.r.l.		500,000		
Mac Solutions S.A.		899,990	1,913	
TXT e-solutions S.a.g.L. (CH)		450,000	2,345	
TXT NEXT S.a.r.l.		150,000	1,084	
TXT NEXT Ltd.	2,481	41,437	711	
Cheleo S.r.l.		3,500,000	23,137	
TXT RISK	500,000			3,171
Assioma.Net S.r.l.		3,095,974	28,553	
Total as at 31.12.2020	502,481	9,994,957	73,657	3,171

Impact of positions or transactions with related parties on the balance sheet, income statement and cash flows

	Totale	Entità Correlate	Incidenza
Crediti commerciali	17.452.311	1.068.527	6%
Altri crediti finanziari	36.457	36.457	100%
Passività finanziarie correnti	51.181.448	11.100.474	22%
Passività finanziarie non correnti	41.511.324	1.748.057	4%
Debiti commerciali	6.885.233	435.356	6%
Debiti vari e altre passività correnti	6.682.988	228.546	3%
Totale Ricavi	38.691.772	4.607.091	12%
Acquisti di materiali e servizi esterni	8.430.047	1.773.021	21%
Costi del personale	23.115.834	581.563	3%
Proventi/Oneri finanziari	848.211	67.251	8%

	Total	Related parties	Incidence
Net cash from operating activities	10.374.022	719.537	7%
Net cash used in investing activities	(19.010.712)	3.301.309	-17%
Net cash used in financing activities	27.171.547	(1.844.492)	-7%

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 n. 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 € 35,860,772 as at 31 December 2021.

Net financial debt (availability) and cost of debt

Below is a summary of the main phenomena that had an impact on the net financial availability which as at 31 December 2021 was equal to € 22,281,108 (€ 13,579,664) as at 31 December 2020

(€ amount)	31.12.2021	31.12.2020	Var
Cash and cash equivalents	(22,582,654)	(4,047,796)	(18,534,858)
Financial instruments at fair value	(47,792,552)	(67,112,382)	19,319,830
Liquid assets	(70,375,206)	(71,160,178)	784,972
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	36,435,276	28,742,923	7,692,353
Current portion of non-current financial debt	14,709,713	8,665,973	6,043,740
Current financial indebtedness	51,144,990	37,408,.896	13,736,094
Current net financial indebtedness	(19,230,216)	(33,751,282)	14,521,066

Non-current financial debt (excluding current portion and debt instruments)	41,511,324	20,171,619	21,339,705
Debt instruments	0	0	0
Trade payables and other non-current payables	0	0	0
Non-current financial indebtedness	41,511,324	20,171,619	21,339,705
Net financial debt	22,281,108	(13,579,663)	35,860,771

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

(€ amount)	31.12.2021	31.12.2020	Var
Debt referred to IFRS 16	(2,527,681)	(1,591,568)	(936,113)

For additional information on changes in the Group's Net Financial Position, see the "Directors' Report on Operations as at 31 December 2021".

12 Disclosure of public funds

Please refer to Note 14 of Consolidated Note

13 Subsequent events

The year 2021 was characterised by a global economic recovery as the easing of covid-related restrictive measures favoured the acceleration of vaccination campaigns; for 2021 and 2022, the global economy is expected to grow by 5.9% and 4.4% respectively (International Monetary Fund estimates), after a 3.1% contraction in 2020. 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.

For 2022, in continuity with the accelerated growth plan implemented in 2021, TXT Group's objectives include sustained expansion in Europe and North America and the development of the large and diversified customer base already acquired in the two current divisions as well as new domestic and international customers acquired through the M&A transactions completed in 2021: (i) in the industrial market (Aerospace, Automotive, etc.), after a 2021 that recorded double-digit organic growth for TXT, the Group is in a privileged position to benefit from the economic recovery and to ride the current recovery trend of the civil aviation market after two years of slowdowns related to the Covid epidemic, with further new benefits from the technological and commercial synergies generated by the consolidation and integration of TeraTron in favour of the automotive segment; (ii) for the Fintech Division - which includes the offer for the public administration - in 2022, following the significant investments in M&A that have characterised the three-year period just ended, an acceleration of organic growth is expected favoured by the start of activities on public tenders won in the last quarter of 2021 and the signing of important new contracts in the segments of AML, risk management, digital payments and consumer credit segments, as well as significant inorganic growth driven by extraordinary acquisition transactions completed in the fourth quarter of 2021 that are positively impacting margins and positioning in strategic segments.

14 Proposal for allocation of profit or coverage of losses

With the aim of pursuing accelerated growth plans for acquisitions in the best possible way and continuing investments in proprietary platforms to increase the value of the Group and, also based on the current situation of geopolitical uncertainty and macroeconomic instability, the Board resolved to propose to the Shareholders' Meeting not to distribute dividends.

The Board has discussed the possibility of distributing a dividend during the year linked to market developments and future economic and political contingencies.

Finally, it was decided to allocate the result for the year of € 5,080,331 to the retained earnings reserve for the full amount.

15 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 Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 dated 24 February 1998:

- the adequacy, in relation to the company's characteristics; and
- the effective application of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2021.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2021 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 2021:

- 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, 11 March 2022