

A series of approximately ten parallel, wavy teal lines that flow from the top right towards the bottom right, creating a sense of movement and depth against the dark background.

**TXT E-SOLUTIONS GROUP**

**ANNUAL FINANCIAL**

**REPORT**

As at 31 December 2023



## TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Milano, No. 150 - 20093 Cologno Monzese (MI)

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register No.:

09768170152

## CORPORATE BODIES

### BOARD OF DIRECTORS

In office until approval of the financial statements as at 31 December 2025:

**ENRICO MAGNI**

Chair

**DANIELE MISANI**

Chief Executive Officer

**MATTEO MAGNI**

Director<sup>2-4</sup>

**PAOLO LORENZO MANDELLI**

Independent Director<sup>1-3-4</sup>

**ANTONELLA SUTTI**

Independent Director<sup>1-2-3-4</sup>

**ANTONIETTA ARIENTI**

Independent Director<sup>1-2-4</sup>

**MICHELA COSTA**

Independent Director<sup>1-3-4</sup>

- (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 20 April 2023.

### BOARD OF STATUTORY AUDITORS

In office until approval of the financial statements as at 31 December 2025:

**FRANCESCO MARIA SCORNAJENCHI**

Chair

**GIADA D'ONOFRIO**

Standing auditor

**FRANCO VERGANI**

Standing auditor

**NADIA RASCHETTI**

Alternate auditor

**FABIO MARIA  
PALMIERI**

Alternate auditor

**EDDA DELON**

Alternate auditor

Independent Auditors:

**Crowe Bompani S.p.A.**

Investors relations:

E-mail: [infofinance@txtgroup.com](mailto:infofinance@txtgroup.com)

Tel: +39 02 25771.1

## Leadership Team



**Enrico Magni**

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



**Daniele Misani**

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



**Eugenio Forcinito**

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



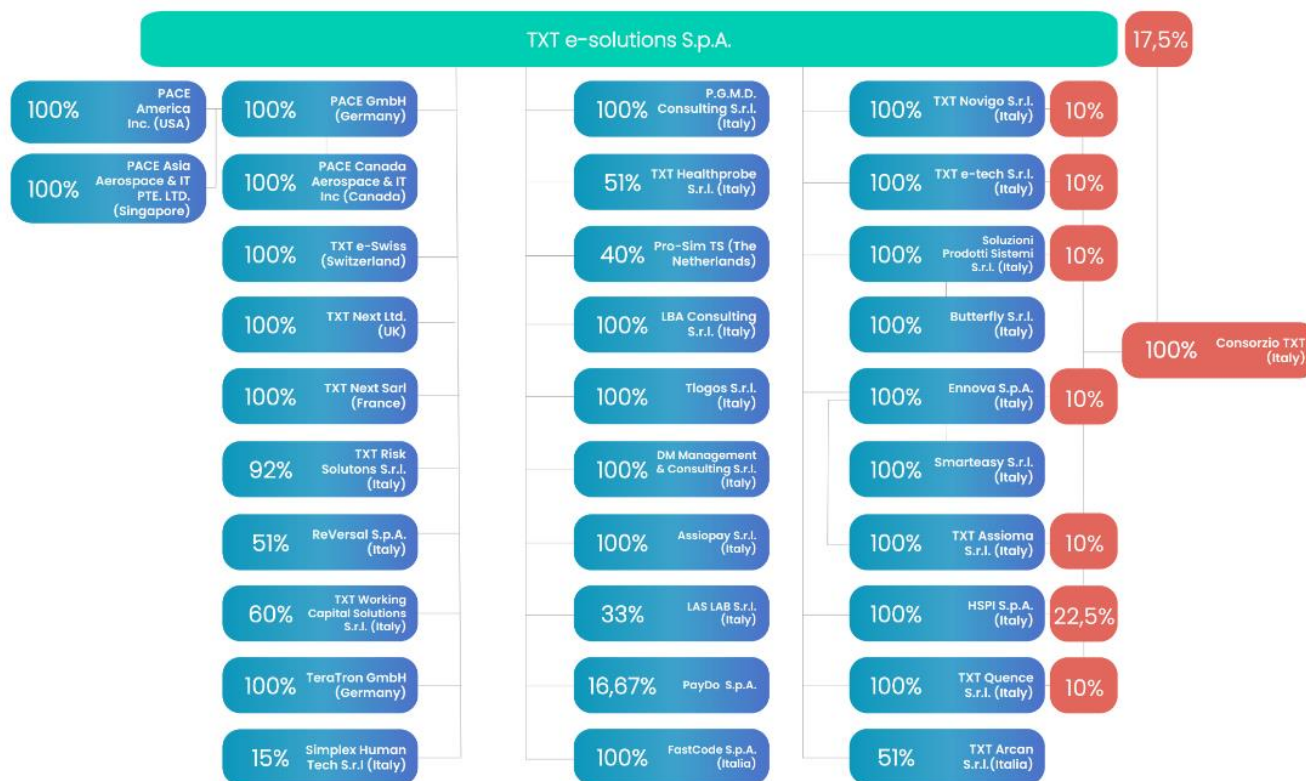
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# TXT Group Organisational Structure



# **TXT E-SOLUTIONS GROUP**

## **KEY DATA AND DIRECTORS' REPORT ON OPERATIONS**

As at 31 December  
2023



## TXT Group – Key data

INCOME DATA (€ thousand)	31.12.2023	%	31.12.2022	%	% CHANGE
REVENUES	224,394	100.0	150,758	100.0	48.8
EBITDA	31,632	14.1	22,259	14.8	42.1
OPERATING PROFIT (EBIT)	20,187	9.0	13,911	9.2	45.1
NET PROFIT ATTRIBUTABLE TO TXT SHAREHOLDERS	15,512	6.9	11,988	8.0	29.4

FINANCIAL DATA (€ thousand)	31.12.2023	31.12.2022	Change
Fixed assets	130,792	115,628	15,164
Net working capital	40,402	36,797	3,605
Post-employment benefits and other non-current liabilities	(5,603)	(4,772)	(831)
<b>Capital employed</b>	<b>165,590</b>	<b>147,653</b>	<b>17,937</b>
Net financial debt	51,721	38,270	13,451
Group shareholders' equity	113,852	109,366	4,486
Shareholders' equity attributable to minority interests	17	17	0

DATA PER SHARE	31.12.2023	31.12.2022	Change
Average number of shares outstanding	11,705,611	11,834,835	(129,224)
Net earnings per share (amount in Euro)	1.33	1.01	0.31
Shareholders' equity per share (amount in Euro)	9.73	9.24	0.49

ADDITIONAL INFORMATION	31.12.2023	31.12.2022	Change
Number of employees	2,639	2,254	385
TXT share price	19.82	12.84	6.98



## Notes on Alternative Performance Measures

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

Specifically, the reclassified consolidated Income Statement makes use of the following terms:

- **EBITDA**, which is equivalent to "Total revenues" net of total operating costs in the official consolidated Income Statement;
- **EBIT**, which is equivalent to "Total revenues" net of total operating costs, depreciation, amortisation and impairment in the official consolidated Income Statement.

The reclassified consolidated Balance Sheet was prepared based on the items recognised as assets or liabilities in the official consolidated Balance Sheet and makes use of the following terms:

- **FIXED ASSETS**, given by the sum of tangible and intangible 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 2023

Dear Shareholders,

The year 2023 confirms the significant growth of the Group thanks also to the consolidation of recent acquisitions.

On **26 January 2023**, the share capital increase in **LAS LAB S.r.l.** (LasLab) was subscribed, by virtue of which TXT holds a minority stake representing 33.0% of the share capital of the innovative start-up.

LasLab was founded in 2022 as an innovative start-up following the spin-off of the CAL LAS technological platform developed by Loan Agency Services S.r.l. (LAS Srl), a leading non-banking operator in the financial restructuring operations agency and in the support for the management of problem loans (in particular UTPs). LAS S.r.l. is the majority shareholder of LasLab.

The CAL LAS application, the main and strategic asset of LasLab, consists of software for the advanced monitoring of loans, corporate bonds and other financial instruments, particularly effective for the management of complex and problematic loans, which has evolved over the years with increasingly broader and transversal functionalities, benefiting multiple credit sectors.

In evaluating the investment, TXT has identified several strategic aspects such as the significant technological contribution that TXT will make in the project to develop the proprietary software platform thanks to its proven long-term skills in the credit market developed by the companies of the TXT Novigo group, and the excellent multi-year forecasts on the problematic loan market (Stage2 and UTP) which already, starting from 2022, for the first time since 2019, recorded increasing volumes.

The investment contract in LasLab does not provide for any options to increase TXT's current shareholding of 33.0% but is aimed at providing specialised technological expertise for the credit reference market and maximising the return on investment against an exit-strategy that includes monetising the investment over a five-year period.

On **13 April 2023**, the share capital increase in **Simplex Human Tech S.r.l.** (Simplex) was subscribed, by virtue of which TXT holds a minority stake in Simplex representing 15.0% of the share capital.

Simplex was established as a start-up as a result of the intuition of former managers from the banking and insurance sector with experience in senior roles in major national groups for the purpose of bringing digital innovation to the insurance sector, with a main focus on the Protection and Insurance Wealth Management sectors, through the implementation of a technology platform enabling the optimisation and total control of sales processes and the consequent drastic reduction of transactional costs.

The Simplex technological platform, which will be developed, maintained and upgraded by the TXT Group by leveraging the long-standing specialised and innovative skills of TXT Novigo, will consist of an integrated end-to-end platform which will be made available to the distribution networks,

both direct and indirect, allowing the marketing of selected insurance products through the relationship with partner companies and the creation of a management and commercial model that complies with current regulations and is fully integrated with partner companies, with the possibility of expanding into national and international reference markets.

For the creation, maintenance and upgrade of the Simplex technological platform, TXT Novigo signed a contract with the start-up for the supply of services and software licenses for a total value of more than € 2 million for the next five years, excluding future extensions.

In assessing the investment, in addition to the return from the licenses of the platform provided to Simplex and its possible evolutions, TXT has identified several strategic aspects, such as the entry into the Insurtech market and the opportunity to play a primary role in the digitisation of the Protection and Insurance Wealth Management sectors.

On **1 July 2023**, the merger between the companies of the Ennova Group, Smarteasy S.r.l. and Ennova Next S.r.l., became effective.

On **1 July 2023**, the merger by incorporation between the two investee companies Mac Solutions SA and TXT e-Solutions Sagl, both wholly owned by the Parent Company TXT e-Solutions S.p.A., became effective. Therefore, through this transaction, the company TXT e-Solutions Sagl was merged into Mac Solutions SA, which also changed its company name to TXT e-Swiss SA.

On **1 July 2023**, the reverse merger between QBRIDGE and PGMD Consulting S.r.l. became effective. Therefore, starting from that date, PGMD Consulting S.r.l. is wholly owned by TXT e-Solutions S.p.A.

On **11 July 2023**, an agreement was signed for the acquisition of assets ("Asset Purchase Agreement" or "APA") belonging to the Embedded Graphics business of the companies Presagis Canada Inc., Presagis Europe S.A.S. and Presagis USA Inc. All these companies are subsidiaries of CAE Inc. ("CAE"), one of the largest Canadian companies, leader in the Aerospace & Defence sector.

The object of the investment is the activity relating to the Embedded Graphics business of Presagis, which consists of a portfolio of software solutions and services designed for onboard systems in the Aerospace & Defence market. Over the years, the EG business has established itself as a world-leading solution of tools and services for the development of human-machine interfaces (HMI) for safety-critical and mission-critical systems. The main family of products offered by the EG business is represented by VAPS XT, modular software launched on the market in 2011 and evolved over the years through continuous development and close collaboration with leading manufacturers of aircraft and avionics systems.

Today, the VAPS XT product line offers HMI designers, avionics system designers, embedded software engineers and certification specialists maximum control and flexibility for the creation of real-time interactive graphic displays for avionics with the highest certification, safety and cybersecurity standards. With an open architecture and integrated logic capabilities, VAPS XT provides the essential functionality for the design and implementation of certifiable avionics displays in a

model-based environment that supports all development phases, from initial conception to implementation on embedded systems. VAPS XT also allows the generation of qualifiable code for the rapid development of certifiable software according to the DO-178C standard, supporting cutting-edge avionics standards such as ARINC 661.

The main assets of TXT's investment include the technology associated with the proprietary solution and contracts with the main players in the Aerospace & Defence market. The approximately thirty employees of the business acquired in Canada, USA & UK, are specialised technical resources and experienced commercial professionals, and will integrate the team of PACE specialists.

In evaluating the transaction, TXT identified significant technological and commercial synergies from the integration of the EG offer in the portfolio of Smart Solutions for the Aerospace & Defence market, already owned by the Group. The integration of the EG business in the TXT offer will be particularly advantageous for PACE Aerospace & IT GmbH, a TXT Group company that operates according to the same business model, and shares the customer base of the EG business. In addition, the investment is strategic for up-selling, cross-selling and geographical diversification opportunities and will be enhanced by TXT E-Tech's engineering and system integration services. TXT already provides these services on the national market and, by taking advantage of the specialised know-how and reputation of the Embedded Graphics business acquired, will scale up the offer of services at international level, responding to the needs of the vast customer base affected by the acquisition.

On **4 December 2023**, the contract for the acquisition of 100% of the share capital of **Fastcode S.p.A.** (FastCode) was signed. TXT consolidated the results within its Software Engineering division starting from 1 December 2023.

The acquisition of FastCode represents a strategic transaction for the accelerated growth project of the TXT Group, with the consolidation of transversal skills thanks to the entry of over one hundred resources specialised in the digital sector, the strengthening of the geographical coverage of the highly industrialised area of Emilia-Romagna, and the expansion of the offer of digital services linked to cloud technologies.

FastCode was founded in Modena by two young engineers, the current selling shareholders, and after more than 15 years of presence in the ICT market and constant growth through the acquisition of large Telco, Industrial and Automotive customers, today FastCode boasts specialised skills in the field of digital transformation supported by cloud, data analytics, and other enabling technologies provided to customers, mainly large enterprises, through the more than one hundred professionals employed by FastCode in the four operational venues spread throughout Northern Italy. Over the years, FastCode has sustained a constant process of growth in revenues that has led to sales revenues in 2023 estimated to amount to € 9.5 million, with an adjusted EBITDA margin of 15%.

The FastCode offer in the Software Engineering sphere focuses on consulting and ICT projects in favour of the digitisation and innovation of enterprise processes, covering the design, analysis,

project management phases, up to the deployment of the end customer solution. FastCode's specialisation concerns the development of innovative software and applications under outsourcing with a focus on front-end, back-end services, software architecture and strong skills in the cloudisation area (e.g. cloud application development, cloud migration, etc.) of customers' core processes; these skills will be synergically integrated into the TXT Group's technological portfolio.

The basic consideration paid on closing for the purchase of 100% of FastCode, net of the earn-outs and the claw-back described below, was agreed between the parties as € 5.0 million, paid partly in cash and partly through the assignment of TXT e-solutions S.p.A. shares. The Net Financial Position was settled in cash.

The selling shareholders, currently directors and managers of FastCode, will remain active in the company and the share acquisition agreement envisages retention, claw-back, and two earn-out clauses in their favour with deadlines distributed from the date of approval of the 2023 FastCode financial statements until the date of approval of the FastCode financial statements closing on 31 December 2027. The first earn-out will be calculated on the actual results that will be achieved by FastCode in 2023, while the second earn-out will be calculated on FastCode's average EBITDA that will emerge from the 2026 and 2027 financial statements. The contract also envisages a claw-back clause that will be linked to FastCode's average EBITDA in the period 2024-2027. The earn-outs and the claw-back envisaged by the contract are aimed at maximising the commitment of FastCode's selling shareholders and managers to the achievement of the growth objectives agreed with TXT's management.

On **15 December 2023**, the share capital increase in PayDo S.p.A. ("PayDo") was subscribed, by virtue of which TXT holds a stake in PayDo representing 16.67% of the share capital of the innovative SME. TXT's opening investment in PayDo's share capital consists of € 2.0 million aimed at the domestic and international growth of PayDo, and the investment contract envisages further steps that will give TXT the right to increase its stake in PayDo up to at least 51% of the company's share capital following the approval of PayDo's financial statements as at 31 December 2025. PayDo is an innovative SME, on the market since 2018 as a Fintech, which has developed a suite of value-added services to innovate the experience in payments. In particular, PayDo solutions, which can be easily integrated via APIs, are offered to Banks, Payment Institutions, Companies, and Public Administration Authorities, with the aim of digitising and simplifying their collection and payment processes; PayDo's range is based on a new Fintech idea that collaborates with a multiplicity of traditional financial institutions to provide the end customer with new opportunities and increasingly cutting-edge services. To date, PayDo boasts agreements in place with leading banks and with a leading domestic trader in the sector of digital banking and techno-financial services, together with which PayDo offers customers the opportunity to withdraw and deposit cash at over 45,000 points of sale including tobacconists, bars and news-stands

present throughout the country, even in the smallest municipalities in Italy.

To date, PayDo operates on the market with cloud-based proprietary products, with an innovative offer designed to cover, for example, the current use-case linked to the withdrawal and deposit of

cash at tobacconists and bars in response to the market needs deriving from the reduction of bank branches, caused by the digitisation of the traditional financial world.

Among the services offered by PayDo we find solutions to make payments throughout Europe (SEPA area) in an innovative way without the need to know the recipient's IBAN, via which the natural person or company receiving the transfer is identified simply by their phone number or email. PayDo also offers solutions for the management of digital collection transactions that allow the payer/debtor to pay where and when they want, with PayDo customers, both private individuals and businesses, who will have the opportunity to request money simply by sending a link via WhatsApp/SMS or email to the payer/debtor, who in turn will have different payment methods available to them so as to finalise the transaction.

PayDo was founded by the current CEO and majority shareholder who has extensive experience in the world of banking and payments, and its current shareholders include leading national banking institutions and prominent banking industry executives, with TXT not only financially supporting PayDo's growth, but also serving as a technology partner in the project to grow and evolve PayDo's Fintech range.

With reference to PayDo's economic performance, 2023 represented a further year of strong investments in favour of future growth, with expected revenues of approximately € 1 million and significant technological investments that will lead to an expected negative EBITDA of approximately € 1.4 million.

For the three-year period 2024-2026, the business plan agreed with PayDo's management envisages sustained growth of the business, with 2023-2026 CAGR revenues exceeding 100% and an EBITDA margin expected to be slightly positive in 2025 and above 40% in 2026.

In assessing the investment, in addition to the strategic and synergic value linked to the integration of the suite of high value-added solutions offered by PayDo within the Group's Fintech portfolio, TXT positively assessed the negotiation of contractual clauses that will give TXT the right to consolidate the results of PayDo in the face of future investment steps defined below.

The first step involves the acquisition by TXT of PayDo shares from the majority shareholder until the achievement of a total stake of 30% held by TXT in PayDo.

The second step envisages TXT's right, by giving notice within 10 business days of the approval of PayDo's financial statements as at 31 December 2025, to increase its investment in PayDo until it holds a number of shares equal to at least 51% of the company's share capital. The Enterprise Value that will be used for the valuation of the equity investment that will allow TXT to hold a majority stake in PayDo will be calculated by applying a multiple equal to 10 times the Adjusted EBITDA that will emerge from PayDo's financial statements as at 31 December 2025.

On **20 December 2023**, the share capital increase in Arcan S.r.l. (Arcan) was subscribed, by virtue of which TXT holds an equity investment in Arcan representing 51% of the share capital. TXT has consolidated the results as from 20 July 2023.



TXT's opening investment in Arcan's share capital is aimed at the industrialisation and marketing of the proprietary platform, and the investment agreement envisages a Put/Call option via which TXT, within 60 days from the date of approval of Arcan's financial statements closing on 31 December 2025, will be able to increase its equity investment up to 100% of the company's share capital. Arcan is an innovative Italian start-up founded by two young entrepreneurs - both with a Ph.D. in Computer Science - that develops B2B SaaS platforms to support developers and IT managers during the development of software products.

Arcan's strength is the detection through artificial intelligence of the "Technical Debt", a problem that costs 500 billion dollars every year throughout the world and whose management is strategic for companies that develop software; Arcan, a platform provided by the company, is an automation tool that exploits multiple code quality tools enhanced by AI algorithms to produce analyses on the technical debt assessment of the software under analysis, its performance and security vulnerabilities, and for the monitoring of the evolution of technical debt.

The main operating and consolidated financial results for 2023 were as follows:

- **Revenues** amounted to € 224.4 million, up 48.8% from € 150.8 million in 2022. Within the same consolidation scope, revenues increased by 12%. Software licence revenues amounted to € 12.9 million, up 25.4% compared to € 10.3 million in the previous year. Revenues from services amounted to € 211.5 million, up 50.6% compared to 2022 (€ 140.5 million).  
The Smart Solutions Division recorded revenues of € 42.9 million, up 11.6% compared to 2022.  
The Software Engineering Division recorded revenues of € 103.1 million, up 62.1% compared to 2022.  
The Digital Advisory Division recorded revenues of € 34.7 million, up 59.2% compared to 2022.
- The **Gross Margin**, net of direct costs, increased from € 56.4 million to € 81.3 million, an increase of +44.0%. The gross margin amounted to 36.2% of revenues.
- **EBITDA** amounted to € 31.6 million, an increase of +42.1% compared to the twelve months of 2022 (€ 22.3 million), after significant investments in commercial expenses and research and development expenses. The margin on revenues was 14.1%.
- **Operating profit (EBIT)** was € 20.2 million, an increase of +45.1% compared to 2022 (€ 13.9 million). Amortisation and depreciation of tangible and intangible assets amounted to € 10.9 million, an increase of € 3.7 million compared to the previous year, mainly due to the consolidation of the 2022 acquisitions.
- **Financial income net of charges** amounted to € 0.8 million compared to € 2.3 million in 2022. This item includes: a) income of € 1.2 million deriving from the fair value measurement of the equity investment in Banca del Fucino, b) bank interest expense of € 2.5 million, c) the adjustment of the estimate of the variable debt component linked to the acquisition of TXT Working Capital S.r.l. (€ 0.8 million), d) the result deriving from the management of liquidity invested in financial instruments, which was overall positive during the year, e) the share of the result of non-consolidated companies.
- **Net profit** was € 15.5 million, up from € 12 million in 2022. In 2023, taxes accounted for 26.2%.



- Consolidated **net financial debt** as at 31 December 2023 was positive for € 51.7 million, up versus the positive € 38.3 million as at 31 December 2022, mainly due to the effects of the acquisitions net of the financial debt acquired and the purchase of treasury shares (€ 13 million).
- **Consolidated shareholders' equity** as at 31 December 2023 was € 113.9 million, compared to € 109.4 million as at 31 December 2022. The changes mainly concern the recognition of net profit (€ 15.5 million), the net effect of the purchase and sale of treasury shares (€ 8.4 million), the valuation of the Cash Flow Hedge reserve and, for the difference, the changes in the reserves for actuarial differences of the post-employment benefits and the translation reserves of the financial statements in foreign currency belonging to the Group.

TXT's consolidated results for 2023, compared with the previous year's figures, are presented below:

(€ thousand)	2023	%	2022	%	% Change
<b>REVENUES</b>	<b>224,394</b>	<b>100</b>	<b>150,758</b>	<b>100</b>	<b>48.8</b>
Direct costs	143,112	63.8	94,309	62.6	51.7
<b>GROSS MARGIN</b>	<b>81,282</b>	<b>36.2</b>	<b>56,449</b>	<b>37.4</b>	<b>44.0</b>
Research and development costs	9,035	4.0	7,634	5.1	18.4
Commercial costs	24,227	10.8	14,149	9.4	71.2
General and administrative costs	16,388	7.3	12,407	8.2	32.1
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>31,632</b>	<b>14.1</b>	<b>22,259</b>	<b>14.8</b>	<b>42.1</b>
Depreciation, amortisation and impairment	11,443	5.1	8,348	5.4	37.1
<b>OPERATING PROFIT (EBIT)</b>	<b>20,188</b>	<b>9.0</b>	<b>13,911</b>	<b>9.2</b>	<b>45.1</b>
Extraordinary/Financial income (charges)	835	0.4	2,287	1.5	(63.5)
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>21,023</b>	<b>9.4</b>	<b>16,198</b>	<b>10.7</b>	<b>29.8</b>
Taxes	(5,511)	(2.5)	(4,210)	(2.8)	30.9
<b>NET PROFIT</b>	<b>15,512</b>	<b>6.9</b>	<b>11,988</b>	<b>8.0</b>	<b>29.4</b>
Attributable to:					
Parent Company shareholders	15,512		11,988		
Minority interests					

## GROUP REVENUES AND GROSS MARGINS

To reflect TXT's new and broader positioning on the digital innovation market, the Group is structured into three divisions representative of the type of offer:

- **Smart Solutions:** proprietary software and solutions and related services to accelerate the digital transformation of customers' offer;
- **Digital Advisory:** specialised consulting services for the digital innovation of large enterprise processes and the public segment;
- **Software Engineering:** software engineering services for the innovation and servitisation of customer products guided by skills on enabling technologies.

Revenues and direct costs in 2023, compared with those of the previous year, are presented below for each Division:



(€ thousand)	31.12.2023	%	31.12.2022	%	% Change
<b>SOFTWARE ENGINEERING</b>					
REVENUES	146,776	100	90,524	100	62.1
Software	29	0.0	155	0.2	(81.3)
Services	146,747	100.0	90,369	99.8	62.4
DIRECT COSTS	103,056	70.2	62,887	69.5	63.9
GROSS MARGIN	43,720	29.8	27,637	30.5	58.2
<b>SMART SOLUTIONS</b>					
REVENUES	42,887	100	38,414	100	11.6
Software	12,830	29.9	10,172	26.5	26.1
Services	30,057	70.1	28,242	73.5	6.4
DIRECT COSTS	16,918	39.4	15,551	40.5	8.8
GROSS MARGIN	25,969	60.6	22,863	59.5	13.6
<b>DIGITAL ADVISORY</b>					
REVENUES	34,731	100	21,819	100	59.2
Software	-	0.0	14	0.1	(100.0)
Services	34,731	100.0	21,805	99.9	59.3
DIRECT COSTS	23,138	66.6	5,950	27.3	288.9
GROSS MARGIN	11,593	33.4	15,869	72.7	(26.9)
<b>TOTAL TXT</b>					
REVENUES	224,394	100	150,757	100	48.8
Software	12,859	5.7	10,341	6.9	24.3
Services	211,535	94.3	140,416	93.1	50.6
DIRECT COSTS	143,112	63.8	94,309	62.6	51.7
GROSS MARGIN	81,282	36.2	56,448	37.4	44.0

### Software Engineering Division

The Software Engineering Division recorded revenues of € 146.8 million, up 62.1% compared to 2022, of which 758 thousand for the consolidation of the companies acquired in 2023 (FastCode) and 57 million from systemic development.

Software revenues were € 29 thousand in 2023. International revenues represent about 14% of the Division's revenues, amounted to € 20.1 million as at 31 December 2023, up from € 13.9 million last year.



The Gross margin in 2023, up 58.2%, amounted to € 43.7 million compared to € 27.6 million in 2022. The gross margin amounted to 29.8% of revenues compared to 30.5%.

In the Software Engineering Division, new opportunities for accelerated growth are linked to up-selling and cross-selling in new markets, as a result of the acquisitions made, in particular the Telco and Gaming market, which will benefit from the innovative skills of the TXT Group on enabling technologies such as AI, Data Analytics, VR/AR/XR and Quality Assurance, which show a growing demand in an increasingly large number of sectors. With reference to the division's organic growth, which in the first six months of the year stood at 11.2%, management expects to maintain double-digit growth rates thanks to its leadership position in strategic and historical segments such as defence, industry and banks.

### **Smart Solutions Division**

The Smart Solutions Division represents the TXT Group's offer of software, proprietary solutions and related services to accelerate the digital transformation of customers.

The Smart Solutions Division recorded revenues of € 42.9 million, up +11.6% compared to 2022, of which € 1.5 million for the consolidation of PACE Canada. International revenues represent 65% of the Division's revenues, standing at € 28 million as at 31 December 2023, up from € 25.8 million as at 31 December 2022.

The Gross margin was € 26.0 million, an increase of 13.6% over 2022 (€ 22.9 million). The gross margin as percentage of revenues increased from the previous year and amounted to 59.5% in 2022 and 60.6% in 2023.

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 NPLs, digital payments, factoring and compliance.

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

**Polaris** is the B2B digital platform (Marketplace) designed to dynamically and centrally manage the Supply Chain Finance programmes, aimed at responding in a flexible and integrated manner to the needs of the buyers, suppliers and financial partners; ideal tool for large companies and multinationals that manage large and diversified supplies. Polaris gives the possibility to financial partners, banks specialised in trade finance and factors, investment funds and family offices, of expanding their reference market with centralised management of the onboarding processes and

contractual formalisation. A simple tool to proactively manage commercial debt within their supply chains, supporting the liquidity of suppliers in collaboration with a wide range of possible financial partners. Polaris digitalises the main operating processes in the area of reverse factoring, confirming and dynamic discounting, making it possible to include both smaller suppliers and financial partners other than large commercial banks in the support programs of large companies.

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

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

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

### Digital Advisory Division

The Digital Advisory Division represents the specialised consulting offer for the digital innovation of large enterprise processes and the public segment of the TXT Group in the field of digitalisation of ICT processes, with proprietary technologies, certifications and software.

The division recorded revenues for € 34.7 million, up +59.2% compared to 2022.

Gross margin was € 11,6 million. The gross margin amounted to 33,4% of revenues.

On 6 March 2023, as the parent company of the TGC (Temporary Grouping of Companies), HSPI was awarded lot 2 of the open tender for cloud application services and demand and PMO services for Central Public Administrations, for a value of up to € 120 million (excluding extensions) during the period 2023–2026, of which 61% in favour of the TXT Group.



Lot 2 relates to demand and PMO services for Central Public Administrations and includes Project Management, Monitoring, Change Management, Demand Management and customer satisfaction survey services; these services are strategic for the Country System and for the Contracting Public Administrations to govern the innovation and evolution of their Information Systems and achieve the objectives of the National Recovery and Resilience Plan (NRRP).

## GROUP REVENUES

Research and development costs in 2023 were € 9.0 million, up from € 7.6 million in 2022. TXT continues to invest with new initiatives and with the development of "Faraday", "Polaris" proprietary products and the AssioPay platform and in the Aerospace division with the development of "Pacelab Preliminary design", "Pacelab Flight Profile Optimizer", "Pacelab Aircraft Configuration Environment" and "Pacelab Weavr" proprietary products. The percentage of revenues was 4%.

Commercial costs amounted to € 24.2 million, an increase of 71.2% over 2022 (€ 14.1 million). As a percentage of revenues, commercial costs increased from 9.4% in 2022 to 10.8% in 2023.

General and administrative costs amounted to € 16.4 million, an increase of 32.1% compared to 2022 (€ 12.4 million), mainly due to the consolidation of the previous year and this year acquisitions and non-recurring expenses related to the still ongoing process of acquisitions. As a percentage of revenues, these costs amounted to 7.3% in 2023 compared to 8.2% in 2022.

Financial income amounted to € 835 thousand compared to € 2.3 million in 2022.

Net profit was € 15.5 million, up from € 11.99 million in 2022. Taxes accounted for 26,2%.

## CONSOLIDATED CAPITAL EMPLOYED

As at 31 December 2023, Invested Capital was € 165.6 million, up by € 17.9 million compared to 31 December 2022 (€ 147.7 million).

The table below shows the details:

(€ thousand)	31.12.2023	31.12.2022	Change
Intangible assets	85,900	77,975	7,925
Net tangible assets	20,430	18,293	2,137
Other fixed assets	24,462	19,360	5,102
<b>Fixed assets</b>	<b>130,792</b>	<b>115,628</b>	<b>15,164</b>
Inventories	18,733	13,765	4,968
Trade receivables	74,346	73,115	1,231
Sundry receivables and other short-term assets	14,876	15,352	(476)
Trade payables	(21,585)	(20,643)	(942)
Tax payables	(11,208)	(7,958)	(3,250)
Sundry payables and other short-term liabilities	(34,761)	(36,834)	2,073
<b>Net working capital</b>	<b>40,402</b>	<b>36,797</b>	<b>3,605</b>
<b>Post-employment benefits and other non-current liabilities</b>	<b>(5,603)</b>	<b>(4,772)</b>	<b>(831)</b>
<b>Capital employed</b>	<b>165,590</b>	<b>147,653</b>	<b>17,937</b>



Group shareholders' equity	113,852	109,366	4,486
Shareholders' equity attributable to minority interests	17	17	0
Net financial debt	51,721	38,270	13,451
<b>Financing of capital employed</b>	<b>165,590</b>	<b>147,653</b>	<b>17,937</b>

Intangible assets increased from € 78 to € 85.9 million mainly due to the combined effect of the increase in goodwill deriving from acquisitions in 2023 net of allocations to other intangible assets (intellectual property of software and customer portfolio) of the acquisition prices of companies in previous years for € 3.4 million; increases for allocations to intellectual property of the software and customer portfolio for € 10.4 million, amortisation for the period of € 5.1 million, write-downs of goodwill for € 0.6 million.

Tangible assets, of € 20.4 million, increased by € 2.1 million compared to 31 December 2022. The increases for the period (€ 8.7 million) were offset by depreciation for the period (€ 5.7 million).

Other fixed assets for € 24.1 million increased from € 19.4 million as at 31 December 2022, mainly due to the recognition of the investment in PayDo (€ 2.0 million), Simplex (€ 3 million), and the valuation at fair value of the investment in Banca del Fucino, valued at € 16.5 million as at 31 December 2022 and € 17.8 million as at 31 December 2023, and the effect of utilisation of deferred tax assets.

Net working capital amounted to € 40.4 million compared to € 36.8 million as at 31 December 2022. The change was € 3,6 million. There was an increase in inventories for work in progress for activities not yet invoiced to customers (€ 5.0 million), and for the net effect of the increase in trade receivables (€ 1.2 million) and trade payables (€ 942 thousand) mainly due to the acquisitions in the year, partly offset by effective credit recovery actions from important Italian customers in the aeronautics sector.

Liabilities arising from post-employment benefits and other non-current liabilities stood at € 5.6 million compared to € 4.8 million as at 31 December 2022, an increase essentially due to the acquisitions in the period.

Consolidated shareholders' equity as at 31 December 2023 was € 113.9 million, compared to € 109.4 million as at 31 December 2022. The changes mainly concern the recognition of net profit (€ 15.5 million), the net effect of the purchase and sale of treasury shares (€ 8.4 million) and the valuation of the Fair Value Swap reserve (€ 568 thousand), for the distribution of dividends (€ 2.2 million) and the changes in the reserves for actuarial differences of the post-employment benefits and the translation reserves of the financial statements in foreign currency belonging to the Group, and other changes (€ 48 thousand).

Minority interests as at 31 December 2023 amounted to € 17 thousand, unchanged with respect to 31 December 2022. As from the second quarter of 2022, management decided to no longer consolidate the company Reversal SIM S.p.A. following the loss of control; although it retains ownership of 51% of the shares, according to the shareholders' agreement in place, the company no longer has dominant influence over the investee company.

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

With the "Recall of attention No. 5/21" of 29 April 2021, CONSOB declared its intention to bring its supervisory practices in relation to the net financial position into line with the aforementioned ESMA guidelines. In particular, CONSOB has declared that the prospectuses approved by it, starting from 5 May 2021, must comply with the aforementioned ESMA Guidelines.

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

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

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

### Net financial debt (availability) and cost of debt

Below is a summary of the main phenomena that had an impact on net financial debt, which as at 31 December 2023 was € 51.7 million, € 38.3 million as at 31 December 2022.

(€ thousand)	31.12.2023	31.12.2022	Change
Cash and cash equivalents	(37,927)	(33,015)	(4,912)
Financial instruments at fair value	(24,058)	(48,490)	24,431
Short-term financial receivables	(810)	0	(810)



Liquid assets	(62,795)	(81,505)	18,709
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	30,697	21,706	8,991
Current portion of non-current financial debt	26,957	29,481	(2,524)
<b>Current financial debt</b>	<b>57,654</b>	<b>51,187</b>	<b>6,467</b>
<b>Current net financial debt</b>	<b>(5,141)</b>	<b>(30,318)</b>	<b>25,176</b>
Non-current financial debt (excluding current portion and debt instruments)	57,563	70,005	(12,442)
Debt instruments	-	-	-
Non-recurring financial receivables	(700)	(1,417)	717
Trade payables and other non-current payables	-	-	-
<b>Non-current financial debt</b>	<b>56,863</b>	<b>68,588</b>	<b>(11,725)</b>
<b>Total financial debt</b>	<b>51,721</b>	<b>38,270</b>	<b>13,451</b>
<b>Non-monetary</b> debts for adjustment of the price of the acquisitions to be paid in TXT shares	(2,500)	(1,750)	(750)
Financial investment - Banca Del Fucino	(17,778)	(16,542)	(1,237)
<b>Adj. Net Available Financial Resources</b>	<b>31,443</b>	<b>19,979</b>	<b>11,464</b>

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

(€ thousand)	31.12.2023	31.12.2022	Change
Debt referred to IFRS 16	(10,095)	(8,492)	(1,602)

The composition of Net Financial Debt as at 31 December 2023 is as follows:

- Cash and cash equivalents of € 37,9 million are mainly in euro, held with major Italian banks.
- Financial instruments at fair value for € 24.1 million are comprised by investments in multi-segment insurance funds with partial capital guarantee, a bond loan and government securities and bonds with a medium-low risk profile.
- Short-term financial receivables amounting to € 0.8 million refer for € 0.4 million to the loan to an unconsolidated Group company and for € 0.4 million to the receivable due from CAE for the purchase of their Presagis business unit.
- Current financial debt (including debt instruments, and excluding the current portion of non-current financial debt) as at 31 December 2023 was € 30.7 million and refers (a) for € 19.4 million to short-term loans (hot money), (b) for € 1.0 million to the estimated disbursement for the second Earn Out of Ennova's shareholders, (c) for € 5.0 million estimated disbursement to complete the acquisitions carried out in the last months of the year, (d) for € 3.7 million to the short-term portion of the debt for the payment of rental and lease payments for offices, cars and printers for all instalments until the end of the relevant contracts following the adoption of the accounting standard (IFRS 16), (e) for € 1.1 million to advances

on invoices, and (f) for € 0.5 million to the estimated disbursement for the Earn-Out of FastCode's shareholders.

- The current portion of non-current financial debt of € 27,0 million refers to the short-term portion of medium/long-term bank loans.
- Non-current financial debt (excluding current portion and debt instruments) as at 31 December 2023 of € 57.6 million related to (a) € 46.4 million for the portion of new medium/long-term loans for the portion with a maturity of more than 12 months; (b) for € 0.7 million to the valuation of the debt for the PUT/CALL option for the acquisition of TXT Working Capital Solutions S.r.l., as an estimate of the additional disbursements for exercising the Put/Call option in the 2021-2025 period for the purchase of the remaining 40% of the company's shares; (c) in the amount of € 0.2 million for the long-term portion of the Put/Call related to TXT Risk Solutions S.r.l. after renegotiation, (d) in the amount of € 6.4 million, 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 based on the adoption of IFRS 16, (e) € 0.8 million for the estimated disbursement for the first Earn Out of TXT Novigo's shareholders, (f) for €1.5 million for the estimated disbursement for the Earn-Out relating to the acquisition of PACE Canada, (g) for € 1.5 million as the estimate of the additional disbursements for the exercise of the Put/Call option in the period 2023-2026 for the purchase of the remaining 4% of the stakes of TXT Arcan S.r.l..

The medium/long-term loans are all in Euro for a residual amount as at 31 December 2023 of € 73.3 million taken out by:

- the parent company TXT e-solutions S.p.A. in 2018, 2021, 2022 and 2023, for € 65.6 million
- TXT Assioma between 2018 and 2019, for € 0.6 million
- TeraTron GmbH in 2019, for € 1.3 million
- TXT Novigo in 2019, for € 0.2 million
- DM Management & Consulting in 2019, 2020 and 2021, for € 0.1 million
- Ennova S.p.A. in 2021 for € 3.8 million
- Soluzioni Prodotti Sistemi S.r.l. in 2019, for € 1.4 million
- PGMD S.r.l. in 2020, for € 0.2 million.

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

1. *financial covenants* based on which the company undertakes to comply with certain levels of financial indexes, contractually defined, the most significant of which relate the gross or net financial debt with the gross operating margin (EBITDA) or the Shareholders' equity, measured on the basis of the consolidated scope of the Group according to the definitions agreed upon with the financing counterparties;
2. *negative pledge* commitments under which the company cannot create real rights of guarantee or other restrictions on company assets;

3. "pari passu" clauses, on the basis of which the loans will have the same degree of priority in the repayment with respect to other financial liabilities and change of control clauses, which are activated in the event of disinvestments by the majority shareholder;
4. limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
5. certain obligations for the issuer that limit, *inter alia*, the ability to pay particular dividends or distribute capital; to merge with or consolidate certain businesses; to dispose of or transfer its assets.

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

The non-compliance with the covenants and the other contractual commitments, if not adequately corrected within the agreed upon time frame, may involve the obligation of an early repayment of the residual amount.

#### Q4 2023 ANALYSIS

Analysis of the operating results for the fourth quarter of 2023, compared with those for the fourth quarter of the previous year, are presented below:

(€ thousand)	Q4 2023	%	Q4 2022	%	% Change
<b>REVENUES</b>	<b>65,038</b>	<b>100</b>	<b>58,358</b>	<b>100</b>	<b>11.45</b>
Direct costs	40,441	62.2	37,771	64.7	7.1
<b>GROSS MARGIN</b>	<b>24,597</b>	<b>37.8</b>	<b>20,587</b>	<b>35.3</b>	<b>19.5</b>
Research and development costs	2,311	3.6	1,856	3.2	24.5
Commercial costs	8,761	13.5	5,336	9.1	64.2
General and administrative costs	3,295	5.1	4,667	8.0	(29.4)
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>10,230</b>	<b>15.7</b>	<b>8,728</b>	<b>15.0</b>	<b>17.2</b>
Depreciation, amortisation and impairment	3,481	5.4	2,808	4.8	24.0
Reorganisation and non-recurring charges	591	0.9	1,172	2.0	(49.6)
<b>OPERATING PROFIT (EBIT)</b>	<b>6,157</b>	<b>9.5</b>	<b>4,748</b>	<b>8.1</b>	<b>29.7</b>
Financial income (charges)	937	1.4	3,918	6.7	n.a.
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>7,094</b>	<b>10.9</b>	<b>8,666</b>	<b>14.8</b>	<b>(18.1)</b>
Taxes	(1,377)	(2.1)	(2,014)	(3.5)	(31.6)
<b>NET PROFIT</b>	<b>5,717</b>	<b>8.8</b>	<b>6,652</b>	<b>11.4</b>	<b>(14.1)</b>

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





- Net revenues amounted to € 65 million, an increase of 11.5% compared to the fourth quarter of 2022 (€ 58.4 million). Revenues from software, subscriptions and maintenance were € 4.5 million, up slightly from the fourth quarter of 2022 (€ 2.7 million). Revenues from services amounted to € 60.6 million, up 9% from € 55.6 million in the fourth quarter of 2022.
- The Gross margin for the fourth quarter of 2023 was € 24.6 million, an increase of 19% compared to the fourth quarter of 2022 (€ 20.6 million). The percentage of revenues was 38% compared to 35.3% in the fourth quarter of 2022 due to the higher percentage of revenues generated by services.
- EBITDA in the fourth quarter of 2023 was € 10.2 million, an increase of 17% compared to the fourth quarter of 2022 (€ 8.7 million). The margin on revenues was 16% compared to 15% in the fourth quarter of 2022.
- Operating profit (EBIT) was € 6.2 million, an increase of 29.7% compared to the fourth quarter of 2022 (€ 4.7 million).
- Pre-tax profit was € 7.1 million, compared to € 8.7 million in the fourth quarter of 2022.
- Net profit was € 5.7 million, compared to € 6.7 million in the fourth quarter of 2022.

## EMPLOYEES

As at 31 December 2023, there were 2,639 employees, a net increase of 385 employees compared to the staff level as at 31 December 2022 (2,254 employees).

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

During 2023, the TXT e-solutions share price recorded an official high of € 22.85 on 20 June 2023 and a low of € 12.86 on 2 January 2023.

On 29 December 2023, the share price was € 19.82.

The average daily trading volume on the stock exchange in 2023 was 25,448 shares, up from the daily average of 24,321 in 2022.

As at 31 December 2023, treasury shares were 1,300,639 (906,600 as at 31 December 2022), representing 10.00% of the shares outstanding, at an average carrying amount of € 7.96 per share. In 2023, 711,732 shares were purchased at an average price of € 18.43.

On **29 March 2023**, the following treasury shares were transferred:

- 42,073 at the agreed price of € 11.88 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 14 November 2022 for the acquisition of 100% of PGMD Consulting S.r.l.;



- 99,149 at the agreed price of € 12.61 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 5 December 2022 for the acquisition of 100% of Tlogos S.r.l.

On **18 December 2023**, 176,471 treasury shares were sold to the "PIPE" fund at a price of € 17.00 per share.

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

## PARENT COMPANY'S PERFORMANCE

TXT e-solutions S.p.A.'s results for 2023, compared with 2022 figures, are presented below:

	31.12.2023	Of which with re- lated parties	31.12.2022	Of which with re- lated parties
Revenues and other income	7,995,201	-	4,621,233	4,621,233
<b>TOTAL REVENUES AND OTHER INCOME</b>	<b>7,995,201</b>	<b>-</b>	<b>4,621,233</b>	<b>4,621,233</b>
Purchases of materials and external services	(5,433,579)	(723,606)	(5,432,428)	(1,617,136)
Personnel costs	(3,526,922)		(2,238,260)	(647,995)
Other operating costs	(49,991)		(48,559)	
Depreciation and amortisation/Impairment	(1,108,670)		(889,418)	
<b>OPERATING RESULT</b>	<b>(2,123,962)</b>	<b>(723,606)</b>	<b>(3,987,432)</b>	<b>2,356,102</b>
Financial income (charges)	5,282,190	800,000	4,059,587	(43,922)
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>3,158,228</b>	<b>76,394</b>	<b>72,155</b>	<b>2,312,180</b>
Income taxes	1,124,589		-	
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>4,282,817</b>	<b>76,394</b>	<b>72,155</b>	<b>2,312,180</b>
Net profit from discontinued operations			6,888,661	
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>4,282,817</b>	<b>76,394</b>	<b>6,960,816</b>	

FINANCIAL DATA (€ thousand)	31.12.2023	31.12.2022	Change
Fixed assets	171,511	148,964	22,547
Net working capital	7,003	13,884	(6,881)



Post-employment benefits and other non-current liabilities	(242)	(736)	494
<b>Capital employed</b>	<b>178,272</b>	<b>162,112</b>	<b>16,160</b>
Net financial debt	(82,935)	(58,510)	(24,425)
Shareholders' equity	95,337	102,108	(6,771)
<b>ADDITIONAL INFORMATION</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change</b>
Number of employees	64	579	(515)
TXT share price	19.82	12.84	7

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

Euro/000	Shareholders' equity			Net profit (loss) for the year		
	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
<b>As per Financial Statements of TXT e-solutions SpA</b>	<b>95,337</b>	<b>90,891</b>	<b>85,107</b>	<b>4,283</b>	<b>5,080</b>	<b>1,758</b>
Excess shareholders' equities of the financial statements comprising the profit (loss) for the year, compared to the carrying amounts of the interests in consolidated companies	(56,429)	(44,532)	(31,478)	18,817	4,144	3,131
Consolidation adjustments, net of tax effects, due to:						
- difference between purchase price and corresponding shareholders' equity amount (goodwill)	64,999	44,593	30,431			
- difference allocated to IP, CR and DTA with PPA	18,214	7,028	6,682	(4,171)	(1,847)	(1,336)
- deferred tax liabilities on difference allocated to IP and CR with PPA	(5,118)	(1,961)	(1,864)	1,164	515	373
- Put/call minority	(2,414)	(2,951)	(3,015)	825	(53)	789
- elimination of intragroup dividends				(4,176)		
- recovery of Sense iR investment write-down	17			(490)		
- other adjustments				(740)		-
<b>TXT Group recalculated</b>	<b>113,866</b>	<b>93,067</b>	<b>85,863</b>	<b>15,512</b>	<b>7,839</b>	<b>4,715</b>

## DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

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

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

The most recent estimates of the International Monetary Fund predict global growth of 3.1% in 2024 and 3.2% in 2025, with the Italian economy expected to grow by +0.7% in 2024 (in line with 2023) and +1.1% in 2025. The most recent estimates referring to the Eurozone envisage growth of +0.9% for 2024, down compared to previous estimates that preceded growth of +1.3%, with inflation expected to drop from 6.3% recorded in 2023 to 3.0% in 2024, to then fall to 2.5% in 2025.

With reference to the digital market, Gartner forecasts that global IT spending will grow by 6.8% in 2024, reaching US\$ 5 trillion, with the IT services segment becoming the most important segment of IT spending in 2024 thanks to expected annual growth of +8.7% due to investments by companies in efficiency and organisational optimisation projects; these investments will be crucial during this period of economic uncertainty. The software segment is expected to grow by +12.7%.

With reference to TXT's positioning within the IT market, after a 2023 that recorded growth rates higher than the market averages in all the Group's divisions, for 2024 the management of TXT expects further growth supported by the strong backlog of revenues already acquired, with good market prospects and further growth opportunities linked to cross-selling and up-selling activities driven by growing commercial synergies within the TXT ecosystem.

In the Smart Solutions division for 2024, the TXT Group expects growth rates in line with the market trend estimated for the software segment, also thanks to the investments made by the Group in 2023, which led to the consolidation of new technologies and platforms such as Paladin AI (artificial intelligence for Evidence-Based Training) and EGS (HMI and Cybersecurity for safety and mission-critical avionic displays) whose benefits will be evident from 2024. During the first quarter of the year underway, new contracts and new opportunities were reported in the civil aviation segment, also thanks to the positioning of the offer of priority ESG solutions. In Fintech, we expanded the customer base and the portfolio of technologies and solutions offered thanks to targeted investments with the entry into the share capital of the companies Simplex, LAS LAB Srl, Arcan Srl, and PayDo SpA. With regard to 2024, the TXT Group expects growth in recurring revenues

that will act as an additional source of financing for internal investments in innovation and evolution of the range. In relation to 2024, there are important opportunities for the digital payments and quality assurance segment favoured by the synergical integration of new technologies and offers acquired during the fourth quarter of 2023. In the Regtech context, after the AML Faraday platform reached the Break-Even-Point in 2023 and acquired new recurring contracts from subscriptions, for 2024 the onboarding of additional leading national banks and payment institutions is expected, which will have positive effects on the volumes and margins of the division.

The Digital Advisory division reported systemic growth of 37.8% in 2023 thanks to the ramp-up of activities related to public tenders awarded by the Group and the contribution of commercial, technological and operational synergies between the companies of the TXT ecosystem. With regard to 2024, systemic growth of the Digital Advisory business is expected to exceed 10% thanks to activities on multi-year public contracts acquired. During the fourth quarter of 2023, contracts were acquired for a total value of more than € 4 million. Among the main ones is the innovative project in the health sector entitled “Tele-Rehabilitation Solutions with Innovative Cores of Extended Reality based on Metaverse” in relation to which we will act as prime contractor in the temporary grouping of companies comprising important players such as CNR, Università Cattolica Sacro Cuore, Don Gnocchi Foundation.

In the Software Engineering division, investments continue in the diversification of the range, maintaining the focus on investments in enabling technologies that accelerate the digital transformation of the Group's customers operating in an increasingly large number of market segments. In this context, note the acquisition of FastCode completed in December 2023, which consolidates important cloud skills within the TXT technology portfolio (e.g., cloud application development, cloud migration, etc.) and the provision of front-end, back-end digital services, and software architecture. With the acquisition of FastCode, the TXT Group will consolidate a top line of over € 10 million generated with large enterprises, with a further boost expected from synergies with the other excellences in the TXT ecosystem that are already bringing benefits. The systemic growth of the Software Engineering division in 2024 will be supported by the digital range in the Aerospace & Defence and Public Sector areas.



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With reference to the 2024 M&A plan, in continuity with previous years, TXT's focus on the acquisition plan continues with the aim of integrating new technologies, specialised digital skills and excellences in markets that are already proprietary or adjacent to the current ones, with the objective of diversifying the offerings and industries on the domestic market and strengthening core capabilities on the international market. The financing of the acquisition transactions will be done through the cash already available in the TXT Group's coffers, the opening of new credit lines, the freeing up of financial assets expected during the current year and through the use of treasury shares in the portfolio.

Manager responsible for preparing corporate accounting documents

Chair of the Board of Directors

Eugenio Forcinito

Enrico Magni

Milan, 14 March 2024



TXT e-solutions S.p.A.

**REPORT ON  
CORPORATE  
GOVERNANCE  
AND SHAREHOLDING  
STRUCTURE**

Pursuant to Article 123-bis of  
the Consolidated Law on  
Finance

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## GLOSSARY

**Corporate Governance Code or "Code":** the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, available at [www.borsaitaliana.it](http://www.borsaitaliana.it), which became applicable as from 1 January 2021.

**Civil Code:** the Italian Civil Code.

**Board:** the Board of Directors of the Issuer.

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

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

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

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

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

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

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

**TUF:** Italian 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 for the sake of brevity the “Company” or “TXT”) or rather the set of rules and conduct in place in order to guarantee the efficient and transparent functioning of the governing bodies and the internal control system.

In January 2020, the Corporate Governance Committee approved the new edition of the Corporate Governance Code, which will be applied during the 2021 financial year.

The Issuer TXT has been listed in the Star Segment (TXT.MI) of Borsa Italiana (Italian Stock Exchange) since July 2000.

The TXT Corporate Governance system described in this Report is in line with the recommendations contained in the Corporate Governance Code with which it complies, except as specified further on in the Report.

TXT does not qualify, pursuant to the Code, as a Large Company and/or one with concentrated ownership, as it does not meet the requirements set out therein.

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 Company's corporate bodies are listed below:

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

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

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

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

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

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

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

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

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

A copy of the annual report is available at the Company's registered office and on the website [www.txtgroup.com](http://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-quarter 1) of the Consolidated Law on Finance and Article 2-ter of the Consob Issuers' Regulation.

## 2. INFORMATION ON THE SHAREHOLDING STRUCTURE (pursuant to Article 123-bis, paragraph 1 of the Consolidated Law on Finance) as at 31 December 2023

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 2023, 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 20 April 2023 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 options 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 14 December 2023, the Board of Directors resolved to assign 180,000 options to Group employees with vesting accrual over the three-year period 2023-2024-2025.

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

There are no share transfer restrictions.

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

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

These shareholdings derive from deposits made at the time of the last Shareholders' Meeting held on 20 April 2023 and are updated with all communications or notifications received by the Company as at 31 December 2023, pursuant to Article 120 of the Consolidated Law on Finance. **d)**

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

No shares with special controlling rights have been issued.

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

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

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

There are no restrictions on voting rights.

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

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

**h) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h), of the Consolidated Law on Finance) and provisions on takeover bids as per the Company's Articles of Association (pursuant to Articles 104, paragraph 1-ter, and 104-bis, paragraph 1 of the Consolidated Law on Finance)** It should be noted that the agreements that provide for the possibility of renegotiating the contractual conditions in the event of change of control of Txt are essentially the medium/long-term bank loan agreements executed by the Issuer itself.<sup>1</sup> The Company and its subsidiaries did not enter into any other significant agreements that become effective, are amended or are terminated in the event of a change of control of the contracting company.

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

At 31 December 2023, no such agreement was executed.

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

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

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<sup>1</sup> For further information on these loan agreements, please refer to the Annual Financial Report for the year 2023 published by TXT pursuant to Article 154-ter of the Consolidated Law on Finance, available on the website [www.txtgroup.com](http://www.txtgroup.com).

At 31 December 2023, 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 2023, there were no delegated powers to increase share capital.

On 20 April 2023, 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 since 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 must be within the maximum values envisaged by current legislation.

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

- a) to carry out transactions such as the sale and exchange of treasury shares for the acquisition of shareholdings, or as part of any strategic agreements within the scope of the Company's investment policy;
- b) to establish the necessary funding to carry out stock option plans approved by the Shareholders' Meeting;
- c) to carry out investments and divestments of treasury shares if the trend in prices or the amount of available liquidity make such a transaction feasible at the economic level;
- d) to support the liquidity of shares on the market in order to encourage regular trading and avoid price shifts that are not in line with the market, strengthening – in accordance with the applicable legal and regulatory provisions – price stability during the more delicate phases of negotiations.

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

At the end of the year, the Company held 1,300,639 treasury shares (906,600 as at 31 December 2022), equal to 10.0001% of the shares issued.

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

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

An examination of the consolidated financial statements of Laserline S.p.A. ("Laserline") shows that TXT e-solutions S.p.A. has been included in the scope of consolidation of Laserline. Laserline would have consolidated TXT by presuming that it exerted a "dominant influence" over it and thus considering that the case envisaged in Article 2359, paragraph 1, number 2) of the Italian Civil Code was satisfied.

Pursuant to Article 2497-sexies of the Italian Civil Code, the exercise of management and coordination activities is presumed, unless proven otherwise, in the event of consolidation of the financial statements or control exercised pursuant to Article 2359 of the Italian Civil Code. The presumption of the existence of management and coordination is "relative", as evidence to the contrary that the parent company does not exercise effective power of management and coordination over the consolidated or subsidiary company may be admissible.

In order to exclude the application of the presumption on management and coordination, TXT carried out a factual investigation and verified that it: (i) operates under conditions of operational and contractual autonomy, generating revenues from its customers and using its own skills, technologies, human and financial resources; (ii) has ample operational autonomy with reference to the entire operations (strategic planning, general management guidelines, extraordinary transactions, disclosure of information, personnel and remuneration policies, cash management relationships, contractual dealings with customers and suppliers); (iii) adopts an organisational model that envisages the direct and internal supervision of the main company units and (iv) has an autonomous organisational unit relating to management, finance and control.

As at the Date of the Report, TXT exercises, pursuant to Articles 2497 et seq. of the Italian Civil Code, management and coordination activities on the subsidiaries - directly or indirectly controlled - that are part of the TXT Group, listed in the Annual Financial Report as at 31 December 2023.

All the Italian companies directly or indirectly controlled by TXT have fulfilled the publication obligations envisaged by Article 2497-bis of the Italian Civil Code, indicating TXT as the party to whose management and coordination they are subject.

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

The TXT Corporate Governance system is inspired by the principles and recommendations of the Corporate Governance Committee expressed in the Corporate Governance Code approved in January 2020, which came into force as from 2021 and is available on the website <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>, with which the Company complies.

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

The Board of Directors is the collective management body of the Company with powers relating to its ordinary and extraordinary administration.

In compliance with the Corporate Governance Code, as expressed in Article 1, the Board of Directors:

- I. Guides the Company by pursuing its sustainable success.
- II. Defines the strategies of the Company and the Group and monitors their implementation.
- III. Defines the most functional corporate governance system for the performance of the company's activities and the pursuit of its strategies, taking into account the spheres of autonomy offered by the legal system. If necessary, assesses and endorses the appropriate changes, submitting them, when applicable, to the shareholders' meeting.
- IV. Fosters, in the most appropriate forms, dialogue with shareholders and other relevant stakeholders of the Company.

In particular, in accordance with Recommendation 1 of the Code, the management body: a) examines and approves the business plan of the Company and the group it heads up, also based on the analysis of the relevant issues for the generation of long-term value carried out with the possible support of a committee whose composition and functions are determined by the management body; b) periodically monitors the implementation of the business plan and assesses the general operating performance, periodically comparing the results achieved with those planned; c) defines the nature and level of risk compatible with the strategic objectives of the Company, including in its assessments all the elements that may be relevant with a view to the sustainable success of the Company; d) defines the corporate governance system of the Company and the structure of the group it heads up and assesses the adequacy of the



organisational, administrative and accounting structure of the Company and of the subsidiaries of strategic importance, with particular reference to the internal control and risk management system; e) resolves on the transactions of the Company and its subsidiaries that have significant strategic, economic, equity or financial importance for said Company; accordingly, it establishes the general criteria for identifying significant transactions; f) in order to ensure the correct management of corporate information, upon the proposal of the chair in agreement with the chief executive officer, adopts a procedure for the internal management and external communication of documents and information concerning the Company, with particular reference to insider information.

#### 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.

As far as it is responsible, the management body shall make sure that the process for the appointment and succession of directors is transparent and functional to achieving the optimal composition of the management body according to the principles of Article 2 (Principle XIII, Article 4 of the Corporate Governance Code).

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

with the provisions of this article and the law regarding (i) the appointment of directors not belonging to the "majority" list; (ii) the presence of independent directors; as well as (iii) the ratio of genders within the Board of Directors.

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

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

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

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

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

The appointment of directors is as follows:

- in the event that more than one list is submitted:
  - a) the four-fifth of Board members are drawn from the list that has received the highest number of votes, on the basis of the list sequential order and rounding to the lower unit, in case of decimals;
  - b) the other Board members are selected from the list ranking second, based on the list's sequential order, as long as said list is not directly or indirectly connected with the shareholders who submitted or voted for the list receiving the highest number of votes; in the

event that several lists obtained the same number of votes, a run-off will be held between said lists and all the shareholders participating in the Shareholders' Meeting will cast their vote. The candidates belonging to the two lists receiving the majority of votes are elected;

- if only one list is submitted, directors are selected from that list, based on the list's progressive order until the number of directors provided for by the Shareholders' Meeting is reached;
- if no list is submitted or the number of elected candidates is not sufficient with respect to the number of directors required by the Shareholders' Meeting, directors are appointed by the Shareholders' Meeting through a resolution passed by the type of majority required by the law.

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

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

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

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

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

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

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

Board members' term of office lasts for three financial years; afterwards they may be re-elected. The current Board includes 7 members, of whom 2 are executive directors, 1 is a non-executive director and 4 are independent directors. They do not have any economic relations with the Company, its subsidiaries, executive directors or shareholders controlling the Company 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 20 April 2023 and shall remain in office up until approval of the Financial Statements at 31 December 2025.

During the Shareholders' Meeting held on 20 April 2023, two lists were submitted:

List No. 1, comprising: Enrico Magni, Matteo Magni, Daniele Stefano Misani, Paolo Lorenzo Mandelli (independent director candidate), Antonella Sutti (independent director candidate), Giacomo Picchetto (independent director candidate) and Stefania Saviolo (independent director candidate).

List No. 2, comprising: Antonietta Arienti, Michela Costa, Cesare Capobianco.

Each list was 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 the independence requirements pursuant to Article 148, paragraph 3, of the Consolidated Law on Finance.

The shareholders holding 4,266,956 shares, representing 74.94% of those entitled to vote, voted in favour of list No. 1, while the shareholders holding 1,385,754 shares, representing 24.34% of those entitled to vote, voted in favour of list No. 2. The shareholders holding 41,300 shares, representing 0.73%, abstained.

The following were appointed to form the Board of Directors, in office for three years and therefore until the approval of the financial statements that will close on 31 December 2025: Enrico Magni, Matteo Magni, Daniele Stefano Misani, Paolo Lorenzo Mandelli (independent director candidate), Antonella Sutti (independent director candidate), Antonietta Arienti (independent director candidate), Michela Costa (independent director candidate).

During the Board Meeting on 11 May 2023, Enrico Magni was appointed Chair of the Board of Directors and Daniele Stefano Misani was appointed Chief Executive Officer.

The professional experience of each director (Article 144-decies of the Consob Issuers' Regulations) qualify their professionalism and expertise in keeping with the duties entrusted and are indicated below:

**Enrico Magni (in office as from 19 April 2018)**

Born in Sulbiate (MI) on 17 January 1956.

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

**Daniele Misani (in office as from 15 July 2019)**

Born in Milan on 14 October 1977.

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

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

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

**Matteo Magni (in office as from 18 June 2020)**

Born in Vimercate (MB) on 28 March 1982.

He received his master's degree in 2006 in General Management from Bocconi University in Milan. He is the CEO of Laserline S.p.A. as well as Chair of the Board of Directors of SACS TECNORIB S.p.A., a world leader in the production and marketing of boats and dinghies.

**Paolo Lorenzo Mandelli (in office as from 20 April 2023)**

Born in Lecco on 20 June 1973.

He graduated in 1998 in Law from the University of Milan. He obtained the title of Lawyer at the Court of Appeal of Milan in 2003.

His professional experience: since 2019 he has been a Partner at Spada Partners – Professional Association in Milan; from January 2007 until December 2008 he was an Associate at Studio Spadacini – Professional Association in Milan; from September 2002 until the end of 2006 at Studio Tributario e Societario in Milan – Deloitte network (associate since June 2005); from October 1999 until August 2002 at Studio di Consulenza Legale e Tributaria in Milan – Andersen Legal. The main areas of activity and specialisation include: tax consulting and assistance for Italian companies (including listed companies and those belonging to multinational groups) and financial companies (asset management companies and Holding Companies) with specific regard to business income, extraordinary taxation, financial taxation and international taxation; tax assistance in corporate acquisition and reorganisation transactions; consulting on financial taxation of personal assets and remuneration plans for employees and managers; statutory auditor appointments in listed and holding companies subject to supervision, namely: i) member of the Board of Statutory Auditors (for three years as Chair) of the listed company Reti Telematiche Italiane S.p.A. – period 2012–2018, ii) Standing auditor of Synergo Sgr S.p.A. (period 2018–2019); iii) Standing auditor of Calliope Finance S.r.l. – BPM Group (period 2012–2016).

**Antonella Sutti (in office as from 13 September 2021)**

Born on 27 March 1964 in Milan

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 organised 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.

**Antonietta Arienti (in office since 20 April 2023)**

Born on 16 September 1958 in Desio.

She graduated in Physics from the University of Milan and gained work experience in roles as Sales & Sales Manager at SAP, JDE, IBM as well as Country Manager Italy at Siebel; as Country Application

Leader of Oracle Italia and Managing Director in SAP Italia and subsequently as CEO and Chair of the Board of Directors of SAP Italia.

**Michela Costa** (in office since 20 April 2023)

Born in Imola on 14 April 1971

Her education covers a Law degree from the University of Bologna in 1995; a Master's degree in Economics and Business Law from the "C. Cattaneo-Liuc" University in 2001; SDA at Bocconi in 2014, Intensive Management Development Program; McKinsey & Company in London, Central Leadership Program 2015-2016. Since 1995, she has held various positions, including Enrolment in the Register of Journalists (publicists' register) and the Bar Association as well as member of the Board of Directors of various companies and related committees.

She has gained professional experience as Group General Counsel in companies listed in the Euronext Milan segment, in particular in Technogym S.p.A. since 2022 and in Datalogic S.p.A. in 2021. Previously, she held roles as General Counsel and General Counsel and Ethics & Compliance Officer as well as Executive Vice President Corporate Operations in other companies.

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

**Diversity policies and criteria**

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

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

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

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

activities represents a reference paradigm both for the employees and for the members of the management and control bodies of TXT.

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

- it is important to continue to ensure that at least one third of the Board of Directors is made up of Directors of the least represented gender, both at the time of appointment and during the mandate;
- the international projection of the TXT Group's activities should be taken into consideration, ensuring the presence of directors who have gained suitable experience in the international sphere;
- in order to pursue a balance between the needs for continuity and renewal in the management, it would be necessary to ensure a balanced combination of different lengths of service in office - in addition to age brackets - within the Board of Directors;
- the non-executive Directors should be represented by figures with an entrepreneurial, managerial, professional, academic or institutional profile such as to achieve a series of skills and experience which are diverse and complementary. Furthermore, in consideration of the diversity of the roles carried out by the chair and the CEO, the policy describes the expertise, the experience and the soft skills deemed most appropriate for the effective performance of the respective duties.

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

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

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

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

At 31 December 2023, the Board had the following diversity elements:



- Gender diversity: 57% men, 43% women;
- Age diversity: <50 years 29%; >50 and <60 years 43%; 60–80 years 29%;
- Length of service diversity: 1–3 years 57%; 4–6 years 43%.

### **How the Board of Directors works**

The management body defines the rules and the procedures for its functioning, in particular for the purpose of ensuring an effective management of Board reporting (Principle IX. Article 3).

The management body ensures an adequate internal distribution of its functions and establishes board committees with fact-finding, proposal-related and advisory functions (Principle XI. Article 3).

Each director ensures adequate time availability for the diligent fulfilment of the duties assigned to him/her. (Principle XII. Article 3).

### **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, 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. Application of this principle is fulfilled for the independent directors through discussions and 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.

In addition, the management body, in the person of the Chief Executive Officer and with the assistance of the Investor Relator chairs periodic meetings with shareholders within the sphere of which it presents the company's results and additional issues of interest ensuring an active dialogue with the body of shareholders and investors.

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

No other change has occurred since the end of the 2023 reporting period to date.

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

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

The Board is responsible for:

- examining and approving the Company's strategic, industrial, and financial plans, periodically monitoring their implementation;
- examining and approving the strategic, industrial, and financial plans of the Group headed by the Company, periodically monitoring their implementation;
- determining the Company's corporate governance;
- defining 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. assigns and revokes the CEO/CEOs' mandates, defining his/her/their 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.

The management body periodically assesses the effectiveness of its activities and the

contribution made by its individual members, by means of formalised procedures whose implementation it oversees (Principle XIV Article 4 Corporate Governance Code).

During the 2023 financial year, the Board of Directors held ten meetings with an average duration of 1 hour and 47 minutes. Directors had an average attendance of 96%, while that of the Statutory Auditors was 100%.

Five meetings were scheduled for 2023, and the first was held on 9 March 2023. As set forth in the regulatory provisions in effect, the Company has disclosed, in its press release issued on 20 January 2023, the following dates of the Board of Directors' meetings and the Shareholders' Meeting to be held in 2023, for a review of the economic-financial data, according to the following schedule:

- 9 March 2023: Board of Directors for approval of the draft 2022 Financial Statements;
- 20 April 2023: Shareholders' Meeting for approval of the 2022 Financial Statements (single call);
- 11 May 2023: Board of Directors for approval of the interim report on operations as at 31 March 2023;
- 3 August 2023: Board of Directors for approval of the half-yearly report as at 30 June 2023;
- 9 November 2023: Board of Directors for approval of the interim report on operations as at 30 September 2023.

The Chair organises all the Board activities, ensuring that directors are promptly provided with all documentation and information necessary to make any decision. In order to ensure that all the directors make informed decisions and that a proper and complete assessment of the agenda items is performed, all documentation and information – and in particular draft interim reports – shall be made available to the Board members an average of four days before the meeting, a better time-frame than the three days in advance indicated as adequate by the Risks and Internal Controls Committee. During 2023, 70% 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 (40% in 2022). 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 management body resolves, on the proposal of the Chair, on the appointment and dismissal of the secretary of the body and defines the professionalism requirements and powers in its regulations. The secretary supports the activities of the Chair and provides impartial assistance and advice to the management body on every aspect material for the proper functioning of the corporate governance system (Recommendation 18).

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 2023, the following individuals participated in the Board meetings: Eugenio Forcinito (CFO), Luigi Piccinno (Internal Auditor and Secretary of the Board), Carmine Buttari (HR Director of the TXT Group), Giulia Basile (Head of Legal Affairs of TXT) and Marcello Bussolin (Head of Tax, Administration & Finance of the TXT Group). Regular updates were provided by the Company's consultants and lawyers.

#### **Self-assessment and succession of directors**

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. The Chair assesses the adequacy and transparency of the self-assessment process of the management body (Recommendation 12), although an appointments committee has not been appointed to support this activity.

The self-assessment, carried out annually, concerns the size, composition and actual functioning of the management body and its committees, also considering the role it played in defining the strategies and monitoring the performance of the management and adequacy of the internal control and risk management system (Recommendations 21 and 22).

Consistent with that which is expressed in Recommendation 23, the Board expresses, in view of each renewal, an orientation on its quantitative and qualitative composition considered optimal, taking into account the results of the self-assessment and requests from those who submit a list that contains a number of candidates more than half of the members to be elected to provide adequate disclosure, in the documentation submitted for the filing of the list, with regard to the compliance of the list with the orientation expressed by the management body, also with reference to the diversity criteria set forth in Principle VII and in Recommendation 8, and to indicate its candidate for the office of chair of the management body, whose appointment takes place according to the procedures identified in the Articles of Association.

The orientation of the outgoing management body is published on the Company's website well in advance of the publication of the Shareholders' Meeting notice of calling relating to its renewal. The orientation identifies the managerial and professional profiles and skills deemed necessary, also in light of the company's sectoral characteristics, considering the diversity criteria indicated by Principle VII and Recommendation 8 and the guidelines expressed on the maximum number of offices in accordance with Recommendation 15.

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

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

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

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

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

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

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

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

#### **4.4. Delegated bodies**

##### **Chief Executive Officers**

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 Stefano Misani as Chief Executive Officer.

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

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

## **CONTRACTS**

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

### **Insurance agreements**

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

### **General agreements**

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

- a. contracts for the purchase and sale of products, systems, plants, equipment, goods, machinery, software, IT assets and other movable assets (including those recorded in public registers), as far as they relate to the purchase, within the limits of an annual financial

- commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual act, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;
- b. supply and administration contracts for all types of users;
  - c. rentals, leases, including financial or operating leases, licenses, subleases and free-of-charge loans relating to movable assets, whether registered or not, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;
  - d. procurement contracts executed with third parties, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;
  - e. contracts for the supply of goods and services, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;
  - f. agency, mediation, procurement, commission agency, distribution and brokerage contracts, with or without representation, within the limits of an annual financial commitment for the Company of € 500,000.00 (five hundred thousand/00), for each individual deed, or, for a higher amount, with joint signature with another Chief Executive Officer or Legal Representative;
  - g. contracts for the establishment of joint ventures or temporary business combinations, including the assignment or acceptance of the collective representation mandate, as well as for the establishment, among the merged companies, of a company, including consortium, for the combined execution, total or partial, of contract work.

### **Tenders**

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

### **Intellectual Property**

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

## **GUARANTEES**

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

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

## **BANKING AND FINANCIAL AREA**

### **Collection of sums**

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

### **Deposits**

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

### **Deposits and current accounts**

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



Requesting credit facilities, credit lines and sureties.

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

### **Endorsement for collection**

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

### **Cheques**

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

### **Payments**

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

### **Payment of taxes**

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

### **Discounting of bills**

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

### **Charging of taxes and contributions to accounts**

Signing letters charging to current accounts wages, salaries, contributions and any tax or levy payable by the company (merely by way of example but not limited to: IRES (company earnings'

tax), IRAP (regional business tax), VAT, IRPEF (personal income tax) etc.), with the faculty to delegate third parties.

### **Factoring of receivables**

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

### **Intercompany transactions**

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

## **DISPUTES**

### **Representation before the legal authorities**

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

### **Representation in labour disputes**

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

## LABOUR AREA

### Employing and dismissing employees

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

### Duties, promotions and sanctions

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

### Social security and welfare fulfilments

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

## CORRESPONDENCE AND TRANSACTIONS

### Correspondence and invoicing

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

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

### Tax representation

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

### Sign tax declarations

Drawing up, signing and presenting all the declarations necessary and/or appropriate for the tax purposes envisaged by the law (purely by way of example but not limited to IRES (company earnings' tax), IRAP (regional business tax), VAT, declarations of the withholding agents and any other declaration required by law or by the tax offices) seeing to the regularity and promptness,

both in the drafting and the presentation, filling in forms and questionnaires, presenting communications, declarations, accepting and rejecting assessments, presenting communications, declarations, briefs and documents before any office or Tax Commission, including the Central Tax Commission, collecting reimbursements and interest, issuing receipt and, in general, carrying out all the procedures relating to any kind of tax, levy, direct and indirect, local taxes and levies or otherwise, duties and contributions.

### **Contract registration**

Registering contracts, corporate deeds and documents in general.

### **Administrative procedures**

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

### **Representation care of public and private bodies**

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

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

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

### **Intercompany representation**

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

## **APPOINTMENT AND REMOVAL OF LEGAL REPRESENTATIVES – PRIVACY**

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

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

### **Privacy**

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

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

### **Chair of the Board of Directors**

The Chair of the management body plays a liaison role between the executive directors and the non-executive directors and oversees the effective functioning of the Board’s work (Principle X of the Code).

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.

As at 31 December 2023, four out of five non-executive directors qualified as independent: Paolo Lorenzo Mandelli, Antonella Sutti, Antonella Arienti and Michela Costa.

In compliance with the provisions of Recommendation 7 of the Code, the circumstances that compromise, or appear to compromise, the independence of a director are at least the following:

- a) if he/she is a significant shareholder of the Company;
- b) if he/she is, or has been in the previous three financial years, an executive director or an employee:
  - of the Company, of a subsidiary with strategic importance or of a company subject to joint control;
  - of a significant shareholder of the Company;
- c) if, directly or indirectly, he/she has, or has had in the previous three financial years, a significant commercial, financial or professional relationship:

- with the Company or its subsidiaries, or with the related executive directors or top management;
- with a party who, also together with others through a shareholders' agreement, controls the Company; or, if the parent company is a company or entity, with the related executive directors or top management;
- d) if he/she receives, or has received in the previous three financial years, from the Company, one of its subsidiaries or the parent company, significant additional remuneration with respect to the fixed remuneration for the office and that envisaged for participation in the committees recommended by the Code or envisaged by current legislation;
- e) if he/she has been a director of the Company for more than nine financial years, even if not consecutive, in the last twelve financial years;
- f) if he/she holds the office of executive director in another company in which an executive director of the Company holds the office of director;
- g) if he/she is a shareholder or director of a company or an entity belonging to the network of the Company appointed to audit the company.

The Board of Directors verified compliance with the independence requirements provided for by the Code with respect to each independent director and in performing the above-mentioned assessments the Board applied all the criteria provided for by the Code.

The outcome of the independence assessments for the directors and members of the control body is disclosed in the report on corporate governance.

On 8 March 2016, the Board adopted a Procedure to Assess the Independence Requirements, with a number of additional requirements with respect to the criteria envisaged by the code. The Board states that a director is not generally considered independent if they have or had during the prior year business, financial or professional dealings with the Company, with one of its subsidiaries or with any of the relative significant parties, or with a party that controls the Issuer, or with the relative significant parties, if the total value of said dealings exceeds:

- i) 10% of the turnover of the legal person, organisation or professional firm in which the director has control or is a significant member or partner; or
- ii) 10% of the annual income of the director as natural person or of the annual turnover generated directly by the director as part of the activities carried out for the legal person, organisation or professional firm in which the director has control or is a significant member or partner; or
- iii) 100% of the remuneration received as member of the Board of Directors and committees.

In compliance with the matters expressed in Recommendation 6 of the 2020 Corporate Governance Code, the management body assesses the independence of each non-executive director immediately after appointment as well as during the course of the mandate in the event of circumstances relevant for the purposes of independence and in any case, at least once a year. For this purpose, each non-executive director provides all the elements necessary or useful for the

assessment of the management body which considers, on the basis of all the information available, every circumstance that affects or may appear to be suitable for affecting the independence of the 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.

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 (Recommendation 13). On 11 May 2023, the Board of Directors confirmed the qualification previously conferred to Antonella Sutti as Lead Independent Director.

The Lead Independent Director (Recommendation 14):

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

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 COMPANY INFORMATION

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

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



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

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

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

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

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

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

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

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

Code of Conduct on Internal Dealing.

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

The Procedure is available on the Company’s website at the following address:

<https://www.txtgroup.com/it/investors/corporate-governance/>

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

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

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

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

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

## 7. APPOINTMENTS COMMITTEE

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

## 8. REMUNERATION COMMITTEE

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

The Board of Directors has formed a Remuneration Committee from within its members through a resolution dated 8 June 2000. It currently has three members, all independent directors and is chaired by an independent director. The Board has assessed that the committee has adequate knowledge and experience in financial matters or remuneration policies.

Directors do not participate in meetings of the Remuneration Committee in which proposals are made with regard to their remuneration (Recommendation 26).

### **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 made up of three independent directors: Michela Costa, Antonella Sutti and Paolo Mandelli appointed by means of the minutes dated 11 May 2023. The Chair of the Committee is Michela Costa. 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 2023 financial year, the Committee in its previous composition held a meeting on 29 March 2023, while the Committee in its current composition held a meeting on 14 December 2023 with a 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 2024. The first meeting of the Committee for 2024 was held on 7 March 2024.

Directors must refrain from participating 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 2023, the *Internal Auditor* Luigi Piccinno, who acted as secretary, attended the Committee meetings along with the CFO 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.

In line with the provisions of Recommendation 25, the Board of Directors entrusts the Remuneration Committee with the task of:

- a) assisting it in drawing up the remuneration policy;

- b) submitting proposals or expressing opinions 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;
- c) monitoring the effective application of the remuneration policy and verifying, in particular, the actual achievement of the performance goals;
- d) periodically assessing the adequacy and overall consistency of the remuneration policy for directors and top management.

In order to have persons with adequate expertise and professionalism, the remuneration of directors, both executive and non-executive, and of the members of the control body is defined taking into account the remuneration practices widespread in the reference sectors and for companies of a similar size.

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

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

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

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

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

Pursuant to the Corporate Governance Code of Listed Companies,

the Committee is entrusted with the following tasks:

- a) it periodically assesses the adequacy, general consistency and effective application of the general remuneration policy of executive directors, directors who cover particular offices and managers with strategic responsibilities, based on the information provided by the CEO. It also submits proposals on the issue to the Board of Directors;

- b) it submits proposals on the remuneration of the executive directors and of other directors who cover particular offices to the Board of Directors. It also submits proposals on the determination of performance benchmarks relating to the variable component of such directors' remuneration. It also monitors the relevant decisions of the Board, especially regarding the achievement of the performance goals.

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

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

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

- has reviewed information on the 2021 remuneration policy, including it in the Remuneration Report;
- has assessed the proposal to grant an extraordinary bonus to some executives;
- has reviewed the 2023 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 management body has defined a remuneration policy for directors and managers with strategic responsibilities (*Principle XVI Article 5 Corporate Governance Code*).

The policy for the remuneration of directors, members of the control body and top management is functional to the pursuit of the sustainable success of the company and takes into account the need to employ, retain and motivate people with the expertise and professionalism required by the role held in the company (*Principle XV Article 5 Corporate Governance Code*).

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 management body ensures that the remuneration disbursed and accrued is consistent with the principles and criteria defined in the policy, in light of the results achieved and the other circumstances relevant to its implementation (*Principle XVII Article 5 Corporate Governance Code*).

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, in line with Recommendation 27:

- 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 over a medium-long term timespan; they are consistent with the company's strategic objectives and are aimed at furthering its sustainable success, including, where relevant, also non-financial parameters;
- 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.

The policy for the remuneration of non-executive directors envisages remuneration in keeping with the competence, professionalism and commitment required by the tasks assigned to them within the management body and in the Board committees; this remuneration is not linked, except for an insignificant part, to financial performance objectives (Recommendation 29), furthermore on a consistent basis with the matters laid down by the Code, the remuneration of the members of the control body envisages a consideration in keeping with the competence, professionalism and commitment required by the importance of the role held and the size and sectoral characteristics of the company and its situation (Recommendation 30).

## Share-based compensation plans

In line with Recommendation 28, share-based remuneration plans for executive directors and top management incentivise the alignment with the interests of the shareholders over the long-term, envisaging that a predominant part of the plan has a total period of accrual of the rights and maintenance of the shares assigned equal to at least three years.

The Shareholders' Meeting of 20 April 2023 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 2023 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.

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

## Remuneration of managers with strategic responsibilities

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

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

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

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; but is determined based on a fixed amount. Non-executive directors and independent directors are not involved in stock options incentive plans.

The Shareholders' Meeting held on 20 April 2023 approved the Directors' Remuneration Report prepared by the Board of Directors.

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

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

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

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

In line with Recommendation 31, the management body discloses, in the event of withdrawal from office and/or termination of the employment relationship with an executive director or general manager, following the internal processes to determine the assignment or recognition of a severance package and/or other benefits, detailed information in this regard, through a market disclosure.

The market disclosure 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.

### **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 three directors, of which two are independent: (Antonella Sutti - Chair and Antonella Arienti) and one non-executive (Matteo Magni). 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 2023 financial year, the Committee in its current composition held five meetings, coordinated by the Chair on 29 May, 3 August, 2 October, 11 November and 14 December. The directors participated in all committee meetings held during their effective term of office. At least 5 meetings have been possibly scheduled for 2024. The first meeting of the Risks and Internal Controls Committee for 2024 was held on 7 March 2024.

The Risks and Internal Controls Committee has experience in accounting and finance issues deemed to be suitable by the Board upon appointment (Recommendation 35).

The Chair and the other members of the Board of Statutory Auditors have taken part in the Risks and Internal Controls Committee meetings. The Statutory Auditors had an average attendance of 100%.

Under invitation by the Committee, non-members have taken part in the Risks and Internal Controls Committee's Meetings. In 2023, Eugenio Forcinito, CFO and Manager responsible for preparing corporate accounting documents, and Luigi Piccinno, Internal Auditor, called upon to act as secretary, regularly attended the meetings of the committee. Depending on the items on the agenda, the Committee meetings were attended by the partner and the senior manager of the independent auditors Crowe Bompani. Giulia Basile, Head of Legal affairs, and Marcello Bussolin, Head of Tax, Administration & Finance of the TXT Group, also intervened on several occasions.

### **Functions of the Risks and Internal Controls Committee**

The Risks and Internal Controls Committee carries out supporting activities in favour of the Board of Directors on the internal control system and on the approval of year-end Financial Statements and half-yearly reports. Since it monitors corporate activities in general, it also has consultative and advisory functions.

In particular, in compliance with the recommendations of the Corporate Governance Code (Recommendation 35), the Risks and Internal Controls Committee is entrusted with the following tasks, in assisting the management body:

- a) assessing, having consulted the Manager responsible for preparing corporate accounting documents, the external auditor and the control body, the correct implementation of the accounting standards and, in the event of groups, their consistency for the purposes of preparing the consolidated financial statements;
- b) assessing the suitability of periodic financial and non-financial information to correctly represent the business model, the strategies of the company, the impact of its activities and the performances achieved;
- c) examining the content of periodic non-financial information relevant for the purposes of the internal control and risk management system;

- d) expressing opinions on specific aspects relating to the identification of the main business risks and supporting the assessments and decisions of the management body relating to the management of risks deriving from detrimental events of which the latter has become aware;
- e) examining the periodic reports and those of particular relevance prepared by the internal audit function;
- f) monitoring the autonomy, adequacy, effectiveness, and efficiency of the internal audit function;
- g) may entrust the internal audit function with the performance of checks on specific operating areas, simultaneously informing the Chair of the control body;
- h) reporting to the management body, at least at the time of approval of the annual and half-yearly financial reports, on the activities carried out and on the adequacy of the internal control and risk management system.

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

During said meetings, the Committee also examined:

- the 2022 consolidated Financial Statements, the 2023 half-yearly report and the results on the auditing process, as well as the interim reports;
- the assessments of the impairment tests;
- the assessments of the adequacy of the accounting standards used and their consistency;
- the transactions with related parties;
- the analysis of the results of the Board's and Committees' self-assessment process (at the meeting of the Board where this topic was discussed);
- the reports by the Supervisory Body 231 and activities for updating the Organisation Model;
- the report on Corporate Governance and shareholding structure;
- the Group's risk assessment activities;
- the risk and opportunity assessment of the various acquisition transactions presented to the Committee;
- the risk assessment for the 2024 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

### Main characteristics of the existing risk management and internal control systems in relation to the financial reporting process pursuant to Article 123-bis, paragraph 2, letter b) of the Consolidated Law on Finance

#### Introduction

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

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

The definition of this system, on the basis of Article 6 of the Code indicates: "The internal control and risk management system is the set of rules, procedures and organisational structures aimed at an effective and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the Company's sustainable success." (Principle XVIII, Article 6).

The 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.

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 head of the internal audit unit, in charge of verifying that the internal control and risk management system is functioning, adequate and consistent with the guidelines defined by the management body;

- v) 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, on an annual basis, 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.

Furthermore, in line with Recommendation 33, the management body appoints and removes the head of the internal audit unit, defining his/her remuneration in line with company policies, and ensuring that he/she is provided with adequate resources to carry out his/her duties and approves, at least annually, the work plan prepared by the head of the internal audit unit, after consulting the control body and assigns supervisory functions pursuant to Article 6, paragraph 1, letter b) of Italian Legislative Decree No. 231/2001 to the control body or to a specifically established entity.

In addition, it assesses, after consulting the control body, the results presented by the external auditor in the letter of suggestions, if any, and in the additional report addressed to the control body and describes, in the report on corporate governance, the main characteristics of the internal control and risk management systems and the methods of coordination between the parties involved, indicating the reference models and national and international best practices; it expresses its overall assessment of the adequacy of the system itself and provides an account of the choices made with regard to the composition of the body.

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 process is based on the "COSO Report" model that considers "the internal control system as a set of mechanisms, procedures and tools aimed at ensuring achievement of corporate goals".

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

**(a) Existing phases of the risk management and internal control system in relation to the financial reporting process**

The phases through which the Company implements the financial reporting process are:

1. **Identification of the scope:** By means of this activity, the TXT Group companies subject to in-depth analysis of risks and administrative and accounting controls both on the basis of the criterion of significance and relevance and on the basis of qualitative criteria are outlined. This activity is carried out at each quarterly closure as well as whenever necessary on the basis of the extraordinary transactions concluded.
2. **Analysis of the business processes, risks and controls:** 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.
3. **Definition of the controls to deal with the identified risks:** 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.

#### (a) Roles and functions performed

The risk management and internal control system of the financial disclosure reports to the Manager responsible for preparing corporate accounting documents and the CEO.

To this end, the Manager responsible for preparing corporate accounting documents coordinates with the various corporate units of the Group companies and with the Governance bodies such as the Board of Directors, the Board of Statutory Auditors, the Control and Risk Committee, the Supervisory Body, the Independent Auditors, the institutional bodies that communicate with the outside world and the Internal Audit Units. The Administration Managers of each of these Group companies are identified as responsible for ensuring the implementation and maintenance of the internal control system in their respective organisations on behalf of the Manager responsible for preparing corporate accounting documents also with a view to the production of the financial reports intended for the preparation of the consolidated financial statements.

The CEO, in line with Recommendation 34:

- a) sees to the identification of the main corporate risks, taking into account the features of the business carried out by the Company and its subsidiaries, and submits them periodically for the review of the management body;
- b) implements the guidelines defined by the management body, overseeing the planning, implementation and management of the internal control and risk management system and constantly verifying its adequacy and effectiveness, as well as ensuring its adaptation to the dynamics of operating conditions and the legislative and regulatory scenario.

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

On 11 May 2023, 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 legislative and 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;
- he confirmed Luigi Piccinno as Internal Auditor as resolved by the Board at its 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 head of the internal audit unit is not responsible for any operating business unit and reports hierarchically to the management body. The same has direct access to all useful information for the performance of the appointment (*Recommendation 36*).

The Manager responsible for internal audit:

- a. Is a Member of the 231 Supervisory Body. He reports directly to the Executive Director in charge of the Internal Control and Risk Management System. The Board of Directors, after consulting with the Risks and Internal Controls Committee and with the Executive Director in charge of the internal control and risk management system, deemed this solution adequate and balanced, in view of the relatively small size of the Group and its streamlined operating structure.
- b. Verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operations and suitability of the internal control and risk management system, by means of an audit plan, approved by the Board of Directors based on a structured process of analysis and prioritisation of the main risks (*Recommendation 36*).
- c. Had direct access to useful information for carrying out his duties.
- d. Prepares periodic reports 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 (*Recommendation 36*).



- 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 (*Recommendation 36*).

In 2023, 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 Italian Legislative Decree no. 231/2001

The Board Meeting held on 14 March 2008 approved the organisation model in compliance with the provisions of Italian 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 Italian Legislative Decree no. 231/2001. The Code of Ethics and the procedures in force, even if they have not been explicitly issued pursuant to Italian 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 Italian Legislative Decree no. 231/2001;
- c) the Special Part, concerning the specific offence categories that are relevant for TXT and the applicable provisions.

In 2021, the Board approved updating of the Code of Ethics and the Organisation Model, in particular with reference to the company activities in the software and IT systems sector and to the expertise it has accrued over recent years. The most significant updates regard the activities in terms of workplace safety, also with regard to sub-contracts and dealings with third parties, along with the distinctive realm of cyber-crimes.

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

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

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

The Board of Directors on 3 August 2023 confirmed Paolo Passino as Chair of the Supervisory Body. Paolo Passino is a Senior associate care of Studio Ferrari, Pedefferri & 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 as a member Luigi Piccinno, already a member for many years, and an Internal Auditor, and appointed Alessandro Masetti Zaninni as an external member. The TXT Supervisory Body is therefore made up of three members.

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

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

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

#### 11.4. Independent Auditors

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

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

## 11.5. Manager responsible for preparing corporate accounting documents

On 15 July 2019, the Board of Directors, with a favourable opinion of the Board of Statutory Auditors, appointed Eugenio Forcinito as Manager responsible for preparing corporate accounting documents. Eugenio Forcinito covers the role of Group CFO within the Company.

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. In particular, during 2023, the parties involved in the internal control system met and exchanged information.

## 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 with significant influence. Transactions between the Company and its subsidiaries and associated companies are mainly of an on-going commercial nature, based on agreements which do not feature any unusual clauses differing from standard market practices for transactions at arm's length.

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

With reference to the disclosure to the Board of Directors, except for necessary and urgent events, all transactions with significant income, equity and financial value, significant transactions with

related parties and atypical and/or unusual transactions are submitted to the prior approval of the Board of Directors.

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

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

- are executed at market conditions or at the same conditions applied to parties other than the related parties;
- are typical or usual – i.e. they fall under the Company's ordinary operations as for their subject, nature and degree of risk, as well as execution period.

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

On 8 November 2010, the Board of Directors approved a new implementation procedure, pursuant to Article 2391-bis of the Italian Civil Code, the Corporate Governance Code of Listed Companies, and the Consob Regulation on related parties, approved by Resolution no. 17221 of 12 March 2010 (the "Consob Regulation"). This new procedure identifies the rules governing the determination, approval and execution of transactions with related parties of TXT e-solutions S.p.A., either directly or through subsidiary companies. The purpose of this procedure is to ensure the formal and material transparency of said transactions. It should be noted that, with resolution 21624 of 10 December 2020, Consob approved some amendments to Consob Regulation no. 17221/2010 on transactions with related parties. In accordance with the aforementioned resolution, the Related Party Procedure was amended on 30 June 2021.

This procedure is available on the Company's website at the following address:

<https://www.txtgroup.com/it/investors/corporate-governance/>

The Transactions with Related Parties Committee comprises Antonietta Arienti – Chair, Antonella Sutti and Michela Costa, all independent directors.

The Transactions with Related Parties Committee met in a meeting on 14 December 2023, during which the company did not identify any transactions qualified as "Transactions with related parties" outside of intercompany dealings and remuneration paid to directors.

## 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 20 April 2023, and it shall hold office until approval of the Financial Statements for the year ending 31 December 2025. On 20 and 24 March 2023, two lists of candidates for appointment to the company's Board of Statutory Auditors were filed at the registered office. List No. 1 was submitted by Laserline S.p.A. with Franco Vergani, Giada d'Onofrio, Fabio Maria Palmieri and Nadia Raschetti (in order as two standing auditors and two alternate auditors). List No. 2 was submitted by Amber Capital SGR S.p.A. with Francesco Maria Scornajenchi and Edda Delon (as standing auditor and alternate auditor, respectively). The shares representing 74.94% of those entitled to vote voted in favour of list 1, while 24.31% voted in favour of list 2 and 0.73% abstained. Following the votes cast, the following were elected as members of the Board of Statutory Auditors: Francesco Maria Scornajenchi (Chair of the Board of Statutory Auditors); Franco Vergani (Standing Auditor); Giada d'Onofrio (Standing Auditor), Fabio Maria Palmieri (Alternate Auditor), Nadia Raschetti (Alternate Auditor), Edda Delon (Alternate Auditor).

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:

### **Francesco Maria Scornajenchi**

Born in Rome on 1 May 1966

Enrolled in the Register of Chartered Accountants since 1991 and Auditor since the date of establishment of the related Register in 1996, as from 2000 Partner of the firm STSI (Studio Tributario e Societario Internazionale - Dottori Commercialisti Associati). The Firm is an independent professional association comprising Chartered Accountants, specialised in corporate and tax consulting and assistance, in favour of medium and large companies operating both in Italy and abroad.

He was a member of the Corporate Advisory Commission established care the Order of Chartered Accountants of Rome; he is enrolled for matters pertaining to his professional profile in the register

of the expert witnesses at the Civil Court of Rome and in the register of expert witnesses at the Civil Court of Velletri; he is enrolled in the list of Experts accredited to the Arbitration Chamber for Public Contracts, care of the National Anti-Corruption Authority. As part of his professional activities, he has held numerous management and control positions mainly in companies in the energy sector. In addition, during his professional activities he has carried out consulting activities in favour of important national and foreign groups also with assignments lasting several years.

### **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.

### **Giada d'Onofrio**

Born in Milan on 26 August 1976

She is a Bookkeeper and External Auditor. Responsible for the accounting and personnel management area with involvement in tax and contractual consulting for sole proprietorships, professionals, partnerships and particularly corporations.

She has several auditing appointments in joint-stock companies and Boards of Statutory Auditors as well as appointments in the financial statements, litigation and corporate area.

### **Diversity policies and criteria**

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

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

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



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

- it is important to continue to ensure that at least one third of the Board of Statutory Auditors, both at the time of appointment and during the mandate, is made up of 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 2023 financial year, the Board of Statutory Auditors held 4 meetings in its previous composition and six meetings in its new composition, with an average duration of 1 hour and 35 minutes.

The Board of Statutory Auditors assessed the independence of its members (Recommendation 9). In performing the above-mentioned assessments, the Board considered compatible and significant the criteria provided for by the Code concerning Directors' independence.

The outcome of the independence assessments of the directors and members of the control body is disclosed in the report on corporate governance; on this occasion, the criteria used to assess the significance of the relationships in question are indicated and, if a director or a member of the control body has been deemed independent despite the occurrence of one of the situations indicated above, a clear and reasoned justification for this choice in relation to the position and individual characteristics of the assessed party is provided (Recommendation 10).

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

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

According to corporate policies, in the event that an auditor who, on their own behalf or on behalf of third parties, has an interest in a specific corporate transaction, he or she shall promptly and exhaustively report to the other auditors and to the Chair about the nature, terms, origin and scope of his/her interest. The control body and the control and risk committee promptly exchange relevant information for the performance of their respective duties. The chair of the control body, or another member designated by him/her, participates in the work of the control and risk committee (*Recommendation 37*).

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

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

## 15. RELATIONSHIPS 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](http://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. Below is the link to the document: [2022 TXT Politica-Gestione-Dialogo-con-Generalità-Azionisti \(txtgroup.com\)](#)

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

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

The CEO at 31 December 2023 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](mailto:txtinvestor@txtgroup.com)). Everyone can sign up for this service in order to receive, in addition to press releases, specific communications to Investors and Shareholders.

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

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

The one share one vote principle applies.

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

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

Each shareholder entitled to participate can be represented during the Shareholder's Meeting by means of a written proxy. The relevant form is available on the Company's website ([www.txt.com](http://www.txt.com), Investor Relations, Corporate Governance, Shareholders' Meeting document section). The proxy may be sent electronically to [deleghetxt@txtgroup.com](mailto: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](mailto:infofinance@txtgroup.com). Questions that are received prior to the Shareholders' Meeting shall be answered at the latest during the meeting itself. The Company reserves the right to give a single answer should there be numerous questions on the same topic. The request must include the necessary certification issued by the intermediaries proving the shareholders' voting right or the communication approving participation in the Shareholders' Meeting and the voting rights.

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

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

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

Both the first and subsequent dates of convening shall be indicated in the Shareholders' Meeting notice of calling, 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 of calling.

The recommendation included in the Corporate Governance Code considering the Shareholders' Meetings as an opportunity for developing a constructive dialogue between the Board of Directors and shareholders has been carefully analysed and fully shared by the Company. All directors in office and standing auditors attended the Shareholders' Meeting of 20 April 2023. During the course of the Meeting of 20 April 2022, the Board of Directors, through the Chair and CEO, reported on the activities carried out and planned, providing shareholders with adequate information in order to make informed decisions pertaining to the Shareholders' Meeting, as well as the documentation prepared with regard to the individual topics on the agenda.

The Shareholders' Meeting held on 7 April 2001 approved a specific set of rules to ensure that the Company's Ordinary and Extraordinary Shareholders' Meetings are effectively held, while

guaranteeing the right of each shareholder to ask for clarifications on the agenda, speak and put forward proposals.

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

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

During 2023, one Ordinary Shareholders' Meeting was convened.

The Ordinary Shareholders' Meeting of 20 April 2023 approved the financial statements as at 31 December 2022, the Remuneration Report, the emoluments for the directors, the renewal of the treasury share purchase programme.

In reference to Article 7 of the Corporate Governance Code relating to the remuneration of directors and managers with strategic responsibilities, the Shareholders' Meeting of 20 April 2023 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

<b>SIGNIFICANT SHAREHOLDINGS as at 31 December 2023</b>			
<b>Shareholder</b>	<b>No. of shares</b>	<b>As a % of ordinary capital</b>	<b>As a % of voting capital</b>
Enrico Magni (directly or indirectly)	3,934,143	30.25%	33.61%
L.V.O. Global Asset Management S.A.	394,601	3.03%	3.37%
Treasury shares (with suspended voting right)	1,300,639	10.00%	-
Market	7,376,867	56.72%	63.02%
<b>Total shares</b>	<b>13,006,250</b>	<b>100.00%</b>	<b>100.00%</b>

## TABLE 2: Composition of the Board of Directors and Committees

Board of Directors													Risks and Internal Controls Committee		Remuneration Committee		Related Parties Committee	
Office	Name	Year of birth	Date of first appointment (*)	In office since	In office until	List **	Exec.	Non-exec.	Indep. pursuant to code	Indep. pursuant to Consolidated Law on Finance	No. of other offices ***	Attendance (*)	(**)	(*)	(**)	(*)	(**)	(*)
Chair	Enrico Magni	1956	18.04.2020	20.04.2023	31.12.2025	1	x				-	10/10						
Chief Executive Officer	Daniele Misani	1977	15.07.2019	20.04.2023	31.12.2025	1	x				-	10/10						
Director	Matteo Magni	1982	18.06.2020	20.04.2023	31.12.2025	1		x			-	10/10	M	5/5				
Director	Paolo Lorenzo Mandelli	1975	20.04.2023	20.04.2023	31.12.2025	1		x	x	x	-	6/6			M	1/1		
Director	Antonietta Arienti	1985	20.04.2023	20.04.2023	31.12.2025	2		x	x	x	-	6/6	M	5/5				C
Director	Michela Costa	1983	20.04.2023	20.04.2023	31.12.2025	2		x	x	x	-	6/6			C	1/1	M	1/1
Director	Antonella Sutti	1984	13.09.2021	20.04.2023	31.12.2025	1		x	x	x	-	6/6	C	5/5	M	1/1	M	1/1
<b>WITHDRAWING DIRECTORS DURING THE YEAR IN QUESTION</b>																		
Director																		
Director																		
No. of meetings held in 2023:				BoD: 10	RCC: 5	RC: 1	RPC: 1											

**Quorum required to submit lists by minorities to elect one or more members (pursuant to Article 147-ter of the Consolidated Law on Finance): 4.5%**

\* The date of first appointment of each director means the date on which the director was appointed for the first time (ever) in the BoD of the issuer.

\*\* This column indicates the list from which each director was taken ("1": list 1, "2": list 2, "BoD": list submitted by the BoD)

\*\*\* This column shows if Board members serve as a Director or Statutory Auditor in other companies listed on regulated markets, including foreign, in financial, banking, insurance companies or those of a significant size. The positions are indicated in full in the Corporate Governance Report.

(\*) This column indicates the attendance of directors at the meetings of the BoD and the committees respectively (indicate the number of meetings they attended with respect to the total number of meetings they could have attended; e.g. 6/8; 8/8 etc.).

(\*\*) This column indicates the status of the director within the Committee: "C": Chair, "M": member

## 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	Attendance	No. Other offices
Chair	Francesco Maria Scornajenchi	1966	20.04.2023	20.04.2023	31.12.2025	Minority	x		-
Standing Auditor	Giada D'Onofrio	1976	18.06.2020	20.04.2023	31.12.2025	Majority	x		-
Standing Auditor	Franco Vergani	1966	18.06.2020	20.04.2023	31.12.2025	Majority	x		-
Alternate Auditor	Fabio Maria Palmieri	1962	18.06.2020	20.04.2023	31.12.2025	Majority			-
Alternate Auditor	Nadia Raschetti	1951	20.04.2023	20.04.2023	31.12.2025	Majority			-
Alternate Auditor	Edda Delon	1968	20.04.2023	20.04.2023	31.12.2025	Minority			-
<b>WITHDRAWING AUDITORS DURING 2023</b>									
Standing Auditor	Mario Angelo Basilico	1960	21.04.2017	01.01.2020	31.12.2020	Minority	x		-
Standing Auditor	Luisa Cameretti	1965	17.04.2014	01.01.2020	31.12.2020	Majority	x		-
Alternate Auditor	Massimiliano Tonarini	1968	21.04.2017	01.01.2019	31.12.2020	Minority	Alternate Auditor		-
<b>No. of meetings held in 2023: 6</b>									
<b>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%</b>									





TXT E-SOLUTIONS  
**2023**  
**REMUNERATION**  
REPORT

This report on the remuneration policy and remuneration paid (the "**2023 Remuneration Report**") was prepared in light of the recommendations contained in the Corporate Governance Code of Borsa Italiana S.p.A. (the Italian Stock Exchange), with which TXT e-solutions S.p.A. (the "**Company**") has complied.

The 2023 Remuneration Report was adopted on 14 March 2024 by the Company's Board of Directors, upon the proposal of the Remuneration Committee of 7 March 2024 and subject to the favourable opinion of the Transactions with Related Parties Committee of 7 March 2024, each for the assessments they are responsible for.

The Remuneration Report is divided into two sections:

1. The "General Remuneration Policy", with a duration of one year and relating to the 2024 financial year, which contains the guidelines for the definition of the remuneration of executive directors and management in general, and is subject to the binding vote of the Company's Shareholders' Meeting called for 24 April 2024 in single call;
2. The "Remuneration Report for the Financial Year 2023", which illustrates the policy implemented by the TXT e-solutions Group during the 2023 financial year and provides a summary of compensation based on the different types of beneficiaries, is subject to the non-binding vote of the Company's Shareholders' Meeting called for 24 April 2024 in single call.

The 2023 Remuneration Report was prepared pursuant to Article 123-ter of Italian Legislative Decree No. 58 and Article 84-quater of Consob Regulation - Resolution No. 11971 of 14 May 1999.

## Part 1 – General Remuneration Policy

The General Remuneration Policy with a duration of one year and relating to the 2024 financial year establishes the principles and guidelines adopted by the TXT e-solutions Group (the "Group") in order to define and monitor the implementation of remuneration practices.

### 1. Principles

The Company defines and implements a General Remuneration Policy intended to attract, motivate and retain resources with the professional skills required to successfully pursue the Group's objectives (Principle 6.P.1).

The Policy is defined in a way which aligns the interests of management with those of shareholders, pursuing the priority objective of creating sustainable value in the medium-to-long term by rigorously tying compensation to individual and Group performance.

The definition of the Policy is the result of a clear and transparent process in which the Remuneration Committee and the Transactions with Related Parties Committee, established within the Board of Directors and made up of independent directors, 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 the Group 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.

Where appropriate, the opinion of the Transactions with Related Parties Committee will also be expressed.

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

The General Remuneration Policy described in this report does not substantially change the normal practice followed in the previous financial year, with the exception of the adoption -

subject to the approval of the Shareholders' Meeting called for 24 April 2024 in single call - of the incentive plan for directors, executives and managers of the Group (the "**Stock Option Plan**").

## 2. Remuneration Committee

The Board of Directors has established among its members the Remuneration Committee responsible for supporting, 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 2023 is made up of three independent directors: Michela Costa (Chair), Antonella Sutti and Paolo Lorenzo Mandelli.

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 General Remuneration Policy.

The Group Companies, in determining compensation for their own directors, executives and managers with strategic responsibilities, comply with the instructions provided by the parent company TXT e-solutions S.p.A. 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 2023 financial year, please refer to the 2023 Report on Corporate Governance and Shareholding Structure.

## 3. Procedure for defining and approving the policy

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

The Remuneration Policy relating to 2023 was approved by the Shareholders' Meeting of 20 April 2023. The General Remuneration Policy relating to 2024 was approved by the Remuneration Committee and the Transactions with Related Parties Committee in the meetings of 7 March 2024 and by the Board of Directors' meeting of 14 March 2024, and it will be submitted to the scrutiny and binding vote of the Shareholders' Meeting called for 24 April 2024, in single call.

#### 4. Remuneration of directors

Within the Board of Directors, there is a distinction between:

- (i) executive directors;
- (ii) non-executive and independent directors.

As at 31 December 2023, they were:

- Executive directors:
  - o Enrico Magni (Chair)
  - o Daniele Stefano Misani (Chief Executive Officer)
- Non-executive directors:
  - o Matteo Magni
- Non-executive and independent directors:
  - o Paolo Lorenzo Mandelli
  - o Antonietta Arienti
  - o Michela Costa
  - o Antonella Sutti

TXT's Shareholders' Meeting of 20 April 2023 defined, for each financial year of the three-year period, (i) an annual emolument for the Chair of the Board of Directors amounting to € 30,000.00 and for each member of the Board of Directors an annual emolument of € 15,000.00; in addition to (ii) an additional annual fee of € 8,000.00 for the Chair of the Risks and Internal Controls Committee and € 4,000.00 per year for each of the other members; (iii) an additional annual fee of € 8,000.00 for the Chair of the Remuneration Committee and € 4,000.00 per year for each of the other members; (iv) an additional annual fee of € 8,000.00 for the Chair of the Transactions with Related Parties Committee and € 4,000.00 per year for each of the other members. In addition, global compensation, which can be divided into a fixed and variable component to be assigned to the Board of Directors in the fixed

amount of € 600,000.00, plus contributions and legal withholdings to be borne by the Company, was resolved exclusively for 2023, giving the Board of Directors mandate to determine the same and its distribution among the directors with delegated powers.

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

In line with best practices, an insurance policy is envisaged, known as 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 (known as LTI - Long Term Incentive);
- benefits granted as per company practice (such as, 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 60% 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 were achieved; (iii) the annualisation of the variable medium/long-term component which the beneficiary would receive if the medium/long-term target objectives were 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 40% 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 15% of total remuneration. The medium/long-term component consists entirely of the Stock Option Plan and is measured on the basis of the fair value of the options pertaining to each year.

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 found to be manifestly incorrect in the following 12 months ("Clawback Clause"), as now 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 and determining their amount (LTI - Long Term Incentive) 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 Stock Option Plan envisages that the payment of variable amounts linked to the same Stock Option Plan is deferred over time, and executive directors have the obligation to hold on a continuous basis, until termination of the office of director, a number of shares corresponding to at least 20% of the value of the net benefit, after paying the exercise price and taxes. For executives and 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 Board 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.

Where appropriate, an opinion will also be expressed by the Transactions with Related Parties Committee.

## **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 (known as LTI - Long Term Incentive);
- benefits granted as per company practices (such as, company car, supplementary health insurance), in line with the market.

In determining remuneration and its individual components for managers and senior managers, the 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 5% to 40% of total remuneration;
- c. in some cases, a variable medium/long-term component is assigned (known as LTI - Long Term Incentive); it may represent 0% to 15% of total remuneration. The medium/long-term component consists entirely of the Stock Option Plan and is 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. Where appropriate, an opinion will also be expressed by the Transactions with Related Parties Committee.

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 2023 Gross operating profit - EBITDA). The Group sets a maximum "cap" for the bonus payable.

The approval of the Stock Option Plan is submitted to the Company's Shareholders' Meeting called for 24 April 2024 in single call, with the aim of linking the remuneration of related beneficiaries to the creation of value for the company's shareholders, focusing attention on 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 Stock Option 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 Stock Option Plan envisages the allocation of a maximum of 600,000 Shares to beneficiaries. In order to ensure the gradual development of the Stock Option 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 or there must be a relationship between the beneficiary and one of the Group Companies; and
- (ii) the achievement of predetermined joint performance objectives of:
  - a. Profitability targets, referring to the operating result of the Group, its divisions or specific business areas, as defined by the Board of Directors for each beneficiary or categories of beneficiaries (EBITA, Earning Before Interest, Taxes & Amortisation; or EBIT, Earnings Before Interest & Taxes; or EBITDA, Earnings Before Interest, Taxes, Depreciation & Amortisation) in relation to a specific annual period or a period of three years, as defined by the Board of Directors;
  - b. Growth objectives, referring to the development of the Revenues of the Group, its divisions or specific business areas, as defined by the Board of Directors for each beneficiary or categories of beneficiaries, in relation to a specific annual period or a period of three years, as defined by the Board of Directors.

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 business areas. Where appropriate, an opinion will also be expressed by the Transactions with Related Parties Committee.

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 Stock Option Plan possibly spanning approximately 5 years.

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 Stock Option 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 Italian Legislative Decree 58/1998 (Consolidated Law on Finance) (known as 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 exchange offers, or other events that could impact the ability to exercise Options), the Options will 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 will be cancelled.

Upon transfer to third parties of investments and company branches, the Options assigned to the Beneficiaries transferred shall 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 will be cancelled.

The information document for the Stock Option Plan, drawn up pursuant to Article 84 bis of the Consob Regulation adopted by means of Resolution No. 11971 of 14 May 1999, is available on the company's website in the section:

<http://www.txtgroup.com/it/investors/shareholders-meetings/>.

## **8. Severance package for directors in the event of resignation, dismissal or termination of the relationship following a public takeover bid.**

**(pursuant to Article 123-bis, paragraph 1, letter i of the Consolidated Law on Finance).**

It is the 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 2023, 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 – 2023 Remuneration Report

### Compensation paid to directors and auditors

Emoluments paid during the 2023 financial year are reported in the annexed Table 1:

**Table 1 - Compensation paid to members of administration and control bodies and managers with strategic responsibilities**

Name	Company	Office	Term in office	In office until	Fixed compensation	Compensation for attendance at committee meetings	Variable compensation (Bonuses and other incentives)	Non-monetary benefits	Other compensation	Total	Fair value of equity-based compensation	Severance package for end of term of office or employment termination
<b>Directors</b>												
Enrico Magni	TXT e-solutions S.p.A.	Chair	1/1-31/12	2025 Financial Statements	333.333	-	170.000	5.558	-	508.891	-	-
Danièle Stefano Misani	TXT e-solutions S.p.A.	Chief Executive Officer	1/1-31/12	2025 Financial Statements	248.333	-	170.000	5.549	-	423.882	7.817	30.988
Matteo Magni	TXT e-solutions S.p.A.	Director	1/1-31/12	2025 Financial Statements	19.333	1.667	-	-	-	-	-	-
Antonella Sutti	TXT e-solutions S.p.A.	Indep. Director	1/1-31/12	2025 Financial Statements	27.333	1.667	-	-	-	29.000	-	-
Paolo Lorenzo Mandelli	TXT e-solutions S.p.A.	Indep. Director	21/4-31/12	2025 Financial Statements	12.667	5.000	-	-	-	17.667	-	-
Antonietta Arienti	TXT e-solutions S.p.A.	Indep. Director	21/4-31/12	2025 Financial Statements	18.000	5.000	-	-	-	-	-	-
Michela Costa	TXT e-solutions S.p.A.	Indep. Director	21/4-31/12	2025 Financial Statements	18.000	-	-	-	-	-	-	-
Carlo Gotta	TXT e-solutions S.p.A.	Indep. Director	1/1-20/4	2022 Financial Statements	8.333	3.333	-	-	-	11.667	-	-
Stefania Saviolo	TXT e-solutions S.p.A.	Indep. Director	1/1-20/4	2022 Financial Statements	10.000	3.333	-	-	-	13.333	-	-
Paola Generali	TXT e-solutions S.p.A.	Indep. Director	1/1-20/4	2022 Financial Statements	10.000	1.667	-	-	-	-	-	-
<b>Manager with strategic responsibilities</b>					123.333	-	95.000	6.693	-	225.026	2.606	16.173
<b>Board of Statutory Auditors</b>												
Mario Basilico	TXT e-solutions S.p.A.	Chair	1/1-20/4	2022 Financial Statements	8.667	-	-	-	13.260	21.927	-	-
Francesco Scornajenchi	TXT e-solutions S.p.A.	Chair	21/4-31/12	2025 Financial Statements	17.333	-	-	-	-	-	-	-
Luisa Cameretti	TXT e-solutions S.p.A.	Standing auditor	1/1-20/4	2022 Financial Statements	7.000	-	-	-	-	7.000	-	-
Franco Vergani	TXT e-solutions S.p.A.	Standing auditor	1/1-31/12	2025 Financial Statements	21.000	-	-	-	-	21.000	-	-
Giada D'Onofrio	TXT e-solutions S.p.A.	Alternate Auditor	21/4-31/12	2025 Financial Statements	14.000	-	-	-	-	-	-	-
Giada D'Onofrio	TXT e-solutions S.p.A.	Alternate Auditor	1/1-31/12	2022 Financial Statements	-	-	-	-	-	-	-	-
Massimiliano Tonarini	TXT e-solutions S.p.A.	Alternate Auditor	1/1-31/12	2022 Financial Statements	-	-	-	-	-	-	-	-
Pablo Maria Palmieri	TXT e-solutions S.p.A.	Alternate Auditor	1/1-31/12	2022 Financial Statements	-	-	-	-	-	-	-	-
Giada D'Onofrio	TXT e-solutions S.p.A.	Alternate Auditor	1/1-31/12	2022 Financial Statements	-	-	-	-	-	-	-	-
<b>TOTAL</b>					<b>896.667</b>	<b>21.667</b>	<b>435.000</b>	<b>17.800</b>	<b>13.260</b>	<b>1.279.393</b>	<b>10.422</b>	<b>47.160</b>

The table shows the emoluments paid to both directors and statutory auditors relating to the 2023 financial year.

On the basis of the Group's organisational structure, Eugenio Forcinito, the Group CFO, was identified as Manager with strategic responsibilities.

The emoluments paid refer only to the parent company TXT e-solutions S.p.A., as subsidiaries and associates did not pay any emoluments.

"**Fixed compensation**" indicated in Table 1 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:

Name	Emoluments as resolved by the Shareholders' Meeting	Compensation for the office	Committees	Fixed salary	Fixed compensation
<b><u>Directors</u></b>					
Enrico Magni	30,000	303,333	-	-	333,333
Daniele Stefano Misani	15,000	40,000	-	193,333	248,333
Matteo Magni	15,000	-	4,333	-	19,333
Antonella Sutti	15,000	-	12,333	-	27,333
Paolo Lorenzo Mandelli	10,000	-	2,667	-	12,667
Antonietta Arienti	10,000	-	8,000	-	18,000
Michela Costa	10,000	-	8,000	-	18,000
Carlo Gotta	5,000	-	3,333	-	8,333
Stefania Saviolo	5,000	-	5,000	-	10,000
Paola Generali	5,000	-	5,000	-	10,000
<b><u>Manager with strategic responsibilities</u></b>	-	-		123,333	123,333
	120,000	343,333	48,667	316,667	828,667

TXT's Shareholders' Meeting of 20 April 2023 defined an annual fee, for each financial year of the three-year period, (i) an annual emolument for the Chair of the Board of Directors amounting to € 30,000.00 and for each member of the Board of Directors an annual emolument of € 15,000.00; in addition to (ii) an additional annual fee of € 8,000.00 for the Chair of the Risks and Internal Controls Committee and € 4,000.00 per year for each of the other members; (iii) an additional annual fee of € 8,000.00 for the Chair of the Remuneration Committee and € 4,000.00 per year for each of the other members; (iv) an additional annual fee of € 8,000.00 for the Chair of the Transactions with Related Parties Committee and € 4,000.00 per year for each of the other members. In addition, global compensation, which can be divided into a fixed and variable component to be assigned to the Board of Directors in the fixed amount of € 600,000.00, plus contributions and legal withholdings to be borne by the Company, was resolved exclusively for 2023, giving the Board of Directors mandate to determine the same and its distribution among the directors with delegated powers.

**"Remuneration for participation in committees"** shown in Table 1 indicates the remuneration received for the 2023 financial year by Stefania Saviolo, Carlo Gotta, Antonella Sutti, Paola Generali, Matteo Magni, Paolo Lorenzo Mandelli, Michela Costa and Antonietta Arienti.

The breakdown of the remuneration for participation in committees is as follows:

Name	Term in office	Risks and Internal Controls Committee	Remuneration Committee	Transactions with Related Parties Committee	Total
<b><u>Directors</u></b>					
Stefania Saviolo	1.1-20.4	1,667	1,667	1,667	5,000
Paola Generali	1.1-20.4	1,667	1,667	1,667	5,000
Matteo Magni	1.1-20.4	1,667		-	1,667
Matteo Magni	21.4-31.12	2,667		-	2,667
Carlo Gotta	1.1-20.4	1,667	-	1,667	3,333
Antonella Sutti	1.1-20.4	-	1,667	-	1,667
Antonella Sutti	21.4-31.12	5,333	2,667	2,667	10,667
Paolo Lorenzo Mandelli	21.4-31.12		2,667		2,667
Michela Costa	21.4-31.12		5,333	2,667	8,000
Antonietta Arienti	21.4-31.12	2,667		5,333	8,000

The column "**Variable compensation (Bonuses and other incentives)**" indicated in Table 1 includes portions of variable compensation vested and not yet paid, according to the corporate Management By Objectives – MBO plan for the 2023 financial year. The listed bonuses relate to the 2023 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**" indicated in Table 1 shows the value of fringe benefits (on an income tax basis) with regard to assigned company cars, in line with TXT's human resource policies and market practices, net of withholdings borne by the employee.

The column "**Other compensation**" indicated in Table 1 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**" indicated in Table 1 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 column "**Severance package for end of term of office or employment termination**" indicated in Table 1 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 2023 did not resolve maximum overall fees assignable to the Directors with specific offices. The fixed and variable remuneration of the directors vested with these particular offices in 2023 was € 540,000.

Name	Office	Fixed compensation for offices	Variable compensation for offices	Severance for end of term of office	Total
Enrico Magni	Chair Chief Executive Officer	330,000	170,000	-	500,000
Daniele Stefano Misani		40,000	-	-	40,000
TOTAL		370,000	170,000	-	540,000

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

Auditors and independent directors do not participate in any stock option incentive plans.

The Shareholders' Meeting of 20 April 2023 approved the incentive plan for directors and executives of the Group and on 14 December 2023 the Board of Directors resolved the assignment of 180,000 options for Group employees.

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

	Total	of which Directors and managers with strategic responsibilities
Stock Options assigned, vested and exercised	0	0
Stock Options assigned, not vested	180,000	80,000
Stock Options not assigned	420,000	
<b>Total Plan approved by the Shareholders' Meeting</b>	<b>600,000</b>	<b>80,000</b>

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

**TABLE 2 - Stock options assigned to members of the administration body and managers with strategic responsibilities**

Full name	Office	Plan	Options held at beginning of 2023			Options assigned during 2023					Options exercised during 2023			Options expired in 2023	Options held at the end of 2023	Options pertaining to 2023	
			Number of options	Exercise price (€)	Possible exercise period	Number of options	Exercise price (€)	Possible exercise period	Assignment date	Market price at assignment	Number of options	Exercise price (€)	Market price of shares at exercise date	Number of options	Number of options	Fair Value (€)	
<b>Directors</b>																	
Daniele Misani	Chief Executive Officer TXT e-solutions SpA	Stock Option 20.4.2023	-	-	-	60.000	16,55	15.12.2026 - 14.12.2028	14.12.2023	17,96	-	-	-	-	-	-	7.817
<b>Executives and Managers</b>																	
Managers with strategic responsibilities		Stock Option 20.4.2023	-	-	-	20.000	16,55	15.12.2026 - 14.12.2028	14.12.2023	17,96	-	-	-	-	-	-	2.606
Executives		Stock Option 20.4.2023	-	-	-	100.000	16,55	15.12.2026 - 14.12.2028	14.12.2023	17,96	-	-	-	-	-	-	13.028

For the purposes of greater clarity and transparency, it should be noted that the Stock Option Plan is not related to or affects in any way the stock option plans approved by the Shareholders' Meeting of 20 April 2023, whose validity and effectiveness remains without any interference with the Stock Option Plan, but represents an additional and autonomous stock option plan.

## 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 2023 from the shareholders' register, communications received and other information acquired.

The auditors have no holdings in the company.

### **Holdings of members of administration and control bodies and managers with strategic responsibilities**

FULL NAME	OFFICE	INVESTEE COMPANY	NO. OF SHARES HELD AT 31/12/2022	NO. OF SHARES PURCHASED/ SUBSCRIBED	NO. OF SHARES SOLD	NO. OF SHARES HELD AT 31/12/2023
<b><u>Directors</u></b>						
Enrico Magni (directly or indirectly and spouse)	Chair	TXT	3,926,493	15,650	6,000	3,936,143
Daniele Stefano Misani	Chief Executive Officer	TXT	26,850	4,750	-	31,600
<b><u>Manager with strategic responsibilities</u></b>						
			7,000	100	-	7,100
TOTAL			3,960,343	20,500	6,000	3,974,843

Enrico Magni: in 2023, he purchased 15,650 shares and sold 6,000 shares.


Daniele Stefano Misani: in 2023, he purchased 4,750 shares.

Manager with strategic responsibilities: in 2023, he purchased 100 shares.

## *Significant events after the end of the year.*

In February 2024, Enrico Magni sold 1,000 shares.





**TXT E-SOLUTIONS GROUP**  
**CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**2023**  
**As at 31 DECEMBER 2023**



# TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Milano, No. 150 - 20093 Cologno Monzese (MI)

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register No.:

09768170152

## CORPORATE BODIES

### BOARD OF DIRECTORS

In carica fino all'approvazione del bilancio al 31 dicembre 2025:

**ENRICO MAGNI**

Chair

**DANIELE MISANI**

Chief Executive Officer

**MATTEO MAGNI**

Director<sup>2</sup>

**PAOLO LORENZO MANDELLI**

Independent Director<sup>1-3-4</sup>

**ANTONELLA SUTTI**

Independent Director<sup>1-2-3-4</sup>

**ANTONIETTA ARIENTI**

Independent Director<sup>1-2-4</sup>

**MICHELA COSTA**

Independent Director<sup>1-3-4</sup>

- (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 20 April 2023.

### BOARD OF STATUTORY AUDITORS

In carica fino all'approvazione del bilancio al 31 dicembre 2025:

**FRANCESCO MARIA SCORNAJENCHI**

Chair

**GIADA D'ONOFRIO**

Standing auditor

**FRANCO VERGANI**

Standing auditor

**NADIA RASCHETTI**

Alternate auditor

**FABIO MARIA  
PALMIERI**

Alternate auditor

**EDDA DELON**

Alternate auditor

Independent Auditors:

**Crowe Bompani S.p.A.**

Investors relations:

E-mail: [infofinance@txtgroup.com](mailto: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.

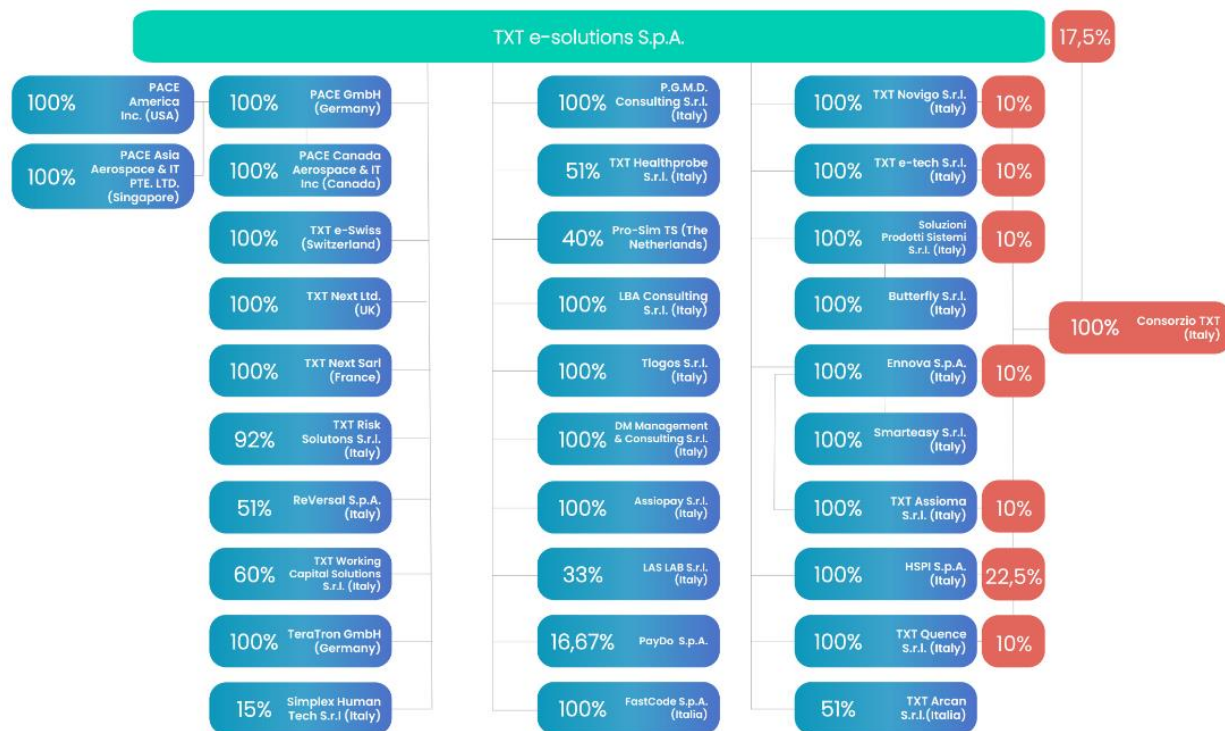


**Eugenio Forcinito**

+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.



# TXT Group Organisational Structure





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## Balance Sheet

ASSETS	Notes	31.12.2023	Of which with related parties	31.12.2022	Of which with related parties
<b>NON-CURRENT ASSETS</b>					
Goodwill	8.1	64,999,093		63,518,197	
Intangible assets with a finite useful life	8.2	20,900,762		14,456,524	
<b>Intangible assets</b>		<b>85,899,855</b>		<b>77,974,721</b>	
Property, plant and equipment	8.3	20,430,191		18,292,753	
<b>Tangible assets</b>		<b>20,430,191</b>		<b>18,292,753</b>	
Investments in associates and other equity investments	8.4	5,587,338		1,041,635	
Sundry receivables and other non-current assets	8.5	18,970,447		18,381,325	
Deferred tax assets	8.6	604,286		1,353,525	
<b>Other non-current assets</b>		<b>25,162,071</b>		<b>20,776,485</b>	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>131,492,117</b>		<b>117,043,959</b>	
<b>CURRENT ASSETS</b>					
Contractual assets	8.7	18,732,910		13,764,528	
Trade receivables	8.8	74,346,424	386,522	73,115,549	644
Sundry receivables and other current assets	8.9	15,125,549	847,652	15,351,629	
Other short-term financial receivables	8.10	560,108	400,000	-	
HFT securities at fair value	8.11	24,058,487		48,489,950	
Cash and cash equivalents	8.12	37,926,613		33,014,594	
<b>TOTAL CURRENT ASSETS</b>		<b>170,750,090</b>	<b>1,634,173</b>	<b>183,736,250</b>	<b>644</b>
<b>TOTAL ASSETS</b>		<b>302,242,206</b>	<b>1,634,173</b>	<b>300,780,208</b>	<b>644</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital		6,503,125		6,503,125	
Reserves		11,182,733		20,013,393	
Retained earnings (accumulated losses)		80,653,955		70,861,088	
Profit (loss) for the period		15,512,160		11,988,305	
<b>TOTAL SHAREHOLDERS' EQUITY (Group)</b>	8.13	<b>113,851,973</b>		<b>109,365,911</b>	
Shareholders' equity attributable to minority interests		17,135		17,135	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	8.13	<b>113,869,108</b>		<b>109,383,046</b>	<b>-</b>
<b>NON-CURRENT LIABILITIES</b>					
Non-current financial liabilities	8.14	57,563,008	1,315,169	70,004,970	1,377,774
Provision for post-employment benefits and other employee provisions	8.15	5,603,142		4,772,093	
Deferred tax provision	8.6	5,234,650		3,669,580	
Provisions for future risks and charges	8.16	-		118,905	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>68,400,800</b>	<b>1,315,169</b>	<b>78,565,548</b>	<b>1,377,774</b>
<b>CURRENT LIABILITIES</b>					
Current financial liabilities	8.17	57,653,709	483,707	51,186,556	370,283
Trade payables	8.18	21,584,829		20,642,746	
Tax payables	8.19	5,973,028		4,288,114	
Sundry payables and other current liabilities	8.20	34,760,733	138,491	36,714,201	100,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>119,972,299</b>	<b>622,198</b>	<b>112,831,616</b>	<b>470,283</b>

TOTAL LIABILITIES	188,373,099	1,937,367	191,397,164	1,848,057
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	302,242,206	1,937,367	300,780,210	1,848,057

## Income Statement

(€ thousand)	31.12.2023	Of which with related parties	31.12.2022	Of which with related parties
Revenues and other income	224,393,750		150,757,707	
<b>TOTAL REVENUES AND OTHER INCOME</b>	<b>224,393,750</b>	<b>-</b>	<b>150,757,707</b>	
Purchases of materials and external services	(74,539,222)	(723,606)	(47,984,077)	(15,789)
Personnel costs	(116,034,755)		(78,807,087)	(647,995)
Other operating costs	(2,187,831)	-	(1,707,334)	-
Depreciation and amortisation/Impairment	(11,444,558)	-	(8,348,647)	-
<b>OPERATING RESULT</b>	<b>20,187,384</b>	<b>(723,606)</b>	<b>13,910,562</b>	<b>(663,784)</b>
Financial income (charges)	1,576,154		2,436,721	-
Share of profit (loss) of associates	(740,233)		(149,464)	
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>21,023,305</b>	<b>(723,606)</b>	<b>16,197,819</b>	
Income taxes	(5,511,145)	-	(4,209,513)	-
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>15,512,159</b>	<b>(723,606)</b>	<b>11,988,305</b>	
	Attributable to:			
Parent Company shareholders	15,512,159		11,988,305	
Minority interests	-			
<b>EARNINGS PER SHARE</b>	<b>1.33</b>		<b>1.01</b>	
<b>DILUTED EARNINGS PER SHARE</b>	<b>1.33</b>		<b>1.01</b>	
<b>Average number of shares</b>	<b>11,705,611</b>		<b>11,834,835</b>	



## Comprehensive Income Statement

	31.12.2023	31.12.2022
NET PROFIT (LOSS) FOR THE PERIOD	15,512,159	11,988,305
Attributable to:		
Minority interests	-	-
Parent Company shareholders	15,512,159	11,988,305
Profit/(Loss) from foreign currency translation differences	404,295	251,299
Gain/(Loss) on the effective part of hedging instruments (cash flow hedge)	(534,785)	1,090,819
Total items of other comprehensive income statement that will be subsequently reclassified to profit/(loss) for the year net of taxes	(130,490)	1,342,118
Defined-benefit plans actuarial gains (losses)	(351,595)	316,661
Total items of other comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of taxes	(351,595)	316,661
Total profit/(loss) of Other comprehensive income net of taxes	(482,085)	1,658,779
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15,030,074	13,647,084
Attributable to:		
Minority interests	-	-
Parent Company shareholders	15,030,074	13,647,084



# Statement of Cash Flows

31 December 2023

31 December 2022

	31 December 2023	31 December 2022
<b>Net profit (loss) for the period</b>	<b>15,512,160</b>	<b>11,988,306</b>
Non-monetary costs for Stock Options	-	-
Non-monetary interest	110,443	752,032
Change in fair value of monetary instruments	245,238	1,320,609
Current income taxes	5,511,145	4,209,513
Change in deferred taxes	2,314,309	(2,020,339)
Depreciation, amortisation and impairment	11,444,557	7,101,632
Other non-monetary expenses	(606,879)	1,076,428
<b>Cash flows from (used in) operating activities (before change in working capital)</b>	<b>34,530,973</b>	<b>24,428,181</b>
(Increase) / Decrease in trade receivables	(1,332,838)	(7,260,235)
(Increase) / Decrease in contractual assets / inventories	(4,968,382)	(5,641,883)
Increase / (Decrease) in trade payables	942,083	3,608,082
(Increase) / Decrease in other assets/liabilities	(5,665,121)	3,812,468
Increase / (Decrease) in post-employment benefits	831,049	1,759,025
<b>Changes in operating assets and liabilities</b>	<b>(10,193,208)</b>	<b>(3,722,543)</b>
Paid income taxes	(2,144,995)	(2,540,677)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>22,192,770</b>	<b>18,164,961</b>
	<i>of which with related parties</i>	
	93,396	(792,330)
Increase in tangible assets	(2,427,292)	(1,690,016)
(Increases) / Decreases in intangible assets	(11,735,313)	525,393
Capitalisation of development expenses	-	(106,175)
Decrease in tangible and intangible assets	680,430	360,894
Cash flow - related acquisitions	1,082,966	(32,049,127)
Reversal deconsolidation	-	-
(Increase) / Decrease in trading securities	29,036,112	(1,525,251)
(Increases) / decreases in securities at fair value	(5,550,946)	2,000,000
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>11,085,957</b>	<b>(32,484,282)</b>
	<i>of which with related parties</i>	
	-	-
Loans issued	17,450,262	42,480,586
Loans repaid	(29,687,135)	(27,421,878)
Payment of lease liabilities	(4,128,792)	(3,406,051)
Increase / (Decrease) in financial payables	-	-
Increase / (Decrease) in other financial receivables	-	-
Distribution of dividends	(2,147,300)	-
Interest expense	-	(291,701)
Other changes in shareholders' equity	-	17,135
Net change in financial liabilities	(1,886,012)	(3,459,816)
(Purchase)/Sale of treasury shares	(8,372,026)	3,088,236
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(28,771,004)</b>	<b>11,006,511</b>
	<i>of which with related parties</i>	
	(625,391)	(1,748,057)
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,507,723</b>	<b>(3,312,810)</b>
Effect of changes in exchange rates on cash flows	404,295	251,299
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>33,014,594</b>	<b>36,076,104</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>37,926,613</b>	<b>33,014,594</b>
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	(6,256,318)	(2,725,227)
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	6,256,318	2,725,227

# Statement of changes in Shareholders' Equity as at 31 December 2023

	Share capital	Legal reserve	Share premium reserve	Merger surplus	Stock options	Actuarial differences on post-employment benefits	Cash flow hedge reserve	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity	Total shareholders' equity (Minority interests)	Total shareholders' equity
<b>Balances as at 31 December 2022</b>	6,503,125	1,300,625	16,115,760	1,911,444	67,293	(614,876)	954,415	478,732	70,861,088	11,988,305	109,365,911	17,135	109,383,046
Profit as at 31 December 2022									11,988,305	(11,988,305)	-	-	-
Acquisitions									-	-	-	-	-
Increase/purchase					23,450		(534,785)		(48,137)		(558,472)		(558,472)
Distribution of dividends									(2,147,300)		(2,147,300)		(2,147,300)
Free capital increase									-		-		-
Sale of treasury shares			4,904,618								4,904,618		4,904,618
Purchase of treasury shares			(13,276,844)								(13,276,844)		(13,276,844)
Discounting of post-employment benefits						(351,595)					(351,595)		(351,595)
Exchange differences								404,295			404,295		404,295
Profit as at 31 December 2023										15,512,160	15,512,160		15,512,160
<b>Balances as at 31 December 2023</b>	6,503,125	1,300,625	7,743,734	1,911,444	90,743	(1,166,471)	418,830	883,027	80,853,956	15,512,160	113,851,973	17,135	113,869,108

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	Fair Value Swaps	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity (Group)	Total shareholders' equity (Minority interests)	Total shareholders' equity
<b>Balances as at 31 December 2021</b>	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	92,854,765	411,777	93,066,542
Profit as at 31 December 2021										7,873,676	(7,873,676)	0		0
Acquisitions of minority interests										(24,179)	0	(24,179)	(394,643)	(418,822)
Increase/purchase						-	1,090,819					1,090,819		1,090,819
Distribution of dividends												0		0
Free capital increase												0		0
Sale of treasury shares			8,851,050									8,851,050		8,851,050
Purchase of treasury shares			(5,762,814)									(5,762,814)		(5,762,814)
Actuarial differences on post-employment benefits							316,661					316,661		316,661
Exchange differences									251,299			251,299		251,299
Profit as at 31 December 2022											11,988,305	11,988,305	-	11,988,305
<b>Balances as at 31 December 2022</b>	6,503,125	1,300,625	16,115,759	1,911,444	0	67,293	(814,879)	954,415	478,732	70,870,720	11,988,305	109,365,911	-	109,383,046

## NOTES TO THE FINANCIAL STATEMENTS



## 1. Group's Structure and Scope of Consolidation

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

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 31 December 2023 (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
PACE Canada Aerospace&IT Inc.(****)	CAD	100%	100
PACE Asia Aerospace&IT PTE Ltd.(*****)	SGD	100%	100
TXT NEXT Sarl	EUR	100%	100,000
TXT NEXT Ltd.	GBP	100%	100,000
TXT Risk Solutions Srl	EUR	92%	250,000
TXT Assioma S.r.l. (*)	EUR	100%	100,000
AssioPay S.r.l.	EUR	100%	10,000
TXT e-swiss SA (**)	CHF	100%	100,000
HSPI S.p.A.	EUR	100%	1,000,000
TXT Working Capital Solutions S.r.l.	EUR	60%	500,000
TeraTron GmbH	EUR	100%	75,000
LBA Consulting S.r.l.	EUR	100%	10,000
TXT Novigo S.r.l.	EUR	100%	1,000,000
DM Mgmt & Consulting S.r.l.	EUR	100%	101,000
Soluzioni Prodotti Sistemi S.r.l.	EUR	100%	10,000
Butterfly S.r.l.	EUR	100%	10,000
PGMD Consulting S.r.l.(***)	EUR	100%	20,000
TLOGOS S.r.l.	EUR	100%	110,000
ENNOVA S.p.A.	EUR	100%	1,098,900
TXT e-Tech S.r.l.	EUR	100%	200,000
Fastcode S.p.A.	EUR	100%	100,000
TXT Quence S.r.l.	EUR	100%	10,000
TXT Arcan S.r.l.	EUR	51%	20,407

In addition to the interests listed above, please note the Group's equity investment in the TXT Consortium Group (consolidated line-by-line) as follows: 22.5% HSPI S.p.A, 17.5% TXT e-solutions S.p.A., 10% TXT Assioma S.r.l., 10% TXT Novigo S.r.l. , 10% TXT Quence S.r.l., 10% Ennova S.p.A., 10% Soluzioni Prodotti Sistemi S.r.l. and 10% TXT e-tech S.r.l.

The Consortium is the commercial vehicle through which the Group has the opportunity to participate in tenders with the central and local Public Administration. The Consortium form allows to add up the administrative and technical references of the individual Consortium

companies, thus making it possible for the Consortium to access tenders and qualifications for larger supply classes and volumes.

(\*) In November 2023, the equity investment in the company TXT Assioma S.r.l. was sold to the subsidiary Ennova S.p.A.

(\*\*) On 1 July 2023, the merger by incorporation between the two investee companies Mac Solutions SA and TXT e-Solutions Sagl, both wholly owned by the Parent Company TXT e-Solutions S.p.A., became effective. Therefore, through this transaction, the company TXT e-solutions Sagl was merged into Mac Solutions SA, which also changed its company name to TXT e-Swiss SA.

(\*\*\*) In July 2023, the inverse merger between the two investee companies Qbridge S.r.l. and PGMD Consulting S.r.l. became effective. Therefore, through this transaction, the company Qbridge S.r.l., 100% parent company of PGMD Consulting S.r.l., was merged into PGMD Consulting S.r.l.

(\*\*\*\*) In June 2023, a new Canadian company was established, PACE Canada Aerospace & IT Inc., 100% owned by PACE GmbH.

(\*\*\*\*\*) In November 2023, a new Singaporean company was established, PACE Asia Aerospace & IT PTE Ltd., 100% owned by PACE GmbH.

The consolidated financial statements of the TXT 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	31.12.2023	31.12.2022
British Pound (GBP)	0.8698	0.8528
US Dollar (USD)	1.0813	1.0530
Swiss Franc (CHF)	0.9718	1.0047
Canadian Dollar (CAD)	1.4595	1.3695

- Balance sheet (exchange rates as at 31 December 2023 and 31 December 2022)

Currency	31.12.2023	31.12.2022
British Pound (GBP)	0.8690	0.8869
US Dollar (USD)	1.1050	1.0666
Swiss Franc (CHF)	0.9260	0.9847
Canadian Dollar (CAD)	1.4642	1.4440

## 2. Acquisitions



## 2.1. LAS LAB S.r.l.

On 26 January 2023, the TXT Group subscribed the share capital increase in LAS LAB S.r.l. for € 300 thousand, by virtue of which TXT holds an associate stake representing 33% of the share capital of the innovative start-up.

Las Lab was founded in 2022 as an innovative start-up following the spin-off of the CAL LAS technological platform developed by Loan Agency Services S.r.l. (LAS Srl), a leading non-banking operator in the financial restructuring operations agency and in the support for the management of problem loans (in particular UTPs). LAS S.r.l. is the majority shareholder of Las Lab.

The equity investment, initially recognised at cost, is measured according to the shareholders' equity method at cost under the item "Equity investments in associates and other equity investments", note 8.4.

## 2.2. Simplex Human Tech S.r.l.

On 13 April 2023, the TXT Group signed a contract for investment in the share capital of the company Simplex Human Tech S.r.l.

The investment consists of a share capital increase in Simplex reserved for TXT of € 3.0 million, against which TXT holds 15% of Simplex, a start-up born from the intuition of a former manager in the banking and insurance sector with experience in senior positions of important national groups. Simplex has the purpose of bringing digital innovation to the insurance sector, with a main focus on the Protection and Wealth Management sectors, through a smart solution enabling the optimisation and total control of sales processes and the consequent drastic reduction of transactional costs.

The equity investment is recorded at cost under the item "Equity investments in associates and other equity investments", note 8.4.

## 2.3. PACE Canada Aerospace&IT Inc.

On 11 July 2023, the TXT Group signed an agreement for the acquisition of assets ("Asset Purchase Agreement" or "APA") belonging to the Embedded Graphics business of the companies Presagis Canada Inc., Presagis Europe S.A.S. and Presagis USA Inc. All these companies are subsidiaries

of CAE Inc. ("CAE"), one of the largest Canadian companies, leader in the Aerospace & Defence sector.

The acquisition was completed in the third quarter.

The object of the investment is the activity relating to the Embedded Graphics business of Presagis, which

consists of a portfolio of software solutions and services designed for onboard systems in the Aerospace & Defence market. Over the years, the EG business has established itself as a world-leading solution of tools and services for the development of human-machine interfaces (HMI) for safety-critical and mission-critical systems. The main family of products offered by the EG business is represented by VAPS XT, modular software launched on the market in 2011 and evolved over the years through continuous development and close collaboration with leading manufacturers of aircraft and avionics systems.

## 2.4. FastCode S.p.A.

On 4 December 2023, the TXT Group signed a contract for the acquisition of 100% of the share capital of FastCode S.p.A.

The consideration for the purchase of 100%, net of the Earn-Outs and NFP described below, was agreed between the parties at € 8.0 million, subdivided as follows: € 2.5 million in cash, € 2.5 million in TXT e-solutions S.p.A. shares sold at a price corresponding to the average share price of the 30 business days prior to the closing date, € 2.5 million as adjustment price for the NFP and EBITDA resulting as at 31 December 2023 and € 0.5 million in earn-outs upon the occurrence of specific contractual conditions.

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		8,000,000
Net assets (liabilities)		(1,958,655)
<b>Goodwill (to be allocated)</b>	<b>6,041,345</b>	

## 2.5. PayDo S.p.A.

On 15 December 2023, the TXT Group subscribed the share capital increase, by virtue of which TXT holds a stake in PayDo S.p.A. ("PayDo") representing 16.67% of the share capital of the innovative start-up.

The opening investment of TXT in the capital of PayDo consists of € 2.0 million aimed at the company's domestic and international growth. The investment contract also provides for additional steps that give TXT the right to increase its equity investment in PayDo up to at least 51% of the company's share capital following the approval of the PayDo financial statements as at 31 December 2025.

The equity investment is recorded at cost under the item "Equity investments in associates", note 8.4.

## 2.6. TXT Arcan S.r.l.

On 20 December 2023, the TXT Group subscribed the share capital increase in the innovative start-up Arcan S.r.l. ("Arcan") by virtue of which TXT holds an equity investment in Arcan representing 51% of the company.

The consideration from TXT for the purchase of 51% of Arcan was agreed at € 0.2 million. TXT's opening investment in Arcan's share capital is aimed at the industrialisation and marketing of the proprietary platform, and the investment agreement envisages a Put/Call option via which TXT, within 60 days from the date of approval of Arcan's financial statements as at 31 December 2025, will be able to increase its equity investment in Arcan up to 100% of the company's share capital.

## 3. Operating segments

The TXT Group identifies its Business Units in three operating segments: a) Smart Solutions, b) Software Engineering and c) Digital Advisory.

In detail:

- **Smart Solutions:** proprietary software and solutions and related services to accelerate the digital transformation of customers' offer;
- **Software Engineering:** software engineering services for the innovation and servitisation of customer products guided by skills on enabling technologies;
- **Digital Advisory:** specialised consulting services for the digital innovation of large enterprise processes and the public segment.

The **Smart Solutions** operating segment includes the activities of TXT Risk Solutions S.r.l., Assiopay S.r.l., the PACE Group, TXT Working Capital Solutions S.r.l., DM Management & Consulting S.r.l., TXT Novigo S.r.l., LBA Consulting S.r.l. and Teratron GmbH.

The **Software Engineering** operating segment includes the activities of TXT e-tech S.r.l., the Ennova Group, TXT Assioma S.r.l., TXT Quence S.r.l., Soluzioni Prodotti Sistemi S.r.l., TXT e-Swiss and FastCode S.p.A.

The **Digital Advisory** operating segment includes companies such as HSPI S.p.A., PGMD Consulting S.r.l. and Tlogos S.r.l.

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

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

## 4. Basis of preparation of the consolidated financial statements

The TXT 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 2023 on a going concern basis, taking into account the TXT Group's operating performance and operating, economic and financial outlook referred to in the Directors' report on operations (to which reference should be made for a description of these aspects). The accounting policies applied in preparing the financial statements, as well as the composition of, and changes in, individual items, are illustrated below.

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

The publication and release of this report were approved by the Board of Directors' Meeting held on 14 March 2024.

### Financial statements

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

- "Statement of financial position", prepared by classifying the assets and liabilities on a current/non-current basis.





- “Statement of Profit/(Loss)” and “Statement of Other Comprehensive Income”, prepared in two separate statements, classifying costs based on their nature.
- “Cash flow statement”, determined using the indirect method provided for by IAS 7 - Cash flow statement.
- “Statement of Changes in Shareholders' Equity”.

## BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of TXT e-solutions S.p.A. and its subsidiaries as at 31 December 2023.

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 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.

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

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

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

## Business combinations and goodwill

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

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed on the basis of the contractual terms, economic conditions, and other

pertinent conditions as they exist on the acquisition date. This includes the assessment of whether an embedded derivative should be separated from the host contract.

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

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

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

After initial recognition, goodwill is measured at cost net of any accumulated impairment loss. For the purpose of impairment testing, carried out at least once a year except for any interim triggering events, goodwill acquired in a business combination is allocated, from the acquisition date or by the deadline of the "measurement period" (within one year from the date of acquisition), 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 income statement in the period in which they are incurred.

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

## Leases

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

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

### The Group as lessee

#### *(i) Activities for right to use*

The Group recognises the assets for the right to use on the start date of the lease (i.e., the date on which the underlying asset is available for use). Assets for the right to use are measured at cost, net of accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the assets for the right to use includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made at the effective date or before commencement net of any incentives received. Assets for right

to use are amortised on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right to use or at the end of the lease term, whichever is earlier.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right to use asset reflects the fact that the lessee will exercise the purchase option, the lessee must depreciate the right to use asset from the effective date until the end of the useful life of the underlying asset. Assets for the right to use are subject to Impairment. Please refer to the section "Impairment of non-financial assets".

#### *(ii) Lease-related liabilities*

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

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

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

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

#### *(iii) Short-term leases*

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

#### **The Group as lessor**

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

### **Application of IFRS 16 in the Group**

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



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

Lease contracts for offices:	Contractual years	Years remaining	Main Options
Brescia	6	3	Renewal
Berlin	6	3	Renewal
Turin	6	2	Renewal
Palermo	6	2	Renewal
Dallas	3	1	Renewal
Chiasso	3	1	Renewal
Bologna	3	2	Renewal
Rome	3	2	Renewal
Milan	2	1	Renewal
Borgomanero	6	1	Renewal
Brescia	6	1	Renewal
Cologno	6	5	Renewal
Rome - SPS	6	4	Renewal
Rome - SPS	4	2	Renewal
Milan - PGMD	6	2	Renewal
Rome - TLOGOS	6	4	Renewal
ENNOVA	6	4	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 recognised in other items of the comprehensive income statement. For completeness it is reported that the change in financial liabilities relating to the acquisition of minority shares in the extraordinary transactions described in the previous paragraphs will continue to be recorded entirely in the income statement as this has the nature of a liability for the purposes of IAS 32. With regard to financial assets, the principle establishes that the classification of assets depends on the characteristics of the financial flows relating to these assets and the business model used by the Group for managing them. The breakdown of contracts signed by the Group during the year is provided below:

- 3 multi-segment life insurance contracts for € 17,148,153 (as at 31 December 2022 € 41,074,106);
- Bond loan for € 491,853 subscribed below par for € 498,000;
- Treasury asset management for € 5,875,391.

- Multi-year Treasury Bills for € 543,090;
- Investment in Banca del Fucino for € 17,778,377.

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 and IFRS 9.

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 (or 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; while 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 2023, the Group had issued guarantees on debts and obligations of third parties and associates in the form of bank guarantees for rental security deposits, and the remainder in the form of bank guarantees for bids in tenders.

## Contingent liabilities

The Group's Companies may be involved in legal proceedings regarding various issues. Owing to the uncertainties inherent to said issues, it is normally hard to make a reliable estimate of the outflow of resources that could arise from said disputes. In the ordinary course of business, the management consults with legal advisors as well as legal and fiscal experts. TXT recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required and when the amount of the losses resulting from it can be reliably estimated. If an outflow of financial resources is possible, this fact is reported in the notes to the financial statements.

## Dividends distributed

Dividends payable are recognised as movements in equity in the period in which they are approved by the Shareholders' Meeting.

## Intragroup and transactions with related parties

The following are considered related parties of the Group:

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

- control TXT e-solutions S.p.A.;
  - are subject to joint control with TXT e-solutions S.p.A.;
  - have an interest in TXT e-solutions S.p.A. such as to exercise a significant influence;
- a) 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 II.

## REVENUES AND COSTS

### Revenues from contracts with customers

Revenues from contracts with customers are recognised when control of goods and services is transferred to the customer for an amount that reflects the fee that the Group expects to receive in exchange for those goods or services. The Group has generally concluded that it acts as the "Principal" for agreements that generate revenue as it controls the goods and services before they are transferred to the customer.

The Group considers whether there are other commitments in the contract that represent obligations to be carried out, for which a portion of the transaction fee is to be allocated (e.g., guarantees, customer loyalty schemes). In determining the price of the equipment sale transaction, the Group shall consider the effects of variable fees, significant financing components, non-monetary fees and fees payable to the customer (if any).

If the fee promised in the contract includes a variable element, the Group estimates the fee amount to which it will be entitled, in exchange for the transfer of the goods to the customer.

The variable fee is estimated when the contract is entered into and cannot be recognised until it is highly probable that when the uncertainty associated with the variable fee is subsequently resolved, there will be no significant downward adjustment to the amount of cumulative revenue that has been accounted for.

#### Application of IFRS 15

IFRS 15 was issued in May 2014, amended in April 2016, and approved in September 2016.

The standard introduces a new 5-step model applied to revenues deriving from contracts with customers:

1. Identification of the contract
2. Identification of performance obligations
3. Determining the price of the transaction
4. Distribution of the price of the transaction across the performance obligations
5. Recognition of revenues for each performance obligation

#### **(a) Revenues from software licences**

With reference to the recognition of revenues deriving from the granting of software licences (regardless of whether they are for an indefinite or fixed period), IFRS 15 establishes that in

general the recognition may occur at “a certain moment” when there are no residual commitments or obligations or expectations on the customer’s part that the entity will make changes or carry out subsequent interventions or “over time” if the entity continues to be involved and carries out significant subsequent activities that could affect the intellectual property on which the customer is claiming rights.

**(i) Revenues from licence and maintenance contracts**

The Group has analysed whether maintenance services, which include an obligation to provide the customer with the right to updates and evolutions of the licence in addition to support activities, could be classified as a performance obligation distinct and separable from the granting of the right to the licences (granted for an indefinite period) currently developed and part of the commercial offer of the Group. This analysis was conducted both in the abstract and in the context of the contract and was corroborated by evaluating the commercial practices of the Group’s business model. As, apart from marginal exceptions, licence rights and maintenance contracts are purchased together by the customer in the expectation of a certain degree of involvement, including subsequently, with reference to the licence itself and these subsequent maintenance activities cannot be carried out by entities other than the Group, since they are proprietary licences, the Group believes that the licence and the maintenance services have to be considered in application of IFRS 15 as a single contractual promise for which the overall fee is recognised over the period covered by the maintenance contract.

**(ii) Revenues from subscription contracts**

Subscription contracts grant the customer the right to exploit the Group’s software licences (which can be installed on the customer’s server or provided in a cloud) for a predetermined period with payment of a periodic fee. Software update and support activities carried out periodically can influence the intellectual property that is the subject of the licence and expose the customer to the results of these activities. For this line of revenue, recognition occurs “over time” throughout the contractual period.

**(b) Provision of services for projects**

Prior to the introduction of IFRS 15, the Group was recognising revenues from the provision of services for technological solutions projects on the basis of the projects’ progress status. In accordance with IFRS 15, in order for the revenue to be recognised “over time” one of the following criteria must be satisfied:

- the customer simultaneously receives and uses benefits deriving from the service as and when provided by the entity;
- the entity’s service creates or improves the activity (for example work in progress) that the customer controls as and when the activity is created or improved; or
- the entity’s service does not create an activity that presents an alternative use for the entity and the entity has the enforceable right to payment for the completed service until the date considered.

The Group has assessed compliance with this provision as well as the consistency of the previous accounting model with the means of measuring project progress as permitted by IFRS

15. Projects are not usually multi-year and the payment conditions do not present significant financial components. Consequently there was no significant impact on profits and the composition of shareholders' equity with reference to the recognition of revenues from services for projects.

### **(c) Other aspects**

#### **(i) Principal vs agent considerations**

The Group has not identified, in the commercial relationships currently in existence, situations in which the fee is definitively charged to distributors or retailers only once the product is provided to the end user. Otherwise, for the purposes of IFRS 15, definitive recognition of the fee only once the product is provided to the end user would have resulted in deferring recognition of the revenues until that moment.

#### **(ii) Incremental costs**

In accordance with IFRS 15 the entity must record, under assets, incremental costs for obtaining the contract with the customer, if it envisages recovering them. Incremental costs for obtaining the contract are costs that the entity incurs for obtaining the contract with the customer and that would not have been incurred if the contract had not been obtained (for example a sale commission). Costs for obtaining the contract that would have been incurred even if the contract had not been obtained must instead be recorded as expenditure at the moment at which they are incurred (unless they can be explicitly charged to the customer even if the contract is not obtained). For reasons of practical expedient, the entity can record incremental costs for obtaining the contract as expenditure at the moment at which they are incurred, if the amortisation period of the asset that the entity would otherwise have recorded does not exceed one year.

#### Sales of other assets

Revenues from the sale of licences or other capital goods are recognised when control of the goods passes to the customer. Generally, no unusual commercial deferment terms have been applied.

### **Interest income**

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is measured using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is classified as financial income in the income statement.

## **COSTS**

Costs are recognised in the financial statements when ownership of the assets to which they refer has been transferred or the services acquired have been provided, or when the relevant future benefits cannot be estimated.

Personnel costs include, consistently with their substantial nature, stock options granted to employees. For determination of these costs, refer to the paragraph “Employee benefits expense”.

Interest income and expense are recognised on an accrual basis based on interest accrued on the net value of the relevant financial assets and liabilities using the effective interest method.

## Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the entity will comply with the conditions attached to them. When grants are related to expenses, they are recognised as income; however, they are recognised on a systematic basis over the periods in which the entity recognises the expenses that the grants are intended to compensate. If a grant is related to an asset, the grant is recognised as income on a straight-line basis over the expected useful life of the relevant asset.

When the TXT Group 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 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 2023.

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	31/12/2023	Level 1	Level 2	Level 3
<b>Financial assets for which the fair value is identified</b>					
- other non-current financial assets		0	0	0	0
- other current financial assets		18,478,503	0	0	18,478,503
- HFT securities at fair value	8.10	24,058,487	6,910,334	0	17,148,153
<b>Total financial assets</b>		<b>42,536,990</b>	<b>6,910,334</b>	<b>0</b>	<b>35,626,656</b>
<b>Financial liabilities for which the fair value is identified</b>					
- other non-current financial liabilities	8.13	57,563,008	0	53,446,834	4,116,175
- other current financial liabilities	8.16	57,653,707	0	51,153,707	6,500,000
<b>Total financial liabilities</b>		<b>115,216,715</b>	<b>0</b>	<b>104,600,541</b>	<b>10,616,175</b>

Non-current financial liabilities of Level 3 (Note 8.14) include the debt for:

- TXT Novigo Earn-Out;
- PACE Canada Earn-Out;
- the TXT Working Capital Solutions acquisition as an estimate of the additional outlay for exercising the PUT/CALL option in the period 2021-2025 to purchase the remaining 40% of the company's shares;

- 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;
- the long-term portion of the Put/Call linked to the acquisition of Arcan as an estimate of the disbursements for the purchase of the residual minority interest.

Non-current financial liabilities of Level 2 (Note 8.14) include the debt for:

- medium/long-term bank loans;
- a payable to the lessor for leases and rentals pursuant to IFRS 16;

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

- Ennova Group Earn-Out (short-term portion)
- payable for acquisitions and FastCode S.p.A. Earn-Out

While for current financial liabilities of level 2 (Note 8.16) the following are included:

- the short-term portion of the payable to the lessor for leases and rentals pursuant to IFRS 16;
- the portion of short-term payable for bank loans.

The directors have furthermore checked that the fair value of cash and cash equivalents and short-term deposits, trade receivables and payables and other current assets and liabilities is close to the book value as a result of the short-term maturity of these instruments.

## Use of estimate and discretionary assessments

The preparation of the consolidated financial statements and the relevant notes in conformity with IFRSs requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and any changes are immediately recognised in the income statement. Here below are the assumptions made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Revenues from contracts with customers

The Group has carried out the following assessments, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

### *Identification of the performance obligation in a joint sale*

The Group provides maintenance and assistance services to customers, which are sold either separately or together with licenses for use, as well as professional services.

The Group has determined that for the product types offered for which it is reasonable to expect that the customer requires a level of continuous involvement from the Group over a period of time, and which require a certain period of implementation by the customer, the maintenance and assistance service contract cannot be considered separately from the license contract,





even if the latter exclusively envisages an up-front fee. The fact that the Group does not regularly grant the right to use its licences separately from the signing of a first maintenance contract, together with the consideration that maintenance services cannot reasonably be provided by other suppliers, are indicators that the customer does not tend to separately benefit from both products independently.

The Group, on the other hand, has established that professional services must be distinguished within the context of the contract and that a price must be independently allocable to them.

#### *Determination of the method for estimating the value of the recognisable variable fee*

In estimating any variable fee, the Group must use the expected value method or the most likely quantity method to estimate which method best determines the value of the fee to which it is entitled.

Before including any value of the variable fee in the transaction price, the Group shall assess whether a portion of the variable fee is subject to recognisability limits. The Group has determined that, on the basis of its past experience, economic forecasts and current economic conditions, the variable fee is not subject to uncertainties that could limit its recognisability. Furthermore, the uncertainty to which the variable fee is exposed will be subsequently resolved within a short period of time.

#### *Considerations on the significant financing component in a contract*

The Group does not usually sell with formal or expected extension of payment terms exceeding one year, for which it believes that there are no significant financing components in the commercial transactions.

#### *Determination of the time frame for project service satisfaction*

The Group has determined that the input method is the best method for determining the progress of services provided for projects (for example, the development of technological solutions, consultancy, integration services, training) since there is a direct relationship between the Group's activities (for example, the hours worked and costs incurred) and the transfer of the service to the customer. The Group recognises revenues on a cost-to-cost basis (versus the total costs expected to be incurred to complete the service). Depending on the contractual clauses, orders can be managed on a Time & Material or Fixed Price basis. With the former type, revenues are recognised on the basis of the hours actually spent on the project, calculated and accepted by the customer. The agreement with the customer is essentially based on a number of hours to be invested in the project, which can be revised, including upwards, depending on the actual use of resources. Revenues for Fixed Price orders, for which a price is fixed in advance, except for subsequent adjustments, are instead determined by applying the completion percentage to the amount of the fee for the project. The calculation of the completion percentage, determined using the Cost to Cost method, i.e., the ratio between the costs incurred and the total expected costs, takes into account the hours spent by personnel involved in the project on the reference date and any other direct costs.

## **Impairment of non-financial assets**



An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is measured based on data available from binding sale agreements between knowledgeable, willing parties for similar assets or observable market prices, less the costs of disposal. Value in use is calculated using a discounted cash flow model. Cash flow projections are based on the plan for the next five years and include neither restructurings for which the Group does not have a present obligation, nor significant future investments that will increase the return on the assets of the cash-generating unit subject to measurement. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model, as well as on the expected future cash inflows and the growth rate used to extrapolate.

### **Deferred tax**

Deferred tax assets are recognised for all unused tax losses, to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilised. Management is required to make significant estimates to determine the amount of tax assets that can be recognised based on the level of future taxable profits, when they will arise, and tax planning strategies.

### **Pension funds**

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation requires assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates, and future benefit increases. Because of the long-term nature of these plans, the estimates are subject to a significant degree of uncertainty. All assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the interest rate of corporate bonds with average terms corresponding to the estimated term of the defined-benefit obligation. The bonds are subject to further qualitative analysis and those that present a credit spread deemed excessive are removed from the population of bonds on which the discount rate is based, as they do not represent high-quality bonds.

The mortality rate is based on mortality tables available for each country. Future salary and benefit increases are based on the expected inflation rates for each country.

### **Fair value measurement of contingent considerations for business combinations**

Contingent considerations associated with business combinations are measured at the acquisition-date fair value within the scope of the business combination. Whenever the contingent consideration is a financial liability, its value is subsequently re-measured as at each reporting date.

Fair value is measured using discounted cash flows. Key assumptions take account of the probability of achieving each performance objective and the discount rate.

## 4.1. Accounting standards and interpretations applied from 1 January 2023

The accounting standards adopted in preparing the annual consolidated financial statements as at 31 December 2023 are consistent with those used in drawing up the consolidated financial statements as at 31 December 2022 and presented in the Annual Report under Note 4 “Accounting standards and basis of consolidation”.

*New IASB documents endorsed by the European Union applicable to the 2023 financial statements*

Document title issued by the IASB	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
International Tax Reform - Standard Pillar 2 Rules (Amendments to IAS 12)	23 May 2023	Immediately/1 January 2023	(EU) 2023/2468 8 November 2023	9 November 2023
IFRS 17 Insurance contracts and subsequent amendments	18 May 2017, 25 June 2020 and December 2021	1 January 2023	(EU) 2021/2036 19 November 2021  (EU) 2022/1491 8 September 2022	23 November 2021 and 9 September 2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	7 May 2021	1 January 2023	(EU) 2022/1392 11 August 2022	12 August 2022
Definition of accounting estimates (Amendments to IAS 8)	12 February 2021	1 January 2023	(EU) 2022/357 2 March 2022	3 March 2022
Disclosure of accounting policies (Amendments to IAS 1)	12 February 2021	1 January 2023	(EU) 2022/357 2 March 2022	3 March 2022

The adoption of these amendments had no impact on the financial statements of the TXT Group as at 31 December 2023.

The TXT Group has never applied IFRS 4 and, in continuity, does not apply IFRS 17.

The New Accounting Standards and Interpretations endorsed by the EU but not yet in force are outlined below:

Document title issued by the IASB	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
Lease liabilities in a sale and leaseback transaction (Amendments to IFRS 16)	22 September 2022	1 January 2024	EU 2023/2579 of 20 November 2023	21 November 2023
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	25 May 2023	1 January 2024		
<ul style="list-style-type: none"> <li>• Classification of Liabilities as Current or Non-current;</li> <li>• Classification of Liabilities as Current or Non-current - Deferral of Effective Date;</li> <li>• Non-current Liabilities with Covenants</li> </ul> (Amendments to IAS 1)	23 January 2020  15 July 2020  31 October 2022	1 January 2024  1 January 2024  1 January 2024		
Lack of Exchangeability (Amendments to IAS 21)	15 August 2023	1 January 2025		

The Directors are assessing the possible effects of the introduction of these amendments on the financial statements of the TXT Group.

## 5. Risk management

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

- Currency risk
- Interest rate risk
- Credit risk
- Liquidity and investment risk
- Other risks
  - 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 2023, approximately 20% of the Group's revenues were earned outside Italy.

Given the relatively low exposure in currencies other than the functional currency, in 2022 the Group did not enter into forward sale contracts to mitigate the impact of exchange rate volatility on the income statement.

The Group also holds controlling interests in entities that prepare their financial statements in currencies other than the Euro – the Group's functional currency. This exposes the Group to a translation risk generated as a consequence of the conversion of those subsidiaries' assets and liabilities into Euro. Management periodically monitors the main exposures to translation risk; at present, the Group has chosen to not adopt specific hedging policies against such exposures. The currencies other than the Euro are: the British Pound Sterling (0.2% of consolidated revenues as at 31 December 2023), the US Dollar (3% of consolidated revenues as at 31 December 2023), the Swiss Franc (2% of consolidated revenues as at 31 December 2023) and the Canadian Dollar (0.4% of consolidated revenues as at 31 December 2023).

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)
2023	+5%	(9,476)
	-5%	10,473
British Pound Sterling	Increase/Decrease	Effect on profit (loss)
2023	+5%	(1,518)
	-5%	1,677
Canadian Dollar	Increase/Decrease	Effect on profit (loss)
2023	+5%	(9,687)
	-5%	10,707
Swiss Franc	Increase/Decrease	Effect on profit (loss)
2023	+5%	268,144
	-5%	361,959

## Interest rate risk

The Group's active financial exposure is subject to floating interest rates, and therefore the Group is exposed to the risk deriving from their fluctuation.



At the closing date of the financial year, the company had Interest Rate Swap derivative contracts in place to hedge the interest rate risk on financial payables. For further details, reference should be made to the IFRS9 Financial instruments section of these explanatory notes.

The table below shows the impact on the consolidated income statements, deriving from a 1% increase or decrease of the interest rates to which the Group is exposed with all other conditions being equal:

(Amounts in € thousands)	31.12.2023	Interest rate change	Financial income/charges
Net financial debt	(51,721,383)		
Fixed rate payables	114,516,589		
Financial exposure (floating rate)	(166,237,972)	1%	(1,662,380)
		-1%	1,662,380

## Credit risk

Credit risk represents the Group's exposure to potential losses arising from the non-fulfilment of obligations by counterparties.

To limit this risk, the Group mainly deals with well-known and reliable customers; sales managers assess the solvency of new customers and management continuously monitors the balance of relevant receivables so as to minimise the risk of potential losses.

The table below shows the concentration of the TXT e-solutions Group's trade receivables:

	Amount in €	Concentration %
Total receivables due from customers	73,960,147	
Receivables due from customers (Top 5)	26,971,217	36.47%
Receivables due from customers (Top 10)	31,026,324	41.95%

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 22% of the Group's total trade receivables. The first five and ten customers respectively account for 36.47% and 41.95% of the total trade receivables collectible.

## Liquidity and investment risk

On the basis of cash and cash equivalents of € 37,926,613, and a negative Net Financial Debt of € 51,721,383 (see Note 13), the TXT 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 approximately € 24 million. It should be noted that these instruments can be divested at any time, even before maturity, without incurring any charges.

## Other risks

### 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, while preparing the financial statements as at 31 December 2023, the Directors have assessed that there are no material uncertainties regarding the Company's compliance with the going concern assumption.

In assessing the going concern assumption, management took into account all available information on the future that was obtained at a date after the end of the financial year pursuant to IAS 10. This information included, but was not limited to, measures undertaken by governments and banks to provide support to entities in difficulty.

In particular, in support of the assessment and conclusions reached on the going concern assumption, the directors highlighted that:

- the Group has a sustainable net financial position and the loans guarantee the Group's ability to meet liquidity needs;
- the resilience of the Group business model, based on a solid order portfolio and the relationship with large-scale customers, has enabled us to offset the slowdown in activities related to sectors hit particularly hard by the pandemic such as, for example, the "civil aviation" segment.

For further details on the performance of the period and the outlook of operations, refer to the *Directors' Report*.



## 7. Transactions with related parties

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

On 30 June 2021, the procedure governing transactions with related parties was modified; please refer to the document published on the company website.

This new procedure defines the rules governing the determination, approval and execution of transactions with related parties of TXT e-solutions S.p.A., either directly or through subsidiary companies. The purpose of this procedure is to ensure the formal and material transparency of said transactions. The procedure is available on the Company's website at [www.txtgroup.com](http://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) The 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 December 2023	Receivables	Payables	Costs	Revenues
TXT Healthprobe S.r.l.	597,652			
LAS LAB S.r.l.	35,560			
Pro Sim TS	350,962			
PayDo Srl				
Reversal SpA				
Directors and key management personnel		138,491	723,606	
<b>Total as at 31 December 2023</b>	<b>984,174</b>	<b>138,491</b>	<b>723,606</b>	<b>-</b>

As at 31 December 2022	Receivables	Payables	Costs	Revenues
Reversal S.p.A.	644			
Paradis S.r.l.			15,789	
Directors and key management personnel		100,000	581,563	
<b>Total as at 31 December 2022</b>	<b>644</b>	<b>100,000</b>	<b>663,784</b>	<b>-</b>

## Financial transactions

The amounts with Related Parties as at 31 December 2023 are shown for financial transactions:

As at 31 December 2023	Receivables	Payables	Costs	Income
Laserfin S.r.l.		1,798,876		
Pro Sim	400,000			
<b>Total as at 31 December 2023</b>	<b>400,000</b>	<b>1,798,876</b>	<b>-</b>	<b>-</b>

As at 31 December 2022	Receivables	Payables	Charges	Income
Laserfin S.r.l.		1,748,057		
<b>Total as at 31 December 2022</b>	<b>-</b>	<b>1,748,057</b>	<b>-</b>	<b>-</b>

## 8. Balance sheet

### 8.1. Goodwill

As at 31 December 2023, the item Goodwill shows a net increase of € 1,480,896 compared to the previous year. The increase is related to the acquisitions of Pace Canada, FastCode and Arcan described in § 2. Against the increase for the new acquisitions, there is a reduction in value as regards the goodwill of Ennova S.p.A., PGMD, TLogos, DM Consulting & Management, and Soluzioni Prodotti e Sistemi due to the allocation made during 2023. In addition, there was a reduction in the value of the goodwill of TXT Novigo of € 598 thousand in relation to the result of the Impairment Test, as explained in this paragraph.

A breakdown of the item as at 31 December 2023 and the comparison with 31 December 2022 is shown below:

Goodwill	Amount as at 31 December 2023	Amount as at 31 December 2022
Acquisition of Cheleo	-	5,291,072
Acquisition of TeraTron	2,749,313	2,749,313
Acquisition of Risk Solutions	116,389	116,389
Acquisition of Pace	5,369,231	5,369,231
Acquisition of TXT e-Swiss	1,891,867	1,891,867
Acquisition of Working Capital	2,724,056	2,724,056
Acquisition of HSPI	5,891,096	5,891,096
Acquisition of TXT NOVIGO	10,612,396	5,919,324
Acquisition of TXT QUENCE	1,137,387	1,137,387
Acquisition of LBA	2,848,205	2,848,205
Acquisition of Assioma	6,855,129	6,855,129
Acquisition of PGMD	2,094,727	2,891,425
Acquisition of SPS	1,755,292	3,925,973
Acquisition of TLogos	2,802,374	3,824,370
Acquisition of ENNOVA	6,381,217	9,190,511
Acquisition of DM Consulting	1,502,737	2,178,143
Goodwill PACE Canada	2,745,292	-
Acquisition of FastCode	6,041,345	-
Acquisition of Arcan	1,472,145	-
Goodwill FastCode	8,895	-
<b>TOTAL GOODWILL</b>	<b>64,999,093</b>	<b>63,518,197</b>

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, from the 2022 acquisitions (DM, Ennova, SPS, TLogos and PGMD) and from the 2023 acquisitions (FastCode, PACE Canada and Arcan) and was determined, in its various components, as follows:

- Pace's goodwill 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, in addition to 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.

- TXT Novigo's goodwill of € 10,612 thousand derives from the acquisition price of the former Cheleo of € 10,951 thousand, net of the fair value of shareholders' equity on the acquisition date of € 2,613 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 3,239 thousand and deferred tax of € 904 thousand. During the year, this goodwill was reduced by € 598 thousand as a result of the Impairment Test result. Novigo Consulting's goodwill of € 5,919 thousand derives from the acquisition price of € 9,208 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,070 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 3,076 thousand and deferred tax of € 858 thousand.
- 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.
- TXT 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 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.
- TXT e-Swiss's goodwill of € 1,892 thousand derives from the acquisition price of € 6,382 thousand, net of the fair value of shareholders' equity on the acquisition date of € 2,015 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 3,432 thousand and deferred tax of € 958 thousand.
- HSPI's goodwill of € 5,891 thousand derives from the acquisition price of € 12,064 thousand, net of the fair value of shareholders' equity on the acquisition date of € 4,592 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 2,193 thousand and deferred tax of € 612 thousand.



- TeraTron's goodwill of € 2,749 thousand derives from the acquisition price of € 10,214 thousand, net of the fair value of shareholders' equity on the acquisition date of € 5,468 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 2,769 thousand and deferred tax of € 773 thousand.
- LBA Consulting's goodwill of € 2,848 thousand derives from the acquisition price of € 4,622 thousand, net of the fair value of shareholders' equity on the acquisition date of € 837 thousand, the valuation of "Customer Relationship" intangible assets with a finite useful life of € 1,367 thousand, deferred tax of € 381 thousand and a provision for risks of € 49 thousand.
- TXT Quence 's goodwill of € 1,137 thousand derives from the acquisition price of € 2,963 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,272 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 766 thousand and deferred tax of € 214 thousand.
- DM Consulting's goodwill of € 1,502 thousand derives from the acquisition price of € 2,331 thousand, net of the fair value of shareholders' equity on the acquisition date of € 153 thousand, the valuation of "Intellectual Property" intangible assets with a finite useful life of € 745 thousand and deferred tax of € 208 thousand and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 191 and deferred tax of € 53 thousand.
- Ennova's total goodwill of € 6,381 thousand mainly derives from the acquisition price of € 9,609 thousand, net of the fair value of shareholders' equity on the acquisition date, and the valuation of "Intellectual Property" intangible assets with a finite useful life of € 1,157 thousand, net of related deferred tax of € 323 thousand, and "Customer Relationship" of € 3,881 thousand, net of related deferred tax of € 1,083 thousand.
- SPS's goodwill of € 1,755 thousand derives from the acquisition price of € 7,674 thousand, net of the fair value of shareholders' equity on the acquisition date of € 3,748 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 1,811 thousand and deferred tax of € 505 thousand.
- PGMD's goodwill of € 2,094 thousand derives from the acquisition price of € 3,959 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,067 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 1,148 thousand and deferred tax of € 320 thousand.
- TLOGOS's goodwill of € 2,802 thousand derives from the acquisition price of € 5,000 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,253 thousand, and the valuation of "Customer Relationship" intangible assets with a finite useful life of € 1,417 thousand and deferred tax of € 395 thousand.

- PACE Canada's goodwill of € 2,745 thousand
- FastCode's goodwill of € 6,050 thousand derives from the acquisition price of € 8,000 thousand, net of the fair value of shareholders' equity on the acquisition date of € 1,959 thousand.
- Arcan's goodwill of € 1,472 thousand derives from the acquisition price of € 1,690 thousand, net of the fair value of shareholders' equity on the acquisition date of € 197 thousand.

### ***Impairment test***

Pursuant to IAS 36, goodwill is not subject to amortisation, but is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired. For the purposes of this test, goodwill is allocated to the cash-generating units or groups of cash-generating units, in compliance with the highest aggregation which shall not be larger than an operating segment as defined by IFRS 8.

The impairment test consists of measuring the recoverable value of each cash-generating unit and comparing the latter with the net carrying amount of the relevant assets, including goodwill. On 13 December 2022, the methodologies and projections on which the recoverable amounts were measured were approved by the Company's Board of Directors.

In 2020, given its strategy of growth by acquisitions, the Group had started a process for the reorganisation of its segments and of the methods and processes for monitoring and analysing the results aimed at highlighting the contribution of each component to the Group's performance. Functional to this process was the transfer, in 2020, of the Banking & Finance business unit from TXT e-solutions S.p.A. to the subsidiary Assioma.Net and the amendment of the Parent Company's Articles of Association in order to also carry out holding activities. In this phase, Management, also taking into account the acquisitions of the year, had deemed it appropriate to redesign the scope of the CGUs, so that each company was considered an independent CGU.

Due to the fact that the recent acquisitions are still being integrated and given the specific nature of some products, the reallocation of goodwill to the CGUs took place directly on the basis of the amounts originally arisen at the time of the acquisition of each company.

During 2023, the Group acquired the following companies, for which it was decided not to carry out the impairment test on goodwill not yet definitively allocated: FastCode S.p.A., TXT Arcan, Simplex, PayDo, TXT Healthprobe and Pace Canada.

This decision was chosen as the companies acquired during the year and the underlying cash flow projections did not show any changes with respect to those considered at the time of acquisition.

### ***Terminal Value***

The terminal value in the DCF method, recognised at the end of the explicit forecast period of three years (i.e., 2024-2026 provided by the company, unless, where otherwise specified, of extension of the plan to 2028), is calculated assuming the investment produces a constant cash flow starting from that moment. The approach used consisted of the present value of a perpetuity growing at a constant rate  $g$ .

The estimate of the Terminal Value is generally based on the last cash flow forecast in the explicit period of the plan, appropriately modified to determine a normalised cash flow. The residual value is calculated as a perpetuity obtained by capitalising the last cash flow for the explicit period at a specific rate corresponding to WACC discount rate, adjusted for a growth or decline factor ( $g$ ).

The Terminal Value flow was assumed to be equal to that of the last year of the Plan, net of the change in working capital considered nil under the steady state regime.

The rate  $g$  used was equal to 0%.

### *Discount rate*

The discount rate used in discounting cash flows represents the estimated rate of return expected for each cash-generating unit on the market. The rate used represents the average cost of capital invested in the CGU. This rate, called Weighted Average Cost of Capital, was defined on the basis of:

$W_e$  = Weight attributed to own capital

$W_d$  = Weight attributed to minority interests (interest-bearing payables)

$i_e$  = The cost of own capital

$i_d$  = Average interest rate on minority interests (interest-bearing payables)

The cost of own capital  $i_e$  was calculated as the sum of the rate of return on risk-free assets  $r_f$  and a risk premium ( $P$ ).

The WACC was determined for each company of the TXT Group depending on the relative location (Italy, Switzerland and Germany).

Based on the above, the discount rate used for the purposes of discounting cash flows was calculated for the entire Italy area, amounting to **8.8%**, while the rate for Switzerland was **8.9%** and for Germany **8.7%**, based on the following assumptions:

- as “Free Risk” rate according to Kroll's indications for the Eurozone;
- the risk premium relating to the market was estimated at 5.5% for Italy, Switzerland and Germany;
- a “Size and Execution Premium” of 3.1% was considered (based on sector studies);
- the *levered* and *unlevered* beta was considered on the basis of the sources considered (Capital IQ) using the DAX as reference market index.

### *Sensitivity analysis*



In order to allow a more extensive assessment of the results obtained in terms of *headroom*, sensitivity tables have been prepared:

- sensitivity on the discount rate: variability of results as the g rate and WACC vary;
- sensitivity on economic results: variability of results with changes in revenues (percentage of change in revenues to be applied each year with respect to plan revenues) and EBITDA margin (change in EBITDA margin to be applied each year compared to the EBITDA margin envisaged by the plan).

Using the variables indicated above, as those considered most sensitive in relation to the company plans, the recoverable value was recalculated in relation to the baseline scenario and the difference from the carrying value was determined. Below is a table summarising the differences in the various scenarios:

Amounts in € thousand	Recoverable value and carrying value (baseline) difference	Recoverable value and carrying value (post sensitivity) difference		
		Δ WACC	Δ Revenue CAGR	Δ EBITDA Margin TC
Assiipay CGU	3,357	2,919	1,366	2,958
DM CGU	228	(117)	(1,831)	(185)
ENNOVA CGU	14,626	8,942	(61,995)	(745)
E-SWISS CGU	11,848	10,113	2,448	9,961
E-TECH CGU	54,852	47,399	7,580	45,366
HSPI CGU	17,731	14,428	(13,896)	11,387
LBA CGU	1,061	425	(3,210)	205
TXT NOVIGO CGU	84	(1,649)	(8,334)	(1,605)
PACE CGU	20,442	16,841	(893)	16,159
PGMD CGU	3,567	2,414	(2,141)	2,420
QUENCE CGU	19,633	17,302	6,873	17,072
SPS CGU	2,391	1,380	(12,485)	(589)
TLOGOS CGU	1,185	649	(666)	814
TXT Risk Solutions CGU	1,161	926	(171)	893
TeraTron CGU	4,245	2,640	(6,249)	2,139
TXT Working Capital Solutions CGU	11,326	9,093	8,434	10,742

The impairment test on consolidated goodwill is divided into two levels: "Tier1", in which the *headroom* with respect to the consolidated net invested capital is verified, and "Tier2", in which the impairment test was carried out with reference to the cash flow generating units to which the goodwill is attributable.

In this case, the CGUs correspond to the individual companies subject to line-by-line consolidation, with the exception of:

- ▶ Pace GmbH, and Pace USA, PACE Canada Aerospace & IT Inc. and TXT Next Sarl considered parts of a single German CGU (Pace CGU);
- ▶ Ennova S.p.A., Smarteast S.r.l. and TXT Assioma S.r.l. (as resulting from the spin-off that took effect from 1 January 2024), considered parts of a single Italian CGU (Ennova CGU);
- ▶ TXT e-tech S.r.l. and TXT Next Ltd. considered together as parts of a single Italian CGU (e-tech CGU);
- ▶ SPS S.r.l. and the subsidiary Butterfly S.r.l., considered parts of a single Italian CGU (SPS CGU).

Using the variables indicated above, as those considered most sensitive in relation to the company plans, the recoverable value was recalculated in relation to the baseline scenario and the difference from the carrying value was determined.

In the scenarios of TXT Assioma, XTX e-swiss SA, TXT Working Capital Solutions, TXT Risk Solutions, Pace, TeraTron, TXT Quence, LBA, AssioPay, TXT e-tech, Ennova, PGMD, SPS, TLogos and DM, the difference between the recoverable value and net book value remains largely positive.

On the other hand, it should be noted that the impairment test for the XTX Novigo CGU gave a negative result, leading to an impairment loss of € 0.6 million.

## 8.2. Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 20,900,762 as at 31 December 2023. The changes that occurred during the year are detailed below:

Intangible assets	Software licences	Research and development	Intellectual Property	Customer Relationship	Other fixed assets	TOTAL
Balances as at 31 December 2022	626,439	1,100,987	96,050	11,893,348	739,699	14,456,522
Acquisitions	1,036,326		1,902,243	8,493,315	303,429	11,735,313
Disposals	(95,400)					(95,400)
Amortisation	(280,928)	(433,789)	(408,213)	(3,762,365)	(235,653)	(5,120,948)
Other Changes	22,415	(229,411)			132,271	(74,725)
Balances as at 31 December 2023	1,308,852	437,787	1,590,080	16,624,298	939,746	20,900,762

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: they refer to the design and feasibility studies of the Bari project (i-MOLE) and to the acquisitions of the companies of the Ennova and SPS Groups.
- Intangibles under constructions and Installation Costs: this item refers to capitalisation of the costs of personnel employed in the development phases of the i-MOLE project.

The Research & Development project, entitled "i-MOLE: Innovative - Mobile Logistic Ecosystem", provides for the supply of innovative systems and specific support services for the logistics sector. The project is still in progress, and is expected to be completed by the end of the 2022 financial year. The project will end in 2023 following a request for an extension necessary to complete the development activities.

- Intellectual Property and Customer Relationship: these intangible assets were acquired as part of company acquisitions.
  - The value of these assets relating to Pace GmbH was allocated in 2016 by the directors with the help of an independent expert and the useful life for amortisation purposes was estimated at seven 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 values of Intellectual Property and Customer Relationship are both equal to € 0, net of 2023 amortisation of € 448,214 and € 39,712, respectively.
  - The value of Cheleo (now TXT Novigo)'s Customer Relationship was allocated in 2018 with the help of an independent expert and the useful life for amortisation purposes was estimated at seven years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 732,630 (net of 2023 amortisation for € 462,714).
  - The value of TXT Risk Solutions's Intellectual Property 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 five years. The Intellectual property was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 0 (net of 2023 amortisation for € 47,833).
  - The value of TXT Assioma's Customer Relationship was allocated in 2019 with the help of an independent expert and the useful life for amortisation purposes was estimated at three years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was equal to € 0 as it was fully amortised in previous years.



- The value of TXT e-swiss's Customer Relationship was allocated in 2020 with the help of an independent expert and the useful life for amortisation purposes was estimated at nine years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 2,097,406 (net of 2023 amortisation for € 381,346).
- The value of HSPI's Customer Relationship was allocated in 2021 with the help of an independent expert and the useful life for amortisation purposes was estimated at eight years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 1,325,206 (net of 2023 amortisation for € 274,181).
- The value of TeraTron's Customer Relationship was allocated in 2021 with the help of an independent expert and the useful life for amortisation purposes was estimated at eight years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 1,653,708 (net of 2023 amortisation for € 461,500).
- The value of LBA Consulting's Customer Relationship was allocated in 2022 with the help of an independent expert and the useful life for amortisation purposes was estimated at six years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 892,531 (net of 2023 amortisation for € 227,880).
- The value of TXT Novigo's Customer Relationship was allocated in 2022 with the help of an independent expert and the useful life for amortisation purposes was estimated at nine years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 2,364,122 ( net of 2023 amortisation for € 341,801).
- The value of TXT Quence's Customer Relationship was allocated in 2022 with the help of an independent expert and the useful life for amortisation purposes was estimated at six years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 510,886 (net of 2023 amortisation for € 127,722).
- The value of DM Management & Consulting's Intellectual Property and Customer Relationship was allocated in the current financial year with the help of an independent expert and the useful life for amortisation purposes was estimated at ten years. Intellectual Property and Customer Relationship were valued as part of the allocation of the higher price paid. The Intellectual Property's residual value as at 31 December 2023 was € 640,071 (net of 2023 amortisation for € 105,643). The Customer Relationship's residual value as at 31 December 2023 was equal to € 163,984 (net of 2023 amortisation for € 27,065).
- The value of Ennova's Intellectual Property and Customer Relationship was allocated in the current financial year with the help of an independent expert and the useful life for amortisation purposes was estimated at seven years. Intellectual Property and Customer Relationship were valued as part of the allocation of the higher price paid. The Intellectual Property's residual value as at



31 December 2023 was € 950,006 (net of 2023 amortisation for € 206,523). The Customer Relationship's residual value as at 31 December 2023 was equal to € 3,187,602 (net of 2023 amortisation for € 692,957).

- o The value of SPS's Customer Relationship was allocated in the current financial year with the help of an independent expert and the useful life for amortisation purposes was estimated at seven years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 1,487,550 (net of 2023 amortisation for € 323,380).
- o The value of PGMD Consulting's Customer Relationship was allocated in the current financial year with the help of an independent expert and the useful life for amortisation purposes was estimated at seven years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 962,659 (net of 2023 amortisation for € 185,144).
- o The value of TLogos's Customer Relationship was allocated in the current financial year with the help of an independent expert and the useful life for amortisation purposes was estimated at seven years. The Customer Relationship was valued as part of the allocation of the higher price paid. The residual value as at 31 December 2023 was € 1,200,510 (net of 2023 amortisation for € 216,960).

### 8.3. Tangible assets

Net of depreciation, tangible assets amounted to € 20,430,193 as at 31 December 2023. 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	Tangible s under construction	TOTAL
Balances as at 31 December 2022	7,313,108	1,964,698	151,848	4,051,454	2,153,041	1,044,524	1,544,079	70,000	18,292,752
Acquisitions	3,544,610	2,706,752	4,956		1,227,276	322,428	877,589	0	8,683,610
Disposals	(166,323)	(240,949)	(45)		(76,005)	(9,835)	(21,872)	(70,000)	(585,030)
Depreciation	(2,700,524)	(1,227,681)	(44,747)	(132,334)	(918,353)	(215,925)	(483,858)	0	(5,723,422)
Other Changes	(139,225)	(70,256)		10,532	7,365	(61,408)	15,272	0	(237,720)
Balances as at 31 December 2023	7,851,644	3,132,564	112,012	3,929,652	2,393,324	1,079,784	1,931,209	-	20,430,190

Investments in the "Electronic machinery" category mainly refer to the purchase of computer systems and hardware to bolster productive capacity, in line also with the new acquisitions carried out during the year.



The item increases in the “Buildings (lease)” category mainly includes rents linked to the new acquisitions of the year.

The increases in the “Vehicles (lease)” category relate to the vehicle fleet of the TXT Group and of the new companies of the Group.

## 8.4. Investments in associates and other equity investments

This item includes the value of the equity investments of the associated companies ReVersal S.p.A, Prosim TS, LasLab Srl and TXT Healthprobe Srl, and of the minority interests in Paydo S.p.A. and Simplex Human Tech Srl.

## 8.5. Sundry receivables and other non-current assets

“Sundry receivables and other non-current assets” as at 31 December 2023 amounted to € 18,970,447, compared with € 18,381,325 as at 31 December 2022. This item mainly includes the financial investment in the share capital of Banca del Fucino of € 17.8 million as at 31 December 2023 and the fair value of the MTM Interest Rate Swap of € 0.7 million at 31 December 2023.

## 8.6. Deferred tax assets/liabilities

The breakdown of deferred tax assets and liabilities as at 31 December 2023, compared to the figures as at the end of 2022, is shown below:

	Balances as at 31 December 2023	Balances as at 31 December 2022	Change
Deferred tax assets	604,286	1,353,525	(749,239)
Deferred tax provision	(5,234,650)	(3,669,580)	(1,565,070)
<b>Total</b>	<b>(4,630,364)</b>	<b>(2,316,055)</b>	<b>(2,314,309)</b>

Deferred tax assets mainly refer to the Revenue Recognition according to IFRS 15 of the licences of Boeing and America Airlines with respect to the criteria adopted for tax purposes in the relevant foreign jurisdiction, and to the prior losses of TXT Risk Solutions, TXT Working Capital Solutions and PACE GmbH.

The deferred tax provision mainly refers to the recognition of deferred taxes on assets acquired in 2016 with the acquisition of Pace GmbH (Customer List and Intellectual Property), in 2018 with the acquisition of Cheleo (Customer List), with the acquisition of TXT Risk Solutions (Intellectual Property), in 2019 with the acquisition of the Assioma.Net Group, and of HSPI and Mac Solutions

S.A. (Customer List) in 2020, in 2021 with the acquisition of TeraTron, TXT Quence, LBA and TXT Novigo, and in 2022 of DM, Ennova, PGMD, Soluzioni Prodotti e Sistemi, and TLogos.

## 8.7. Contractual assets

Contractual assets as at 31 December 2023 amounted to € 18,732,910 and recorded an increase of € 4,968,382 compared with the end of 2022.

Contract work in progress is recognised on the basis of the stage of completion, using the cost-to-cost method for each order. This is mainly attributable to the Parent Company, and relates to a multitude of projects.

## 8.8. Trade receivables

Trade receivables as at 31 December 2023, net of the provision for bad debts, amounted to € 74,346,424, up € 1,230,875 compared with the end of 2022.

The average DSO for the year 2023 is essentially in line with the previous year.

The item is detailed in the table below:

Trade receivables	31 December 2023	31 December 2022	Change
Gross value	75,185,686	74,069,428	1,116,258
Provision for bad debts	(839,262)	(953,880)	114,617
<b>Net value</b>	<b>74,346,424</b>	<b>73,115,549</b>	<b>1,230,875</b>

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

Provision for bad debts	31 December 2023
Opening balance	(953,880)
Release	201,718
Allocation	(244,968)
Use	157,868
<b>Closing balance</b>	<b>(839,262)</b>

The breakdown of trade receivables into coming due and past due as at 31 December 2023, compared to 31 December 2022, is shown below:

As at 31.12.23	Total	Coming due	Past due	
			0-90 days	More than 90 days



31 December 2023	73,960,147	60,921,540	8,894,360	4,144,247
31 December 2022	73,115,548	55,768,618	13,487,229	3,859,701

Trade receivables increased compared to 2022, but considering the breakdown of the receivables portfolio by past due brackets and in particular the concentration of receivables on large customers with an established presence on the national and international market, the bad debt provision is adequate.

## 8.9. Sundry receivables and other current assets

The item "Sundry receivables and other current assets", which included receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses, amounted to € 14,875,548 as at 31 December 2023, compared to € 15,351,629 as at 31 December 2022. The breakdown is shown below:

Sundry receivables and other current assets	31 December 2023	31 December 2022	Change
Receivables for research grants	2,484,579	2,581,823	- 97,244
Tax receivables	5,662,994	6,741,656	- 1,078,662
Other receivables	3,385,339	2,728,095	657,244
Other current assets	3,342,636	3,300,055	42,581
<b>Total</b>	<b>14,875,548</b>	<b>15,351,629</b>	<b>- 476,081</b>

The "receivables for research grants" item includes receivables for research financed by various institutes relating to contributions to expenditure to support research and development activities, subject to specific grant competitions; such grants will be disbursed upon completion of the development stages for the projects concerned.

The "tax receivables" item refers to advances relating to direct taxes.

Other current assets, amounting to € 3,342,636, consist of accrued income and prepaid expenses (adjustments of costs paid in advance not pertaining to the period).

## 8.10. Other short-term financial receivables

As at 31 December 2023, the item includes financial receivables from Presagis and an associated company.

## 8.11. Financial instruments at fair value

As at 31 December 2023, this item included "Financial instruments at fair value" of € 24,058,487. In particular, the net change with respect to 31 December 2022 is attributable primarily to the disinvestments of some instruments in 2023.

They consist of investments in multi-segment life insurance contracts with partially guaranteed capital for a fair value of € 17,148,153, bond loan € 491,853, treasury asset management € 5,875,391, and Treasury bills for € 543,090.



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.

## 8.12. Cash and cash equivalents

The Group's cash and cash equivalents amounted to € 37,926,613 (€ 33,014,594 as at 31 December 2022). 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 are not subject to any constraints, and there are no monetary or other types of restrictions on their transferability in Italy.

## 8.13. Shareholders' Equity

The Group's shareholders' equity amounts to € 113,869,108.

The Company's share capital as at 31 December 2023 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totalling € 6,503,125.

The reserves and retained earnings include the legal reserve (€ 1,300,625), share premium reserve (€ 7,743,733), merger surplus reserve (€ 1,911,444), the reserves for actuarial differences on post-employment benefits (negative € 1,166,471), cash flow hedge reserve (positive € 419,630 net of tax effect), translation reserve (€ 883,027), stock option reserve (€ 90,743) and retained earnings reserve (€ 80,653,957).

Shareholders' equity attributable to minority interests amounts to € 17,135. The breakdown of Shareholders' Equity reserves is as follows:

Description	Free	Required	Established by	TOTAL
		Law	Shareholders' Meeting	
Share premium reserve	7,743,733	-	-	7,743,733
Legal reserve	-	1,300,625	-	1,300,625
Merger surplus	-	-	1,911,444	1,911,444
Reserve for actuarial differences on post-employment benefits	-	-	(1,166,471)	(1,166,471)
IRS Fair Value	419,630	-	-	419,630
Reserve for retained earnings	-	-	80,653,957	80,653,957
Stock option reserve	-	-	90,743	90,743
Translation reserve	-	-	883,027	883,027

Total	8,163,364	1,300,625	82,372,699	91,836,688
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### Incentive plans

The Shareholders' Meeting held on 20 April 2023 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 14 December 2023, the Board of Directors, upon favourable opinion by the Remuneration Committee, assigned 180,000 options for the purchase of an equal number of shares of the company to seven individuals, comprising executive directors, managers with strategic responsibilities and other directors and managers of the Group, for the period 2023-2025, at the exercise price of € 16.55.

S.G. PLAN					
Options	2019	2020	2021	2022	2023
(i) Outstanding at the start of the year/period	-	135,000	108,000	54,000	18,000
(ii) granted during the year/period	135,000	-	-	-	180,000
(iii) forfeited during the year/period	-	(27,000)	(54,000)	-	-
(iv) exercised during the year/period	-	-	-	(36,000)	(18,000)
(v) expired during the year/period	-	-	-	-	-
(vi) outstanding at the end of the year/period	135,000	108,000	54,000	18,000	180,000
(vii) exercisable at the end of year/period	-	-	54,000	18,000	180,000

### Treasury shares

During 2023, the TXT share price recorded an official high of € 22.85 on 20 June 2023 and a low of € 12.86 on 2 January 2023.

On 29 December 2023, the share price was € 19.82.

The average daily trading volume on the stock exchange in 2023 was 25,448 shares, up from the daily average of 24,321 shares in 2022.

As at 31 December 2023, treasury shares were 1,300,639 (906,600 as at 31 December 2022), representing 10.00% of the shares outstanding, at an average carrying amount of € 7.96 per share. In 2023, 711,732 shares were purchased at an average price of € 18.43.

On **29 March 2023**, the following treasury shares were transferred:

- 42,073 at the agreed price of € 11.88 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 14 November 2022 for the acquisition of 100% of PGMD;
- 99,149 at the agreed price of € 12.61 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 5 December 2022 for the acquisition of 100% of TLogos.



On **18 December 2023**, 176,471 treasury shares were sold to the “PIPE” fund at a price of € 17.00 per share.

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.

## 8.14. Non-current financial liabilities

As at 31 December 2023, the item “Non-current financial liabilities” amounted to € 57,563,008 (€ 70,004,971 as at 31 December 2022):

Non-current financial liabilities	31 December 2023	31 December 2022	Change
Payable for Earn-Out	2,337,821	4,897,176	(2,559,355)
Debt Guaranteed Price		51,145	(51,145)
WKS put-call payable	744,548	1,569,984	(825,436)
TXT RISK put-call payable	199,078	199,078	0
TXT Arcan put-call payable	1,470,000	0	1,470,000
Bank loans	46,388,740	57,299,350	(10,910,610)
Non-current payables to suppliers for leases	6,422,821	5,988,237	434,584
<b>Total non-current financial liabilities</b>	<b>57,563,008</b>	<b>70,004,971</b>	<b>(12,441,962)</b>

This item includes: a) the payable for an amount of € 804,380 for the Earn-Out to be paid to the shareholders of TXT Novigo upon the fulfilment of the contractual conditions, € 1,533,441 for the Earn-Out relating to the acquisition of the CAE business unit; b) the valuation of the payable for the PUT/CALL option for € 744,548 for the acquisition of TXT Working Capital Solutions, as an estimate of the additional disbursements for the exercise of the PUT/CALL option in the 2021-2025 period for the purchase of the remaining 40% of the company’s shares. It should be noted that during the year the payable for the PUT/CALL option relating to TXT Working Capital Solutions was restated for an amount of € 825,436 following the change in the conditions on which its recognition was based; c) the non-current portion of bank loans stipulated over the years for € 46,388,740; d) the non-current portion of the financial debt for € 6,422,821 pursuant to IFRS 16; e) the long term portion of the PUT/CALL option linked to the acquisition of TXT Risk Solutions as estimate of the disbursements for the acquisition of the residual minority interest; f) the portion of the PUT/CALL option linked to the acquisition of Arcan as an estimate of the disbursements for the acquisition 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 at a 3-month EURIBOR floating rate (360) + 0.53% spread, granted to the parent company on 1 August 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 € 1,005,470 and the non-current portion amounted to € 0.
- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 0.60% spread, granted to the parent company on 27 July 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 € 500,000 and the non-current portion amounted to € 0.
- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 0.65% spread granted to the parent company on 28 July 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 € 6,116,777 and the non-current portion amounted to € 3,894,557.
- A loan for € 5,000,000 at a 3-month EURIBOR floating rate (360) + 0.80% spread granted to the parent company on 3 August 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 € 1,363,636 and the non-current portion amounted to € 0.
- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 0.85% spread granted to the parent company on 19 November 2021 by UNICREDIT S.p.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.85% per annum. As at 31 December, the residual portion amounted to € 6,666,667 and the non-current portion amounted to € 4,444,444.
- A loan for € 10,000,000 at a fixed rate of 0.61% granted to the parent company on 28 December 2021 by BANCA POPOLARE DI MILANO S.p.A. As at 31 December, the residual portion amounted to € 5,714,286 and the non-current portion amounted to € 2,857,143.
- A loan for € 5,000,000 at a fixed rate of 1.73% granted to the parent company on 12 May 2022 by BANCA POPOLARE DI MILANO S.p.A. As at 31 December, the residual portion amounted to € 2,682,927 and the non-current portion amounted to € 1,219,512.
- A loan for € 10,000,000 at a fixed rate of 1.8% granted to the parent company on 18 May 2022 by BPER. As at 31 December, the residual portion amounted to € 6,333,935 and the non-current portion amounted to € 3,834,429.



- A loan for € 2,000,000 at a 6-month EURIBOR floating rate (360) + 0.99% spread granted to the parent company on 16 June 2022 by CREDEM. As at 31 December, the residual portion amounted to € 1,097,564 and the non-current portion amounted to € 367,065.
- A loan for € 15,000,000 at a 3-month EURIBOR floating rate (360) + 1.6% spread granted to the parent company on 29 June 2022 by CREDIT AGRICOLE. As at 31 December, the residual portion amounted to € 10,663,181 and the non-current portion amounted to € 7,681,622.
- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 1.45% spread granted to the parent company on 9 November 2022 by UNICREDIT. As at 31 December, the residual portion amounted to € 8,888,888 and the non-current portion amounted to € 6,666,666.
- A loan for € 3,000,000 at a floating rate granted to the parent company on 28 February 2023 by CREDEM. As at 31 December, the residual portion amounted to € 2,382,698 and the non-current portion amounted to € 1,304,181.
- A loan for € 7,500,000 at a floating rate granted to the parent company on 23 May 2023 by BPER Banca. As at 31 December, the residual portion amounted to € 6,627,420, and the non-current portion amounted to € 4,828,487.
- A loan for € 6,000,000 at a floating rate granted to the parent company on 29 September 2023 by Credit Agricole. As at 31 December, the residual portion amounted to € 5,586,207 and the non-current portion amounted to € 4,344,828.
- A loan for € 1,700,000 at a 3-month EURIBOR floating rate (360) + 1% spread, granted to Assioma.Net on 1 October 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 € 637,500 and the non-current portion amounted to € 354,167.
- A loan for € 1,800,000 at a fixed interest rate granted to TeraTron GmbH by SPARKASSE BANK. As at 31 December, the residual portion amounted to € 1,297,051 and the non-current portion amounted to € 1,191,167.
- A loan for € 510,000 at a fixed rate granted to TXT Novigo by Banco BPM. As at 31 December, the residual portion amounted to € 225,701 and the non-current portion amounted to € 122,441.
- A loan of € 26,350 at a fixed rate granted to DM Consulting by Agos. As at 31 December, the residual portion amounted to € 17,137 and the non-current portion amounted to € 11,898.
- A loan for € 50,000 at a floating rate granted to DM Consulting by Credito Valtellinese. As at 31 December, the residual portion amounted to € 17,381 and the non-current portion amounted to € 0.
- A loan for € 50,000 at a floating rate granted to DM Consulting by Banca Popolare di Sondrio. As at 31 December, the residual portion amounted to € 16,833 and the non-current portion amounted to € 0.



- A loan for € 120,000 at a floating rate granted to DM Consulting by Unicredit S.p.A. As at 31 December, the residual portion amounted to € 48,720 and the non-current portion amounted to € 24,481.
- A loan for € 50,000 at a floating rate granted to DM Consulting by Deutsche Bank. As at 31 December, the residual portion amounted to € 11,307 and the non-current portion amounted to € 0.
- A loan for € 18,350 at a floating rate granted to DM Consulting by Argos. As at 31 December, the residual portion amounted to € 4,339 and the non-current portion amounted to € 892.
- A loan for € 30,000 at a fixed rate of 0.20% granted to DM Consulting by Credito Emiliano. As at 31 December, the residual portion amounted to € 13,760 and the non-current portion amounted to € 0.
- A loan for € 450,000 at a fixed rate of 1.570% granted to PGMD Consulting by Banca Popolare di Sondrio. As at 31 December, the residual portion amounted to € 195,557 and the non-current portion amounted to € 94,261.
- A loan for € 50,000 at a fixed rate granted to BUTTERFLY. As at 31 December, the residual portion amounted to € 22,613.
- SPS has taken out loans with various credit institutions. The residual portion amounts to € 1,365,363, the non-current portion to € 935,864.
- Ennova has taken out loans for a total of € 10,223,000 with various credit institutions. The residual portion amounts to € 3,839,250, the non-current portion to € 2,214,517.

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

- financial covenants based on which the company undertakes to comply with certain levels of financial indexes, contractually defined, the most significant of which relate the gross or net financial indebtedness with the gross operating margin (EBITDA) or the Shareholders' equity, measured on the basis of the consolidated scope of the Group according to the definitions agreed upon with the financing counterparties;
- negative pledge commitments pursuant to which the company may not create security interests or other restrictions on the corporate assets;
- pari-passu clauses based on which the loans have the same degree of priority for their repayment as the other financial liabilities and clauses for change of control, which are activated in the event of a divestment by the majority shareholder;
- limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
- some obligations toward the issuers, which may make the distribution of reserves or capital, inter alia, subject to prior notification to and consent by the lending party; certain extraordinary transactions; certain transactions for the transfer or assignment of its assets.

The measurement of financial covenants and other contractual obligations is constantly monitored by the Group (annually). At the measurement date, they were all met and if not met, the Group received “Waivers”.

Details are presented below:

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	-	1,005,470	(1,005,470)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>-</b>	<b>1,005,470</b>	<b>(1,005,470)</b>

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	-	500,000	(500,000)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>-</b>	<b>500,000</b>	<b>(500,000)</b>

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	3,894,557	6,116,777	(2,222,220)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>3,894,557</b>	<b>6,116,777</b>	<b>(2,222,220)</b>

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	-	1,363,636	(1,363,636)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>-</b>	<b>1,363,636</b>	<b>(1,363,636)</b>

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	4,444,444	6,666,666	(2,222,222)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>4,444,444</b>	<b>6,666,666</b>	<b>(2,222,222)</b>

BANCA POPOLARE DI MILANO loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	2,857,143	5,714,285	(2,857,142)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>2,857,143</b>	<b>5,714,285</b>	<b>(2,857,142)</b>

BANCA POPOLARE DI MILANO loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	1,219,512	2,682,927	(1,463,415)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>1,219,512</b>	<b>2,682,927</b>	<b>(1,463,415)</b>

BPER loan (TXT)	31.12.2023	31.12.2022	Change
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Maturity 1-5 years	3,834,429	6,333,935	(2,499,506)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>3,834,429</b>	<b>6,333,935</b>	<b>(2,499,506)</b>

CREDEM loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	367,065	1,099,010	(731,945)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>367,065</b>	<b>1,099,010</b>	<b>(731,945)</b>

CREDIT AGRICOLE loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	7,681,622	10,594,443	(2,912,821)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>7,681,622</b>	<b>10,594,443</b>	<b>(2,912,821)</b>

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	6,666,667	8,888,888	(2,222,221)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>6,666,667</b>	<b>8,888,888</b>	<b>(2,222,221)</b>

CREDEM loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	1,304,181	-	1,304,181
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>1,304,181</b>	<b>-</b>	<b>1,304,181</b>

BPER loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	4,828,487	-	4,828,487
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>4,828,487</b>	<b>-</b>	<b>4,828,487</b>

CREDIT AGRICOLE loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	4,344,828	-	4,344,828
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>4,344,828</b>	<b>-</b>	<b>4,344,828</b>

BANCA NAZIONALE DEL LAVORO loan (Assioma)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	354,167	637,500	(283,333)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>354,167</b>	<b>637,500</b>	<b>(283,333)</b>

BANCA POPOLARE DI MILANO loan (NOVIGO)	31.12.2023	31.12.2022	Change



Maturity 1-5 years	122,441	225,701	(103,260)
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>122,441</b>	<b>225,701</b>	<b>(103,260)</b>

SPARKASSE BANK loan (TERATRON)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	423,536	423,536	-
Maturity more than 5 years	767,731	873,515	(105,784)
<b>Total</b>	<b>1,191,267</b>	<b>1,297,051</b>	<b>(105,784)</b>

Loan (DM Consulting)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	37,272	129,478	(92,206)
Maturity more than 5 years			-
<b>Total</b>	<b>37,272</b>	<b>129,478</b>	<b>(92,206)</b>

Loan (PGMD Consulting)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	94,261	195,557	(101,296)
Maturity more than 5 years			-
<b>Total</b>	<b>94,261</b>	<b>195,557</b>	<b>(101,296)</b>

Loan (BUTTERFLY Consulting)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	-	22,613	(22,613)
Maturity more than 5 years			-
<b>Total</b>	<b>-</b>	<b>22,613</b>	<b>(22,613)</b>

Loan (SPS)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	931,880		931,880
Maturity more than 5 years			-
<b>Total</b>	<b>931,880</b>	<b>-</b>	<b>931,880</b>

Loan (ENNOVA)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	2,214,517	3,823,167	(1,608,650)
Maturity more than 5 years			-
<b>Total</b>	<b>2,214,517</b>	<b>3,823,167</b>	<b>(1,608,650)</b>

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

	01.01.2023	Reclassification Current - Non- Current	Business Combinations IFRS 3	FV change	Interest	New loans	31/12/2023
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Payable for WKS PUT/CALL option	1,569,984			(825,436)			744,548
Payable for TXT Risk Solutions PUT/CALL option	199,077					-	199,077
Debt Guaranteed Price	51,145			(51,145)			(0)
TXT Arcan put-call payable	-			1,470,000			1,470,000
Obligations for financial leases and rental contracts with purchase option - NON-current portion	5,988,237	(1,168,111)			110,443	1,492,252	6,422,820
Interest-bearing loans and financing - NON-current portion	57,299,351	(21,615,836)		(82,615)		10,787,841	46,388,741
Debt for Acquisitions	4,897,176	1,000,000		(3,559,355)			2,337,821
<b>Total</b>	<b>70,004,970</b>	<b>(21,783,948)</b>	<b>-</b>	<b>(3,048,551)</b>	<b>110,443</b>	<b>12,280,093</b>	<b>57,563,007</b>

## 8.15. Provision for post-employment benefits and other employee provisions

The item "Provision for post-employment benefits and other employee provisions" as at 31 December 2023 amounted to € 5,603,142.

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 2022	Allocations and IAS Provision	Uses / Payments	Actuarial gains / losses and other	Financial income / charges	Other changes (Post-employment benefits for new companies)	31 December 2023
Post-employment benefits	4,772,093	901,776	(825,312)	333,024	165,685	255,876	5,603,142
<b>Total non-current provisions relating to employees</b>	<b>4,772,092</b>	<b>901,776</b>	<b>(825,312)</b>	<b>333,024</b>	<b>165,685</b>	<b>255,876</b>	<b>5,603,142</b>

Post-employment benefits for personnel of € 5,603,142 as at 31 December 2023 (€ 4,772,093 as at 31 December 2022) 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.

	2023	2022
<b>Provision for post-employment benefits</b>	<b>5,693,934</b>	<b>4,915,824</b>
Current cost	(445,769)	(172,772)
Financial charges	165,685	21,722
Actuarial differences	333,024	(316,663)
Actuarial differences following acquisitions	-	-



Retained earnings	(143,732)	323,981
<b>Total</b>	<b>5,603,142</b>	<b>4,772,092</b>

To calculate the present value of post-employment benefits, the following assumptions regarding the future trends in the variables included in the algorithm have been used:

- The probability of death was estimated based on the census of the Italian population by age and gender taken in 2000 by ISTAT [Italy's National Institute for Statistics], reducing it by 25%;
- The probability of removal due to total and permanent disability of the employee, such as becoming disabled and leaving the company, was estimated based on disability tables currently used in the reinsurance sector, differentiated by age and gender;
- The retirement age of a generic worker was estimated assuming that the first retirement requirement for the purpose of obtaining the Mandatory General Insurance was satisfied and that the employees started paying into INPS [Italy's Social Security Institute] no later than 28 years of age. This measurement accounts for the changes to the retirement age introduced by the Monti reform in late 2011;
- As for the probability of termination of employment due to resignations and dismissals, as at the measurement date an annual 8% staff turnover rate was calculated;
- As for the probability of requests for advance payment of benefits in TXT, an annual 2.00% advance payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.

The estimated trend in salaries of an annual nominal all-inclusive 2.00% impacted the valuation of all companies except for TXT e-solutions S.p.A., TXT e-tech S.r.l. and TXT Assioma.

The estimated inflation rate used for measurement purposes was 2.2% per year.

The discount rate used for the valuations of TXT was 3.1705% per year, i.e. the rate on Bonds issued by AA-rated European Companies as at 31 December 2023 with maturity of 10+ years. The average duration of the liability was calculated at 15.4 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 €5,603,142):

Sensitivity analysis as at 31 December 2023		% Change in liabilities (DBO)			
Type of change for the specific assumption	Decrease	Increase	Decrease	Increase	
Decrease or increase of 50% in company staff turnover	-0.84%	0.41%	5,556,076	5,626,115	
Decrease or increase of 50% in frequency of advance payments	-0.91%	0.80%	5,552,154	5,647,967	
Decrease or increase of inflation by one percentage point	-0.74%	0.75%	5,561,679	5,645,166	
Decrease or increase of discount rate by one percentage point	1.73%	-1.67%	5,700,077	5,509,570	

## 8.16. Provisions for future risks and charges



The item “Provisions for future risks and charges” as at 31 December 2023 amounted to € 0.

## 8.17. Current financial liabilities

The “current financial liabilities” item amounted to € 57,653,707 (€ 51,186,555 as at 31 December 2022).

Current financial liabilities	31 December 2023	31 December 2022	Change
Bank loans	46,355,638	44,380,525	1,975,113
IFRS 16 loans	3,672,318	2,504,207	1,168,111
Debt for acquisitions - FastCode	2,500,000	-	2,500,000
DM payable	-	50,000	(50,000)
ENNOVA Earn-Out	1,000,000	2,500,000	(1,500,000)
TLOGOS Earn-Out	-	1,250,000	(1,250,000)
PGMD Earn-Out	-	500,000	(500,000)
Fast Code Earn-Out	3,000,000	-	3,000,000
Payables to EU partners	122,292	1,823	120,469
Invoices advances	1,003,459	-	1,003,459
<b>Total current financial liabilities</b>	<b>57,653,707</b>	<b>51,186,555</b>	<b>5,463,693</b>

The Bank loans item, amounting to € 46,355,638, includes:

- the short-term portion of medium/long-term loans, and in particular primarily includes the following:
  - € 1,005,470 on the loan granted by UNICREDIT S.p.A.
  - € 500,000 on the loan granted by BANCA NAZIONALE DEL LAVORO S.p.A.
  - € 2,222,220 on the loan granted by UNICREDIT S.p.A.
  - € 1,363,636 on the loan granted by BANCA NAZIONALE DEL LAVORO S.p.A.
  - € 2,222,222 on the loan granted by UNICREDIT S.p.A.
  - € 2,857,143 on the loan granted by BANCO POPOLARE DI MILANO S.p.A.
  - € 1,463,415 on the loan granted by BANCO POPOLARE DI MILANO S.p.A.
  - € 2,499,496 on the loan granted by BPER
  - € 730,500 on the loan granted by CREDEM
  - € 2,981,559 on the loan granted by CREDIT AGRICOLE
  - € 2,222,222 on the loan granted by UNICREDIT S.p.A.
  - € 1,078,516 on the loan granted by CREDEM
  - € 1,798,933 on the loan granted by BPER
  - € 1,241,379 on the loan granted by CREDIT AGRICOLE
  - Short-term payables due to banks/hot money of € 19,400,000
  - € 283,333 on the loan granted by BANCA NAZIONALE DEL LAVORO S.p.A. for TXT Assioma
  - € 105,884 on the loan granted by SPARKASSE for TeraTron GmbH

- € 103,259 on the loan granted by BANCO POPOLARE DI MILANO S.p.A. for TXT Novigo
- € 92,207 on the loans granted for DM Consulting
- € 1,624,734 on loans disbursed for Ennova
- € 429,499 on loans granted for SPS
- € 101,296 on the loan granted by Banca Popolare di Sondrio for PGMD

Short-term financial liabilities include:

- The Earn-Out linked to the acquisition of Ennova, amounting to € 1,000,000, subject to occurrence of certain contractual conditions;
- The payable linked to the acquisition of FastCode, amounting to € 2,500,000, subject to occurrence of certain contractual conditions;
- Earn-Outs linked to the acquisition of FastCode equal to € 3,000,000;
- invoices advances for € 1,003,459.

The IFRS 16 Loans item includes the € 3,672,318 payable to the Lessors due to application of IFRS 16, relating to the amount due within twelve months.

Debt to EU partners includes the financial debt to be paid to EU partners.

## 8.18. Trade payables

Trade payables as at 31 December 2023 amounted to € 21,584,829 and increased by € 942,084 compared to the previous year. Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months.

## 8.19. Tax payables

Tax payables as at 31 December 2023 amounted to € 5,973,029 and related to the income tax liability of the Parent Company and other Group companies, net of advances paid during the year.

## 8.20. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 34,760,733 as at 31 December 2023, compared with € 36,714,201 as at 31 December 2022, as detailed in the table below:

Sundry payables and other current liabilities	31 December 2023	31 December 2022	Change
Other payables	2,297,034	5,780,691	(3,483,657)
Accrued expenses and deferred income	4,624,510	4,980,000	(355,490)
Advance payments for multi-year orders	9,384,237	9,396,300	(12,063)
Payables due to social security institutions	5,290,823	4,350,857	939,966

Payables due to employees and external staff	13,164,129	12,206,353	957,776
<b>Sundry payables and other current liabilities</b>	<b>34,760,733</b>	<b>36,714,201</b>	<b>(1,953,468)</b>

“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 “Advance payments from customers for professional services” item included the advance payments received from customers against orders currently being processed.

The item “Payables due to employees and external staff” included payables for wages and salaries relating to December 2023 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 € 224,393,750 (€ 150,757,707 as at 31 December 2022), an increase of 48.8% compared to the end of last year, as detailed below:

	31 December 2023	31 December 2022	Change	% change
Revenues	200,756,834	131,578,274	69,178,560	52.6%
Other income	23,636,916	19,179,433	4,457,483	23.2%
<b>Total</b>	<b>224,393,750</b>	<b>150,757,707</b>	<b>73,636,043</b>	<b>48.8%</b>

The increase compared to 31 December 2022 is mainly due to the consolidation of all the new companies acquired during 2022. A breakdown of revenues into categories, that essentially reflects how their nature, total, distribution over time and any uncertainties affect the recognition of revenues and related cash flows, as well as the analysis of changes and performance compared to the first half of the previous year, is described in the *Directors' Report* to which reference should be made for further details.

### 9.2. Purchases of materials and external services

Purchases of materials and external services amounted to € 74,539,222, an increase over 2022, when they totalled € 47,984,077.

The item is detailed below:



	31 December 2023	31 December 2022	Change
Consumables and resale items	17,361,253	15,523,946	1,837,307
Technical consulting	26,697,347	16,567,464	10,129,883
Travel expenses	3,059,532	1,648,082	1,411,450
Utilities	1,562,000	891,187	670,813
Media & marketing services	978,270	622,393	355,877
Maintenance and repair	1,122,609	1,347,667	(225,058)
Canteen and ticket services	1,784,221	1,385,181	399,040
Administrative and legal services	12,471,934	5,919,283	6,552,651
Directors' fees	1,233,659	1,069,308	164,351
Subcontractors	8,268,399	3,009,566	5,258,833
<b>Total</b>	<b>74,539,222</b>	<b>(47,984,077)</b>	<b>26,555,145</b>

As a percentage of consolidated revenues, costs for purchasing materials and services were 33.22%, up on the previous year (31.83% as at 31 December 2022).

The overall change of € 26,555,145 compared to 31 December 2022 is mainly due to the increase of technical consulting costs of the parent company and of the subsidiaries.

### 9.3. Personnel costs

Personnel costs for 2023 amounted to € 116,034,755 and increased compared to the previous year by € 37,152,868 (+ 47.10%).

This increase is mainly due to the consolidation of the subsidiaries acquired in 2022 and the expansion of the workforce.

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

	31 December 2023	31 December 2022	Change
Wages and salaries	89,968,962	61,384,169	28,584,793
Social security costs	21,417,481	13,856,812	7,560,669
Provision for post-employment benefits and other pension funds	4,159,307	3,116,129	1,043,178
Other personnel costs	489,004	524,776	(35,772)
<b>Total</b>	<b>116,034,755</b>	<b>(78,881,887)</b>	<b>37,152,868</b>

The employees of the TXT Group, excluding directors and external consultants, numbered 2,639 as at 31 December 2023 (2,254 as at 31 December 2022), with an increase of 1,044 employees.

TXT GROUP	Office workers	Managers	Executives	Total
31.12.2019	726	52	8	786

31.12.2020	907	69	20	996
31.12.2021	1,105	80	25	1,210
31.12.2022	2,102	108	44	2,254
31/12/2023	2,461	135	43	2,639

## 9.4. Other operating costs

“Other operating costs” in 2023 amounted to € 2,187,831, compared to € 1,707,334 in 2022 (up by € 480,497).

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 2023	31 December 2022	Change
Rental expense for premises and condominiums	298,680	199,752	98,928
Rental expense for motor vehicles	307,870	129,287	178,583
Contingent liabilities	622,138	655,223	(33,085)
Other operating costs	959,144	723,072	236,072
<b>Total</b>	<b>2,187,831</b>	<b>1,707,334</b>	<b>480,497</b>

## 9.5. Depreciation, amortisation and impairment

Amortisation, depreciation and impairment in 2023 amounted to € 11,444,558, of which € 10,852,628 for amortisation and depreciation for the period, € 598,000 referring to the impairment of Cheleo (merged in 2023 into TXT Novigo).

The increase is attributable to the consolidation of the new companies acquired in 2022.

Amortisation and depreciation	31.12.2023	31.12.2022
<b>Intangible assets</b>		
Software licences	280,928	226,448
Research and development	433,789	250,531
Intellectual Property	408,213	250,257
Customer Relationship	3,762,365	2,767,100
Goodwill	8,258	-
Other fixed assets	235,653	1,954
<b>Total intangible assets</b>	<b>5,129,206</b>	<b>3,496,290</b>
<b>Tangible assets - IFRS 16 leases</b>		
Buildings	2,700,524	1,454,415
Vehicles	1,227,681	862,298



Electronic machinery	44,747	41,449
<b>Total tangible assets – IFRS 16 leases</b>	<b>3,972,952</b>	<b>2,358,162</b>
<b>Other tangible assets</b>		
Electronic machinery	1,011,213	763,135
Buildings	132,334	115,849
Furniture and fixtures	215,925	173,186
Other fixed assets	390,998	195,010
<b>Total other tangible assets</b>	<b>1,750,470</b>	<b>1,247,180</b>
<b>TOTAL AMORTISATION AND DEPRECIATION</b>	<b>10,852,628</b>	<b>7,101,632</b>

## 9.6. Financial income and charges

The positive balance between financial income and expenses as at 31 December 2023 amounts to € 835,919, compared with a positive balance of € 2,287,257 at the end of 2022.

Financial income also includes the result from the management of liquidity invested in financial instruments, which was overall positive during the year.

*Financial income includes* the positive effect deriving from the adjustment of the estimate of the variable debt component linked to the acquisition of TXT Working Capital (€ 825 thousand). The item Financial Income also includes € 1,237 thousand linked to the revaluation of the financial investment in Banca del Fucino, linked to the change in the fair value valuation of that investment.

The positive effect is mitigated by changes in Fair Value of investments for a total of € 644 thousand.

Financial income and charges as at 31 December 2023 are broken down as follows:

	31 December 2023	31 December 2022	Change
Bank interest income	7,517	1,866	5,651
Other financial income	5,275,911	4,469,858	806,053
<b>Total financial income</b>	<b>5,283,428</b>	<b>4,471,725</b>	<b>811,703</b>
Bank interest expense	(2,453,050)	(741,070)	(1,711,980)
Loss on financial instruments	-	(692,043)	692,043
Other financial charges	(765,388)	(409,300)	(356,088)
Interest expense for post-employment benefit discounting	(185,459)	(21,722)	(163,737)
Share of profit (loss) of Associates	(740,233)	(149,464)	(590,769)
Net exchange rate losses	(303,379)	(170,869)	(132,510)
<b>Total financial charges</b>	<b>(4,447,509)</b>	<b>(2,184,468)</b>	<b>(2,263,041)</b>
<b>Total</b>	<b>835,919</b>	<b>2,287,257</b>	<b>(1,451,338)</b>



	31 December 2023	31 December 2022
Bank interest income	7,517	1,866
Other financial income	643,728	-
Gains on instruments valued at FV	4,632,183	4,469,858
<b>Total financial income</b>	<b>5,283,428</b>	<b>4,471,725</b>
Bank interest expense	(2,453,050)	(741,070)
Exchange rate losses	(303,379)	(170,869)
Share of profit (loss) of Associates	(740,233)	(149,464)
Loss on instruments valued at fair value	-	(692,043)
Other financial charges	(950,846)	(431,022)
<b>Total financial charges</b>	<b>(4,447,509)</b>	<b>(2,184,468)</b>
<b>Total</b>	<b>835,919</b>	<b>2,287,257</b>

## 9.7. Income taxes

Income taxes as at 31 December 2023 amounted to € 5,511,145 and are detailed as follows:

	31 December 2023	31 December 2022	Change
Total current taxes	7,244,203	4,611,413	2,632,790
Previous years' taxes	5,260	(75,766)	81,027
Total deferred tax assets	(564,342)	515,491	(1,079,833)
Total deferred tax liabilities	(1,173,977)	(841,625)	(332,351)
<b>Total taxes</b>	<b>5,511,145</b>	<b>4,209,513</b>	<b>1,301,633</b>

Deferred tax assets and liabilities correspond to the change in the respective balance sheet items with the exception of those that did not have an impact on the income statement, such as those relating to the value of cash flow hedging instruments linked to interest on loans.

Please refer to the "Directors' Report" for further details.

	31.12.2023	31.12.2022
<b>Pre-tax profit</b>	<b>21,023,305</b>	<b>16,197,819</b>
Country tax rate (24.5%)	5,045,593	3,887,476
Adjustments for previous years' taxes	5,260	(75,766)
Permanent differences	804,102	(283,945)
Temporary differences	(1,565,070)	
Temporary differences	(749,239)	52,237
Effect of rates of other countries	397,155	(383,172)
IRAP	1,573,344	1,012,684
	<b>26%</b>	<b>45,511,146</b>
		<b>4,209,514</b>



## 10. Seasonality of operating segments

The segments in which the TXT Group operates are not subject to any seasonality as far as operations are concerned.

## 11. Net earnings per share

### Basic net earnings per share

The *basic net earnings per share* for 2023 calculated on the net profit of € 15,512,159 attributable to the Parent Company Shareholders (€ 11,988,305 as at 31 December 2022) divided by the average number of ordinary shares outstanding in 2023 of 11,705,611 amounts to € 1.33 (€ 1.01 in 2022).

### 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)	Software Engineering	Smart Solutions	Digital Advisory	Not allocated	2023
<b>REVENUES</b>	<b>146,776</b>	<b>42,887</b>	<b>34,731</b>		<b>224,394</b>
Direct costs	103,056	16,918	23,138		143,112
<b>GROSS MARGIN</b>	<b>43,720</b>	<b>25,969</b>	<b>11,593</b>		<b>81,282</b>
Research and development costs	2,396	6,564	75		9,035
Commercial costs	14,493	6,222	3,512		24,227
General and administrative costs	9,757	4,574	2,057		16,388
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>17,074</b>	<b>8,609</b>	<b>5,949</b>		<b>31,632</b>
Depreciation	3,883	1,403	437		5,723



Amortisation	2,584	1,865	680		5,129
Reorganisation and non-recurring charges	(23)	613	2		592
<b>OPERATING PROFIT (EBIT)</b>	<b>10,630</b>	<b>4,728</b>	<b>4,830</b>		<b>20,187</b>
Extraordinary/Financial income (charges)				835	835
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>10,630</b>	<b>4,728</b>	<b>4,830</b>	<b>835</b>	<b>21,023</b>
Taxes				(5,511)	(5,511)
<b>NET PROFIT</b>	<b>10,630</b>	<b>4,728</b>	<b>4,830</b>	<b>(4,676)</b>	<b>15,512</b>

## 13. Net financial debt

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

With the "Recall of attention No. 5/21" of 29 April 2021, CONSOB declared its intention to bring its supervisory practices in relation to the net financial position into line with the aforementioned ESMA guidelines. In particular, CONSOB has declared that the prospectuses approved by it, starting from 5 May 2021, must comply with the aforementioned ESMA Guidelines.

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

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

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

The application of the ESMA Guidelines and the adoption of the new definition of "Total financial debt" resulted in an increase in financial debt of € 13,451,067 as at 31 December 2023.

### Net financial debt (availability) and cost of debt

Below is a summary of the main phenomena that had an impact on net financial debt, which as at 31 December 2023 was € (51,721,383) compared to financial debt of € (38,270,316) as at 31 December 2022.

(€ thousand)	31.12.2023	31.12.2022	Change
Cash and cash equivalents	(37,926,613)	(33,014,594)	(4,912,019)
Financial instruments at fair value	(24,058,487)	(48,489,950)	24,431,463
Short-term financial receivables	(810,107)	-	(810,107)
<b>Liquid assets</b>	<b>(62,795,208)</b>	<b>(81,504,544)</b>	<b>18,709,336</b>
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	30,696,836	21,706,030	8,990,806
Current portion of non-current financial debt	26,956,873	29,480,525	(2,523,652)
<b>Current financial debt</b>	<b>57,653,709</b>	<b>51,186,555</b>	<b>6,467,154</b>
<b>Current net financial debt</b>	<b>(5,141,499)</b>	<b>(30,317,989)</b>	<b>25,176,490</b>
Non-current financial debt (excluding current portion and debt instruments)	57,563,008	70,004,970	(12,441,962)
Debt instruments	-	-	-
Non-recurring financial receivables	(700,126)	(1,416,665)	716,539
Trade payables and other non-current payables	-	-	-
<b>Non-current financial debt</b>	<b>56,862,882</b>	<b>68,588,305</b>	<b>(11,725,423)</b>
<b>Total financial debt</b>	<b>51,721,383</b>	<b>38,270,316</b>	<b>13,451,067</b>
Non-monetary debts for adjustment of the price of the 2023 acquisitions to be paid in TXT shares	(2,500,000)	(1,750,000)	(750,000)
Financial investment - Banca Del Fucino	(17,778,377)	(16,541,620)	(1,236,757)
<b>Adj. Net Available Financial Resources</b>	<b>31,443,006</b>	<b>19,978,696</b>	<b>11,464,310</b>

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

(€ thousand)	31.12.2023	31.12.2022	Change
Debt referred to IFRS 16	(10,095,139)	(8,492,444)	(1,602,695)

For additional information on changes in the Group's Net Financial Debt, see the "Directors' Report on Operations as at 31 December 2023".

## 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 2023, 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 2023:

Beneficiary name	Award date	Amount	Collection date where applicable	Entity	Project Title
TXT E-SOLUTIONS S.p.A.	08/04/2022	€ 16,800.00	21/03/2023	Lombardy Region	Continuous Training
TXT E-SOLUTIONS S.p.A.	08/04/2022	€ 26,400.00	20/01/2023	Lombardy Region	Continuous Training
DM MANAGEMENT & CONSULTING S.R.L.	28/07/2022	€ 2,000.00	30/01/2023	Chamber of Commerce of Parma	Internationalisation call for tender year 2022

Lastly, it should be noted that the Group participates in programmes financed by the European Commission, such as “Horizon 2020”, “Horizon Europe” and “European Defence Funds” with five active projects (ADMITTED, AI REGIO, XMANAI, SYNERGIES and TREASURE) and three started in 2023 (CIRC-UIITS, DA CAPO and NEUMANN); the group also participates in two projects funded by the “European Space Agency (ESA)” (IRIS phase 2 and IRIS phase 3), two German national research projects (SKAIB, D-KULT) and an Italian regional project for the Puglia Region (i-MOLE).

During 2023, TXT participated in several calls for tenders of the European Commission, the results of which are pending, and has some PNRR (National Recovery and Resilience Plan) projects in the preliminary phase.

## 15. Subsequent events

Please refer to the paragraph “*Significant events after the reporting period and outlook*” included in the Directors’ Report on Operations.

## 16. Remuneration of Directors, Statutory Auditors and Management

Transactions with directors and key management personnel refer exclusively to the fixed and variable components of their remuneration (composed of salaries as Company’s managers

and compensation for offices held). The Remuneration Report details the amounts paid to each beneficiary and the underlying policy.

## 17. External Auditors' fees

Information pursuant to Article 149-duodecies of Consob Issuers' Regulation.

The statement, prepared pursuant to Article 149-duodecies of the Consob Issuers' Regulation (resolution no. 11971), shows the fees for the financial year 2023 for auditing services and for services other than auditing rendered by the Auditing firm and by companies belonging to its network. These fees represent the costs incurred and recognised in the financial statements for the year, net of reimbursements of expenses and non-deductible VAT.

Type of service	Provider	Fees (€ '000)
Audit services	Crowe Bompani	226
	Crowe Global Network	24
Certification Services	Crowe Bompani	
	Crowe Global Network	
Other services	Crowe Bompani - Crowe Global Network	

## 18. Certification of the consolidated financial statements

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

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

- the adequacy, in relation to the company's characteristics; and

- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2023.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2023 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 2023:

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

Manager responsible for preparing corporate accounting documents  
of the Board of Directors

Chair

Eugenio Forcinito

Enrico Magni

Milan, 14 March 2024



**TXT E-SOLUTIONS S.P.A.**  
**SEPARATE FINANCIAL**  
**STATEMENTS**  
**2023**

AS AT 31 DECEMBER 2023

# TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Milano, No. 150 - 20093 Cologno Monzese (MI)

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register No.:

09768170152

## CORPORATE BODIES

### BOARD OF DIRECTORS

-  
-  
-

In office until approval of the financial statements as at 31 December 2025:

**ENRICO MAGNI**

Chair

**DANIELE MISANI**

Chief Executive Officer

**MATTEO MAGNI**

Director<sup>2-4</sup>

**PAOLO LORENZO MANDELLI**

Independent Director<sup>1-3-4</sup>

**ANTONELLA SUTTI**

Independent Director<sup>1-2-3-4</sup>

**ANTONIETTA ARIENTI**

Independent Director<sup>1-2-4</sup>

**MICHELA COSTA**

Independent Director<sup>1-3-4</sup>

- (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 20 April 2023.

### BOARD OF STATUTORY AUDITORS

In office until approval of the financial statements as at 31 December 2025:

**FRANCESCO MARIA SCORNAJENCHI**

Chair

**GIADA D'ONOFRIO**

Standing auditor

**FRANCO VERGANI**

Standing auditor

**NADIA RASCHETTI**

Alternate auditor

**FABIO MARIA  
PALMIERI**

Alternate auditor

**EDDA DELON**

Alternate auditor

Independent Auditors:  
Crowe Bonpani S.p.A.

Investors relations:

E-mail: [infofinance@txtgroup.com](mailto:infofinance@txtgroup.com)

Tel: +39 02 25771.1



## Leadership Team



**Enrico Magni**

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



**Daniele Misani**

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



**Eugenio Forcinito**

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

# Organisational Structure



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## Balance Sheet

ASSETS	Notes	31.12.2023	Of which with related parties	31.12.2022	Of which with related parties
<b>NON-CURRENT ASSETS</b>					
Goodwill		0		0	
Intangible assets with a finite useful life	8.1	26,816		44,018	
<b>Intangible assets</b>		<b>26,816</b>	<b>0</b>	<b>44,018</b>	<b>0</b>
Property, plant and equipment	8.2	3,966,243		3,677,628	
Work in progress	8.2	0		70,000	
<b>Tangible assets</b>		<b>3,966,243</b>	<b>0</b>	<b>3,747,628</b>	<b>0</b>
Investments	8.3	149,719,074		126,259,300	
Sundry receivables and other non-current assets	8.4	18,630,549	0	17,742,562	0
Deferred tax assets	8.5	87,292		277,306	
<b>Other non-current assets</b>		<b>168,436,916</b>	<b>0</b>	<b>144,279,168</b>	<b>0</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>172,429,974</b>	<b>0</b>	<b>148,070,814</b>	<b>0</b>
<b>CURRENT ASSETS</b>					
Contractual assets	8.6	4,521		15,225	
Trade receivables	8.7	9,398,291	4,451,460	4,611,540	4,561,882
Sundry receivables and other current assets	8.8	4,973,552		2,829,499	
Other short-term financial receivables	8.9	2,708,746	2,111,094	765,045	765,045
HFT securities at fair value	8.10	22,515,397		46,943,263	
Cash and cash equivalents	8.11	5,601,555		6,310,577	
<b>TOTAL CURRENT ASSETS</b>		<b>45,202,061</b>	<b>6,562,554</b>	<b>61,475,149</b>	<b>5,326,927</b>
Assets held for sale	14	0		26,568,399	
<b>TOTAL ASSETS</b>		<b>217,632,036</b>	<b>6,562,554</b>	<b>236,114,362</b>	<b>5,326,927</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes		Of which with related parties		Of which with related parties
<b>SHAREHOLDERS' EQUITY</b>					
Share capital		6,503,125		6,503,125	
Reserves		10,585,494		19,402,362	
Retained earnings (accumulated losses)		73,965,510		69,151,993	
Profit (loss) for the period		4,282,817		6,960,817	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	8.12	<b>95,336,946</b>	<b>0</b>	<b>102,018,297</b>	<b>0</b>
<b>NON-CURRENT LIABILITIES</b>					
Non-current financial liabilities	8.13	43,659,135	483,767	57,398,008	1,377,774
Provision for post-employment benefits and other employee provisions	8.14	102,895	-	61,038	-
Deferred tax provision	8.5	138,832		284,314	
Provisions for future risks and charges	8.15	0		118,905	

<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>43,900,862</b>	<b>483,767</b>	<b>57,862,265</b>	<b>1,377,774</b>
<b>CURRENT LIABILITIES</b>					
Current financial liabilities	<b>8.16</b>	70,933,836	21,331,589	55,912,559	12,116,218
Trade payables	<b>8.17</b>	5,968,545	5,024,739	3,372,264	1,459,169
Tax payables	<b>8.18</b>	222,340		1,238,488	
Sundry payables and other current liabilities	<b>8.19</b>	1,269,507	138,491	3,225,169	100,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>78,394,228</b>	<b>26,494,818</b>	<b>63,748,480</b>	<b>13,675,387</b>
<b>TOTAL LIABILITIES</b>		<b>122,295,090</b>	<b>26,978,585</b>	<b>121,610,745</b>	<b>15,053,161</b>
Liabilities held for sale	<b>14</b>	0		12,485,318	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>217,632,036</b>	<b>26,978,585</b>	<b>236,114,360</b>	<b>15,053,161</b>

## Income Statement

	31.12.2023	Of which with related parties	31.12.2022	Of which with related parties
Revenues and other income	7,995,201	-	4,621,233	4,621,233
<b>TOTAL REVENUES AND OTHER INCOME</b>	<b>7,995,201</b>	<b>-</b>	<b>4,621,233</b>	<b>4,621,233</b>
Purchases of materials and external services	(5,433,579)	(723,606)	(5,432,428)	(1,617,136)
Personnel costs	(3,526,922)		(2,238,260)	(647,995)
Other operating costs	(49,991)		(48,559)	
Depreciation and amortisation/impairment	(1,108,670)		(889,418)	
<b>OPERATING RESULT</b>	<b>(2,123,962)</b>	<b>(723,606)</b>	<b>(3,987,432)</b>	<b>2,356,102</b>
Financial income (charges)	5,282,190	800,000	4,059,587	(43,922)
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>3,158,228</b>	<b>76,394</b>	<b>72,155</b>	<b>2,312,180</b>
Income taxes	1,124,589		-	
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>4,282,817</b>	<b>76,394</b>	<b>72,155</b>	<b>2,312,180</b>
Net profit from discontinued operations			6,888,661	
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>4,282,817</b>	<b>76,394</b>	<b>6,960,816</b>	

## Comprehensive Income Statement

(Amount in €)	2023	2022
Profit (loss) for the period	4,282,817	6,960,817
Change in fair value of available-for-sale financial assets	(430,727)	1,053,432
<b>TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR NET OF TAXES</b>	<b>(430,727)</b>	<b>1,053,432</b>
Defined benefit plans actuarial gains (losses)	(14,116)	25,000

TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR NET OF TAXES	(14,116)	25,000
TOTAL PROFIT/(LOSS) OF OTHER COMPREHENSIVE INCOME NET OF TAXES	(444,843)	1,078,432
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,837,974	8,039,249

## Statement of Cash Flows

	31 December 2023	31 December 2022
Profit (loss) from continued operations	4,282,817	6,960,817
Profit (loss) from discontinued operations		
<b>Net profit (loss) for the period</b>	<b>4,282,817</b>	<b>6,960,817</b>
Non-monetary costs for Stock Options	-	-
Non-monetary interest	20,265	678,732
Change in fair value of monetary instruments	(5,272,895)	609,609
Current income taxes	(1,124,589)	1,477,580
Change in deferred taxes	44,532	390,375
Depreciation/amortisation, impairment and provisions	1,108,670	1,284,061
Other non-monetary expenses	-	-
Capital gains on sale of TXT Retail division	-	-
<b>Cash flows from (used in) operating activities (before change in working capital)</b>	<b>(941,200)</b>	<b>11,401,174</b>
<i>of which with related parties</i>	<i>5,886,070</i>	<i>2,359,977</i>
(Increase) / Decrease in trade receivables	(4,786,630)	(6,544,406)
(Increase) / Decrease in inventories	10,704	97,175
Increase / (Decrease) in trade payables	2,596,281	4,286,084
Increase / (Decrease) in other assets/liabilities	(7,701,559)	(3,871,614)
Increase / (Decrease) in post-employment benefits	27,741	(49,159)
<b>Changes in operating assets and liabilities</b>	<b>(9,853,463)</b>	<b>(6,081,920)</b>
Paid income taxes	(744,447)	(2,540,677)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>(11,539,110)</b>	<b>2,778,577</b>
<i>of which with related parties</i>	<i>(3,163,734)</i>	<i>6,748,599</i>
Increase in tangible assets	(742,120)	(899,539)
Increase in intangible assets	-	-
Net cash flow from acquisition/assignment	(6,703,763)	(38,725,313)
(Increase) / Decrease in trading securities	(2,083,470)	2,228,405
Increase / (decrease) in HFT securities at fair value	29,026,112	(2,054,764)

<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>19,496,759</b>	<b>(39,451,211)</b>
<i>of which with related parties</i>	<i>6,703,763</i>	<i>(38,725,313)</i>
Loans issued	17,263,510	33,683,189
Loans repaid	(13,771,564)	(13,815,401)
Payment of lease liabilities	(588,150)	(1,462,014)
Increase / (Decrease) in financial payables	(1,051,145)	(801,754)
Distribution of dividends	(2,147,300)	-
Interest expense	-	(291,701)
Other changes in shareholders' equity	-	-
(Purchase)/Sale of treasury shares	(8,372,026)	3,088,236
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(8,666,675)</b>	<b>20,400,555</b>
<i>of which with related parties</i>	<i>9,667,412</i>	<i>3,490,070</i>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(709,026)</b>	<b>(16,272,079)</b>
Effect of changes in exchange rates on cash flows		
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>6,310,577</b>	<b>22,582,654</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5,601,551</b>	<b>6,310,575</b>
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	(707,887)	(1,232,034)
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	707,887	1,232,034



## Statement of changes in Shareholders' Equity as at 31 December 2023

	Share capital	Legal reserve	Share premium reserve	Merger surplus	Stock options	Actuarial differences on post-employment benefits	Cash flow hedge reserve	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity	Total shareholders' equity (Minority interests)	Total shareholders' equity
<b>Balances as at 31 December 2022</b>	<b>6.603.125</b>	<b>1.300.825</b>	<b>18.115.760</b>	<b>1.911.444</b>	<b>67.293</b>	<b>(890.274)</b>	<b>897.514</b>	<b>-</b>	<b>69.151.993</b>	<b>6.960.817</b>	<b>102.018.299</b>	<b>-</b>	<b>102.018.299</b>
Profit as at 31 December 2022									6.960.817	(6.960.817)	-	-	-
Acquisitions									-	-	-	-	-
Increase/purchase					23.450		(454.177)		-	-	(430.727)	-	(430.727)
Distribution of dividends									(2.147.300)	-	(2.147.300)	-	(2.147.300)
Free capital increase									-	-	-	-	-
Sale of treasury shares			4.904.618								4.904.618		4.904.618
Purchase of treasury shares			(13.276.644)								(13.276.644)		(13.276.644)
Discounting of post-employment benefits						(14.116)					(14.116)		(14.116)
Exchange differences								-			-		-
Profit as at 31 December 2023										4.282.817	4.282.817		4.282.817
<b>as at 31 December 2023</b>	<b>6.603.125</b>	<b>1.300.825</b>	<b>7.743.734</b>	<b>1.911.444</b>	<b>90.743</b>	<b>(904.390)</b>	<b>443.337</b>	<b>-</b>	<b>73.965.511</b>	<b>4.282.817</b>	<b>95.336.947</b>	<b>-</b>	<b>95.336.947</b>

	Share capital	Legal reserve	Share premium reserve	Merger surplus	Stock options	Actuarial differences on post-employment benefits	Cash flow hedge reserve	Translation reserve	Retained earnings	Profit (loss) for the period	Total shareholders' equity	Total shareholders' equity (Minority interests)	Total shareholders' equity
<b>Balances as at 31 December 2021</b>	<b>6.603.125</b>	<b>1.300.825</b>	<b>13.027.524</b>	<b>1.911.444</b>	<b>67.293</b>	<b>(915.274)</b>	<b>(155.918)</b>	<b>-</b>	<b>64.071.663</b>	<b>5.080.331</b>	<b>90.890.513</b>	<b>-</b>	<b>90.890.513</b>
Profit as at 31 December 2021									5.080.331	(5.080.331)	-	-	-
Acquisitions									-	-	-	-	-
Increase/purchase							1.053.432		-	-	1.053.432	-	1.053.432
Distribution of dividends									-	-	-	-	-
Free capital increase									-	-	-	-	-
Sale of treasury shares			8.851.050								8.851.050		8.851.050
Purchase of treasury shares			(5.782.814)								(5.782.814)		(5.782.814)
Discounting of post-employment benefits						25.000					25.000		25.000
Exchange differences								-			-		-
Profit as at 31 December 2022										6.960.817	6.960.817		6.960.817
<b>as at 31 December 2022</b>	<b>6.603.125</b>	<b>1.300.825</b>	<b>18.115.760</b>	<b>1.911.444</b>	<b>67.293</b>	<b>(890.274)</b>	<b>897.514</b>	<b>-</b>	<b>69.151.993</b>	<b>6.960.817</b>	<b>102.018.299</b>	<b>-</b>	<b>102.018.299</b>

## Introduction

Founded in 1989, TXT e-solutions S.p.A. is a world leader in the supply of software products and strategic solutions.

It operates in dynamic markets that require high specialisation and the capacity to innovate. TXT is focused on software for the aerospace, aeronautical and automotive sector, where it offers specific products and specialist engineering services, and for the financial sector, where it concentrates on services linked to testing and software quality. Listed on the Italian

Stock Market since July 2000 in the Star segment (TXT.MI), TXT has its registered office in Cologno Monzese and offices in Italy, France, the UK, Germany, Switzerland and the USA.

The Company adopted the international accounting and financial reporting standards (IAS/IFRS) starting on 1 January 2006.

This report refers to the financial year ended 31 December 2023 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 2023 have been prepared on a cost basis, except for derivative financial instruments and other items for which the IFRS prescribe different assessment criteria. The carrying amount of underlying assets and liabilities of fair value hedges which would otherwise be carried at amortised cost is adjusted to take into account the changes in fair value attributable to the hedged risks.

As for further information relating to the nature of the company's business, business areas and operations, reference should be made to the Directors' report on operations.

The accounting policies applied in preparing the financial statements, as well as the composition of, and changes in, individual items, are illustrated below.

All amounts are expressed in Euro, unless otherwise indicated.

The publication and release of this report were approved by the Board of Directors' Meeting on 14 March 2024. 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 2023.

### **Financial statements**

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

- "Statement of financial position", prepared by classifying the assets and liabilities on a current/non-current basis.
- "Statement of Profit/(Loss)" and "Statement of Other Comprehensive Income", prepared in two separate statements, classifying costs based on their nature.

- “Cash flow statement”, determined using the indirect method provided for by IAS 7 - Cash flow statement.
- “Statement of Changes in Shareholders' Equity”.

## 2 Acquisitions

### 2.1 LAS LAB S.r.l.

On 26 January 2023, the TXT Group subscribed the share capital increase in LAS LAB Srl, by virtue of which TXT holds a minority stake representing 33% of the share capital of the innovative start-up.

LasLab was established in 2022 as an innovative start-up following the spin-off of the CAL LAS technological platform developed by Loan Agency Services S.r.l. (LAS S.r.l.), a leading non-banking operator in financial restructuring and support in the management of problematic loans (especially UTP). LAS S.r.l. is the majority shareholder of LasLab.

The equity investment is recorded at cost under the item “Equity investments in associates”.

### 2.2 Simplex Human Tech S.r.l.

On 13 April 2023, the TXT Group signed a contract for investment in the share capital of the company Simplex Human Tech S.r.l.

The investment consists of a share capital increase in Simplex reserved for TXT of € 3.0 million, against which TXT holds 15% of Simplex, a start-up born from the intuition of a former manager in the banking and insurance sector with experience in senior positions of important national groups with the aims to bring digital innovation to the insurance sector, with a main focus on the Protection and Wealth Management sectors, through a smart solution that allows the optimisation and total control of sales processes and the consequent drastic reduction in transactional costs.

The equity investment is recorded at cost under the item “Equity investments in associates”.

### 2.3 FastCode S.p.A.

On 4 December 2023, the TXT Group signed a contract for the acquisition of 100% of the share capital of FastCode S.p.A.

The consideration for the purchase of 100%, net of the earn-outs and NFP described below, was agreed between the parties at € 8.0 million, subdivided as follows: € 2.5 million in cash, € 2.5 million in TXT e-solutions S.p.A. shares sold at a price corresponding to the average share price of the 30 business days prior to the closing date, € 2.5 million as adjustment price for the NFP and EBITDA resulting as at 31 December 2023 and € 0.5 million in earn-outs upon the occurrence of specific contractual conditions.

## 2.4 PayDo S.p.A.

On 15 December 2023, the TXT Group subscribed the share capital increase, by virtue of which TXT holds a stake in PayDo representing 16.67% of the share capital of the innovative start-up.

TXT's opening investment in PayDo's share capital consists of € 2.0 million aimed at the domestic and international growth of PayDo, and the investment contract envisages further steps that will give TXT the right to increase its stake in PayDo up to at least 51% of the company's share capital following the approval of PayDo's financial statements as at 31 December 2025.

The equity investment is recorded at cost under the item "Equity investments in associates".

## 2.5 TXT Arcan S.r.l.

On 20 December 2023, the TXT Group subscribed the share capital increase in Arcan S.r.l., by virtue of which TXT holds a stake in Arcan representing 51% of the share capital of the innovative start-up.

The consideration for the purchase of 51% of Arcan S.r.l. was agreed at € 0.2 million.

TXT's opening investment in Arcan's share capital is aimed at the industrialisation and marketing of the proprietary platform, and the investment agreement envisages a Put/Call option via which TXT, within 60 days from the date of approval of Arcan's financial statements, which will close on 31 December 2025, will increase its equity investment in Arcan up to 100% of the company's share capital.

## 3 Relevant accounting standards

### ASSETS AND LIABILITIES

#### Intangible assets

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

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

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

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

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

## Research and development costs

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

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

## Software licences

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

## Tangible assets

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

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

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

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

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

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

## Leases

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

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

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

- Lease contract for the main office (Cologno Monzese)
- Portfolio of hire vehicles for the Company's staff

Lease contracts for offices:	Contractual years	Years remaining	Main Options
Cologno Monzese (MI)	6	4	Renewal

In 2021, TXT e-solutions S.p.A. changed its registered office in Cologno Monzese.

For the lease contract on the main office in Cologno Monzese, the duration set forth in the contract was used, without taking into account the early termination.

As regards vehicle lease contracts, these refer to medium/long-term rental agreements, usually for 4 years with monthly instalments paid in advance with an average value of € 540.

In the absence of a readily available implicit rate, the present value of the liabilities was determined using the Group's marginal lending rate, taking into account the duration, amount funded and underlying asset for each type of contract.

The Company has established that the differences between the rates to be applied for the different contract categories do not lead to significant differences in impact.

For further details, see Note 8.2 "Tangible assets" and Note 9.6 "Financial income and charges".

The Company's leasing liabilities are included under Non-Current Financial Liabilities (8.13) and Current Financial Liabilities (8.16).

## Impairment of non-financial assets

At the end of each reporting period, TXT assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment test is required, TXT estimates the recoverable amount of the asset. The recoverable amount is the higher between the fair value of an asset or a cash-generating unit, net of costs to sell, and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If the carrying

amount of an asset is greater than its recoverable amount, said asset has become impaired and is consequently reduced to its recoverable amount.

In measuring value in use, TXT discounts estimated future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value net of costs to sell, recent market transactions are taken into account. If it is not possible to determine such transactions, an appropriate measurement model is used. These calculations are corroborated by the appropriate valuation multipliers, quoted share prices of investee companies whose securities are publicly traded, and other available indicators of fair value.

TXT bases its impairment test on detailed budgets and forecasts prepared separately for each of the cash-generating units to which the individual assets are allocated. These budgets and forecasts generally cover a period of five years. For longer periods, a long-term growth rate used to extrapolate cash flow projections beyond the fifth year is calculated.

Impairment losses on operating assets, including losses on inventories, are recognised in the income statement in the expense categories consistent with the intended use of the impaired asset. An exception is represented by revalued assets for which the revaluation has been recognised in other comprehensive income and classified as a revaluation surplus. In these cases, the impairment loss is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus.

At the end of each reporting period, TXT assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, TXT estimates the recoverable amount of that asset. An impairment loss recognised in prior periods shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal of an impairment loss shall not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

The following criteria are used to recognise impairment losses on specific types of assets:

**a) Goodwill**

Goodwill is tested for impairment at least annually (as at 31 December) and, more frequently, when the circumstances indicate that the carrying amount may be impaired.

The impairment loss on goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill can be allocated. Wherever the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which goodwill was allocated, an impairment loss is recognised. An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

**b) Intangible assets with an indefinite useful life**

An intangible asset with an indefinite useful life is tested for impairment at least annually (as at 31 December) both as an individual asset and as a cash-generating unit, whichever is more appropriate to determine whether any impairment exists.

### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaced the corresponding regulations previously set forth in IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects relating to the project on the accounting of financial instruments: classification and measurement, impairment and hedge accounting. The Company adopted the new standard from the effective date (1 January 2018).

### **Classification and measurement of financial assets and liabilities**

The Company does not hold financial liabilities designated at FVTPL due to the adoption of the optional regime or equity instruments designated at the FV recognised in other items of the comprehensive income statement. For completeness it is reported that the change in financial liabilities relating to the acquisition of minority shares in the extraordinary transactions described in the previous paragraphs will continue to be recorded entirely in the income statement. With regard to financial assets, the principle establishes that the classification of assets depends on the characteristics of the financial flows relating to these assets and the business model used by the Group for managing them. The Company signed the following contracts during the year:

- 3 multi-segment life insurance contracts for € 16,148,153 (as at 31 December 2022 € 41,074,106);
- Bond loan for € 491,853;
- Treasury management for € 5,875,391.

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 contracts linked to bank loans expenses for which hedge accounting has been activated. Trade receivables are held for the purposes of collection at the contractual due dates of the cash flows relating to them in capital share and interest, where applicable. The Company has analysed the characteristics of the contractual cash flows of these instruments and has concluded that they comply with the criteria for valuation at amortised cost in accordance with IFRS 9. Similar conclusions can be reached for the items relating to cash and cash equivalents.

### **Initial recognition and measurement of financial assets**

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e., at amortised cost, at fair value recognised in other comprehensive income statement (OCI) and at fair value through the income statement. The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses



to manage them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied a practical expedient, the Company initially values a financial asset at its fair value plus, in the case of a financial asset not at fair value through the income statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied a practical expedient are valued at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid ('solely payments of principal and interest (SPPI)'). This assessment is referred to as the SPPI test and is carried out at instrument level.

The Company's business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The business model determines whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

A purchase or sale of a financial asset that requires delivery within a time frame generally established by regulation or convention in the marketplace (regular way trade) is recognised on the trade date, i.e., the date on which the Company commits itself to purchase or sell an asset.

### **Subsequent measurement of financial assets**

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value recognised in other comprehensive income statement with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value recognised in other comprehensive income statement without reversal of cumulative gains and losses at the time of derecognition (equity instruments);
- Financial assets at fair value through the income statement.

In general, the most important categories for the Company are the first and the fourth.

#### 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.

Company 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 hedging ratio of the relationship is the same as that resulting from the quantity of the element actually hedged by the Group and the quantity of the instrument actually used by the Group to hedge such quantity of the hedged element.

The transactions carried out by the Company, since they meet all the criteria for hedge accounting, have been accounted for as follows:

The portion of gain or loss on the hedged instrument relating to the effective portion of the hedge is recognised in other comprehensive income statement in the cash flow hedge reserve, net of tax, while the ineffective portion is recognised directly in statements of profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

## **Investments in subsidiaries and associates**

Subsidiaries are companies in which the company exercises control. Control is obtained when the Company is exposed or entitled to variable yields, deriving from its relationship with the investee company and, simultaneously, has the capacity to impact said yields by exercising its power over said entity.

Specifically, the company controls an investee company if, and only if, it has:

- power over the subject entity of the investment (i.e., it holds valid rights that grant it the current power to manage significant assets of the entity subject to investment);
- exposure or rights to variable yields deriving from the relationship with the entity subject to investment;
- the capacity to exercise its power on the entity subject to investment in order to influence the amount of its yields.

Associates are companies over which TXT e-solutions S.p.A. exercises a significant influence. Significant influence refers to the power to participate in determining the financial and operating policies of the associate without having control or joint control of the same. Significant influence is presumed when the Company holds at least 20% of the voting rights.

The considerations made to determine significant influence or joint control are similar to those required to determine control over subsidiaries.

Investments in subsidiaries and associates are recognised at cost less impairment.

On acquisition of the investment, any positive difference between the acquisition cost and the Company's share of the present value of the subsidiary's or associate's equity is therefore included in the investment's carrying amount.

Investments in subsidiaries and associates are tested for impairment at least annually, or more frequently, if necessary. If there is evidence that an impairment loss has been incurred, such loss is recognised in the income statement under impairments. If the Company's share of loss of the investee company exceeds the carrying amount of the investment, and the Company has incurred legal or constructive obligations to cover such losses, the company's interest is reduced to zero and the additional losses are recorded among liabilities. If subsequently the impairment loss no longer exists or has decreased, a reversal of the impairment loss is recognised in the income statement to the extent of the original purchase cost.

The cost of investments in foreign companies is converted into Euro at the historical acquisition and subscription exchange rates.

### **Contractual assets**

Contractual assets are measured at the lower of acquisition or production cost and market value. This refers mainly to consumables measured at acquisition cost, determined by the last cost incurred, which is an approximation of FIFO.

Contractual assets relating to projects, consisting of services not yet completed at the end of the financial year relating to indivisible contracts that will be completed during the next twelve months, are measured on the basis of the considerations agreed in relation to the stage of completion determined using the cost-to-cost method. Advance payments received from customers are deducted from inventories, to the extent that they do not exceed the consideration accrued; the remaining part is recognised as a liability.

### **Cash and cash equivalents and short-term deposits**

Cash and cash equivalents and short-term deposits comprise cash on hand and demand and short-term deposits with maturity of up to three months.

### **Treasury shares**

Treasury shares are measured at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale or cancellation of an entity's treasury shares. Any difference between the consideration paid and received, when treasury shares are reissued, is recognised in the share premium reserve. Voting and dividend rights attached to treasury shares are suspended, as is the right to receive dividends. If stock options are exercised, they are serviced with treasury shares.

### **Employee benefits expense**

#### **Post-employment benefits**

The liability relating to employee benefits paid upon or after the end of employment and relating to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions made to estimate the amount of benefit that employees have earned to date. The liability is recognised on an accrual basis over the vesting period.

Employee post-employment benefits earned up to 31 December 2006, pursuant to Article 2120 of the Italian Civil Code, are included in defined benefit plans. Indeed, subsequent to the reform of supplementary pension schemes, since 1 January 2007 post-employment benefits earned are mandatorily paid into a supplementary pension fund, or into the special Treasury Fund set up at the National Social Security Institute (INPS) if the employee exercised the specific option. Therefore, TXT's defined benefit obligation to employees exclusively regards the provisions made up to 31 December 2006.

The accounting treatment adopted by TXT since 1 January 2007 reflects the prevailing interpretation of the new law and is consistent with the accounting approach defined by the relevant professional bodies. In particular:

- Post-employment benefits earned since 1 January 2007 are considered elements of a Defined Contribution Plan even if the employee exercised the option to allocate them to the Treasury Fund at INPS. These benefits, determined based on statutory provisions and not

subject to any actuarial valuation, therefore represent negative income components recognised as labour costs.

- Post-employment benefits earned as at 31 December 2006 continue instead to represent the liability for the company's obligation under a Defined Benefit Plan. This liability will not be increased further in the future with additional provisions; therefore, unlike in the past, the component relating to future increases in salaries was excluded from the actuarial calculation made to determine the balance as at 31 December 2017.

External actuaries determine the present value of TXT's obligations using the Projected Unit Credit Method. With this method, the liability is projected into the future to determine the probable amount payable upon the end of employment and is then discounted to account for the time that will pass before the actual payment. The calculation takes into account the post-employment benefits earned for service in prior periods and is based on actuarial assumptions mainly regarding the interest rate, which reflects the market yields on high quality corporate bonds with a term consistent with the estimated term of the obligation and employee turnover.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of TXT's obligations at the end of the period, due to the change in the previously used actuarial parameters (described above), are recognised outside the income statement (in the comprehensive income statement) and directly in equity.

### **Stock option plans**

TXT e-solutions S.p.A. may recognise additional benefits to particular categories of employees who work in the Company and its subsidiaries, deemed to be "key management personnel" in terms of responsibility and/or skills through stock option plans. Pursuant to IFRS 2 – Share-Based Payment – the overall amount of the present value of the stock options at grant date is recognised systematically on a monthly basis in profit or loss as a cost during the vesting period, with a specific reserve recognised in equity. This implicit cost is determined using specific income-equity models.

The fair value of the stock options is represented by the value of the option estimated by applying the "Black-Scholes" model, which takes account of the exercise price of the option, the current price of the shares, the expected volatility, and the risk-free interest rate.

### **Contingent liabilities**

The Company may be involved in legal proceedings regarding various issues. Owing to the uncertainties inherent to said issues, it is normally hard to make a reliable estimate of the outflow of resources that could arise from said disputes. In the ordinary course of business, the management consults with legal advisors as well as legal and fiscal experts. TXT recognises a liability for said disputes when it deems it probable that an outflow of financial resources will be required and when the amount of the losses resulting from it can be reliably estimated. If an outflow of financial resources is possible, this fact is reported in the notes to the financial statements.

## Dividends

Dividends received are recorded in the income statement on an accrual basis, i.e. in the period in which the relevant right arises, following the shareholders' resolution to distribute the investee companies' dividends. If the dividend received exceeds the total comprehensive income statement of the subsidiary or associate, in the year in which it is declared, the Company assesses whether this situation may constitute an indicator of impairment of the investment.

Dividends payable are recognised as movements in equity in the period in which they are approved by the Shareholders' Meeting.

## Intragroup and transactions with related parties

The following are considered to be related parties of TXT e-solutions S.p.A.:

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

As for transactions with related parties, including intra-group transactions, it should be noted that they cannot be classified as atypical or unusual, as they fall within the course of ordinary activities of the Group's companies. Said transactions are conducted at arm's length, considering the characteristics of the goods and services provided.

Disclosure on transactions with related parties, comprising disclosure required by Consob communication dated 27 July 2006, is provided in the "Transactions with Related Parties" section of this note to the financial statements.



## Translation of foreign currency items

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

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

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

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

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

## Non-current assets held for sale and *discontinued operations*

Non-current assets and current and non-current assets of discontinued operations are classified as held for sale if the related carrying amount will be recovered mainly through the sale or spin-off rather than through continuous use. This condition is considered to be met when the sale is highly probable and the asset or discontinued operations are available for immediate sale in their current condition. For the sale of a subsidiary that involves the loss of control, all the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether, after the sale, a shareholding is maintained or not. Verification of compliance with the conditions envisaged for the classification of an item as intended for sale requires Management to make subjective assessments by formulating reasonable and realistic assumptions on the basis of the information available.

Non-current assets held for sale, current and non-current assets pertaining to discontinued operations and directly associated liabilities are recognised in the balance sheet separately from other assets and liabilities of the company.

Immediately before classification as held for sale, assets and liabilities included in discontinued operations are valued according to the accounting standards applicable to them.

Subsequently, non-current assets held for sale are not subject to amortisation and are measured at the lesser of book value and relative fair value, less sales charges. The classification as held for sale of equity investments valued according to the equity method implies the suspension of application of this valuation criterion; therefore, in this case, the carrying amount is equal to the value deriving from the application of the equity method at the date of reclassification.

Any negative difference between the carrying amount of non-current assets and the fair value less sales charges is recognised in the income statement as impairment; any subsequent reversals are recognised up to the amount of the impairment recognised previously, including those recognised prior to classification of the asset as held for sale.

Non-current assets and current and non-current assets (and any liabilities associated with them) of discontinued operations, classified as held for sale, constitute a discontinued operation if, alternatively: (i) they represent a significant stand-alone business unit or a significant geographical area of activity; (ii) they are part of a plan to dispose of a significant independent business unit or a significant geographical area of activity; or (iii) they refer to a subsidiary acquired exclusively for the purpose of its sale. The results of discontinued operations, as well as any capital gains/losses realised following the disposal, are indicated separately in the income statement in a specific item, net of the related tax effects, including for the years under comparison.

## REVENUES AND COSTS

### Revenues from contracts with customers

Revenues from contracts with customers are recognised when control of goods and services is transferred to the customer for an amount that reflects the fee that the Company expects to receive in exchange for those goods or services. The Company has generally concluded that it acts as the principal for agreements that generate revenue as it controls the goods and services before they are transferred to the customer.

The Company considers whether there are other commitments in the contract that represent obligations to be carried out, for which a portion of the transaction fee is to be allocated (e.g., guarantees, customer loyalty schemes). In determining the price of the equipment sale transaction, the Company shall consider the effects of variable fees, significant financing components, non-monetary fees and fees payable to the customer (if any).

If the fee promised in the contract includes a variable element, the Company estimates the fee amount to which it will be entitled, in exchange for the transfer of the goods to the customer.

The variable fee is estimated when the contract is entered into and cannot be recognised until it is highly probable that when the uncertainty associated with the variable fee is subsequently resolved, there will be no significant downward adjustment to the amount of cumulative revenue that has been accounted for.

### Sales of other assets

Revenues from the sale of licences or other capital goods are recognised when control of the goods passes to the customer. Generally, no unusual commercial deferment terms have been applied.

## Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is measured using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is classified as financial income in the income statement.

## COSTS

Expenses are recognised in the financial statements when ownership of the assets to which they refer has been transferred or the services acquired have been provided, or when the relevant future benefits cannot be estimated.

Personnel costs include, consistently with their substantial nature, stock options/grants provided to employees. In determining these costs, reference is made to the comments in the "Employee benefits expense" section concerning the policies adopted in preparing the consolidated financial statements.

Interest income and expense are recognised on an accrual basis based on interest accrued on the net value of the relevant financial assets and liabilities using the effective interest method.

## Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the entity will comply with the conditions attached to them. When grants are related to expenses, they are recognised as income; however, they are recognised on a systematic basis over the periods in which the entity recognises the expenses that the grants are intended to compensate. If a grant is related to an asset, the grant is recognised as income on a straight-line basis over the expected useful life of the relevant asset.

When TXT receives a non-monetary grant, the asset and the grant are recognised at their nominal amount in the income statement on a straight-line basis over the expected useful life of the relevant asset. In case of loans or similar forms of assistance granted by government bodies or similar institutions at a below-market rate of interest, the benefit associated with the favourable interest rate is treated as an additional government grant.

## INCOME TAXES

### Current taxes

Current taxes are measured at the amount expected to be paid to the taxation authorities. The tax rates and laws used to calculate the amount are those that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised outside the income statement if the tax relates to items that are recognised outside the income statement, and is therefore recognised in equity or in other comprehensive income statement, consistently with the recognition of the item it relates to. Management periodically assesses the tax position taken in the tax return with respect to situations in which tax laws are subject to interpretation and makes provisions where appropriate.

### **Deferred tax**

Deferred tax is calculated using the so-called "liability method" on the temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that it arises from:

- the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures that may be controlled and is unlikely to occur in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences as well as the unused tax losses and unused tax credits can be utilised, unless:

- the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- the deferred tax asset for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures is recognised only to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed annually at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised outside the income statement if the tax relates to items that are recognised outside the income statement, and is therefore recognised in equity or in other comprehensive income statement, consistently with the recognition of the item it relates to.

Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax relates to the same taxable entity and the same taxation authority.

Tax benefits acquired in a business combination, but that do not satisfy the criteria for separate recognition as at the acquisition date, are subsequently recognised where required when there is new information about changes in facts and circumstances. The adjustment is either treated as a reduction of goodwill (to the extent that it does not exceed goodwill), if it is recognised within the measurement period, or in the income statement, if recognised afterwards.

## Indirect taxes

Expenses, revenue and assets are recognised net of value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services cannot be deducted, in which case it is recognised as part of the asset's acquisition cost or part of the expense recognised in the income statement;
- trade receivables and payables include the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the tax authorities is recognised as part of trade receivables or payables, depending on whether the balance is positive or negative.

## FAIR VALUE HIERARCHY

For measurements of financial instruments recognised in the balance sheet, IFRS 13 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

- Level 1: quoted prices in an active market for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted prices included within level 1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs that are not based on observable market data.

No transfers between hierarchical levels occurred during the financial year 2023.

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	31/12/2023	Level 1	Level 2	Level 3
<b>Financial assets for which the fair value is identified</b>					
- other non-current financial assets		-	-	-	-
- other short-term financial receivables	8.9	18,360,548			18,360,548
- HFT securities at fair value	8.10	22,515,397	5,875,391	-	16,640,006
<b>Total financial assets</b>		<b>40,875,945</b>	<b>5,875,391</b>	<b>-</b>	<b>35,000,554</b>
<b>Financial liabilities for which the fair value is identified</b>					
- other non-current financial liabilities	8.13	43,659,135	-	42,854,755	804,380
- other current financial liabilities	8.16	70,933,836	-	64,433,835	6,500,002
<b>Total financial liabilities</b>		<b>114,592,972</b>	<b>-</b>	<b>107,288,590</b>	<b>7,304,382</b>

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

- Novigo Earn-Out

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

- a payable for medium/long-term bank loans;
- a payable to the lessor for leases and rentals, pursuant to IFRS 16 (for the portion to be repaid beyond 12 months).

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

- Ennova S.p.A Group Earn-Out (short-term portion);
- Debt for acquisition of FastCode.

While for current financial liabilities of level 2 (Note 8.16) the following are included:

- the portion of short-term payable for bank loans;
- the short-term portion of the payable to the lessor for leases and rentals pursuant to IFRS 16;
- the payable for loans received from subsidiaries through cash pooling contracts.

The directors have furthermore checked that the fair value of cash and cash equivalents and short-term deposits, trade receivables and payables and other current assets and liabilities is close to the book value as a result of the short-term maturity of these instruments.

### Guarantees issued, obligations

As at 31 December 2023, the Company issued guarantees on debts and obligations of third parties and associates amounting to € 788 thousand, in particular € 265 thousand in the form of bank guarantees for rental security deposits, and the remainder in the form of bank guarantees for bids in tenders.

The Company has contractual obligations with reference to lease contracts for its offices and for the vehicle fleet for staff use with contracts stipulated for an average duration of 48 months.

## 4 Use of estimate and discretionary assessments

The preparation of the Company's financial statements and the relevant notes in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures relating to contingent assets and liabilities at the reporting date. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and any changes are immediately recognised in the income statement. Here below are the assumptions made about the future and

other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Revenues from contracts with customers

The Company has carried out the following assessments, which have a significant impact on the determination of the amount and timing of revenue recognition from contracts with customers:

#### *Identification of the performance obligation in a joint sale*

The Company provides maintenance and assistance services to customers who have been sold, either separately or together, licenses for use, as well as professional services.

The Company has determined that for the product types offered for which it is reasonable to expect that the customer requires a level of continuous involvement from the Group over a period of time, and which require a certain period of implementation by the customer, the maintenance and assistance service contract cannot be considered separately from the license contract, even if the latter exclusively envisages an up-front fee. The fact that the Company does not regularly grant the right to use its licences separately from the signing of a first maintenance contract, together with the consideration that maintenance services cannot reasonably be provided by other suppliers, are indicators that the customer does not tend to separately benefit from both products independently.

The Company, on the other hand, has established that professional services must be distinguished within the context of the contract and that a price must be independently allocable to them.

#### *Determination of the method for estimating the value of the recognisable variable fee*

In estimating any variable fee, the Company must use the expected value method or the most likely quantity method to estimate which method best determines the value of the fee to which it is entitled.

Before including any value of the variable fee in the transaction price, the Company shall assess whether a portion of the variable fee is subject to recognisability limits. The Company has determined that, on the basis of its past experience, economic forecasts and current economic

conditions, the variable fee is not subject to uncertainties that could limit its recognisability. Furthermore, the uncertainty to which the variable fee is exposed will be subsequently resolved within a short period of time.

#### *Considerations on the significant financing component in a contract*

The Company does not usually sell with formal or expected extension of payment terms exceeding one year, for which it believes that there are no significant financing components in the commercial transactions.

#### *Determination of the time frame for project service satisfaction*

The Company has determined that the input method is the best method for determining the progress of services provided for projects (such as the development of technological solutions, consultancy, integration services, training) since there is a direct relationship between the Company's activities (for example, the hours worked and costs incurred) and the transfer of the service to the customer. The Company recognises revenues on a cost-to-cost basis (including the total costs expected to be incurred to complete the service). Depending on the contractual clauses, orders can be managed on a Time & Material or Fixed Price basis. With the former type, revenues are recognised on the basis of the hours actually spent on the project, calculated and accepted by the customer. The agreement with the customer is essentially based on a number of hours to be invested in the project, which can be revised, including upwards, depending on the actual use of resources. Revenues for Fixed Price orders, for which a price is fixed in advance, except for subsequent adjustments, are instead determined by applying the completion percentage to the amount of the fee for the project. The calculation of the completion percentage, determined using the Cost to Cost method, i.e., the ratio between the costs incurred and the total expected costs, takes into account the hours spent by personnel involved in the project on the reference date and any other direct costs.

### **Impairment of non-financial assets**

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is measured based on data available from binding sale agreements between knowledgeable, willing parties for similar assets or observable market prices, less the costs of disposal. Value in use is calculated using a discounted cash flow model. Cash flow projections are based on the plan for the next five years and include neither restructurings for which TXT does not have a present obligation, nor significant future investments that will increase the return on the assets of the cash-generating unit subject to measurement. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model, as well as on the expected future cash inflows and the growth rate used to extrapolate. The key assumptions used to determine the recoverable amount for the various cash-generating units, including a sensitivity analysis, are detailed in Note 1.4.

### **Deferred tax**



Deferred tax assets are recognised for all unused tax losses, to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilised. Management is required to make significant estimates to determine the amount of tax assets that can be recognised based on the level of future taxable profits, when they will arise, and tax planning strategies.

## Pension funds

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation requires assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates, and future benefit increases. Because of the long-term nature of these plans, the estimates are subject to a significant degree of uncertainty. All assumptions are reviewed annually.

In determining the appropriate discount rate, the directors use the interest rate of corporate bonds with average terms corresponding to the estimated term of the defined-benefit obligation. The bonds are subject to further qualitative analysis and those that present a credit spread deemed excessive are removed from the population of bonds on which the discount rate is based, as they do not represent high-quality bonds.

The mortality rate is based on mortality tables available for each country. Future salary and benefit increases are based on the expected inflation rates for each country. Further details, including a sensitivity analysis, are provided in Note 1.13.

## 5 New accounting standards, interpretations and amendments adopted by the Company

The accounting standards adopted in preparing the annual consolidated financial statements as at 31 December 2023 are consistent with those used in drawing up the consolidated financial statements as at 31 December 2022 and presented in the Annual Report under Note 4 "Accounting standards and basis of consolidation".

### New IASB documents endorsed by the European Union applicable to the 2023 financial statements

Document title issued by the IASB	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
International Tax Reform - Standard Pillar 2 Rules (Amendments to IAS 12)	23 May 2023	Immediately/1 January 2023	(EU) 2023/2468 8 November 2023	9 November 2023

IFRS 17 Insurance contracts and subsequent amendments	18 May 2017, 25 June 2020 and December 2021	1 January 2023	(EU) 2021/2036 19 November 2021  (EU) 2022/1491 8 September 2022	23 November 2021 and 9 September 2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	7 May 2021	1 January 2023	(EU) 2022/1392 11 August 2022	12 August 2022
Definition of accounting estimates (Amendments to IAS 8)	12 February 2021	1 January 2023	(EU) 2022/357 2 March 2022	3 March 2022
Disclosure of accounting policies (Amendments to IAS 1)	12 February 2021	1 January 2023	(EU) 2022/357 2 March 2022	3 March 2022

The adoption of these amendments had no impact on the financial statements of the TXT Group as at 31 December 2023.

The TXT Group has never applied IFRS 4 and, in continuity, does not apply IFRS 17.

The New Accounting Standards and Interpretations endorsed by the EU but not yet in force are outlined below:

Document title issued by the IASB	Date of publication of the IASB document	Effective date	Number and date of EU endorsement regulation	Date of publication in the OJEU
Lease liabilities in a sale and leaseback transaction (Amendments to IFRS 16)	22 September 2022	1 January 2024	EU 2023/2579 of 20 November 2023	21 November 2023
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	25 May 2023	1 January 2024		
<ul style="list-style-type: none"> <li>• Classification of Liabilities as Current or Non-current;</li> <li>• Classification of Liabilities as Current or Non-current - Deferral of Effective Date;</li> <li>• Non-current Liabilities with Covenants</li> </ul> (Amendments to IAS 1)	23 January 2020  15 July 2020  31 October 2022	1 January 2024  1 January 2024  1 January 2024		
Lack of Exchangeability (Amendments to IAS 21)	15 August 2023	1 January 2025		

The Directors are assessing the possible effects of the introduction of this amendment on the financial statements of the TXT Group.

## 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 € 5,601,555 as at 31 December 2023 (€ 6,310,577 as at 31 December 2022) and despite a positive Net Financial Debt of € 58,110,742 (see the financial position in paragraph 11 "Net Financial Position") the liquidity risk for TXT is limited.

### Financial Risks

#### Currency risk

The Company's exposure to currency risk derives from the different geographical distribution of the Company's production operations and commercial activities. This exposure is mainly the result of sales in currencies other than the functional currency.

In order to manage the economic impact deriving from the exchange rate fluctuations with respect to the Euro (mainly of the US Dollar), TXT has entered into forward sale contracts to mitigate the impact of exchange rate volatility on the income statement. Currency forward sales and purchases are not specific for each transaction but are carried out based on the overall balance by currency and typically have a quarterly duration.

As at 31 December 2023, there were no currency hedge contracts.

#### Interest rate risk

The Company's financial debt is predominately characterised by floating interest rates, and therefore the Company is exposed to the risk deriving from their fluctuation.

At the end of the reporting period, the Company has not entered in any derivative contracts for the purpose of hedging interest rate risk.

The net financial exposure subject to floating rates is connected to the Group's centralised treasury management.

The table below shows the impact on the income statement deriving from a 1% increase or decrease in the interest rates to which TXT is exposed, with all other conditions being equal:

(Amounts in € thousands)	31.12.2023	Interest rate change	Financial income/charges
Net Financial Position (NFP)	- 82,935,102		
Fixed rate payables	114,592,970		
Financial exposure (floating rate)	31,657,868	1%	316,579
		-1%	- 316,579

### Liquidity and investment risk

On the basis of cash and cash equivalents of € 5,601,555 and despite a positive Net Financial Debt of € 82,935,102 (see Note 11), the Company does not deem itself to be exposed to significant liquidity risks at present.

The Company's financial instruments are exposed to market risk deriving from uncertainties around the market values of assets and liabilities produced by changes in interest rates, exchange rates and asset prices. TXT manages price risk through diversification and by setting individual or total limits on securities. Portfolio reports are regularly submitted to the company's management. The company's Board of Directors reviews and approves all investment decisions.

At the reporting date, the fair value of financial instruments was € 47 million. It should be noted that these instruments may be divested at any time, even before maturity, without incurring any charges.

### Other risks

#### 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 2023, 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 2023

### 8 Balance sheet

#### 8.1 Intangible assets with a finite useful life

Intangible assets with a finite useful life amounted to € 26,816 as at 31 December 2023, 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 2022	44,018	44,018
Acquisitions	0	0
Amortisation	(17,201)	(17,201)
Balances as at 31 December 2023	26,817	26,817

Balances as at 31 December 2022	Software licences	TOTAL
Historical cost	235,436	235,436
Accumulated amortisation and impairment	(208,620)	(208,620)
Net value	26,816	26,816

## 8.2 Tangible assets

Net of depreciation, tangible assets amounted to € 3,966,243 as at 31 December 2023. The changes that occurred during the year are detailed below:

Tangible assets	Plants	Electronic machinery	Furniture and fixtures	Buildings (lease)	Vehicles (lease)	Work in progress	TOTAL
Balances as at 31 December 2022	222,809	385,454	348,881	2,562,766	157,718	70,000	3,747,629
Acquisitions	160,740	303,727	33,555	765,785	186,200		1,450,007
Disposals		(39,783)			(30,018)	(70,000)	(139,801)
Depreciation	(80,035)	(183,935)	(52,179)	(663,932)	(111,509)		(1,091,590)
Other Changes	0		-	-	-		0
Balances as at 31 December 2023	303,514	465,462	330,257	2,664,620	202,390	0	3,966,244

Balances as at 31.12.2023	Plants	Electronic machinery	Furniture and fixtures	Buildings (lease)	Vehicles (lease)	Work in progress	TOTAL
Historical cost	446,905	1,721,796	722,460	6,049,346	1,417,779		10,358,287
Accumulated depreciation	(143,391)	(1,256,333)	(392,204)	(3,384,728)	(1,215,389)	0	(6,392,044)
<b>Net value</b>	<b>303,515</b>	<b>465,463</b>	<b>330,257</b>	<b>2,664,619</b>	<b>202,390</b>	<b>0</b>	<b>3,966,243</b>

The present amount of accumulated depreciation is deemed adequate in relation to the estimated remaining useful life.

The increases in the "vehicles (lease)" category relate to TXT e-solutions S.p.A.'s vehicle fleet.

## 8.3 Investments

The item "Investments" amounts to € 149,719,074 as at 31 December 2023, compared to € 126,259,296 as at 31 December 2022.

	Balances as at 31 December 2022	Acquisitions/(Disposals)	Balances as at 31 December 2023
Investments in subsidiaries	125,070,896	18,108,775	143,179,674
Investments in associates	1,188,400	5,351,000	6,539,400
<b>Investments</b>	<b>126,259,296</b>	<b>23,459,775</b>	<b>149,719,074</b>

Relating to equity investments in directly controlled companies, the changes during the year are as follows:

Company name	Balances as at 31 December 2022	Acquisitions/(Disposals)	Balances as at 31 December 2023
--------------	---------------------------------	--------------------------	---------------------------------

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 S.r.l.	1,376,000		1,376,000
TXT Assioma S.r.l.	11,880,049	- 3,358,938	8,521,111
AssioPay S.r.l.	4,010,739		4,010,739
TXT Working Capital S.r.l.	800,000		800,000
HSPI S.p.A.	12,064,169		12,064,169
TXT Consortium	3,500		3,500
TXT e-swiss SA	6,381,749	37,082	6,418,831
TeraTron GmbH	10,214,175		10,214,175
LBA Consulting S.r.l.	4,622,234		4,622,234
TXT Novigo S.r.l.	9,207,994	10,950,819	20,158,813
TXT Quence S.r.l.	2,962,782		2,962,782
TXT E-Tech Srl	10,000	14,236,844	14,246,844
Ennova S.p.A.	18,800,001		18,800,001
Soluzioni Prodotti Sistemi S.r.l.	7,673,988	- 1,000,000	6,673,988
DM Consulting&Management S.r.l.	2,331,210		2,331,210
TLOGOS S.r.l.	5,000,000		5,000,000
PGMD Consulting S.r.l.	3,959,079	30,868	3,989,947
TXT Arcan S.r.l.	-	200,000	200,000
FastCode S.p.A.		8,000,000	8,000,000
<b>Total</b>	<b>125,070,896</b>	<b>18,108,775</b>	<b>143,179,671</b>

The increases refer to the new acquisitions of the year described in paragraph 2.

Below is a table showing the main financial data for directly controlled companies, as required by Consob communication No. 6064293 of 28.7.06 (\*).

Company name	City or foreign country	Share capital (k/€)	Shareholder's Equity	Profit / Loss	% control	Carrying amount	Share of shareholder's equity
Pace GmbH	Berlin	295	8,906,381	1,592,411	100	12,572,191	8,906,381
TXT Next S.a.r.l.	France	100	245,716	23,534	100	100,000	245,716
Assioma.Net	Milan	100	13,840,177	1,881,590	100	8,521,111	13,840,177
TXT Working Capital S.r.l.	Milan	500	(464,055)	(214,708)	100	800,000	(464,055)
HSPI S.p.A.	Bologna	1,000	8,669,312	2,635,027	100	12,064,169	8,669,312
TXT E-Swiss SA	Chiasso	94	7,098,680	739,457	100	6,418,831	7,098,680
Innovative Complex Consortium	Bologna	20	18,660	864	100	3,500	18,660
TXT Next Ltd.	Great Britain	115	176,815	30,790	100	113,135	176,815
TXT Risk Solutions S.r.l.	Milan	250	(33,115)	9,757	100	1,376,000	(33,115)
AssioPay S.r.l.	Turin	10	1,625,486	335,828	100	4,010,739	1,625,486
TeraTron GmbH	Germany	75	5,572,843	1,098,835	100	10,214,175	5,572,843
LBA Consulting	Borgomanero	10	2,550,067	978,398	100	4,622,234	2,550,067

Novigo Consulting	Brescia	1,000	8,125,160	1,112,528	100	20,158,813	8,125,160
Quence	Milan	10	1,627,207	(107,593)	100	2,962,782	1,627,207
Ennova S.p.A.	Turin	1,099	13,544,312	2,871,774	100	18,800,001	13,544,312
SPS S.r.l.	Rome	10	2,734,013	(669,651)	100	6,673,988	2,734,013
DM Consulting Srl	Parma	101	12,672	(184,627)	100	2,331,210	12,672
PGMD	Milan	20	1,842,993	708,654	100	3,989,947	1,842,993
TLOGOS	Rome	110	1,720,816	362,550	100	5,000,000	1,720,816
FastCode	Cesena	100	2,007,085	28,592	100	8,000,000	2,007,085
TXT e-Tech	Milan	200	19,693,646	5,453,319	100	14,246,844	19,693,646
TXT Arcan	Milan	20	197,362	0	51	200,000	100,654
<b>Total</b>		<b>5,239</b>	<b>99,712,232</b>	<b>18,687,331</b>		<b>143,179,671</b>	<b>99,615,525</b>

(\*) 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 (k/€)	Shareholders' Equity	Profit / Loss	% control	Share of equity
Pace America Inc.	Seattle	Pace GmbH	0	289,344	10,334	100	289,344
Pace Asia	Singapore	Pace GmbH	0	(7,910)	(8,083)	100	(7,910)
Pace Canada	Canada	Pace GmbH	0	181,364	181,772	100	181,364
Butterfly	Bari	SPS S.r.l.	10	172,101	(54,386)	100	172,101
<b>Total</b>			<b>10</b>	<b>634,899</b>	<b>129,636</b>		<b>634,899</b>

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 Next Ltd. (UK) and TXT Next S.a.r.l. (France), 100%-owned and established in 2017, they do not carry out direct activities with customers, but are dedicated to logistical support for the hiring of employees who render services to local customers, whose contractual and commercial relationships are headed and managed directly by TXT e-solutions S.p.A. and Pace GmbH;
- It was decided not to carry out the impairment test on the Investment in FastCode and Arcan (held at 100% and 51%) as at 31 December 2023 as they were acquired during the year and the underlying cash flow projections do not show indicators for an impairment test.

For the investments in Pace GmbH, AssiomaNet, AssioPay, PGMD, DM Management & Consulting, Ennova, TEXT e-Swiss, TXT E-tech, TXT Risk Solutions, TXT Working Capital and HSPI S.p.A., Novigo, Quence, SPS, T-Logo, LBA and TeraTron, where there is a difference between the carrying amount and the corresponding fraction of the underlying shareholders' equity, the carrying amounts were tested for recoverability. The recoverable amount was assumed to be equal to the equity value,



estimated by discounting the expected cash flows over an explicit forecast period of 3–5–years. In December 2023, the Company's Board of Directors approved the plans based on which the recoverable amounts were measured. The terminal value used to check the recoverable amount of the investments is consistent with that used in the impairment tests for Goodwill (for further details reference should be made to Note 8.1 of the Group's consolidated financial statements).

## Discount rate

The discount rate used in discounting cash flows represents the estimated rate of return expected for each cash-generating unit on the market. The rate used represents the average cost of capital invested in the CGU. This rate, called Weighted Average Cost of Capital, was defined on the basis of:

$W_e$  (e) = Weight attributed to own capital

$W_d$  (d) = Weight attributed to minority interests (interest-bearing payables)

$i_e$  (e) = The cost of own capital

$i_d$  (d) = Average interest rate on minority interests (interest-bearing payables)

The cost of own capital  $i_e$  (e) was calculated as the sum of the rate of return on risk-free assets  $r$  (f) and a risk premium (P).

The WACC was determined for each company of the TXT Group depending on the relative location (Italy, Switzerland and Germany).

Based on the above, the discount rate used for the purposes of discounting cash flows was calculated for the entire Italy area, amounting to **8.8%**, while the rate for Switzerland was **8.9%** and for Germany **8.7%**, based on the following assumptions:

- the "Free Risk" rate was defined according to the indications provided by Kroll for the Eurozone.
- The risk premium relating to the market was estimated at 5.5% for Italy, Switzerland and for the Germany area.
- A "Size and Execution Premium" of 3% was considered (based on sector studies).
- The *levered* and *unlevered* beta was considered on the basis of the sources considered (Capital IQ).

## Sensitivity analysis

In order to allow a more extensive assessment of the results obtained in terms of *headroom*, sensitivity tables have been prepared:

- Sensitivity on the discount rate: variability of results as the g rate and WACC vary;
- Sensitivity on economic results: variability of results with changes in revenues (percentage of change in revenues to be applied each year with respect to plan revenues) and EBITDA margin (change in EBITDA margin to be applied each year compared to the EBITDA margin envisaged by the plan).

For each of the above variables the value of the shareholding was calculated, compared with the carrying amount to show how the headroom of the baseline case is reduced in the sensitivity analysis.

Amounts in € thousand	Recoverable value and carrying value (baseline) difference	Recoverable value and carrying value (post sensitivity) difference		
		Δ WACC	Δ Revenue CAGR	Δ EBITDA Margin TC
Assioma Investment	13,104	11,897	- 3,832	9,717
HSPI Investment	21,442	18,130	- 10,280	15,098
WKS Investment	7,863	6,518	6,108	7,512
TXT RISK investment	257	41	- 973	11
Pace Investment	18,683	15,661	724	15,091
Quence Investment	11,949	9,615	- 852	9,389
LBA Investment	2,295	1,657	- 1,989	1,438
ASSIOPAY Investment	1,603	1,164	-394	1,203
NOVIGO Investment	1,184	554	- 7,265	- 506
DM Investment	23	323	- 2,042	- 390
ENNOVA Investment	20,546	16,145	- 35,610	9,314
TXT E-Swiss Investment	16,585	14,848	7,154	14,699
TXT E-Tech Investment	62,751	55,288	15,323	53,265
PGMD Investment	4,645	3,491	- 1,085	3,499
SPS Investment	1,346	342	- 13,555	- 1,635
T-LOGOS Investment	1,804	1,267	- 54	1,432
TERATRON Investment	4,125	2,518	- 6,403	2,019

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 € 18,630,549 as at 31 December 2023, up from € 17,742,562 as at 31 December 2022. The increase refers mainly to the adjustment to Fair Value of the financial investment in the share capital of Banca del Fucino of € 1.2 million as at 31 December 2022. This item also includes the Fair Value of the MTM Interest Rate Swap of € 582 thousand.

## 8.5 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities as at 31 December 2023, compared to the figures as at the end of 2022, is shown below:

	Deferred tax assets	Deferred tax liabilities	Net balance
Balance as at 31 December 2022	277,306	889	276,417
Used in the period	(218,587)	(889)	(217,698)
Provisions in the period	1,279,720	0	1,279,720
Tax consolidation	(1,251,147)		(1,251,147)
<b>Balance as at 31 December 2023</b>	<b>87,292</b>	<b>0</b>	<b>87,292</b>

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-23		31-Dec-22	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Prepaid taxes for recoverable losses	0	0	-	-
Provisions for future risks and charges	-	-	118,905	28,537
Provision for bad debts	0	-	258,748	62,100
Write-down on treasury shares	244,664	58,719	244,664	58,719
Fair Value MTM Interest Rate Swap	-	-	-	-
Costs deductible in future years	119,056	28,573	533,125	127,950
Other changes	0	0	-	-
<b>Total</b>	<b>363,720</b>	<b>87,293</b>	<b>1,155,442</b>	<b>277,306</b>

The total net changes of € 87,293 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 2023 amounted to € 4,521 compared to € 15,225 at the end of 2022.

The table below provides the breakdown of inventories:

(Amount in €)	as at 31/12/2023	as at 31/12/2022	Change
Inventories of services for ongoing projects	4,521	15,225	(10,704)
<b>Total</b>	<b>4,521</b>	<b>15,225</b>	<b>(10,704)</b>

## 8.7 Trade receivables

Trade receivables as at 31 December 2023 amounted to € 9,398,291. The difference is attributable to the portion transferred in contributing the Business Unit to the newly-established TXT e-tech S.r.l. which is reflected in the comparative balance as at 31 December 2022.

(Amount in €)	31.12.2023	31.12.2022	Change
Receivables due from customers	4,310,477	54,100	4,256,377
Receivables to be collected		0	0
Receivables due from customers for invoices to be issued	1,244,007	0	1,244,007
Provision for bad debts	0	0	0
Receivables due from Subsidiaries	3,819,207	4,557,440	(738,233)
Receivables due from Subsidiaries for invoices to be issued	0	0	0
Receivables due from Associates	0	0	0
Other receivables	24,600	0	24,600
<b>Total</b>	<b>9,398,291</b>	<b>4,611,540</b>	<b>4,786,751</b>

Receivables due from intercompany customers, all fully collectible, regard fees for services provided to subsidiaries. They amount to € 3,819,207, down € 738,233 over the previous year. For further information, see the paragraph Transactions with Related Parties. Payment terms are short-term, in line with standard market practices.

## 8.8 Sundry receivables and other current assets

The “Sundry receivables and other current assets” item includes receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses. The balance as at 31 December 2023 was € 4,973,552 compared to the balance of € 2,829,499 as at 31 December 2022.

The breakdown is shown below:

(Amount in €)	as at 31/12/2023	as at 31/12/2022	Change
Receivables due from EU	0	0	0
Tax receivables	4,357,037	1,904,005	2,453,032
Advances to suppliers and employees	102,117	147,055	(44,939)
Accrued income and prepaid expenses	464,210	653,872	(189,662)
Other receivables	50,188	124,567	(74,378)
<b>Total</b>	<b>4,973,552</b>	<b>2,829,499</b>	<b>2,144,053</b>

Tax receivables of € 4,357,037 (€ 1,904,005 as at 31 December 2022) represent the receivables due from taxation authorities as shown below in detail:

(Amount in €)	as at 31/12/2023	as at 31/12/2022	Change
Other tax receivables	3,181,114	259,260	2,921,854
Interest income withholding	0	0	0
Tax advances	1,175,923	1,630,852	(454,929)
Other withholding taxes paid	0	13,893	(13,893)
<b>Total</b>	<b>4,357,037</b>	<b>1,904,005</b>	<b>2,453,032</b>

The increase in tax receivables, equal to € 2,453,032, is mainly due to an increase in the VAT credit.

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 € 464,210, represents adjustments to prepaid costs not pertaining to the year, whose invoices were received and accounted for as at 31 December 2023. The value is in line with 2022.

## 8.9 Other financial receivables

The item "Other financial receivables" amounted to € 2,708,746 as at 31 December 2023, compared to € 765,045 as at 31 December 2022.

The amount refers to the receivables for cash-pooling due from its parent companies. The cash pooling contract is designed to centralise and better manage the Group's treasury, and provides for a 12-month EURIBOR rate plus a spread of 1%.

## 8.10 Financial instruments at fair value

As at 31 December 2023, this item included "Financial instruments at fair value" of € 22,515,397. They consist of investments in three multi-segment life insurance contracts for € 16,148,153, a bond loan for € 491,853 and treasury asset management for € 5,875,391.

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 € 5,601,555, down by € 709,022 compared to 31 December 2022. Reference should be made to the cash flow statement for details on the generation and changes in cash flow; the changes in the year with the main impact relate to the following:

- investment in financial instruments; Notes 8.9 and 8.10.
- payment of dividends; Note 8.12.
- transactions in treasury shares; Note 8.12
- acquisition of loans; Notes 8.13 and 8.16

Cash and cash equivalents all relate to ordinary current accounts with Italian banks.

Cash and cash equivalents are not subject to any constraints, and there are no monetary or other types of restrictions on their transferability.

## 8.12 Shareholders' equity

The Company's share capital as at 31 December 2023 consisted of 13,006,250 ordinary shares with a nominal value of € 0.5, totalling € 6,503,125.

The reserves and retained earnings include the legal reserve (€ 1,300,625), which represents one-fifth of the share capital, the share premium reserve (€ 7,743,734), the merger surplus reserve (€ 1,911,444), "reserve for actuarial differences on post-employment benefits" (negative for € 904,390), Cash Flow Hedge reserve (negative for € 443,337 net of the related tax effect), and reserves for retained earnings (€ 73,965,511).

Description	Free	Required	Established by	TOTAL
		Law	Shareholders' Meeting	
Share premium reserve	7,743,734	-	-	7,743,734
Legal reserve	-	1,300,625	-	1,300,625
Merger surplus	-	-	1,911,444	1,911,444
Reserve for actuarial differences on post-employment benefits	-	-	-904,390	-904,390
IRS Fair Value	443,337	-	-	443,337
Stock option reserve	-	-	90,743	90,743
Reserve for retained earnings	-	1,207,721.04	72,757,790	73,965,511

<b>Total</b>	<b>8,187,072</b>	<b>2,508,346</b>	<b>73,855,587</b>	<b>84,551,005</b>
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### Incentive plans

The Shareholders' Meeting held on 20 April 2023 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 14 December 2023, the Board of Directors, upon favourable opinion by the Remuneration Committee, assigned 180,000 options for the purchase of an equal number of shares of the company to seven individuals, comprising executive directors, managers with strategic responsibilities and other directors and managers of the Group, for the period 2023–2025, at the exercise price of € 16.55.

S.G. PLAN					
Options	2019	2020	2021	2022	2023
(i) Outstanding at the start of the year/period	-	135,000	108,000	54,000	18,000
(ii) granted during the year/period	135,000	-	-	-	180,000
(iii) forfeited during the year/period	-	(27,000)	(54,000)	-	-
(iv) exercised during the year/period	-	-	-	(36,000)	(14,943)
(v) expired during the year/period					
(vi) outstanding at the end of the year/period	135,000	108,000	54,000	18,000	183,057
(vii) exercisable at the end of year/period	-	-	54,000	18,000	183,057

### Treasury shares

During 2023, the TXT e-solutions share price recorded an official high of € 22.85 on 20 June 2023 and a low of € 12.86 on 2 January 2023.

On 29 December 2023, the share price was € 19.82.

The average daily trading volume on the stock exchange in 2023 was 25,448 shares, up from the daily average of 24,321 shares in 2022.

As at 31 December 2023, treasury shares were 1,300,639 (906,600 as at 31 December 2022), representing 10.00% of the shares outstanding, at an average carrying amount of € 7.96 per share. In 2023, 711,732 shares were purchased at an average price of € 18.43.

On **29 March 2023**, the following treasury shares were transferred:

- 42,073 at the agreed price of € 11.88 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 14 November 2022 for the acquisition of 100% of PGMD S.r.l.;

- 99,149 at the agreed price of € 12.61 per share, in order to fulfil the payment commitments undertaken by TXT under the purchase agreement signed on 5 December 2022 for the acquisition of 100% of Tlogos S.r.l.

On **18 December 2023**, 176,471 treasury shares were sold to the “PIPE” fund at a price of € 17.00 per share.

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.

## 8.13 Non-current financial liabilities

The item “Non-current financial liabilities” amounted to € 43,659,135 (€ 57,398,008 as at 31 December 2022).

	as at 31/12/2023	as at 31/12/2022	Change
Earn-Out	804,380	4,948,321	- 4,143,941
Bank loans	41,440,749	50,968,282	- 9,527,533
Non-current monetary flow swaps	-	-	-
Payable due to suppliers for leases	1,414,006	1,481,405	- 67,399
<b>Total</b>	<b>43,659,135</b>	<b>57,398,008</b>	<b>- 13,738,873</b>

This item includes: a) the debt of € 804,380 for the Earn Out to be paid to the Novigo shareholders on the occurrence of contractual conditions, b) medium/long-term loans for the portion to be paid beyond 12 months, c) the non-current portion of the financial debt for € 1,414,006 in accordance with IFRS 16.

The loans referred to in point a) consist of:

- A loan for € 20,000,000 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 € 1,005,470 and the non-current portion amounted to € 0.

- A loan for € 10,000,000 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 € 500,000 and the non-current portion amounted to € 0.

- 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 € 6,116,777 and the non-current portion amounted to € 3,894,557.



- 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 € 1,363,636 and the non-current portion amounted to € 0.
- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 0.85% spread granted to the parent company on 19/11/2021 by UNICREDIT S.P.A. A derivative product was taken out on the same loan to protect the floating rate, setting it at 0.85% per annum. As at 31 December, the residual portion amounted to € 6,666,667 and the non-current portion amounted to € 4,444,444.
- 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 € 5,714,286 and the non-current portion amounted to € 2,857,143.
- A loan for € 5,000,000 at a fixed rate of 1.73% disbursed to the parent company on 12/05/2022 by BANCA POPOLARE DI MILANO S.P.A. As at 31 December, the residual portion amounted to € 2,682,927 and the non-current portion amounted to € 1,219,512.
- A loan for € 10,000,000 at a fixed rate of 1.8% granted to the parent company on 18/05/2022 by BPER. As at 31 December, the residual portion amounted to € 6,333,935 and the non-current portion amounted to € 3,834,429.
- A loan for € 2,000,000 at a 6-month EURIBOR floating rate (360) + 0.99% spread granted to the parent company on 16/06/2022 by CREDEM. As at 31 December, the residual portion amounted to € 1,097,564 and the non-current portion amounted to € 368,510.
- A loan for € 15,000,000 at a 3-month EURIBOR floating rate (360) + 1.6% spread granted to the parent company on 29/06/2022 by CREDIT AGRICOLE. As at 31 December, the residual portion amounted to € 10,594,443 and the non-current portion amounted to € 7,612,884.
- A loan for € 10,000,000 at a 3-month EURIBOR floating rate (360) + 1.45% spread granted to the parent company on 09/11/2022 by UNICREDIT. As at 31 December, the residual portion amounted to € 8,888,888 and the non-current portion amounted to € 6,666,666.
- A loan for € 3,000,000 at a floating rate granted to the parent company on 28 February 2023 by CREDEM. As at 31 December, the residual portion amounted to € 2,389,457 and the non-current portion amounted to € 1,312,097.
- A loan for € 7,500,000 at a floating rate granted to the parent company on 23 May 2023 by BPER Banca. As at 31 December, the residual portion amounted to € 6,627,420, and the non-current portion amounted to € 4,828,487.
- A loan for € 6,000,000 at a floating rate granted to the parent company on 29 September 2023 by Credit Agricole. As at 31 December, the residual portion amounted to € 5,586,207 and the non-current portion amounted to € 4,344,828.

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

- financial covenants based on which the company undertakes to comply with certain levels of financial indexes, contractually defined, the most significant of which relate the gross or net financial debt with the gross operating margin (EBITDA) or the Shareholders' equity, measured on the basis of the consolidated scope of the Group according to the definitions agreed upon with the financing counterparties;
- negative pledge commitments pursuant to which the company may not create security interests or other restrictions on the corporate assets;
- "pari passu" clauses, on the basis of which the loans will have the same degree of priority in the repayment with respect to other financial liabilities and "change of control" clauses, which are activated in the event of disinvestments by the majority shareholder;
- limitations to the extraordinary transactions that the company can carry out, if exceeding certain thresholds;
- some obligations toward the issuers, which may make the distribution of reserves or capital, inter alia, subject to prior notification to and consent by the lending party; certain extraordinary transactions; certain transactions for the transfer or assignment of its assets.

The measurement of financial covenants and other contractual obligations is constantly monitored by the Group; as at 31 December 2023 they were respected.

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	-	1,005,470	-1,005,470
Maturity more than 5 years			-
<b>Total</b>	<b>-</b>	<b>1,005,470</b>	<b>-1,005,470</b>

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	-	500,000	-500,000
Maturity more than 5 years			-
<b>Total</b>	<b>-</b>	<b>500,000</b>	<b>-500,000</b>

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	3,894,557	6,116,777	-2,222,220
Maturity more than 5 years			-
<b>Total</b>	<b>3,894,557</b>	<b>6,116,777</b>	<b>-2,222,220</b>

BANCA NAZIONALE DEL LAVORO S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	-	1,363,636	-1,363,636

Maturity more than 5 years	-	-	-
<b>Total</b>	<b>-</b>	<b>1,363,636</b>	<b>-1,363,636</b>

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	4,444,444	6,666,666	-2,222,222
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>4,444,444</b>	<b>6,666,666</b>	<b>-2,222,222</b>

BANCA POPOLARE DI MILANO loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	2,857,143	5,714,285	-2,857,142
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>2,857,143</b>	<b>5,714,285</b>	<b>-2,857,142</b>

BANCA POPOLARE DI MILANO loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	1,219,512	2,682,927	-1,463,415
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>1,219,512</b>	<b>2,682,927</b>	<b>-1,463,415</b>

BPER loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	3,834,429	6,333,935	-2,499,506
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>3,834,429</b>	<b>6,333,935</b>	<b>-2,499,506</b>

CREDEM loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	367,065	1,099,010	-731,945
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>367,065</b>	<b>1,099,010</b>	<b>-731,945</b>

CREDIT AGRICOLE loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	7,681,622	10,594,443	-2,912,821
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>7,681,622</b>	<b>10,594,443</b>	<b>-2,912,821</b>

UNICREDIT S.P.A. loan (TXT)	31.12.2023	31.12.2022	Change
Maturity 1-5 years	6,666,667	8,888,888	-2,222,221
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>6,666,667</b>	<b>8,888,888</b>	<b>-2,222,221</b>

CREDEM loan (TXT)	31.12.2023	31.12.2022	Change
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Maturity 1-5 years	1,304,181	-	1,304,181
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>1,304,181</b>	<b>-</b>	<b>1,304,181</b>

<b>BPER loan (TXT)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change</b>
Maturity 1-5 years	4,828,487	-	4,828,487
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>4,828,487</b>	<b>-</b>	<b>4,828,487</b>

<b>CREDIT AGRICOLE loan (TXT)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change</b>
Maturity 1-5 years	4,344,828	-	4,344,828
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>4,344,828</b>	<b>-</b>	<b>4,344,828</b>

<b>BANCA NAZIONALE DEL LAVORO loan (Assioma)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change</b>
Maturity 1-5 years	354,167	637,500	-283,333
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>354,167</b>	<b>637,500</b>	<b>-283,333</b>

<b>BANCA POPOLARE DI MILANO loan (NOVIGO)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change</b>
Maturity 1-5 years	122,441	225,701	-103,260
Maturity more than 5 years	-	-	-
<b>Total</b>	<b>122,441</b>	<b>225,701</b>	<b>-103,260</b>

<b>SPARKASSE BANK loan (TERATRON)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change</b>
Maturity 1-5 years	423,536	423,536	-
Maturity more than 5 years	767,731	873,515	-105,784
<b>Total</b>	<b>1,191,267</b>	<b>1,297,051</b>	<b>-105,784</b>

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

	01-Jan-23	Cash flows	Reclassification Current - Non-Current	Change in fair value	Interest	New loans	31-Dec-23
Payable for Earn-Out Novigo	804,380	0	0	0	0	0	804,380
Debt for acquisitions	4,092,796	0	(1,000,000)	(3,092,796)	0	0	0
Payable for Assioma Put/Call	0	0	0	0	0	0	0
Debt Guaranteed Price	51,145	0	0	(51,145)	0	0	0

Obligations for financial leases and rental contracts with purchase option – NON-current portion	1,481,406	0	(744,025)	0	0	676,625	1,414,006
Interest-bearing loans and financing – NON-current portion	50,968,282	0	(20,315,374)	0	0	10,787,841	41,440,749
<b>Total liabilities deriving from financial assets</b>	<b>57,398,009</b>	<b>0</b>	<b>(22,059,399)</b>	<b>(3,143,941)</b>	<b>0</b>	<b>11,464,466</b>	<b>43,659,135</b>

## 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 2023 amounted to € 102,895, for both defined contribution plans and defined benefit plans.

Provision for post-employment benefits and other employee provisions	31 December 2022	Provisions	Uses / Payments	Actuarial gains / losses and other	Financial income / charges	Other changes - Transfer of post-employment benefits to subsidiaries	31 December 2023
Post-employment benefits	61,038	(12,159)	-	14,116	27,741	12,158	102,895
Provision for severance for end of term of office	(0)						(0)
<b>Total non-current provisions relating to employees</b>	<b>61,038</b>	<b>(12,159)</b>	<b>-</b>	<b>14,116</b>	<b>27,741</b>	<b>12,158</b>	<b>102,895</b>

The breakdown of and changes in the total post-employment benefits for this item over the year are presented below:

Post-employment benefits for personnel of € 102,895 as at 31 December 2023 (€ 61,038 as at 31 December 2022), were measured as a defined benefit provision.

The portion allocated to the provision amounted to € 181,625.

Below is the reconciliation of the provision for post-employment benefits based on statutory regulations and IAS – IFRS carrying amount.

	2023	2022
Provision for post-employment benefits	<b>106,384</b>	<b>769,604</b>
Current cost	(11,838)	(60,642)
Financial charges	27,741	3,568
Actuarial differences	14,116	(25,000)

Actuarial differences following acquisitions	0	
Retained earnings	(33,508)	48,566
<b>Total</b>	<b>102,895</b>	<b>736,096</b>
Of which discontinued operations	0	675,058
<b>Total attributable to TXT</b>	<b>102,895</b>	<b>61,038</b>

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 to become disabled and leave the company, was estimated based on disability tables currently used in the reinsurance practice, 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 8,00% staff turnover rate was calculated and agreed upon with the Company.
- As for the probability of requests for advance payments of benefits, an annual 2.00% advance payment rate was estimated, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company.
- The estimated trend in salaries of an annual nominal all-inclusive 2.00% impacted the valuation of all companies except for TXT E-Solution, TXT E-TECH S.R.L. and Assoma.net.
- The estimated inflation rate used for measurement purposes was 2.20% per year.
- The discount rate used for the valuations was 3.1705% per year, i.e. the rate on Bonds issued by AA-rated European Companies as at 31 December 2023 with maturities of 10+ years. Note: the average duration of the companies' liabilities was 15.4 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 € 102,895):

Sensitivity analysis as at 31 December 2023		% Change in liabilities (DBO)			
Type of change for the specific assumption	Decrease	Increase	Decrease	Increase	
Decrease or increase of 50% in company staff turnover	-0.84%	0.41%	102,030	103,317	
Decrease or increase of 50% in frequency of advance payments	-0.91%	0.80%	101,958	103,718	
Decrease or increase of inflation by one percentage point	-0.74%	0.75%	102,133	103,666	

Decrease or increase of discount rate by one percentage point

1.73%    -1.67%    104,675    101,176

## 8.15 Provisions for future risks and charges

The item "Provisions for future risks and charges" as at 31 December 2023 amounted to € 0.

## 8.16 Current financial liabilities

Current financial liabilities amounted to € 70,933,836 (€ 55,912,559 as at 31 December 2022), is increased of € 15,021,277.

(Amount in €)	31/12/2023	31/12/2022	Change
Bank loans and overdraft facilities	43,586,712	39,403,288	4,183,425
Cash Pooling from subsidiaries	20,016,480	11,745,936	8,270,544
Advances for partners of funded projects	120,469	0	120,469
Others	100,304	29,607	70,697
Assioma Earn-Out	0	0	0
Debt for acquisitions	6,500,002	4,300,001	2,200,001
Payables due to suppliers for leases - IFRS 16	609,870	433,728	176,142
<b>Total</b>	<b>70,933,836</b>	<b>55,912,559</b>	<b>15,021,277</b>

The Bank loans and overdraft facilities item of € 43,586,712 includes:

- € 1,005,470 on the loan granted by UNICREDIT S.P.A.
- € 500,000 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.
- € 2,222,220 on the loan granted by UNICREDIT S.P.A.
- € 1,363,636 on the loan granted by BANCA NAZIONALE DEL LAVORO S.P.A.
- € 2,222,222 on the loan granted by UNICREDIT S.P.A.
- € 2,857,143 on the loan granted by BANCO POPOLARE DI MILANO S.P.A.
- € 1,463,415 on the loan granted by BANCO POPOLARE DI MILANO S.P.A.
- € 2,499,496 on the loan granted by BPER
- € 730,499 on the loan granted by CREDEM
- € 2,981,559 on the loan granted by CREDIT AGRICOLE
- € 2,222,222 on the loan granted by UNICREDIT S.P.A.
- € 1,077,360 on the loan granted by CREDEM
- € 1,798,932 on the loan granted by BPER
- € 1,241,379 on the loan granted by CREDIT AGRICOLE
- Short-term payables due to banks / hot money of € 19,400,000

The IFRS 16 Loans item includes the € 609,870 payable to the Lessors due to application of IFRS 16, relating to the amount due within 12 months.

The loans granted by subsidiaries to the Parent Company through cash-pooling contracts amount to € 20,016,480 (€ 11,745,936 as at 31 December 2020). Interest expense accrued on these loans was calculated by applying an interest rate equal to the 12-month Euribor + 1% spread.

The table below details the loans by counterparty, and compares the values with those of 31 December 2022:

(Amount in €)	31/12/2023	31/12/2022	Change
Pace GmbH	1,572,705	1,591,492	(18,787)
TXT e-Swiss	4,482,142	3,049,888	1,432,254
TXT Next S.a.r.l.	-	-	-
TXT NEXT Ltd.	(2,487)	39,529	(42,016)
TXT E-Tech	6,681,544	-	6,681,544
Txt Working Capital Solutions S.r.l.	-	-	-
T-LOGOS	1,691,964	-	1,691,964
ENNOVA	(4,391,538)	-	(4,391,538)
Assioma.Net S.r.l.	397,767	-	397,767
Quence	695,905	900,000	(204,095)
Novigo	6,001,679	4,825,539	1,176,140
LBA	823,924	300,000	523,924
HSPI	1,045,110	400,000	645,110
AssioPay S.r.l.	1,017,763	639,487	378,276
<b>Total</b>	<b>20,016,480</b>	<b>11,745,935</b>	<b>8,270,545</b>

The changes are mainly due to the opening of cash pooling contracts with the new companies entered into the group in 2022.

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

	01-Jan-22	FV change	Cash flows	Reclassification Current - Non-Current	Interest	New loans	31-Dec-23
Interest-bearing loans and financing – current	39,403,288	0	(21,844,109)	20,315,374	0	5,712,159	43,586,712
Assioma Earn-Out	0	0		0	0	0	0
Obligations for financial leases and rental contracts – current portion	433,730	0	(588,150)	744,025	20,265	0	609,870
Payables to EU partners	0	0	0	0	0	120,469	120,469
Cash Pooling	11,745,935	(494,813)	8,072,545	0	0	692,813	20,016,479
Debt for acquisitions	4,300,000	(1,749,999)	(2,550,000)	1,000,000	0	5,500,000	6,500,001
Other current liabilities	29,607	0	0	0	0	70,697	100,304
<b>Total liabilities deriving from financial assets</b>	<b>55,912,559</b>	<b>(2,244,813)</b>	<b>(16,909,714)</b>	<b>22,059,399</b>	<b>20,265</b>	<b>12,096,138</b>	<b>70,933,835</b>



## 8.17 Trade payables

Trade payables as at 31 December 2023 amounted to € 5,968,545 (€ 3,372,264 as at 31 December 2022). Payables due to suppliers are of a trade, non-interest bearing nature and are due within twelve months. This item includes advance payments from customers.

## 8.18 Tax payables

As at 31 December 2023, the company had tax payables for € 222,340.

## 8.19 Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 1,269,507 as at 31 December 2023 compared to € 3,225,169 as at 31 December 2022 as shown in the table below:

(Amount in €)	as at 31/12/2023	as at 31/12/2022	Change
Payables due to social security institutions	171,519	1,229,942	(1,058,423)
Payables due to employees and external staff	594,755	753,395	(158,641)
Tax payables other than income taxes	158,221	547,978	(389,757)
Accrued expenses and deferred income	345,011	693,853	(348,842)
<b>Total</b>	<b>1,269,507</b>	<b>3,225,169</b>	<b>(1,955,663)</b>

The item payables due to employees and external staff includes:

- variable remuneration (bonuses) of € 0.3 million (€ 0.3 million as at 31 December 2022) that will be paid to the personnel during 2024 based on the achievement of corporate and personal performance targets;
- provisions for deferred remuneration (predominantly the thirteenth month bonus, leave and holiday pay) for the difference.
- The reduction is generally due to the contribution linked to the transfer of personnel employed in the business unit involved in the transaction.

Tax payables other than income taxes mainly include payables for withholding taxes made on behalf of employees, external staff and freelance professionals in the amount of € 158,221 (€ 547,978 as at 31 December 2022).

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 2023 totalled € 7,995,201, up compared to € 4,621,233 in 2022.

	31 December 2023	31 December 2022	Change
Revenues and other income	7,995,201	4,621,233	3,373,968
<b>Total</b>	<b>7,995,201</b>	<b>4,621,233</b>	<b>3,373,968</b>

For additional information on the analysis of revenues and other income, as well as the breakdown by line of revenue, see the Directors' report on operations.

## 9.2 Purchases of materials and external services

Purchases of materials and external services amounted to € 5,433,579, down from 2022, when they totalled € 5,432,428.

The item is detailed below:

	31 December 2023	31 December 2022	Change
Consumables and resale items	63,070	86,469	(23,399)
Technical consulting	1,978,589	621,283	1,357,305
Travel expenses	233,124	1,249,380	(1,016,256)
Utilities	303,412	202,608	100,804
Media & marketing services	407,442	428,490	(21,048)
Intercompany charges	1,043,460	1,597,889	(554,429)
Canteen and ticket services	87,263	68,097	19,166
General, administrative and legal services	593,614	757,874	(164,259)
Directors' fees	723,606	420,338	303,268
<b>Total</b>	<b>5,433,579</b>	<b>5,432,428</b>	<b>1,152</b>

## 9.3 Personnel costs

Personnel costs for 2023 amounted to € 3,526,922 and increased compared to 2022 by € 2,238,260.

This increase is mainly attributable to the recruitment of highly specialist personnel.

	31 December 2023	31 December 2022	Change
Wages and salaries	2,681,092	1,727,189	953,903
Social security costs	718,814	402,356	316,458
Provision for post-employment benefits and other pension funds	154,857	111,696	43,161
Other personnel costs	(27,840)	(2,980)	(24,860)
<b>Total</b>	<b>3,526,922</b>	<b>2,238,260</b>	<b>1,288,662</b>

The employees of TXT e-solutions, excluding directors and external consultants, numbered 64 as at 31 December 2023 (579 as at 31 December 2022).

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
31.12.2020	389	23	8	420
31.12.2021	481	24	9	514
31/12/2022	543	26	10	579
31/12/2023	57	4	3	64

## 9.4 Other operating costs

The item "other operating costs" amounted to € 49,991, compared to € 48,559 in the 2022 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 2023 amounted to € 1,108,792 (€ 859,416 as at 31 December 2022).

These amounts have been calculated based on the useful life of the capitalised asset or cost and its use in production. In relation to the rates applied, reference should be made to the relevant paragraphs of these Notes.

Amortisation and depreciation	31.12.2023	31.12.2022
<b>Intangible assets</b>		
Software licences	17,201	17,573
<b>Total intangible assets</b>	<b>17,201</b>	<b>17,573</b>
<b>Tangible assets - IFRS 16 leases</b>		
Buildings	663,932	490,116
Vehicles	111,509	65,164
Electronic machinery		-
<b>Total tangible assets - IFRS 16 leases</b>	<b>775,441</b>	<b>555,280</b>
<b>Other tangible assets</b>		
Electronic machinery	183,935	196,935
Furniture and fixtures	52,179	43,674
Other fixed assets	80,035	45,954
<b>Total other tangible assets</b>	<b>316,149</b>	<b>286,563</b>
<b>TOTAL AMORTISATION AND DEPRECIATION</b>	<b>1,108,792</b>	<b>859,416</b>

## 9.6 Financial income and charges

The balance between financial income and charges as at 31 December 2023 is positive for € 5,282,190.

Financial income includes the main effect relating to the sale of the equity investment in Assioma to Ennova, which resulted in a capital gain of € 2.8 million. The item Financial Income also includes € 1.2 million linked to the Revaluation of the Financial Investment in Banca del Fucino.

The positive effect is mitigated by the impact of interest expense on loans of € 2.2 million and losses on foreign currency transactions of € 1.2 million.

Financial income is detailed as follows:

(Amount in €)	31.12.2023	31.12.2022	Change
Bank interest income	2,356	939	1,417
Exchange rate gains	1,151,390	1,225,254	(73,864)
Interest income on intercompany loans	207,017	4,252	202,764
Change in fair value of financial instruments	4,568,473	3,212,321	1,356,152
Capital gains on sale of equity investments to Ennova	2,841,062	0	2,841,062
Dividends	950,124	2,472,688	(1,522,564)
Other financial income	0	0	0
<b>Total</b>	<b>9,720,422</b>	<b>6,915,454</b>	<b>2,804,967</b>

Financial charges are detailed as follows:

(Amount in €)	31.12.2023	31.12.2022	Change
Bank expenses	247,054	103,586	143,468
Interest expense on loans	2,164,911	642,357	1,522,554
Bank interest expense	5,261	23,933	(18,672)
Loss on financial instruments	15,147	650,598	(635,451)
Exchange rate losses	1,206,657	1,325,326	(118,669)
IFRS 16 interest expense	20,265	12,872	7,393
Interest expense on intercompany loans	751,196	48,175	703,021
Interest expense for post-employment benefit discounting	27,741	3,568	24,173
Other	0	45,486	(45,486)
<b>Total</b>	<b>4,438,231</b>	<b>2,855,901</b>	<b>1,582,330</b>

## 9.7 Income taxes

Income taxes had a positive effect on the result for € 1,124,630. In the previous period taxes were allocated to TXT e-tech S.r.l. upon transfer of the Business Unit.

The total is shown below:

	31.12.2023	31.12.2022	Change
Current taxes	62,608	0	62,608
Deferred tax assets	1,061,133	0	1,061,133
Deferred tax liabilities	889	0	889
Deferred taxes of previous years	0	0	0
<b>Total</b>	<b>1,124,630</b>	<b>0</b>	<b>1,124,630</b>

The company is participating in the Tax Consolidation with the subsidiaries TXT Risk Solutions S.r.l. and TXT Working Capital Solutions S.r.l. and starting from 2023 also with DM, SPS, Butterfly, PGMD, Quence and TXT e-Tech.

The "current taxes" item refers to IRES (company earnings' tax) and IRAP (regional business tax).

## 10 Transactions with related parties

Transactions with related parties essentially refer to the exchange of services, as well as funding and lending activities with the subsidiaries. All transactions fall within the course of ordinary activities and are conducted at arm's length, i.e. under the conditions that would apply between two independent parties, and are carried out in the interest of the companies. Amounts of transactions with related parties carried out for trading or financial purposes are indicated below.

### Trade transactions

As at 31 December 2023	Receivables	Payables	Costs	Revenues
Pace GmbH	88,129	22,593	262,807	550,637
Pace Canada	3,631			
TXT NEXT S.a.r.l.	2,122	1,728		
TXT NEXT Ltd.	2,079		11,365	
Cheleo S.r.l.				
Txt Risk Solutions S.r.l.	1,267	37,665	106,503	53,662
TXT Working Capital Solutions S.A.	15,138	65,928	9,191	26,347
AssioPay	(291,747)	12,392		111,502
TXT Assioma Srl	82,849	48,652	293,115	841,041
Innovative Complex Consortium				
TXT e-swiss SA	506,959	108,547		278,518
HSPI S.p.A.	20,530	38,693	139,118	696,702
TXT Quence Srl	43,433	19,950	41,108	742,554
Novigo	174,931	238,711		193,694
LBA	103	14,835		113,916
TeraTron	242,087			242,087
PGMD	319,565	107,608		58,114
TLOGOS	20,682	53,840		25,052
SPS	301,922	293,288		209,987
ENNOVA	133,637	2,722,999		863,063
DM Consulting	92,371	68,785		67,941
ReVersal	1,911			(644)
TXT E-Tech	2,056,605	1,018,943	180,254	2,578,963
Pro sim	35,600			
Butterfly		11,092		
TXT Healthprobe S.r.l.	597,652			
Directors and key management personnel	0	138,491	723,606	0
<b>Total as at 31.12.2023</b>	<b>4,451,460</b>	<b>5,024,739</b>	<b>1,767,066</b>	<b>7,653,136</b>

As at 31 December 2022	Receivables	Payables	Costs	Revenues
Pace GmbH		3,007	339,173	1,475,719
TXT e-solutions S.a.g.l. (CH)	365,298	37,033	4,597	225,456
TXT NEXT S.a.r.l.	525	1,728		
TXT NEXT Ltd.		183,026	341,880	
Cheleo S.r.l.	30,029	4,614		139,444
Txt Risk Solutions S.r.l.	471,879	329,424	161,856	111,604
TXT Working Capital Solutions S.A.	49,222	153,397		36,375
AssioPay	14,361	751		102,158
Assioma.Net S.r.l.	1,825,856	83,693	262,328	1,338,663
Innovative Complex Consortium				
Mac Solutions S.A.	46,313	11,391		230,912
HSPI S.p.A.	1,638,550	630,655	480,059	869,820
Quence S.r.l.	79,143	13,064	11,455	94,099
Novigo	17,200	3,782		215
LBA	10,800	2,307		
TeraTron				
PGMD				
TLOGOS				
SPS				
ENNOVA				
DM Consulting	10,288	1,297		
ReVersal	644			644
Ennova				
TXT E-Tech	1,776			
Paradis Srl			15,789	
Directors and key management personnel		100,000	647,995	
<b>Total as at 31.12.2022</b>	<b>4,561,882</b>	<b>1,559,169</b>	<b>2,265,132</b>	<b>4,621,233</b>

## Financial transactions

As at 31 December 2023	Receivables	Payables	Charges	Income
Pace GmbH		1,572,705	116,736	15,582
TXT Working Capital S.r.l.	313,293			
TXT e-swiss SA		4,479,655	56,842	
TXT e-solutions S.a.g.l. (CH)				
TXT NEXT S.a.r.l.				
TXT NEXT Ltd.	184,804			5,936
Cheleo S.r.l.				
TXT RISK	126,200			5,026
AssioPay S.r.l.		1,017,763	47,052	
HSPI		1,045,110	68,311	
TXT Assioma Srl		397,767	60,869	9,978
TXT Quence Srl		695,905	46,894	
TXT Novigo		6,001,679	238,711	
LBA		823,924	27,626	
TeraTron				
PGMD	680,000			
TLOGOS		1,691,964	61,432	
SPS	300,000			9,010
ENNOVA		(4,391,538)	26,724	42,768
DM Consulting	100,000			106
ReVersal				
Pro Sim	400,000			5,949
TXT E-Tech	6,798	6,681,544		112,660

Laserfin S.r.l.	0	1,798,876	0	0
<b>Total as at 31.12.2023</b>	<b>2,111,094</b>	<b>21,815,356</b>	<b>751,196</b>	<b>207,017</b>

As at 31 December 2022	Receivables	Payables	Charges	Income
Pace GmbH		1,591,492	11,255	
TXT Working Capital S.r.l.	184,871		256	230
Mac Solutions S.A.		1,699,990	3,439	
TXT e-solutions S.a.g.l. (CH)		1,349,898	3,719	
TXT NEXT S.a.r.l.			373	
TXT NEXT Ltd.	52,199	39,529	444	
Cheleo S.r.l.		3,625,539	19,185	
TXT RISK	116,457			401
AssioPay S.r.l.		639,487	2,422	
HSPI		400,000	107	2,252
Assioma.Net S.r.l.	311,518			1,359
Quence S.r.l.		900,000	885	
Novigo		1,200,000	3,782	
LBA		300,000	2,307	
TeraTron				
PGMD				
TLOGOS				
SPS				
ENNOVA				
DM Consulting				
ReVersal				
Ennova S.p.A.				
TXT E-Tech	100,000			11
Laserfin S.r.l.		1,748,057		
<b>Total as at 31.12.2022</b>	<b>765,045</b>	<b>13,493,992</b>	<b>48,175</b>	<b>4,253</b>

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

	Total	Related parties	Impact
Trade receivables	9,398,291	4,451,460	47%
Other financial receivables	2,708,746	2,111,094	78%
Current financial liabilities	70,933,836	21,331,589	30%
Non-current financial liabilities	43,659,135	483,767	1%
Trade payables	5,968,545	5,024,739	84%
Sundry payables and other current liabilities	1,269,507	138,491,38	11%
Total Revenues	7,995,201	0	0%
Purchases of materials and external services	5,433,579	723,606	13%
Personnel costs	3,526,922	0	0%
Financial income and Financial charges	5,282,190	800,000	15%

	Total	Related parties	Impact
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Net cash from operating activities	(11,539,110)	(3,163,734)	27%
Net cash used in investing activities	19,496,759	6,703,763	34%
Net cash used in financing activities	(8,666,675)	9,667,412	-112%

The Remuneration Report details the amounts paid to each beneficiary and the underlying policy.

## 11 Net Financial Debt

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

With the "Recall of attention No. 5/21" of 29 April 2021, CONSOB declared its intention to bring its supervisory practices in relation to the net financial position into line with the aforementioned ESMA guidelines. In particular, CONSOB has declared that the prospectuses approved by it, starting from 5 May 2021, must comply with the aforementioned ESMA Guidelines.

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

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

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

The application of the ESMA Guidelines and the adoption of the new definition of "Total financial debt" resulted in an increase in financial debt of € 24,824,359 as at 31 December 2023.

### Net financial debt (availability)

Below is a summary of the main phenomena that had an impact on net financial debt, which as at 31 December 2023 was € 82,935,102 and € (58,110,743) as at 31 December 2022.

(€ thousand)	31.12.2023	31.12.2022	Change
Cash and cash equivalents	(5,601,555)	(6,310,577)	709,022
Current financial assets	(2,708,746)	(765,045)	(1,943,701)
Financial instruments at fair value	(22,515,397)	(46,943,263)	24,427,866
<b>Liquid assets</b>	<b>(30,825,698)</b>	<b>(54,018,885)</b>	<b>23,193,187</b>



Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	27,347,123	31,409,271	(4,062,148)
Current portion of non-current financial debt	43,586,712	24,503,288	19,083,424
<b>Current financial debt</b>	<b>70,933,835</b>	<b>55,912,559</b>	<b>15,021,276</b>
<b>Current net financial debt</b>	<b>40,108,137</b>	<b>1,893,674</b>	<b>38,214,463</b>
Non-current financial debt (excluding current portion and debt instruments)	43,659,135	57,398,008	(13,738,873)
Other financial receivables	(832,171)	(1,180,940)	348,769
Trade payables and other non-current payables	-	-	-
<b>Non-current financial debt</b>	<b>42,826,964</b>	<b>56,217,068</b>	<b>(13,390,104)</b>
<b>Total financial debt</b>	<b>82,935,102</b>	<b>58,110,743</b>	<b>24,824,359</b>

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

(€ thousand)	31.12.2023	31.12.2022	Change
Debt referred to IFRS 16	(2,023,876)	(1,915,133)	(108,743)

For further details, reference should be made to the Directors' report on operations.

## 12 Disclosure of public funds

Please refer to Note 14 of the Consolidated Financial Statements.

## 13 Subsequent events

Please refer to the paragraph "Significant events after the reporting period and outlook" included in the Directors' Report on Operations.

## 14 Extraordinary Transactions

During 2023, no extraordinary transactions were carried out beyond what was already described in paragraph 2 in relation to M&A transactions relating to new acquisitions.

## 15 Proposal for allocation of profit or coverage of losses

Based on the results achieved and in view of the company liquidity that is sufficient to finance, together with treasury shares and medium/long-term loans, the ambitious growth plans of the Group, the Board decided to propose to the Shareholders' Meeting to distribute a dividend of € 0.25 per share (0.18 € in 2022) for each of the outstanding shares, excluding treasury shares and with payment starting from 22 May 2024, record date 21 May 2024 and ex-dividend date 20 May 202. Total dividends will therefore be approximately € 2.9 million, distributed to the 12.0 million shares outstanding (shares issued net of shares owned by the company).

## 16 Certification of the financial statements

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

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

- the adequacy, in relation to the company's characteristics; and
- the effective application of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2023.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the financial statements as at 31 December 2023 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 2023:

- 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  
Board of Directors

Chair of the

Eugenio Forcinito

Enrico Magni

Milan, 14 March 2024

