TXT e-solutions Group

Annual report

as at 31 December 2013

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 5,911,932 fully paid-in

Tax code and

Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(3)
Franco Cattaneo	Independent Director	(2)
Andrea Cencini	Director	(3)
Paolo Enrico Colombo	Director	(3)
Adriano De Maio	Independent Director	(2)
Teresa Cristiana Naddeo	Independent Director	(2) (4)

(1) Powers assigned: ordinary and extraordinary administration, except purchase and sale of buildings.

(2) Member of the Remuneration Committee and the Risks and Internal Controls Committee.

(3) Powers assigned: ordinary administration.

(4) Appointed by the Shareholders' Meeting of 6 December 2012.

BOARD OF STATUTORY AUDITORS

Raffaele Valletta	Chairman
Luigi Carlo Filippini	Standing Auditor
Fabio Maria Palmieri	Standing Auditor
Angelo Faccioli	Alternate Auditor
Pietro Antonio Grignani	Alternate Auditor

EXTERNAL AUDITORS Reconta Ernst & Young S.p.A.

INVESTOR RELATIONS E-mail: infofinance@txtgroup.com

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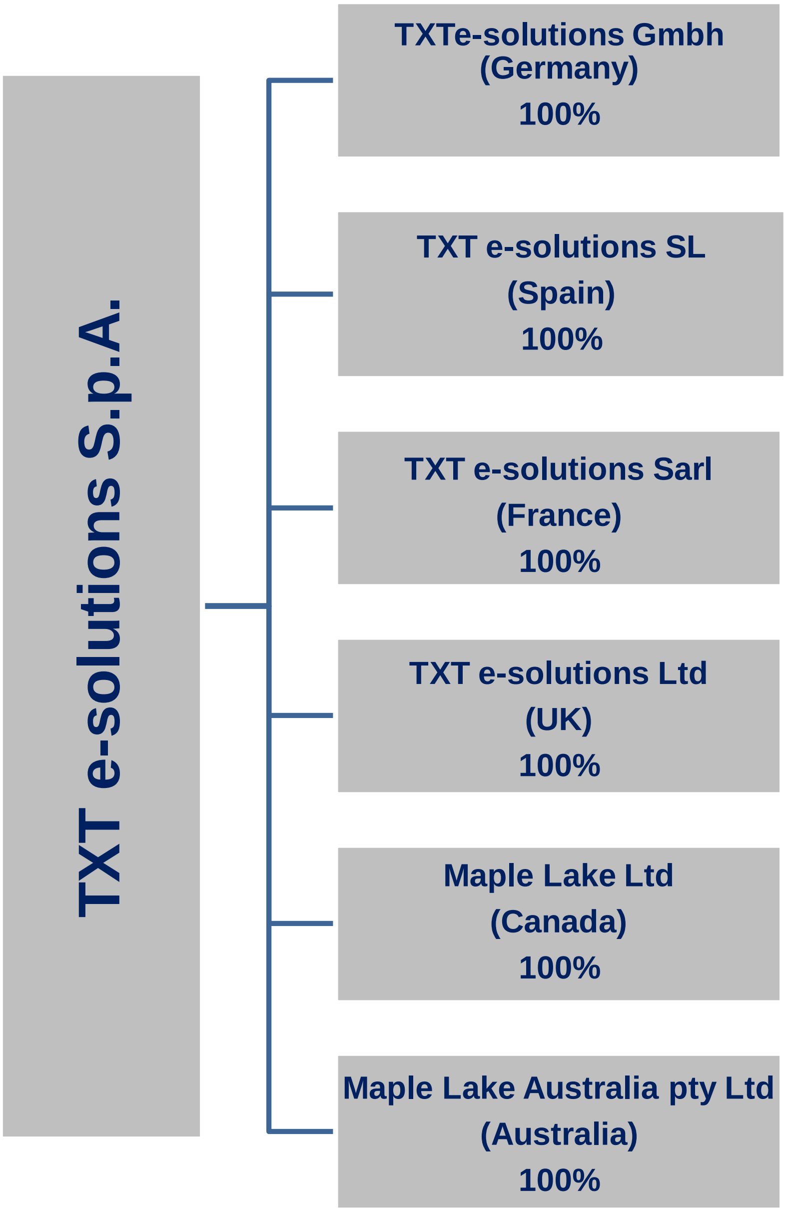
Organisational structure and scope of consolidation



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Key data and Directors' report on operations for the year 2013

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)	2013	%	2012 Restated (*)	%	% change
REVENUES	**52,560**	**100.0**	**46,499**	**100.0**	**13.0**
of which:					
TXT Perform	31,657	60.2	26,361	56.7	20.1
TXT Next	20,903	39.8	20,138	43.3	3.8
EBITDA	**6,263**	**11.9**	**5,322**	**11.4**	**17.7**
OPERATING PROFIT (LOSS) [EBIT]	**4,956**	**9.4**	**4,283**	**9.2**	**15.7**
NET PROFIT FROM OPERATIONS	**4,642**	**8.8**	**4,058**	**8.7**	**14.4**
Non-recurring profit (loss)	-		939		
NET PROFIT (LOSS) FOR THE PERIOD	**4,642**	**8.8**	**4,997**	**10.7**	**(7.1)**

FINANCIAL DATA (€ thousand)	31 Dec. 2013	31 Dec. 2012 Restated (*)	Change
Fixed assets	17,850	18,570	(720)
Net working capital	4,813	4,847	(34)
Post-employment benefits and other non-current liabilities	(3,299)	(3,415)	116
Capital employed	**19,364**	**20,002**	**(638)**
Net financial position	8,573	6,021	2,552
Group shareholders' equity	27,937	26,023	1,914

DATA PER SHARE	2013	2012	Change
Average number of shares outstanding **	10,463,926	9,998,858	465,068
Net earnings per share **	0.44	0.50	(0.06)
Equity per share **	2.67	2.60	0.07

ADDITIONAL INFORMATION	31 Dec. 2013	31 Dec. 2012	Change
Number of employees	498	488	10
TXT share price	9.07	3.15	5.92

* Capital Employed as at 31 December 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition, as fully described in the "Capital Employed" section.

** The number of shares and the relevant 2012 prices were restated following the free share capital increase dated 17 December 2013, with the issue of one new share for every share held, so as to allow comparison with figures at 31 December 2013. The shares outstanding are equal to the shares issued less treasury shares.

Notes on Alternative Performance Measures

Pursuant to recommendation CESR/05-178b, it should be noted that this Directors' report uses a number of synthetic Alternative Operating Performance Measures, which can be found in the official accounting statements reported in the following pages and in the notes to the consolidated financial statements.

Specifically, the following measures are used in the Consolidated Income Statement included in the Directors' report:

- **EBITDA,** i.e. "Total revenues" net of total operating costs;
- **EBIT,** i.e. “Total revenues” net of total operating costs, depreciation, amortisation, and impairment of fixed assets.

Similarly, the following measures are used in the Consolidated Balance Sheet included in the Directors' report:

- **FIXED ASSETS**, the sum of property, plant and equipment, intangible assets, goodwill, deferred tax assets and liabilities, and other non-current assets.
- **NET WORKING CAPITAL**, the sum of inventories, trade receivables/payables, current provisions, tax receivables/payables, and other current assets/liabilities and sundry receivables/payables.
- **CAPITAL EMPLOYED**, the algebraic sum of Fixed Assets, Net Working Capital, post-employment benefits, and other non-current liabilities.

Directors' reports on operations for the year 2013

Dear Shareholders,

In 2013 the Company focused on developing the Luxury and Fashion market, especially in North America, through the TXT Perform software dealing with end-to-end solutions – from the collection to the shelf and e-commerce, too – for leading international customers.

- Revenues increased by 13.0% from € 46.5 million to € 52.6 million. Revenues from licenses and maintenance amounted to € 12.8 million, i.e. 24% as a percentage of total revenues, up 24.8% compared to 2012.

- International revenues grew from € 24.4 million to € 28.2 million (+15.7%) and accounted for 54% of total revenues, essentially attributable to the TXT Perform Division.

- EBITDA rose from € 5.3 million to € 6.3 million, up 17.7%, by more than the increase in revenues. As a percentage of revenues, it increased from 11.4% to 11.9%. All research and development costs were expensed in both years. During 2013, the release of new major products and the integration of Maple Lake caused research and development expenditure as well as commercial expenditure to increase by 16.4% and 13.3%, respectively, to support future growth.

- Net profit from operations amounted to € 4.6 million (8.8% of revenues), compared to € 4.1 million in 2012, up 14.4%.

- The Net Financial Position grew from € 6.0 million at 31 December 2012 to € 8.6 million at 31 December 2013, on the back of strong cash flows during the year, net of the € 2.1 million dividend distribution.
  As at both reporting dates, the Net Financial Position did not include a € 2.8 million contingent liability due to Maple Lake's sellers, since no future acquisition earn-out amounts are expected at present. These additional payments are provided for by contract in favour of the sellers in case of exceptional combination synergies for the years 2013 and 2014 which have not taken place so far under these terms nor are expected to take place. Therefore, Maple Lake's final acquisition price decreased from € 13.1 million to € 10.3 million and the balance sheet as at 31 December 2012 was restated accordingly.

- Shareholders' Equity amounted to € 27.9 million at 31 December 2013, increasing by € 1.9 million from € 26.0 million at 31 December 2012, mainly due to the net profit for the period (€ 4.6 million), net of the dividend distribution (€ 2.1 million), share buy-backs (€ 1.1 million) and the issue of new shares to service the stock option and grant plan.

Both TXT's business areas contributed to the increase in revenues, with TXT Perform and TXT Next growing by 20.1% (60% of Group's revenues) and 3.8% (40% of Group's revenues), respectively.

TXT's results for 2013, compared with the previous year's figures, are presented below:

(€ thousand)	2013	%	2012 Restated (*)	%	% change
REVENUES	**52,560**	**100.0**	**46,499**	**100.0**	**13.0**
Direct costs	24,854	47.3	22,351	48.1	11.2
GROSS MARGIN	**27,706**	**52.7**	**24,148**	**51.9**	**14.7**
Research and development costs	4,761	9.1	4,091	8.8	16.4
Commercial costs	10,174	19.4	8,976	19.3	13.3
General and administrative costs	6,508	12.4	5,759	12.4	13.0
EBITDA	**6,263**	**11.9**	**5,322**	**11.4**	**17.7**
Depreciation, amortisation and impairment	1,307	2.5	1,039	2.2	25.8
OPERATING PROFIT (LOSS) [EBIT]	**4,956**	**9.4**	**4,283**	**9.2**	**15.7**
Financial income (charges)	(435)	(0.8)	(37)	(0.1)	n.s.
EARNINGS BEFORE TAXES (EBT)	**4,521**	**8.6**	**4,246**	**9.1**	**6.5**
Taxes	121	0.2	(188)	(0.4)	(164.4)
NET PROFIT FROM OPERATIONS	**4,642**	**8.8**	**4,058**	**8.7**	**14.4**
Non-recurring profit (loss)	-	-	939	2.0	n.s.
NET PROFIT (LOSS) FOR THE PERIOD	**4,642**	**8.8**	**4,997**	**10.7**	**(7.1)**

(*) Income Statement for 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.

DIVISIONS' REVENUES, GROSS MARGINS, AND COMPETITIVE POSITION

The Revenues and Gross Margin of the TXT Perform and the TXT Next Divisions are shown below:

(€ thousand)	2013	%	TXT PERFORM 2012	%	13/12 change
REVENUES	**31,657**	**100.0**	**26,361**	**100.0**	**20.1**
Licenses & maintenance	12,762	40.3	10,152	38.5	25.7
Projects and other income	18,895	59.7	16,209	61.5	16.6
DIRECT COSTS	11,624	36.7	9,910	37.6	17.3
GROSS MARGIN	**20,033**	**63.3**	**16,451**	**62.4**	**21.8**

(€ thousand)	2013	%	TXT Next 2012	%	13/12 change
REVENUES	**20,903**	**100.0**	**20,138**	**100.0**	**3.8**
Licenses & maintenance	80	0.4	136	0.7	(41.2)
Projects and other income	20,823	99.6	20,002	99.3	4.1
DIRECT COSTS	13,230	63.3	12,441	61.8	6.3
GROSS MARGIN	**7,673**	**36.7**	**7,697**	**38.2**	**(0.3)**

(€ thousand)	2013	%	TOTAL TXT 2012	%	13/12 change
REVENUES	**52,560**	**100.0**	**46,499**	**100.0**	**13.0**
Licenses & maintenance	12,842	24.4	10,288	22.1	24.8
Projects and other income	39,718	75.6	36,211	77.9	9.7
DIRECT COSTS	24,854	47.3	22,351	48.1	11.2
GROSS MARGIN	**27,706**	**52.7**	**24,148**	**51.9**	**14.7**

TXT Perform Division

The TXT Perform Division mainly operates in the Luxury, Apparel and Large International Retail sectors, providing ‘end-to-end’ solutions – from the collection to the shelf and e-commerce, too – for business planning, sales budgeting, and effectively implementing business plans.

The TXT Perform Division's revenues amounted to € 31.7 million, rising 20.1% compared to € 26.4 million in 2012, mainly as a result of the Maple Lake acquisition.

The Division’s international revenues increased from € 23.0 million to € 26.7 million, up 16.4% and accounting for 84% of TXT Perform's total revenues.

Revenues from licenses and maintenance rose 25.7%, from € 10.2 million to € 12.8 million, as a result of new contracts and projects entered into with both long-time and new customers as well as of rising maintenance revenues, pointing to the good reception and continued use of our software solutions. Revenues from licenses and maintenance rose from 38.5% to 40.3% as a percentage of the Division's total revenues.

The Division's gross margin, net of direct costs, increased by 21.8%, from € 16.5 million to € 20.0 million. As a percentage of revenues, it amounted to 63.3%, compared with 62.4% in 2012.

The higher commercial costs incurred in 2013 (+ € 0.8 million) allowed TXT to bolster its international presence, especially in North America, and to lay the foundations for future growth. Also marketing activities were stepped up: chief among them were the NRF - National Retail Federation's convention in January in New York and the third TXT 'Thinking Retail' Summit in March in London, with more than 120 delegates from 50 international Retail companies.

In 2013, TXT entered into important contracts with leading companies in various industries and continued to work on the projects related to the implementation of Integrated Planning, Product Lifecycle Management, and Sales & Operation Planning solutions with international customers, including Louis Vuitton (F), Dior (F), Eckes-Granini (F), Kenzo (F), Delsey (F), Celine (F), Devanlay-Lacoste (F), Sephora (F), Miroglio (I), Tod's (I), Safilo (I), Prenatal (I), Adidas (D), Marc Cain (D), Hugo Boss (D), Ecco (D), Valeo (D), Apollo Optik (D), Norafin (D), Tesco (UK), Burberry (UK), Fat Face (UK), Value Retail (UK), Desigual (E), Loewe (E), Manor AG (CH), Bata (CH), Bestseller (DK), Ad van Geloven (NL), Marc Jacobs (USA), Guess (USA), Swatch (USA), Kenneth Cole (USA), Modell's (USA), Destination Maternity (USA), Holt Renfrew (USA), Thirty-One Gifts (USA), Samsonite (USA) and Urban Outfitters (USA).

In 2013 customers of the Luxury, Fashion, and Retail sectors contributing to revenues numbered 350, with more than 100,000 points of sales and sales channels throughout the world. TXT Perform's potential market, in the geographical areas it currently serves – Europe and North America – includes approximately 1,500 large Retailers. Over 50 projects were completed and became operational in 2013.

TXT's product range is extremely competitive as far as both customers' requirements and competing products are concerned: TXTPERFORM is the first product to integrate Collaborative Planning, Product Lifecycle Management and Business Intelligence functions in a single application. As a result of this combination of intelligence and technology, TXTPERFORM allows informed decisions to be made based on key qualitative and quantitative information and data, improving management and planning efficiency and effectiveness throughout the customers' entire business. Furthermore, its set of integrated performance metrics facilitates supply chain performance management.

The main 'customer processes' covered by TXTPERFORM solutions are shown in the following chart, which also highlights those that accounted for most of Research and Development spending in 2013:

During the NRF - National Retail Federation's convention in New York in January 2013, TXT presented the new 5.0 version of its Integrated 'end-to-end' Retail Planning software, further expanding its functions and introducing the 'visual assortment': it allows to immediately associate images while planning styles and components, navigating the collection, creating store-specific assortments, comparing and analysing product ranges at different stores or channels; all in a new immediate and intuitive visual planning tool.

In 2013, TXT also made its proprietary TXT Perform software available for deployment on Microsoft Azure and Amazon AWS cloud platforms. 'TXT on Cloud' reduces deployment costs and time, making the solutions available for use in highly flexible and scalable environments.

Also on show were two new TXT Mobile applications allowing to manage collection development processes on mobile devices - smartphones and tablets - making TXT Perform increasingly integrated, easy, and interactive while facilitating the constant monitoring of the collection's development by all users through the web, wherever they are. These new applications, particularly TXT Product Lifecycle Management 3.0, are available on Windows 8 devices and iPads.

Mobile and Cloud applications, developed in partnership with leading customers throughout the world, are set to expand considerably in the next few years; with these products, TXT promptly positions itself among the 'first movers' in terms of innovation in the Luxury and Retail sectors.

With the acquisition of Maple Lake, qualified and skilled staff joined the TXT Perform research and development team at the offices in Leicester. Since October 2012, a single research and development structure has been created, and the strategy for evolving and merging Maple Lake's and TXTPERFORM's solutions into a single product has been defined.

TXT Next Division

The TXT NEXT Division increased its revenues to € 20.9 million, up 3.8% from € 20.1 million in 2012. The Aerospace & Defence and the Banking & Finance segments performed well. The Division's revenues accounted for 39.8% of the Group's revenues.

Gross margin was almost unchanged at € 7.7 million, since lower government grants related to income provided to the Corporate Research area for funded projects were offset by project improvements.

TXT NEXT offers a specialised and innovative portfolio of engineering and software services to leading European companies, particularly in the following sectors:

- Aerospace & Defence;

- High Tech Manufacturing;

- Banking & Finance.

TXT NEXT stands out for its ability to listen to the customer and design advanced technological solutions based on its needs, focusing on business and companies and with technology as a key business factor. It specialises in mission critical software and systems and high-reliability embedded software.

TXT is a qualified partner for Aerospace companies in designing and developing aviation products, systems and components, as well as in implementing innovative aeronautical production management systems.

In the financial and banking sector, TXT specialises in Business Process Modelling and Independent Verification & Validation of supporting IT systems.

The product range builds on the great operating experience accrued by working side by side with leading companies for over twenty years, as well as on our in-depth expertise in software planning and development. Furthermore, we have strategic partnerships with Microsoft, HP and IBM.

TXT GROUP'S REVENUES

Research and development costs for 2013 – for new TXT Perform releases and the integration of Maple Lake products into TXT Perform – amounted to € 4.8 million, rising 16.4% compared to € 4.1 million in 2012. As a percentage of revenues, they increased from 8.8% to 9.1%. All research and development costs were expensed in the period, since the activities undertaken focused on long-term research projects and the development of existing products.

Commercial costs amounted to € 10.2 million, increasing by 13.3% compared to 2012, due to the bolstering of the commercial network in North America as well as to the new initiatives to promote TXT Perform products at the NRF event in New York and the Thinking Retail conference in London. Commercial costs rose from 19.3% to 19.4% as a percentage of revenues.

General and administrative costs amounted to € 6.5 million, compared to € 5.8 million in 2012. They were unchanged at 12.4% as a percentage of revenues. The operating offices outside Italy increased from six to nine with approximately 150 employees at 31 December 2013, due to the addition of the Toronto (CDN) and Sydney (AUS) operating offices and the bolstering of the presence in the UK, with the new office in Leicester following the Maple Lake acquisition at the end of September 2012.

Gross Operating Profit (EBITDA) for the period was € 6.3 million, up 17.7% over 2012 (€ 5.3 million). It amounted to 11.9% as a percentage of revenues, compared to 11.4% in 2012.

Operating Profit (EBIT) was € 5.0 million, up 15.7% from € 4.3 million in 2012, despite higher amortisation of intellectual property rights to software and the customer portfolio deriving from the Maple Lake acquisition. It amounted to 9.4% as a percentage of revenues, compared to 9.2% in 2012.

Financial charges amounted to € 0.4 million in 2013, mainly due to a foreign exchange loss of € 0.2 million attributable to reconversion of Maple Lake's earn-out into Canadian dollars. Net financial charges were close to zero in 2012, mainly due to interest income on cash available before the Maple Lake acquisition.

Net profit from operations amounted to € 4.6 million from € 4.1 million in 2012, increasing by 14.4%. It accounted for 8.8% of revenues, compared to 8.7% in 2012. In 2013 prepaid taxes on the use of previous' years losses in future periods fully offset current tax charges generating a positive balance of € 0.1 million.

In 2012, non-recurring profit amounted to € 0.9 million due to capital gains on the sale of the last Kit Digital shares as part of the Polymedia Division disposal in 2011.

CAPITAL EMPLOYED

At 31 December 2013, Capital Employed totalled € 19.4 million, down € 0.6 million compared to the figures recognised at 31 December 2012, mainly due to the reduction in fixed assets.

The table below shows the details:

(€ thousand)	31 Dec. 2013	31 Dec. 2012 Restated *	Change	31 Dec. 2012 Historical	PPA adjust-ment effect
Intangible assets	15,370	16,621	(1,251)	19,866	3,245
Net property, plant and equipment	1,118	1,154	(36)	1,154	-
Other fixed assets	1,362	795	567	795	-
Fixed assets	**17,850**	**18,570**	**(720)**	**21,815**	**3,245**
Inventories	1,451	1,388	63	1,388	-
Trade receivables	16,840	17,274	(434)	17,274	-
Sundry receivables and other short-term assets	1,802	2,288	(486)	2,288	-
Trade payables	(1,504)	(1,800)	296	(1,800)	-
Tax payables	(842)	(1,838)	996	(2,158)	(320)
Sundry payables and other short-term liabilities	(12,934)	(12,465)	(469)	(12,465)	-
Net working capital	**4,813**	**4,847**	**(34)**	**4,527**	**(320)**
					-
Post-employment benefits and other non-current liabilities	**(3,299)**	**(3,415)**	**116**	**(3,415)**	**-**
Capital employed	**19,364**	**20,002**	**(638)**	**22,927**	**2,925**
Group shareholders' equity	27,937	26,023	1,914	26,164	141
Net financial position (Cash)	(8,573)	(6,021)	(2,552)	(3,237)	2,784
Capital employed	**19,364**	**20,002**	**(638)**	**22,927**	**2,925**

(*) Capital Employed at 31 December 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition (earn-out).

In compliance with IFRS 3, purchase price allocation was measured within a year of Maple Lake's acquisition. Due to a more gradual development of targets compared to contract provisions, no earn-out will be provided to Maple Lake's sellers and the relevant financial liability (€ 2.8 million - CAD$ 4 million, equal to the fair value measurement of the potential outlay) was derecognised. The Balance Sheet as at 31 December 2012 and the Income Statement for the year 2012 were subsequently restated in order to retrospectively include the PPA effects.

Intangible assets fell by € 1.3 million as a result of the amortisation of research and development costs capitalised over the years up to 2011 as well as of intellectual property rights to software and the customer portfolio of the Maple Lake acquisition.

Since 2012, all research and development costs have been expensed in full as incurred. Property, plant and equipment were essentially unchanged: investments made in 2013 in servers and computers were counterbalanced by depreciation for the period.

Other fixed assets increased by € 0.6 million, largely due to the increase in deferred tax assets.

Net working capital was unchanged at € 4.8 million, due to the successful decrease in trade receivables which offset the decrease in tax payables (concerning the Maple Lake acquisition in 2012).

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities slightly fell to € 3.3 million, compared to € 3.4 million at 31 December 2012.

Consolidated shareholders' equity amounted to € 27.9 million, up € 1.9 million compared to € 26.0 million at 31 December 2012, due to the net profit for the period (€ 4.6 million) which counterbalanced the dividend distribution (€ 2.1 million), the share buy-backs (€ 1.1 million) and the issue of new shares to service the stock option and grant plan.

The consolidated Net Financial Position at 31 December 2013 was positive to the tune of € 8.6 million, improving by € 2.6 million compared to 31 December 2012 (€ 6.0 million).

As at both reporting dates, the Net Financial Position did not include a € 2.8 million contingent liability due to Maple Lake’s sellers, since no future acquisition earn-out amounts are expected at present. These additional payments are provided for by contract in favour of the sellers in case of exceptional combination synergies for the years 2013 and 2014 which have not taken place so far under these terms nor are expected to take place. Therefore, Maple Lake's final acquisition price decreased from € 13.1 million to € 10.3 million and the Balance Sheet at 31 December 2012 was restated accordingly.

Pursuant to Consob communication dated 28 July 2006 and in conformity with the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses”, it is noted that the TXT e-solutions Group's Net Financial Position at 31 December 2013 is as follows:

(€ thousand)	31 Dec. 2013	31 Dec. 2012 Restated (*)	Change	31 Dec. 2012	PPA adjust-ment effect
Cash and bank assets	14,821	15,819	(998)	15,819	-
Short-term financial payables	(3,352)	(5,496)	2,144	(5,496)	-
Short-term financial resources	**11,469**	**10,323**	**1,146**	**10,323**	**-**
Payables due to banks with maturity beyond 12 months	(2,896)	(4,302)	1,406	(4,302)	-
Net Available Financial Resources	**8,573**	**6,021**	**2,552**	**6,021**	**-**
Financial payable for earn-out (IFRS 3)	-	-	-	(2,784)	2,784
Total Net Financial Position	**8,573**	**6,021**	**2,552**	**3,237**	**2,784**

(*) Net Financial Position at 31 December 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition (earn-out).

The Net Financial Position at 31 December 2013 is detailed as follows:

- € 14.8 million in cash and bank assets were largely invested in euro-denominated short-term bank deposits, with the rest being held as cash for operating activities. The item also include grants for research projects (€ 1.9 million) received by TXT as lead manager and to be distributed to the other participating companies. An equal amount was recognised in short-term financial payables, with a neutral effect on the net financial position.

- € 3.4 million in short-term financial payables consist of payments due within 12 months for outstanding medium/long term loans (€ 1.5 million) and the financial payable for grants to be paid to research projects partners (€ 1.9 million);

- Short-term financial resources arising from the two previous items amounted to € 11.5 million at 31 December 2013, up € 1.1 million on the previous year.

- Payables due to banks with maturity beyond 12 months, totalling € 2.9 million, consisted of a 5-year loan entered into at the end of 2012 with an initial par value of € 4.0 million and a 3.6% interest rate, as well as of largely subsidised medium/long-term loans for funded research and development. The item decreased by € 1.4 million on the previous year due to outstanding loan payments.

Q4 2013 ANALYSIS

An analysis of the fourth quarter of 2013 is provided in the table below:

(€ thousand)	Q4 2013	%	Q4 2012 Restated (*)	%	13/12 % change
REVENUES	**12,949**	**100.0**	**12,396**	**100.0**	**4.5**
Direct costs	6,092	47.0	6,256	50.5	(2.6)
GROSS MARGIN	**6,857**	**53.0**	**6,140**	**49.5**	**11.7**
Research and development costs	1,143	8.8	1,160	9.4	(1.5)
Commercial costs	2,558	19.8	2,404	19.4	6.4
General and administrative costs	1,657	12.8	1,616	13.0	2.5
EBITDA	**1,499**	**11.6**	**960**	**7.7**	**56.1**
Depreciation, amortisation and impairment	362	2.8	298	2.4	21.5
OPERATING PROFIT (LOSS) [EBIT]	**1,137**	**8.8**	**662**	**5.3**	**71.8**
Financial income (charges)	(119)	(0.9)	(278)	(2.2)	n.s.
EARNINGS BEFORE TAXES (EBT)	**1,018**	**7.9**	**384**	**3.1**	**n.s.**
Taxes	737	5.7	597	4.8	23.5
NET PROFIT FROM OPERATIONS	**1,755**	**13.6**	**981**	**7.9**	**78.9**
Non-recurring profit (loss)	-	-	387	3.1	n.s.
NET PROFIT (LOSS) FOR THE PERIOD	**1,755**	**13.6**	**1,368**	**11.0**	**28.3**

(*) Income Statement for the fourth quarter of 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.

Income Statement for the last quarter of 2012 was restated in order to include the effects of final the purchase price allocation (PPA) in relation to the Maple Lake acquisition. This generated a reduction of € 0.1 million in historical data, mainly reflected in the item "Financial charges". Results of the two quarters are therefore provided on a like-for-like basis.

Compared to the last quarter of 2012, Q4 performance was as follows:

- Net revenues totalled € 12.9 million, up 4.5% compared to Q4 2012, thanks to the performance of both divisions: TXT Perform (+6.2%, on a like-for-like basis with Maple Lake operations) and TXT Next (+1.9%).
- Direct costs amounted to € 6.1 million, down from € 6.3 million of Q4 2012. Gross margin increased by 11.7%. As a percentage of revenues, it grew from 49.5% to 53.0% due to the increased profitability of the TXT Perform Division.
- Research and development costs amounted to € 1.1 million, slightly decreasing from € 1.2 million in Q4 2012. They amounted to 8.8% as a percentage of revenues, compared to 9.4% in 2012. As in the previous year, all research and development costs were expensed in the period.
- Commercial costs and General and administrative costs grew by 6.4% and 2.5%, respectively, as a result of the Maple Lake combination.
- EBITDA for the last quarter was € 1.5 million, up 56.1% over Q4 2012 (€ 1.0 million). As a percentage of revenues, it increased from 7.7% to 11.6%.
- EBIT totalled € 1.1 million, up from € 0.7 million in the last quarter of 2012, despite higher amortisation of intellectual property rights to software and the customer portfolio deriving from the Maple Lake acquisition. As a percentage of revenues it increased from 5.3% to 8.8%.
- Earnings before taxes for the quarter amounted to € 1.0 million, after financial charges of € 0.1 million.
- Net profit from operations amounted to € 1.8 million, compared with € 1.0 million in 2012, after deferred tax assets of € 0.7 million. Therefore, net profit from operations amounted to 13.6% as a percentage of revenues (7.9% in Q4 2012).
- In Q4 2012 non-recurring profit included € 0.4 million arising from the sale of KIT Digital shares.

EMPLOYEES

At 31 December 2013, the group had 498 employees, compared with 488 at 31 December 2012, with an increase of 10 employees in the TXT Next Division.

Personnel costs in 2013 amounted to € 31.3 million, compared to € 27.1 million in 2012, rising 15.6%, mainly as a result of the consolidation of Maple Lake's staff (66 employees).

TXT SHARE PERFORMANCE AND TREASURY SHARES

The Shareholders' Meeting held on 17 December 2013 approved a resolution concerning a free share capital increase and involving the issue of one share for every share held. This share capital increase was effective as of 27 December 2013 and shares issued have become cum dividend since 3 February 2014.

In accordance with the adjustment made by Borsa Italiana, an adjustment factor of 0.50x was applied to historical values. As a result, share prices for 2013 have halved, so as to be consistent with current prices, which reflect the double number of shares. Trade volumes doubled accordingly, leaving the value of daily trades unchanged.

In 2013, the share price of TXT e-solutions reached a low of € 3.155 on 4 January 2013 and a high of € 9.625 on 12 November 2013. At 31 December 2013, the share price was € 9.07, up 188% since the start of the year.

Trade volumes almost tripled in 2013, with a daily average of 58,000 shares traded compared with 20,300 in 2012.

In 2013, TXT purchased 237,120 treasury shares at an average price of € 4.745 per share, for a total of € 1.1 million. At 31 December 2013, TXT held 1,368,120 treasury shares, account for 11.57% of shares outstanding.

In 2013, 290,000 new shares (originally 145,000, they doubled due to the free share capital increase) were issued to service the 2008 stock option plan and 56,000 treasury shares (originally 28,000, they doubled due to the free share capital increase) were granted to the 2012 stock grant plan beneficiaries.

The share buy-backs were carried out pursuant to the resolution of Shareholders' Meeting held on 23 April 2013, which renewed the authorisation to purchase treasury shares up to 20% of the share capital for a period of 18 months.

The Shareholder's Meeting held on 23 April 2013 examined and approved the 2012 financial statements and approved the distribution of a € 0.20 dividend per share (originally € 0.40, it halved due to the free share capital increase). Total distributed dividends amounted to € 2.1 million.

Direct communication with investors continued, in particular through the "TXT Investor Club". This initiative is aimed at communicating with the entire market in an increasingly thorough and timely manner, paying particular attention to Shareholders and Private Investors.

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.

Since 16 September 2013 Intermonte has taken over from Centrobanca as new TXT's Specialist. Intermonte, major stock broker on the Italian Stock Exchange, has built its leadership in providing services to Italian and international investors thanks to its experienced analyst team. Its new Specialist role enhances the already on-going cooperation with www.websim.it (Intermonte), focusing on Italian retail investors, and with Edison Investment Research based in London, responsible for preparing periodic disclosures on TXT mainly addressed to international investors.

CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE AND REMUNERATION REPORT

The Parent Company's By-Laws comply with the provisions of the Corporate Governance Code issued by the Corporate Governance Committee for Listed Companies. The annual Report on Corporate Governance and Shareholding Structures is included in Appendix 2.

Appendix 3 includes the corporate policy for the remuneration of directors.

With regard to the description of risks, reference should be made to the relevant "Financial Risk Management" section of the Notes.

For a description of transactions with related parties, reference should be made to the relevant section of the Notes.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

On 7 February 2014, TXT USA Inc. was incorporated with the aim of supporting trade development in North America.

The world economy remains weak, with some countries in recession or slowly recovering. A number of markets, and especially the emerging ones, are showing further signs of slowdown. Nonetheless, the Company believes it can continue to outperform the market, thanks to its overall competitive position, clear strategy, high-profile customer base, innovative products, and international team of specialists.

The portfolio of on-going negotiations for the sale of new TXT Perform solutions is strong and shows a positive trend; however, revenues from licenses are always highly unpredictable and subject to the uncertainty over the outcome of negotiations with new customers. The outlook for orders for services and projects is favourable and allows to expect a positive performance by both divisions in the first quarter of 2014.

Manager responsible for preparing corporate accounting documents	Chairman of the Board of Directors
Paolo Matarazzo	Alvise Braga Illa

Milan, 4 March 2014

TXT e-solutions S.p.A.

2013 REPORT

ON CORPORATE GOVERNANCE

AND SHAREHOLDING STRUCTURE

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

TXT e-solutions S.p.A.

2013 REPORT
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Available on www.txtgroup.com

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GLOSSARY

2011 Corporate Governance Code: the Corporate Governance Code of listed companies approved in 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code: the Italian Civil Code.

Board: the Issuer's Board of Directors.

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 11971/1999 (and subsequent amendments) concerning issuers issued by Consob.

Consob Regulation on markets: Regulation 16191/2007 (and subsequent amendments) concerning markets issued by Consob.

Consob Regulation on transactions with related parties: Regulation 17221 of 12 March 2010 (and subsequent amendments) on transactions with related parties issued by Consob.

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

Consolidated Law on Finance (*Testo unico finanziario, TUF*): Legislative Decree no. 58 dated 24 February 1998.

1. ISSUER'S PROFILE

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

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 organizational 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. Corporate bodies are listed below:

- Shareholders' Meeting;
- Board of Directors;
- Remuneration Committee;
- Risks and Internal Controls Committee;
- Board of Statutory Auditors.

The duly constituted Shareholders' Meeting (the "Shareholders' Meeting") represents the Company through its resolutions, which are adopted in compliance with the law and the By-Laws; they are binding on all shareholders, including those who are absent or dissenting.

The Board of Directors (the "Board") is assigned with the tasks of managing the Company on an exclusive basis. It is appointed by the Shareholders' Meeting every three years. Its members shall appoint a Chairman and a CEO and define their powers.

The Remuneration Committee is constituted by Board members and has consultative and advisory functions. In particular, it puts forward opinions and proposals to the Board of Directors concerning the remuneration of Company's executive directors and managers with strategic responsibilities.

The Risks and Internal Controls Committee is constituted by Board members empowered to assess the adequacy of internal control and risk management systems, and to express an opinion on the control procedures.

The Board of Statutory Auditors is responsible for ensuring compliance with the law and the Company's By-Laws as well as for overall management controls. Is not assigned with the task of auditing company accounts, which is the responsibility of External Auditors, registered in a specific Register. 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 audit performed, and that all accounting documents are compliant with relevant regulations.

The corporate bodies' powers and tasks comply with the law, the Company's By-Laws and bodies' resolutions passed from time to time.

A copy of the "2013 Report on Corporate Governance and Shareholding Structure" is available at the Company's registered office and on the website www.txtgroup.com under the "Governance/Corporate Governance Reports" section.

2. INFORMATION ON THE SHAREHOLDING STRUCTURE (Article 123-bis, paragraph 1 of the Consolidated Law on Finance) at 31 December 2013

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

The Company's share capital is fully made up by ordinary shares. At 31 December 2013, the subscribed and paid-in share capital was equal to € 5,911,932.00, broken down into 11,823,864 shares with a par value of € 0.50 each.

The share capital increased from € 2,883,466.00 at 31 December 2012 to € 5,911,932.00 at 31 December 2013. The number of shares increased from 5,766,932 to 11,823,864 as a result of the exercise of 145,000 stock options (originally 72,500, they doubled subsequently to the free share capital increase) and of a free share capital increase of 5,911,932 new shares.

During 2013, a total of 145,000 new ordinary shares were issued (originally 72,500, they doubled subsequently to the free share capital increase), with a par value of € 0.50 each, cum dividend, under the 2008 stock option plan after vesting conditions were met. In addition, the Shareholders' Meeting of 23 April 2012 approved a stock grant plan providing for the allocation of a maximum of 1,020,000 shares (originally 510,000, they doubled subsequently to the free share capital increase) to the Company's top managers, dependent on achieving specific performance goals, which may be assigned by the Board of Directors in three three-year tranches, with the Plan ending by 30 June 2017.

The Shareholders' Meeting held on 17 December 2013 approved a resolution concerning a free share capital increase involving the issue of one share with a par value of € 0.5, cum dividend, for every share held, by using the share premium reserve; this share capital increase was filed with the Business Register on 27 December 2013. Shares have become cum dividend since 1 January 2013. The 5,911,932 new shares issued have become effective on the Stock Market since 3 February 2014.

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

There are no share transfer restrictions.

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

In accordance with the communications made pursuant to Article 120 of the Consolidated Law on Finance, the Company's shareholdings above 2% are the indicated in Table 1.

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

No shares with special controlling interests have been issued.

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

There are no plans involving employees in the company shareholding structure except as those described at point a) above.

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

There are no restrictions to voting rights.

g) Shareholders' agreements (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 (Article 123-bis, paragraph 1, letter h), of the Consolidated Law on Finance) and provisions on takeover bids as per the Company's By-Laws (Articles 104, paragraph 1-ter, and 104-bis, paragraph 1)

The Company and its subsidiaries did not enter into significant agreements that are effective, change or terminate if the Company's controlling interests change.

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

At 31 December 2013 no agreement was entered into.

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

l) Provisions applicable to the appointment and replacement of Directors, as well as to the amendment of the By-Laws, if different from the relevant supplementary legal and regulatory provisions

At 31 December 2013 there were no provisions different from the applicable legal or regulatory provisions.

Disclosures pursuant to Article 123-bis, paragraph 1, letter l) are provided in the Board of Directors' Report (Section 4.1).

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

On 17 December 2013 the Shareholders' Meeting passed a resolution approving a free share capital increase of € 2,955,966.00, involving the issue of one new ordinary share with a par value of € 0.50, cum dividend as from 1 January 2013, for every share held, by using part of the share premium reserve, and providing the Board of Directors with powers for implementation. The issue was subscribed on 3 February 2014.

On 23 April 2012 the Shareholders' Meeting approved a stock grant plan for managers with strategic and key roles within the Company and the Group, up to a maximum of 1,020,000 ordinary shares (originally 510,000, they doubled subsequently to the free share capital increase), to be performed by granting treasury shares.

Further to the conclusion of the 2008 stock options plan, the Board of Directors' authorization to increase the share capital for this plan was, for the non-exercised portion, cancelled during the Shareholders' Meeting of 17 December 2013.

On 23 April 2013 the Company's 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 it must not exceed € 25.00 (twenty-five/00).

The Shareholders' Meeting also authorized 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 also before the purchases have been completed – treasury shares purchased based on this resolution, through their sale on the market , in relation to the stock options and stock grant plans adopted by the Shareholders' Meeting, and, finally, as a consideration for the purchase of holdings and/or the conclusion of agreements within the framework of the Company's investment policy. As necessary and in compliance with the legal and regulatory provisions, the Board can establish the suitable deadlines, means and conditions, without prejudice to the fact that the disposal of the shares may take place for a minimum amount that is not lower than the par value of such shares.

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

At the end of the reporting period 1,368,120 treasury shares are recognised in the Company's financial statements (originally 684,060, they doubled subsequently to the free share capital increase), equal to 11.57% of the share capital, for a total par value of € 684,060 and a market value of € 12,408,848. This purchase was made possible by using the share premium reserve for an amount equal to the value of the treasury shares purchased (€ 3,568,212). During 2013, 237,120 treasury shares (originally 118,560, they doubled subsequently to the free share capital increase) were purchased for an average price of € 4.75 (originally € 9.45, it halved subsequently to the free share capital increase) and 56,000 treasury shares (originally 28,000, they doubled subsequently to the free share capital increase) were awarded to employees within the Stock Grant Plan.

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

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

The Company adopted the Corporate Governance Code for listed companies approved by the Corporate Governance Committee in March 2006 (and subsequent amendments) and promoted by Borsa Italiana S.p.A. The Code is available to the public on Borsa Italiana's website (www.borsaitaliana.it)

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

4. BOARD OF DIRECTORS

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

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

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

If one or more members leave office during the financial year, those remaining in office replace them through a resolution approved by the Board of Statutory Auditors, as long as the majority of Board members is appointed by the Shareholders' Meeting. If the leaving members had been appointed by minorities (as hereafter defined), the new members will be chosen by the Board from among those belonging to the leaving members' minority list. In the event of replacement, the Board of Directors must also ensure compliance with current regulations on gender balance. The new members will hold office until the next Shareholders' Meeting.

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 with the voting right can 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 selected from the list that received the highest number of votes, on the basis of the list progressive order and rounding to the lower unit, in case of decimals;
  b) the other Board members are selected from the list ranking second, on the basis of the list progressive 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;
- in the event that only one list is submitted, directors are selected from that list, on the basis of the list progressive order until the number of directors provided for by the Shareholders' Meeting is reached;
- in the event that 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, among the appointed directors at least one independent director, or the number of directors provided for by the regulations applicable to the Company upon appointment, shall be appointed. In case the independent director is not elected on the basis of the above-mentioned voting procedure, he/she will be appointed in place of the last director selected from the list he/she belongs to, giving priority to the independent director belonging to the list that received the greatest number of votes.

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

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

The Board of Directors has not created, within the Board, any Nomination Committee, since that function is directly performed by the Board owing to the Company's shareholders 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 (Criterion 5.C.2.), since the identification of parties to be assigned such role or the adoption of relevant selection criteria, cannot be performed before the replacement becomes necessary. The appointment of a new executive director shall be assessed on a case by case basis.

4.2. Composition (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)
In accordance with the Company's By-Laws, the Board of Directors has a minimum of 3 and a maximum of 9 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, 4 of whom are executive directors and 3 are non-executives independent directors. Pursuant to Article 3 of the Code, the latter do not have any economic relations with the Company, its subsidiaries, executive directors or shareholders such as to prejudice their judgement. In addition, they do not hold, directly or indirectly, any controlling interests and they do not enter in any shareholders' agreements to control the Company.

All members of the Board of Directors have been appointed by the Shareholders' Meeting held on 20 April 2011 and shall remain in office up until the approval of the Financial Statements at 31 December 2013.

On 10 May 2012 the Executive Director Paolo Matarazzo, who was elected during the aforementioned Shareholders' Meeting from the minority list, resigned.
At its meeting of 10 May 2012, the Board of Directors co-opted Ms Teresa Cristiana Naddeo, in the absence of other candidates on the minority list submitted to the Shareholders' Meeting of 20 April 2011 and in compliance with the provisions of Article 15 of the By-Laws and Article 2386 of the Italian Civil Code and subject to the Board of Statutory Auditors' agreement.

The Shareholders' Meeting held on 6 December 2012 appointed Ms Teresa Cristiana Naddeo as Director. She was born in Turin on 22 May 1958; her term of office will end at the same time as that of the other directors currently holding office and, thus, with the approval of the financial statements for the year ending 31 December 2013. The rules governing the list voting procedures did not apply to the appointment made during the Shareholders' Meeting of 6 December 2012, dealing with the substitution of a serving Board member.

On the basis on her declarations and the assessment made by the Board of Directors during the co-opting stage, Ms Teresa Cristiana Naddeo complies with all the respectability, professionalism and independence requirements provided for by the law, the By-Laws and the Corporate Governance Code.

During the Shareholders' Meeting held on 20 April 2011, two lists were submitted. The majority list was submitted by E-business consulting SA with the name of Franco Cattaneo (independent board member, elected). The minority list was submitted by Alvise Braga Illa, with the following names: Alvise Braga Illa, Paolo Enrico Colombo, Marco Edoardo Guida, Adriano De Maio (independent board member), Paolo Matarazzo (resigning on 10 May 2012) and Andrea Cencini (they were all elected). There are no connections between the lists. The majority list received 63.08% of votes; the minority list 36.89%.

On 20 April 2011, the Board of Directors appointed Mr Alvise Braga Illa as Chairman and Mr Marco Edoardo Guida as Chief Executive Officer.

Directors Alvise Braga Illa, Marco Edoardo Guida, Adriano De Maio, Franco Cattaneo, and Paolo Enrico Colombo, elected by the Shareholders' Meeting held on 20 April 2011, had already been serving as Directors.

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

<u>Alvise Braga Illa</u>
Born in Segovia (Spain) on 12 December 1939.
After graduating from Politecnico di Milano, Mr Braga Illa worked for ten years as a researcher and professor at the Lincoln Laboratory and the Massachusetts Institute of Technology, where he was also in charge of the Optical Communications Group and Network Systems. Mr Braga Illa managed Italtel R&D Laboratories, founded Zeltron S.p.A. and led the Ducati Energia restructuring process as General Manager. Mr Braga Illa founded TXT Automation Systems, sold to ABB in 1997, and TXT e-solutions in 1989.

<u>Marco Guida</u>
Born in Milan on 12 September 1961.
After graduating in Electronic Engineering, Mr Guida was in charge of a Computer Integrated Manufacturing team at Pirelli Informatica until 1994, when he joined TXT e-solutions. From 2000 onwards Mr Guida has been appointed as Vice Chairman and subsequently as Manager of International Operations, effectively converting TXT from an Italian company to an international group, by managing the acquisition and integration of two foreign companies (based in UK and Germany, respectively). In 2006 he was appointed as General Manager of TXT e-solutions and since January 2009 he was appointed as CEO of the TXT Group.

<u>Franco Cattaneo</u>
Born in Trieste on 11 July 1939.
Mechanical Engineering graduate from Politecnico di Milano. PMD at Harvard Business School (USA).
Professional background: Chief Executive Officer and General Manager of Pomini S.p.A. (leading engineering company); Chief Executive Officer of Jucker (Italy) in 1993; Chief Executive Officer of Cotonificio Roberto Ferrari S.p.A.; Vice Chairman of ACIMIT (Italian association of companies producing machinery for the textile industry); Executive Chairman of Savio Macchine Tessili S.p.A.; Senior Executive Director of Caretti & Associati S.p.A. from 1999 to 2004; Chief Executive Officer of Aprilia S.p.A. in 2004; Independent Director and member of the Remuneration, Control and Risk Committee of Interpump Group S.p.a.

<u>Adriano De Maio</u>
Born in Biella on 29 March 1941.
After graduating in Engineering from Politecnico di Milano in 1964, Mr De Maio started his teaching and scientific career at Politecnico. Full Professor of Economy and Management of Corporate Innovation at the Economics Faculty of the LUISS Guido Carli University. Until 1994, Mr De Maio was director and member of Faculty of MIP (Politecnico di Milano) and manager of the Technological Innovation Management and Project Management division. In 1994, Mr De Maio was Dean at Politecnico and held office until 2002. In February 2004, Mr De Maio was awarded a degree honoris causa in Engineering by Ecole Centrale de Paris. From 2002 to 2005, Mr De Maio was Dean at the Luiss Guido Carli University.
From 1996 to 2010 he served as Chairman of IRER (Research Institution in Lombardy). In 2003 and 2004, he was appointed as Extraordinary Commissioner at CNR. From 2005 to 2008, Mr De Maio was in charge of High-level education, research and innovation after appointment of the President of the Lombardy Region. Currently he is a Full Professor of Complex Project Management at Politecnico di Milano. Chairman of CEN (European Centre for Nanomedicine) and Green High Technology in the province of Monza e Brianza. Chairman of Area Science Park in Trieste since 2012.
Board Member in Saes Getters Spa, Telecom Italia Media Spa, EEMS S.p.A.

<u>Paolo Enrico Colombo</u>
Born in Milan on 29 February 1956.
Electronic Engineering Graduate. Mr Colombo has been a consultant in several software companies until 1984. In TXT, Mr Colombo managed the Agusta Group and, in 1988, was appointed as Account Manager of TXT e-solutions, with the task of developing the Aerospace & Defence sector. In 1990, Mr Colombo was assigned the task of creating a new business unit focusing on turn-key software development and consultancy services. Mr Colombo is currently the Manager of the TXT Next division.

<u>Andrea Cencini</u>
Born in Tolmezzo (UD) on 7 June 1963.
After graduating in IT, he was assigned the task of designing and developing network monitoring systems at a leading IT company. He joined TXT e-solutions in 1989 holding increasingly high-profile positions, managing the CRM and e-business business units. Currently, Mr Cencini is the Manager of the TXT Perform Division.

<u>Teresa Cristiana Naddeo</u>
Born in Turin on 22 May 1958.
After graduating in Economics and Commerce from the Turin University, she acquired long-term experience on the Italian and international financial markets. In recent years, Ms Naddeo has worked in the Zenit Group’s brokerage and asset management companies, with significant operating and managerial responsibilities and

as a Director. Previously, Ms Naddeo had joined Arthur Andersen, reaching senior levels; she performed the audit and certification of financial statements of large Groups in the banking, financial, television and media industries. Ms Naddeo is active in numerous professional and civic associations and foundations, and is registered in the Roll of Chartered Accountants and Auditors of Milan.

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

The Chairman made it possible for directors to participate, subsequent to their appointment and during their term of office, in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, as well as the relevant regulatory framework of reference (Criterion 2.C.2.). Considering the Board of Directors' composition and the seniority of Independent Directors (3 people), the application of the principle is fulfilled with thorough discussions and meetings with management. The other Directors are executive directors (4 people) and company officers and managers.

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

The Board has not set any specific criteria regarding the maximum number of management and control positions that can be held with other companies (Criterion 1.C.3.).
The Company did not set up an Executive Committee or a Nomination Committee. The members of the Remuneration and Control Committee are all independent Directors.

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

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

The Board of Directors has a fundamental role in the company management being in charge with strategic functions and organizational coordination. The board is also responsible for verifying that a suitable audit system needed to monitor the performance of the Company is in place.
The Board (*Criterion 1.C.1. letter a*):

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

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

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

During the financial year 2013, the Board of Director held 5 meetings with an average duration of 3 hours. 5 meetings have been scheduled for the financial year 2014, none of which before 4 March 2014.

The Chairman organizes all the Board activities ensuring that Directors are promptly provided with all documentation and information necessary to take 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 a few days before the meeting *(Criterion 1.C.5.)*. The Board meetings may also be held via audio and video conferencing. In certain circumstances, depending on the kind of the decisions to be taken, on confidentiality requirements or critical timing, some restriction to prior disclosure could apply.

Company managers, in charge of relevant functions, the Company's auditors and occasionally other external members may join any Board meeting with the aim of providing in-depth analysis of the issues on the agenda (*Criterion 1.C.6.*).

The Board assessed the suitability of the organizational, managing and accounting structure of the Company and its strategically significant subsidiaries provided by the CEO, with special reference to the internal control and risk management system and the management of conflicts of interest (*Criterion 1.C.1., letter b) and c*).

After examining the proposals of the relevant committee and in accordance with the Board of Statutory Auditors, the Board decided the remuneration of the Chairman and of the other directors (*Criterion 1.C.1., letter d*).

The Board 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 (*Criterion 1.C.1., letter e*).

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 (*Criterion 1.C.1., letter f*).

The Board is reserved the right to examine and approve in advance the transaction 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 (Criterion *1.C.1., letter f*).

On 6 May 2013, the Board assessed the size, composition and functioning of the board itself and of its committees (*Criterion 1.C.1., letter g*).
An anonymous assessment was carried out by means of a questionnaire and subsequent discussion and evaluation of the results. The assessment parameters examined include various aspects regarding how the Board of Directors operates, such as size and composition, involvement, meetings, effectiveness and responsibilities, as well as the Committees' composition and function.

The Shareholders' Meeting did not authorise, on a general and preventive basis, exemptions to the non-competition agreement provided for by Article 2390 of the Italian Civil Code (*Criterion 1.C.4.*).

With the purpose to ensure the correct management of company information, the Company adopted a procedure for internal handling and disclosure to third parties of documents and information concerning the Company, notably price sensitive information (*Criterion 1.C.1., letter j*).

4.4. Delegated bodies

Chief Executive Officer
At the Board of Directors' meeting of 20 April 2011 Mr Marco Edoardo Guida was confirmed as Chief Executive Officer, a position which he has been holding since 01 January 2009. During this meeting the powers already conferred during the Board of Directors' meeting of 15 May 2008 were also confirmed. He is entitled to exercise, with sole signature, the following powers involving the Company's ordinary management, in any case reporting to the Board of Directors according to legal provisions:

1. sign in the name and on behalf of the Company, sale and purchase agreements and lease agreements, including financial leases concerning movables, even those registered in public registers,

tenders, creditors' agreements; act as a principal or agent in agency or sub-agency agreements and appoint agents;
2. participate in bids, tenders, public and private auctions to the end of providing works and services of all types; sign supply and service contracts; take part in the related tenders, with regard to any public administrations;
3. sign quotations and accept purchase orders on behalf of the Company;
4. open and close bank accounts, apply for loans and credit lines with ordinary credit institutions of any entity and nature, on a medium-to-long term basis, and sign all the documents requested by the aforementioned credit institutions for completing said applications; accept the related contract clauses;
5. collect payments and values due to the Company for any reason by any entity as well as by Administrations belonging to the State, Regions, Provinces and Municipalities; issue receipts and discharges; issue, endorse and collect bills of exchange, money orders and bank cheques, including overdraft, provided that the figure is within the credit line allowed to the Company; perform any transaction concerning the use of loans provided by banks and in particular arrange for any commercial bills to be discounted and collected and use the relevant proceeds; take any action or make transactions with the Public Debt Offices, *Cassa Depositi e Prestiti*, post offices, railway offices, Customs and transport firms and in general with any public and private office, with the power to collect valuables, packages, letters and registered letters, etc.; in other words, implement any formality and transactions, including those with Issuing and Credit Institutions, by authorising investment and divestment;
6. represent the Company before any Administrative Authority, sign and submit petitions, appeals, minutes concerning any subject; file administrative and court cases in relation to bankruptcy proceedings, creditors' agreements and moratoria; sign tax declarations and certifications;
7. appoint, employ, promote, suspend and dismiss staff, including managers;
8. sign contracts aimed at forming Associations, temporary business associations, consortia for participating in tenders promoted by both private and public bodies;
9. appoint attorneys-in-fact and representatives to whom transfer, in whole or in part, said functions;
10. sign on behalf of the Company, by virtue of his signatory powers, all deeds concerning above-mentioned issues, by adding the corporate name before the signature.

In his capacity as Chief Executive Officer, Mr Marco Guida is responsible for the Company's management.

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 (*Criterion 2.C.5.*).

Chairman

The Chairman of the Board has been entitled with special tasks on corporate strategy and communication, institutional relations as well as all the powers regarding the Company's ordinary and extraordinary management, except for the purchase and sale of real estate property.

The Chairman reports to the Board of Directors on the activities performed by providing, from time to time, adequate disclosure to update the Board of Directors on atypical or unusual transactions or on transactions with related parties whose examination and approval are not reserved to the Board of Directors.

The Chairman shall not be the same person appointed as the Issuer's Chief Executive Officer, nor shall he or she be the controlling Shareholder.

At the meeting of the Board of Directors of 20 April 2011 the following powers were conferred on the Chairman, Mr Braga Illa, which had already been conferred at the Board of Directors' meeting of 15 May 2008:
1. perform, in the name and on behalf of the Company, all the ordinary and extraordinary operations, except for purchase and sale of real estate property; in particular, for example, but not limited to:
2. release grants, securities and guarantees in general, in the name of the Company;
3. sign in the name and on behalf of the Company, sale and purchase agreements and lease agreements, including financial leases concerning movables, even those registered in public registers, tenders, free loans, lease agreements concerning real estate property; act as a principal or agent in agency or sub-agency agreements and appoint agents;
4. participate in bids, tenders, public and private auctions to the end of providing works and services of all types;

5. open and close bank accounts, apply for loans and credit lines with ordinary credit institutions of any entity and nature, on a medium-to-long term basis, and sign all the documents requested by the aforementioned credit institutions for completing said applications; accept the related contract clauses;
6. collect payments and values due to the Company for any reason by any entity as well as by Administrations belonging to the State, Regions, Provinces and Municipalities; issue receipts and discharges; issue, endorse and collect bills of exchange, money orders and bank cheques, including overdraft, provided that the figure is within the credit line allowed to the Company; perform any transaction concerning the use of loans provided by banks and in particular arrange for any commercial bills to be discounted and collected and use the relevant proceeds; take any action or make transactions with the Public Debt Offices, *Cassa Depositi e Prestiti*, post offices, railway offices, Customs and transport firms and in general with any public and private office, with the power to collect valuables, packages, letters and registered letters, etc.; in other words, implement any formality and transactions, including those with Issuing and Credit Institutions, by authorising investment and divestment;
7. represent the Company before any ordinary, special, national, regional and administrative Authority; sign and submit petitions, appeals, minutes concerning any issue, file administrative and court cases; take part in creditors' agreements and bankruptcy procedures; appoint lawyers and enter into any retainer agreements, in relation to any court proceedings, including with enforcing powers, in any stage and instance; settle disputes through arbitration, with awards enforceable as a court ruling (*arbitrato rituale)* or with decisions counting as a contract *(arbitrato irrituale)*, and acting as *amiable compositeur*; appoint arbitrators; sign tax declarations and certifications;
8. represent the Company during any import or export transaction, Customs formalities, before the Bank of Italy or the Ministry of Foreign Trade;
9. appoint, employ, promote, suspend and dismiss staff of any level;
10. sign contracts aimed at forming Associations, temporary business associations, consortia for participating in tenders promoted by both private and public bodies; subscribe or purchase stocks or shares of companies of any nature;
11. appoint attorneys-in-fact and representatives to whom transfer, in whole or in part, said functions;
12. apply for patents for inventions or trademarks; sign the relevant licence contracts, waive or withdraw patent applications;
13. subscribe interest-bearing or non-interest-bearing financing contracts with subsidiaries or associated companies; represent the Company during both ordinary and extraordinary shareholders' meetings;
14. sign on behalf of the Company all deeds concerning above-mentioned issues, and all the ordinary and extraordinary deeds, mentioned by way of example and not limitation, by adding the corporate name before the signature. The Chairman shall not be the same person appointed as the Company's Chief Executive Officer, nor shall he or she be the controlling Shareholder.

Executive Committee (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.

4.5. Other executive directors

The Board of Directors comprises two more members (Mr Andrea Cencini, Manager of the TXT Perform Division, and Mr Paolo Colombo, Manager of the TXT Next Division) who shall be deemed executive directors by virtue of the managing responsibilities held with the Issuer and its strategically significant subsidiaries (*Criterion 2.C.1.*).

Initiatives aimed at increasing knowledge of the corporate situation and trends are implemented upon each director's request (*Criterion 2.C.2.*).

4.6. Independent directors

The Board of Directors has three non-executive 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 non-executive 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.

The three non-executive directors qualifying as independent are Mr Adriano De Maio, Mr Franco Cattaneo and Ms Teresa Cristiana Naddeo.

In compliance with the provisions of Article 3.P.1. of the Code, Independent Directors:
i) do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained business relationships with the Company, its subsidiaries, the executive directors and/or the controlling shareholder of such a relevance to influence their autonomous judgment;
ii) do not own, directly or indirectly or on behalf of third parties, a quantity of shares enabling them to control the Company or exercise a considerable influence over it nor they participate in shareholders' agreements to control the Company;
iii) are not family members of executive directors of the Company or of persons mentioned in points i) and ii) above.

The Board of Directors verified the compliance with the independence requirements provided for by the Code with respect to each non-executive director (*Criterion 3.C.4*.). In performing the above-mentioned assessments the Board applied all the criteria provided for by the Code (*Criterion 3.C.1. and 3.C.2*.).

The Board of Directors assessed the independence of non-executive directors by considering, among other things, the principle of substance over form (*Criterion 3.C.1. and 3.C.2.*), and making use not only of information provided by those concerned, but also of all information available to the Company; it therefore confirmed as independent directors Mr Franco Cattaneo, Mr Adriano De Maio and Ms Teresa Cristiana Naddeo. In relation to Mr Adriano De Maio, director of TXT e-solutions S.p.A. for over nine years, the Board of Directors assessed his independence focusing more on substance rather than on form; furthermore it considered the participation in the Board by the independent directors as adequate, both in terms of quantity (number of independent directors in relation to the size of the Board and the needs of the internal committees), and in terms of quality (standing and professional experience) (*Criterion 3.C.3.*).

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 (*Criterion 3.C.5.*).

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

During the financial year the independent directors did not meet in the absence of the other directors (*Criterion 3.C.6.*), except for the meetings of the Remuneration Committee and of the Risks and Internal Controls Committee, of which they are exclusive members.

4.7. Lead Independent director

From 1 January 2009 the role of Chairman of the Board of Directors has been split from the role of Chief Executive Officer. The Board of Directors decided to cancel the role of Lead Independent Director, which was previously held by Mr Adriano De Maio.

5. PROCESSING COMPANY INFORMATION

According to the company best practice 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 any prejudice to the power assigned to the Chairman 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 comply with the procedure adopted for disclosure to third parties of such documents and information.
The Chairman of the Board of Directors shall oversee compliance with the provisions on company disclosure

by arranging and coordinating all related intervention of internal structures. In light of the low degree of complexity of the Company's structure and operating scope, the Board has not adopted internal procedures for the disclosure of price sensitive information to date.

Code of Conduct on Internal Dealing.
The 2003/6/EC directive on market abuse has been endorsed by Articles 152-sexies et seq. of the Consob Issuers' Regulation no. 11971, as amended with resolution no. 15232 of 29 November 2005. The Company has adopted a code of conduct on Internal Dealing, concerning the transactions performed by "relevant persons" in relation to its listed financial instruments *(Criterion 1.C.1., letter f)*.

According to the Code of Conduct provisions, the Company shall notify to the market the transactions performed by each relevant person whose global amount is equal to or higher than € 5,000 per person. Such notification shall be made within five trading days subsequent to the end of the transaction.

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

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

7. NOMINATION COMMITTEE

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

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 (Committee for the definition of emoluments) from within its members through a resolution dated 8 June 2000. It includes three members, all independent, non-executive directors (*Principle 6.P.3.*).

Composition and functions of the Remuneration Committee (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)
The Remuneration Committee is composed by three independent non-executive directors (Mr Franco Cattaneo, Mr Adriano De Maio and Ms Teresa Cristiana Naddeo) (*Principle 6.P.3.*) The Chairman of the Committee is Mr Franco Cattaneo.

During the year 2013 the Committee held three meetings (on 1 March, 8 May and 12 December) of an average duration of one hour. The members of the Board of Statutory Auditors are also required to take part in the Remuneration Committee's meetings. Each director's participation is shown in Table 2 attached to this Report. Three meetings have been scheduled for 2014. The first 2014 meeting was held on 27 February 2014.

Directors should not participate in meetings held to discuss and submit to the Board their own remuneration (*Criterion 6.C.6.*).
Other non-members have been invited to join the meetings of the Remuneration Committee (*Criterion 4.C.1., letter f*).

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 Company's growth targets. 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 (*Criterion 6.C.5.).*

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 the company management, or as 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 has 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 the 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 judgment.

Minutes of Remuneration Committee meetings are duly taken and filed (*Criterion 4.C.1., letter d*).

As part of its mandate, the Remuneration Committee has access to company information and offices to the end of performing its functions, within the limits set by the Board (*Criterion 4.C.1., letter e*).

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

9. REMUNERATION OF DIRECTORS

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

General Remuneration Policy
The company defined a remuneration policy for directors and managers with strategic responsibilities *(Principle 6.P.4.).*

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

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

a. the fixed and the variable component are properly balanced according to the Company's strategic objectives and risk management policy;
b. the variable components are capped at a certain amount;
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 specified by the Board of Directors;
d. performance objective are predetermined, measurable, and linked to the creation of value for shareholders in the medium-to-long term;
e. the payment of a significant 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 postponement are consistent with the characteristics of the business activity carried out and with the associated risk profiles;
f. no compensation is provided following directors' early end of term of office or for failure to be reappointed.

Share-based compensation plans
Stock grants plans are set in favour of executive directors and managers with strategic responsibilities, except for the Chairman.
In preparing share-based compensation plans, the Board of Directors has ensured that:

a. the shares, options and every other directors' right to purchase shares or to be remunerated based on the share price performance price have a vesting period of three years, with intermediate partial vesting;
b. vesting pursuant to paragraph a. is subject to predetermined measurable performance objectives;
c. the directors keep a portion of the shares assigned or purchased following exercise of rights pursuant to paragraph a. for three years from receipt of compensation (*Criterion 6.C.2.*)

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 above and determined in compliance with the guidelines included in the general remuneration policy defined by the Board of Directors *(Principle 6.P.2.).*
When the authorized bodies determine the remuneration of managers with strategic responsibilities the above criteria were applied in matters of remuneration policy and compensation plans based on shares relative to the remuneration of executive directors or directors vested with particular tasks *(Criterion 6.C.3.).*

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 (*Principle 6.P.2).*
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 (*Criterion 6.C.3.*).

Incentive plans for the Manager responsible for internal audit and the Director responsible for preparing corporate accounting documents
The incentive plans for the Manager responsible for internal audit and the Director responsible for preparing corporate accounting documents are consistent with their duties (*Criterion 6.C.3.).*

Remuneration of non-executive directors
Non-executive directors' remuneration is not connected to the economic results achieved by the Issuer; it is based on a fixed amount decided by the Shareholders' Meeting. Non-executive directors are not involved in stock options incentive plans (*Criterion 6.C.4.*). Non-executive directors who are also independent Directors at TXT are not involved in stock options incentive plans (*Criterion 6.C.4*.).

The Shareholders' Meeting held on 23 April 2013 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 Art. 123-bis, paragraph 1, letter i of the Consolidated Law on Finance)
No agreements have been signed between the Company and its directors providing a severance package in case of resignation or dismissal without just cause or if the term of office ends because of a takeover bid.
An end-of-term severance package equal to 25% of the fee for particular offices resolved upon and accrued each year was confirmed by the Shareholders' Meeting held on 20 April 2011 in favour of the Chairman of the Board of Directors. It shall be paid when his term of office as Member of the Board of Directors ends.
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.

10. RISKS AND INTERNAL CONTROLS COMMITTEE

The Company has set up a Risks and Internal Controls Committee (*Principles 7.P.3. and 7.P.4.*).

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

The Risks and Internal Controls Committee is constituted by three independent non-executive Directors (Mr Franco Cattaneo, Mr Adriano De Maio and Ms Teresa Cristiana Naddeo) *(Principle 7.P.4.)*. (*Criterion 4.C.1., letter a).* The Chairman of the Committee is Mr Adriano De Maio.

During the year 2013 the Committee held two meetings, chaired by the Chairman, on 1 March and 31 July. Besides its members, the Executive Director in charge of the internal control system and the Manager responsible for internal audit, the Committee meetings were also attended by the Statutory Auditors. (*Criterion 7.C.3.*). At least two meetings have been scheduled for 2014. The first 2014 meeting was held on 27 February 2014.
At least one member of the Risks and Internal Controls Committee has experience in accounting and finance issues deemed to be suitable by the Board upon appointment (*Principle 7.P.4.*)
The Chairman and the other members of the Board of Statutory Auditors have taken part in the Risks and Internal Controls Committee meetings (*Criterion 4.C.1., letter f*).
Under invitation of the Committee, non-members have taken part in the Risks and Internal Controls Committee's Meetings (*Criterion 4.C.1., letter f*).

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, on the approval of year-end financial statements and half-yearly reports. Since it monitors corporate activities in general, it also has consultative and advisory functions. In particular, according to the Corporate Governance Code of Listed Companies, the Risks and Internal Controls Committee has been assigned the following tasks:

a) assist the Board of Directors in identifying the guidelines of the internal control and risk management system and verify that such system is suitable and effective from time to time, in order to ensure that the main corporate risks are adequately identified and managed (*Criterion 7.C.1*.);
b) assess, together with the Director responsible for preparing corporate accounting documents, having heard the External Auditors and the Board of Auditors, the proper implementation of the accounting standards and their consistency for the purposes of the consolidated financial statements (*Criterion 7.C.2., letter a*);
c) express opinions on specific issues concerning identification of the company's main risks (*Criterion 7.C.2., letter b*);
d) assess the work plan prepared by the manager responsible for internal audit and receive its periodic reports
e) monitor the autonomy, adequacy, effectiveness, and efficiency of the internal audit function (C*riterion 7.C.3., letter d*);
f) request the internal audit function – if necessary – to conduct inspections on specific operational areas, promptly informing the Chairman of the Board of Statutory Auditors (*Criterion 7.C.2., letter e*).
g) report to the Board of Directors, at least every six months, on the occasion of the approval of the year-end

financial statements and the half-yearly report, on the adequacy of the internal control and risk management system (*Criterion 7.C.2., letter f*);

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

i) assess, with the assistance of the Director in charge of the Internal Control and Risk Management System the manager of administrative functions and the manager responsible for internal audit, the proposals submitted by the External Auditors applying for the audit position, advising the Board on the issue which shall be submitted to the Shareholders' Meeting by the latter.

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

Minutes of the Risks and Internal Controls Committee Meetings are duly taken and filed (*Criterion 4.C.1., letter d*).

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 (*Criterion 4.C.1., letter e*).

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

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Pursuant to the Code, such system may be defined as: "the set of rules, procedures and organisational structures aimed at making possible, through appropriate identification, measurement, management and monitoring of the main risks, an effective and correct management of the Company, consistent with pre-set goals".

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

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 CEO who implements the guidelines defined by the Board of Directors and in particular, identifies the main corporate risks thanks to the support of directors in charge of internal control appointed by him;
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) Directors in charge of internal control who verify, within internal processes, whether the defined controls are adequate with respect to the potential risks and suggest to the Committee and management, where necessary, the adoption of any measures aimed at eliminating risks of a financial nature and enhancing the efficiency and effectiveness of the corporate processes.

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

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

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

The aims of the financial reporting process are the accuracy, reliability, trustworthiness and timeliness of the information disclosure. Risk management is an integral part of the internal control system. The periodic assessment of the internal control system on the financial reporting process aims to verify that the components

of the COSO Framework (control environment, risk assessment, control activities, information and communication, monitoring) are properly working together to achieve these objectives. The Company has implemented administrative and accounting procedures that ensure high standard reliability of the internal control on financial reporting.
The approach adopted by the Company on the assessment, monitoring and continuous updating of the internal control and risk management system in terms of financial reporting allows that assessment is carried out on critical areas with higher risk/importance, i.e. where the risks of material mistakes are higher, also due to fraud, on financial statements items and on related documents. The identification and assessment of possible errors that could have significant effects on financial reporting takes place through a risk assessment process that identifies organizational entities, processes and related accounting entries and the specific activities that could generate any significant errors. According to the methodology adopted by the Company, risks and related controls are associated to accounts and business processes generating accounting items.
Once identified by the risk assessment process, the significant risks shall be identified and assessed by specific tools (key controls) that ensure their coverage, thus limiting the risk of any potentially significant error on financial reporting.
Based on international best practice, the Group has implemented two types of control:

- controls at Group or subsidiary level for assignment of responsibilities, powers and delegation, duties and allocation of privileges and access rights for IT applications;
- controls at process level, such as the issue of authorisations, reconciliation processes, compliance tests, etc. This category includes controls relating to operational processes, period-end accounting and cross-cutting 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 action or improvement plans. The results of monitoring activities are regularly examined by Managers responsible for preparing the corporate accounting documents. Then they are reported to the top management, the Risks and Internal Controls Committee, which, in turn, reports to the Parent Company’s Board of Directors and Board of Statutory Auditors.

11.1. Executive director in charge of the internal control and risk management system
On 8 March 2010 the Board of Directors appointed the CEO Marco Guida as the Executive Director in charge of the internal control system *(Principle 7.P.3, letter a) no. i).*

The executive director in charge of supervising the functions of the internal control and risk management system was responsible for the following activities:

- together with the Supervisory Board, he 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 *(Criterion 7.C.4., letter a);*
- he 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 *(Criterion 7.C.4, letter b);*
- he aligned the system with the operating activities and with the current regulatory framework *(Criterion 7.C.4, letter c);*
- he 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 Chairman of the Board, the Chairman of the Risks and Internal Controls Committee and the Chairman of the Board of Statutory Auditors (*Criterion 7.C.4., letter d*);
- during the Board of Director’s meeting of 12 May 2011, he proposed to appoint Luigi Piccinno as Manager responsible for internal audit (*Principle 7.P.3., letter c*).

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 (*Criterion 7.P.3., letter b).*
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 (*Criterion 7.C.1.).*

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 (*Criterion 7.C.1., part two*).

The Manager responsible for internal audit:

a. is in charge of the company quality system, and is a member of the Supervisory Board pursuant to Legislative Decree no. 231/2001. 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 *(Criterion 7.C.5., letter b)*.
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 structured analyses and priorities (*Criterion 7.C.5., letter a*).
c. had direct access to useful information for carrying out his duties *(Criterion 7.C.5., letter c*).
d. reported to the Risks and Internal Controls Committee and to the Board of Statutory Auditors on the activities performed (*Criterion 8.C.6., letter e*). Additionally, he reported to the Executive Director in charge of the internal control and risk management system (*Criterion 7.C.5., letter f*).
e. prepared a report containing adequate information on his activity, on the method with which risk management is conducted as well as on the compliance with the plans defined for their management, in addition to an assessment on the adequacy of the internal control and risk management system (*Criterion 7.C.5., letter d*) and submitted it to the Chairman of the Board of Statutory Auditors, the Chairman of the Risks and Internal Controls Committee and the Chairman of the Board of Directors as well as to the Director in charge of the internal control and risk management system (*Criterion 7.C.5., letter f*).
f. verified, within the audit plan, the reliability of the information systems including accounting systems (*Criterion 7.C.5., letter g*).

The Manager responsible for internal audit, in carrying out its functions, is supported by an external consultant, Mr Marco Masante (*Criterion 7.C.6.).*

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

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

To define the organization, management and control model, TXT adopted a planning approach that allows to use and integrate in such model the existing rules as well as to integrate any new offences defined by the law. 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 possible to promptly update rules and methods to be communicated within the Company, subject to future fine-tuning; iii) makes possible to manage in the same way all corporate operating rules, 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 to Legislative Decree no. 231/2001. The Code of Ethics and the procedures in force, even if they have not been explicitly issued pursuant to Legislative Decree no. 231/2001, aims at monitoring that the conduct of TXT representatives or employees is correct, accurate and compliant with the law, and therefore, they contribute to ensure crime prevention according to Legislative Decree no. 231/2001;
c) the Special Part, concerning the specific offence categories that are relevant for TXT and the applicable provisions.

On 05 August 2010, the Board approved the updating of the Code of Ethics and the Organization Model, in particular with reference to the company activities in the software and IT systems sector and to the expertise it has accrued in the last years. The more significant updates introduced in 2013 regard the inclusion of crimes for employing irregular immigrants and for private-sector corruption.

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 Board's end of term of office pursuant to said regulations. During its supervision activities, the Board 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, the Code of Ethics, the Supervisory Board's regulations, the "Organization and Management Model 231", and it appointed Mr Marco Edoardo Guida as the Executive Director in charge of the Internal Control and Risk Management System, with the power to modify the operating tools, including those of the Organization Model, as well as any operating procedure and/or company control protocol that shall be adopted in order to monitor new activities or new aspects of previously existing activities. He was also granted the power to approve any changes that may be implemented to the operating procedures and/or existing company control protocols, in order to meet the organization and updating requirements, as requested by the various relevant bodies and by the Supervisory Board as well.

On 6 May 2013 the Board of Directors confirmed the 12-month office of the Supervisory Board pursuant to the 231 Model: Mr Marco Masante (Chairman) and Mr Luigi Piccinno.

The Organization Model is available on the Company's website at the following address:
http://www.txtgroup.com/it/governance/Pagine/organizationalmodel231.aspx

11.4. External Auditors

The Shareholders' Meeting of 23 April 2012 appointed Reconta Ernst & Young SpA, Via della Chiusa 2 - 20123 Milan as External Auditors for the years 2012 to 2020, following the proposal of the Board of Statutory Auditors. Their tasks include auditing the annual financial statements and half-yearly reports, as well as monitoring activities under Article 155 of the Consolidated Law on Finance.

11.5. Director responsible for preparing corporate accounting documents

On 14 February 2008, the Board of Directors, with a favourable opinion of the Board of Statutory Auditors, appointed Mr Paolo Matarazzo as Director responsible for preparing corporate accounting documents. Mr Paolo Matarazzo is also the Group's Chief Financial Officer.

The Director responsible for preparing corporate accounting documents arranges appropriate administrative and accounting procedures to prepare of the consolidated and statutory financial statements, as well as all other financial documents. The delegated bodies and the Director responsible for preparing corporate accounting documents certify the equity, income and financial disclosure pursuant to legal requirements.
The Board of Directors oversees that the Director responsible for preparing corporate accounting documents can access suitable instruments to perform his tasks and that administrative and accounting procedures are effectively complied with.

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

The various Company's parties involved in the internal control and risk management system (the Board of Directors, the Director in charge of the internal control and risk management system, the risks and internal controls committee, the manager responsible for internal audit, the director responsible for preparing corporate accounting documents and other company roles and functions with specific duties of internal control and risk management, the board of statutory auditors) shall coordinate their own activities and exchange relevant information during periodic meetings and, if necessary, during specially convened meetings (*Principle 7.P.3.*).

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

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

In view of the nature of transactions and their ordinary character in line with market practices, the Board deemed it unnecessary to apply for a "fairness opinion" to be provided by an independent expert to the end of assessing the economic consistency of the transactions. As stated above, transactions with related parties, with significant income, equity and financial value are reserved to the Board of Directors.
With reference to the disclosure to the Board of Directors, except for necessary and urgent events, all transactions with significant income, equity and financial value, significant transactions with related parties and atypical and/or unusual transactions are submitted to the prior approval of the Board of Directors.

As for transactions with related parties, including intra-group transactions, not submitted to the 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 General Manager 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 also about such transactions.

On 8 November 2010 the Board of Directors has 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.

"Significant Transactions with Related Parties" refer to:
i) Transactions exceeding the lower of € 500,000 or 5% of any of the following relevance ratios, to be applied according to the specific transaction:

- Amount relevance ratio: the ratio between the transaction amount and the net equity resulting from the latest published TXT consolidated balance sheet or, if greater, the TXT capitalization at the end of the last trading day included in the period covered by the latest periodic report (annual, half-yearly or interim reports) published. Should the economic conditions of the transaction be determined, the transaction amount shall be:

  a. for cash components, the amount paid by or to the other party;
  b. for financial instrument components, the fair value determined at the date of the transaction, in accordance with international accounting standards adopted by Regulation (EC) no. 1606/2002;
  c. for funding or guarantees, the maximum amount payable.

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

- Asset relevance ratio: the ratio between the total assets of the entity involved in the transaction and TXT's total assets. The data to be used shall be obtained from the most recently published TXT consolidated balance sheet; whenever possible, similar data should be used for determining the total assets of the entity involved in the transaction.
  For transactions involving the acquisition and disposal of shares in companies that have an impact on the area of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital concerned.
  For transactions involving the acquisition and disposal of shares in companies that not have an impact on the area of consolidation, the value of the numerator is:

a. in case of acquisition, the transaction amount, plus the liabilities of the company acquired taken on by the purchaser, if any;
b. in case of disposal, the amount of the sold asset.
For transactions involving the acquisition and disposal of other assets (other than the acquisition of company shares), the value of the numerator is:
a. in case of acquisition, the higher of the consideration or the carrying amount that will be attributed to the asset;
b. in case of disposal, the carrying amount of the asset.

- Liabilities relevance ratio: the ratio between the total liabilities of the entity acquired and TXT's total assets. The data to be used shall be obtained from the most recently published TXT consolidated balance sheet (if available); whenever possible, similar data should be used for determining the total liabilities of the entity or business branch acquired.

ii) Transactions with the listed parent company or any entities related to the latter which are in turn related to TXT, where at least one of the abovementioned relevance ratios exceeds 2.5%.

iii) Transactions with related parties that may have consequences on the management independence of the Company (including those concerning intangible assets), exceeding the relevance thresholds of 5.0% as stated in i) or 2.5% if conditions pursuant to point ii) apply.

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

The Board of Directors is in charge of the decisions regarding the Transactions with Related Parties, and the Significant Transactions with Related Parties (hereinafter the "Transactions"). In order to take the decisions, the Board shall receive with reasonable prior notice adequate and complete disclosure on the features of the Transactions, such as the nature, means of execution, conditions, including economic conditions, interests, underlying reasons and any risks for the Company. Both in the information-gathering phase and in the decision-making phase, the Board of Directors shall attentively examine the Transactions. This analysis shall be supported by adequate documentation showing the reasons of the Transactions, their profitability, and that the transaction conditions are materially correct. In particular, should the Transaction conditions be equivalent to market or standard conditions, detailed supporting documentation shall be provided.

The Board of Directors decides on the Transactions after grounded, non-binding advice of a committee solely composed of non-related non-executive Directors, with the majority of them being independent (the "Independent non-Related Directors' Committee") which examines the interests of the Company in reference to the Transaction, its profitability and if its conditions are materially correct.

In order to issue non-binding advice, the Independent non-Related Directors' Committee shall receive exhaustive and adequate disclosure on the Transactions and their features. The Independent non-Related Directors' Committee may be supported – at the Company's expenses – by one or more independent experts that are not related and have no direct or indirect personal interest in the Transaction. These experts may express an opinion or draft a report on the economic conditions and/or the technical aspects and/or on the legitimacy of the Transactions. The maximum amount that may be charged to the Company shall be proportional to the value of the Transaction, and in any case it shall not exceed € 20,000 for each single transaction.

The Board of Directors and the Board of Statutory Auditors shall receive exhaustive disclosure on Transactions at least every three months.
The decision of the Board of Directors may be taken despite advice to the contrary from the Independent non-Related Director Committee.
Should the Transaction involve the interest of one of the TXT Directors, the Director qualifying as the related party shall promptly inform the Board of Directors about the existence of a personal interest, pursuant to Article 2391 of the Italian Civil Code, and he /she shall abstain from voting on the issue. If the Board of Directors deems that the presence of the aforementioned Director during the information-gathering and decision-making phases is useful, he or she may take part in the process, after the Board of Statutory Auditors has been consulted on the issue.
The resolutions of the TXT Board of Directors on the Transactions shall provide full information on the interests

of the Company, reasons, profitability and material correctness of the Transactions for the Company and the group to which the Company belongs (the "TXT Group"). Should said Transactions be the responsibility of the Shareholders' Meeting or should they be authorized by the latter, pursuant to the law or the By-Laws, the aforementioned procedure shall apply to the negotiation, information-gathering and decision-making phases.

Transactions of less than € 100,000 are excluded from the aforementioned procedure, as long as they do not represent a risk and they do not have a significant impact on the Company equity and financial position. Similarly, the remuneration plans based on financial instruments approved by the Shareholders' Meeting, pursuant to Article 114-bis of the Consolidated Law on Finance and related implementation provisions, are also excluded from this procedure, also in light of the Shareholders' Meeting competence and rigorous disclosure process. Furthermore the decisions taken by the Shareholders' Meeting on issues stated in Article 2389, paragraph 1, of the Italian Civil Code, regarding remuneration of members of the Board of Directors and the Executive Committee are likewise excluded from this procedure, as well as the decisions on the remuneration of Directors who cover particular offices up to the amount decided by the Shareholders' Meeting pursuant to Article 2398, paragraph 3, of the Italian Civil Code.
Finally, resolutions on remuneration of Directors who cover particular offices not included in the aforementioned examples and of Managers with strategic responsibilities are excluded from this procedure, provided that:

- the Company has implemented a remuneration policy;
- a committee composed of mainly independent non-executive directors has been set up to deal with the remuneration policy;
- the Shareholders' Meeting has approved the report concerning the remuneration policy or it has expressed its opinion on it;
- the remuneration is consistent with the relevant corporate remuneration policy.

Transactions with or between companies controlled, even jointly, by TXT are excluded from this procedure, as long as in the TXT-controlled companies there are no significant interests of other parties related to the Company. Interests are considered as non-significant if they are limited to the fact that one or more Directors or Managers with strategic responsibilities hold office both with TXT and its subsidiaries.
Transactions with associated companies are also exempt from the procedure concerning Transactions with Related Parties, as long as in the associated companies there are not any significant interests of other Company's related parties.
Ordinary transactions that are performed at market or standard conditions are completely excluded from this procedure.

This procedure is available on the Company's website at the following address:
http://www.txtgroup.com/it/governance/Pagine/otherinformation.aspx

13. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors' appointment is expressly governed by the Company's By-Laws.

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 Chairman 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 Directors 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 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 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.

A description of the candidates' professional background and a list of offices held serving 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 By-Laws.
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 Statutory Auditors. Each person entitled with the voting right can 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 they were listed in. The Chairman 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 they were listed in. 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 chairman of the Board of Statutory Auditors is to be replaced, the other standing Auditor drawn from the same list as the outgoing chairman shall take over the chairmanship; 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 chairman 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 Chairman 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 chairman 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 (Article 123-bis, paragraph 2 d), 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 2011. It shall hold office until the approval of the financial statements for the year ending 31 December 2013. During the Shareholders' Meeting held on 20 April 2011 two lists were submitted. The majority list was submitted by E-business consulting SA and included Fabio Maria Palmieri, Luigi Carlo Filippini and Pietro Antonio Grignani (two standing auditors and one alternate auditor, as respectively appointed). The minority list was submitted by Alvise Braga Illa and included Raffaele Valletta, Angelo Faccioli and Luisa Cameretti (from which the Chairman of the Board of Statutory Auditors and an alternate auditor were elected). There are no connections between the lists. The majority list received 63.08% of votes; the minority list 36.89%.

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

No auditor resigned from his/her office during 2013. No significant changes in the Board of Statutory Auditors took place after the end of the reporting period.

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

<u>Raffaele Valletta</u>
Born in Milan on 10 October 1939.
After graduating in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1963, he enrolled in the register of Chartered Accountants in 1964 and in the Register of Statutory Auditors in 1995. Founding member of Studio Commercialisti Associati Valletta-Belloni-Cattaneo-Polli-Todescato in Milan. On several occasions Mr Valletta was appointed as assistant to the judge by the Milan Court and Court of appeal and as Receiver by the Ministry of Labour and Welfare. He is a board member of Gruppo Finelco s.p.a.

<u>Fabio Maria Palmieri</u>
Born in Erba (province of Como) on 16 July 1962.
After graduating in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1988, he enrolled in the register of Chartered Accountants and Bookkeepers of Como under number 457 and in the Register of Statutory Auditors under number 69384. Partner of Studio Legale Tributario Bruni-Galasso-Palmieri based in Como, which involves the cooperation of around fifteen consultants. He is currently a consultant of two groups, a board member in 5 companies, and a standing auditor of around 20 companies, including a listed company.

<u>Luigi Carlo Filippini</u>
Born in Gallarate (province of Varese) on 15 June 1962.
After graduating in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1987, he enrolled in the register of Chartered Accountants and in the Register of Statutory Auditors. Founding member of Studio Tributario e Societario Borioli e Colombo based in Milan, and member of BKR.

During 2013 the Board held 6 meetings of an average duration of two hours. 6 meetings have been scheduled for 2014, and the first one was held on 27 February 2014.

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

The Board of Directors made it possible for statutory auditors to participate, subsequent to their appointment and during their term of office, in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, as well as the relevant regulatory framework of reference (*Criterion 2.C.2.*). Considering the Board of Statutory Auditors' composition and the members' seniority, the application of the principle is fulfilled with thorough discussions and meetings with management.

According to corporate policies, in the event that an auditor who, on his 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 Chairman about nature, terms, origin and scope of his/her interest (*Criterion 8.C.3.*).

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

While performing its activities, the Board of Statutory Auditors coordinated with the internal audit function and the Risks and Internal Controls Committee (*Criterion 8.C.4. and 8.C.5.*).

15. RELATIONSHIP WITH SHAREHOLDERS

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

Furthermore, communications are provided to shareholders through the Company's website, www.txtgroup.com, where income and financial information (i.e. annual, half-yearly and quarterly reports), price sensitive and other press releases issued by the Company are available, as well as a list of corporate events and communication tools that allow to proactively interface with the market with regard to all new corporate and financial issues concerning the Company and allow Shareholders to exercise their rights based on informed decisions.

The Chief Financial Officer Paolo Matarazzo was appointed as Investor Relations Manager. Considering the relatively limited size of TXT and the characteristics of its shareholding structure, a specific corporate structure was not deemed necessary (*Criterion 9.C.1.*).

During 2013 the Company took part in the "Star conference" events organised by Borsa Italiana, both in Milan on 26 March 2013, and in London on 2 October 2013. The Company also organised two presentations to investors and analysts during the Shareholders' Meetings held on 23 April 2013 and 17 December 2013, as well as various one-to-one meetings with investors.

16. SHAREHOLDERS' MEETINGS (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 By-Laws bind all the shareholders, including those who are absent or disagree. Shareholders' Meetings are normally held at the Company's registered office, but they can be held elsewhere in Italy.
The one share one vote principle applies.

The Shareholders' Meeting is convened by public notice published on 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. As an exception to Article 135-undecies, paragraph 1 of the Consolidated Law on Finance (Italian Legislative Decree no. 58/1998), the Company shall not select a representative appointed to receive from the shareholders the proxies and voting indications. The Ordinary Shareholders' Meeting held to approve the financial statements shall be convened by the Board 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. 7 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 or electronic means 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.it, Corporate Governance, Shareholders' Meeting document section). The proxy can be sent to deleghetxt@txtgroup.COM. The early notification of proxies does still require the person entrusted with it to submit a true copy and certify the identity of the delegating person, in order to take part in the Shareholders' Meeting.

Shareholders who, even jointly, represent at least 1/40 of the share capital with voting rights may ask for integrations on the agenda, indicating the issues in the request. The latter must be sent within 15 days of the publication of the notice, to the registered office of the Company and submitted to the Chairman of the Board of Directors with due certification of the shareholding requirements. In addition to this request, a report on the topic must be timely deposited 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 integration is not allowed on 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 an email to infofinance@txtgroup.com. Questions that are received prior to the Shareholders' Meeting shall be answered at the latest during the meeting itself. The Company reserves the right to give a single answer should there be numerous questions on the same topic. The request must include the necessary certification issued by the intermediaries proving the shareholders' voting right or the communication approving the 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' Chairman and on their remuneration. Ordinary Shareholders' Meeting also votes on the appointment of the External Auditors, establishing the relevant fees, and on the 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 By-Laws, the appointment and powers of receivers in case of liquidation as well as on any other issues pursuant to the law.

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

The recommendation included in the Corporate Governance Code considering the Shareholders' Meetings as an opportunity for developing a constructive dialogue between the Board of Directors and shareholders has been carefully analysed and fully shared by the Company. The latter also deemed suitable – besides encouraging the participation of all directors to the Shareholders' Meeting – to adopt specific measures aimed at adequately enhancing this instrument (*Criterion 9.C.3.*).
To this end, the Shareholders' Meeting held on 7 April 2001 approved the introduction of a specific set of rules to ensure that the Company's Ordinary and Extraordinary Shareholders' Meetings are effectively held, while guaranteeing the right of each shareholder to ask for clarifications on the agenda, speak and put forward proposals.

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

During 2013 the Company's capitalisation rose sharply thanks to its good performance and the positive impact of the purchase of Maple Lake. At 31 December 2013 the Company's market capitalisation was € 107.2 million, compared to € 32.6 million at 31 December 2012. The shareholding structure was unchanged. It was not deemed necessary to submit to the Shareholders' meeting amendments to the By-Laws on the percentages established for exercising shares and the measures aimed at protecting minorities (*Criterion 9.C.4.*).

During 2013 two Shareholders' Meetings were convened, one ordinary and the other extraordinary.

The Ordinary Shareholders' Meeting of 23 April 2013 approved the 2012 financial statements, the dividend distribution, the Remuneration Report, and the treasury share purchase plan.
The Extraordinary Shareholders' Meeting of 17 December 2013 approved a free share capital increase.

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 23 April 2013 approved the remuneration policy document prepared by the Remuneration Committee and the Board of Directors.

17. OTHER CORPORATE GOVERNANCE ISSUES (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: Shareholding structure

Shareholder	Direct shareholder	No. of shares owned	As a % of capital	As a % of voting capital
4CV PTE Ltd (through E-Business Consulting S.A.)	NO	3,112,228	26.32	29.77
Alvise Braga Illa	YES	1,598,274	13.52	15.29
Lazard Freres Gestions	YES	312,000	2.64	2.98
Marco Edoardo Guida	YES	252,000	2.13	2.41
Treasury shares	YES	1,368,120	11.57	-
Outstanding shares	YES	5,181,242	43.82	49.55
Total shares		**11,823,864**	**100**	**100**

TABLE 2: Composition of the Board of Directors and Committees

Office	Name	In office since	In office until	List	Exec.	Non-exec.	Indep. pursuant to code	Indep. pursuant to TUF	BoD attendance %	No. of other offices (2)	Internal Controls Committee	ICC attendance %	Remuneration Committee	RC attendance %
Chairman	Alvise Braga Illa	20.4.2011	2013 Fin. Statements Approval	Minority	x				100%	-				
CEO	Marco Edoardo Guida	20.4.2011	2013 Fin. Statements Approval	Minority	x				100%	-				
Director	Paolo Enrico Colombo	20.4.2011	2013 Fin. Statements Approval	Minority	x				100%	-				
Director	Andrea Cencini	20.4.2011	2013 Fin. Statements Approval	Minority	x				100%	-				
Director	Franco Cattaneo	20.4.2011	2013 Fin. Statements Approval	Majority		x	x	x	80%	1	x	100%	Chairman	100%
Director	Adriano De Maio	20.4.2011	2013 Fin. Statements Approval	Minority		x	x	x	80%	2	Chairman	100%	x	100%
Director	Teresa Cristiana Naddeo	10.5.2012	2013 Fin. Statements Approval	(1)		x	x	x	100%	-	x	100%	x	100%

(1) Director co-opted by the Board on 10 May 2012 and appointed by the Shareholders' Meeting on 7 December 2012

(2) This column shows if Board members serve as a Director or Statutory Auditor in other companies listed on Italian regulated markets. Such other offices are detailed in the Report on Corporate Governance. A full disclosure of all offices held is provided in the Board of Statutory Auditors' Report to the Financial Statements.

TABLE 3: Composition of the Board of Statutory Auditors

Office	Name	In office since	In office until	List	Indep. pursuant to code	BoSA atten-dance %	No. of other offices (1)
Chairman	Raffaele Valletta	20.4.2011	2013 Fin. Statements Approval	Minority	x	100%	-
Standing	Fabio Maria Palmieri	20.4.2011	2013 Fin. Statements Approval	Majority	x	100%	-
Standing	Luigi Carlo Filippini	20.4.2011	2013 Fin. Statements Approval	Majority	x	100%	-
Alternate	Angelo Faccioli	20.4.2011	2013 Fin. Statements Approval	Minority			
Alternate	Pietro Antonio Grignani	20.4.2011	2013 Fin. Statements Approval	Majority			

No statutory auditor left office during 2013

Quorum required to submit lists during the most recent appointment: 2%
No. of meetings held during 2013: 6

(1) This column shows if Board members serve as a Director or Statutory Auditor in other companies listed on Italian regulated markets. Such other offices are detailed in the Report on Corporate Governance. A full disclosure of all offices held is provided in the Board of Statutory Auditors' Report to the Financial Statements.

TXT e-solutions S.p.A.

2013 REMUNERATION REPORT

Milan, 4 March 2014

TXT e-solutions S.p.A.

2013 REMUNERATION REPORT

Milan, 4 March 2014
Available on www.txtgroup.com

The Remuneration Report has been drawn up in light of the recommendations contained in Article 7 of the Corporate Governance Code of Borsa Italiana S.p.A., as amended in March 2010, which TXT has adopted, and pursuant to Article 14 of the Procedure for Transactions with related parties approved by the Company's Board of Directors on 3 November 2010.

On 4 March 2014, The Company's Board of Directors, at the instruction of the Remuneration Committee, adopted the "2013 Remuneration Policy", to be subject to a non-binding vote by the Shareholders' Meeting of 16 April 2014.

The remuneration report is divided into two sections:

1. The "General Remuneration Policy", setting out the guidelines for determining the remuneration of executive directors and the management in general;

2. The "Remuneration Report for the Financial Year 2013", illustrating the policy implemented by the TXT e-solutions Group during the financial year 2013 and providing a summary of compensation based on the different types of beneficiaries.

PART 1 –GENERAL REMUNERATION POLICY

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

1. Principles

The Company defines and implements a General Remuneration Policy intended to attract, motivate and retain resources with the professional skills required to successfully pursue the Group's objectives (Principle 7.P.4.). The Policy is defined in a way which aligns the interests of the Management with those of the 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 Board of Directors of the Company play a central role, taking into account any potential incompatibilities.

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

Any deviations from the criteria for determining the remuneration:
- of directors who cover particular offices, General Managers and 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 Company's Chief Executive Officer.

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

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

2. Remuneration Committee

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

- makes proposals to the Board of Directors on the remuneration of directors who cover particular offices, ensuring it is aligned with the objective of creating value for shareholders in the medium-to-long term;
- periodically evaluates the Company's management remuneration criteria and, at the instruction of the 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 is composed of three directors, all independent: Mr Franco Cattaneo, Mr Adriano De Maio and Ms Teresa Cristiana Naddeo. Mr Franco Cattaneo is the Chairman of the Committee.

No director participates in meetings of the remuneration committee in which proposals are made to the Board of Directors relating to his/her remuneration.

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

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

For a more detailed description of how the Remuneration Committee operates and the activities it carried out during the financial year 2013, please refer to the Report on Corporate Governance and Shareholding Structure for the financial year 2013.

3. Procedure for defining and approving the policy

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

The 2012 Remuneration Policy was approved by the Shareholders' Meeting of 23 April 2013. The 2013 Remuneration Policy was approved by the Remuneration Committee in the meeting of 27 February 2014, approved by the Board of Directors in the meeting of 4 March 2014, and it will be submitted to the scrutiny of and a non-binding vote by the Shareholders' Meeting on 16 April 2014.

4. Remuneration of directors

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

At 31 December 2013, the two groups were composed as follows:

- Executive directors:
  - Alvise Braga Illa (Chairman)
  - Marco Edoardo Guida (Chief Executive Officer)
  - Paolo Colombo
  - Andrea Cencini
- Non-executive and independent directors:
  - Adriano De Maio
  - Franco Cattaneo
  - Teresa Cristiana Naddeo.

The TXT Shareholders' Meeting of 23 March 2013 set the annual compensation of each director at € 15,000 and an additional annual compensation for the participation of each director in each of the company's internal committees, in this case the Remuneration Committee and the Risks and Internal Controls Committee, at € 1,500.

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

In line with best practices, there is a Directors & Officers Liability Insurance policy, 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

At the first meeting following their appointment, the Remuneration Committee proposes to the Board of Directors the remuneration due to directors who cover particular offices.

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

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

a. the fixed component may represent 30% to 60% 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 in the case the target objectives are achieved; (iii) the annualisation of the variable medium/long term component which the beneficiary would receive in the case medium/long term target objectives are achieved;
b. the (annual) MBO bonus 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 10% to 40% of total remuneration;
c. the annualised target variable medium/long term component may represent 10% to 60% of total remuneration.

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 paid generally in the month of April each year. An ex-post correction mechanism is in place should the performance on which the MBO is based be revised.

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

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

The payment of variable components linked to the Stock Grant Plan is deferred over time and 30% of the shares granted are locked-in for a period of 3 years. 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 for delivering sustainable results. The Exercise of Stock Grants 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 and their effects on the results of the Company and/or Group.

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

The Remuneration Committee and the Board of Directors assess the positioning, composition, and more generally the competitiveness of the remuneration of directors who cover particular offices on the basis of information which is publicly available or collected as part of the company's remuneration management and, if need be, with the help of independent companies specialising in executive compensation, based on methods allowing to 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 Internal Controls Committee assess the remuneration and incentive schemes for the Manager responsible for preparing corporate accounting documents and the person in charge of internal controls, and check whether they are consistent with the tasks assigned to them.

6. Managers and senior managers

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

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

a. the fixed component generally represents 30% to 90% 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 generally represents 10% to 30% of total remuneration;
c. in some cases, a variable medium/long term component representing 10% to 50% of total remuneration on an annualised target basis is awarded.

The Group can award extraordinary bonuses should it be necessary for management purposes or in the event specific extraordinary objectives are achieved, and may as well 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 to assess the beneficiary's performance on an annual basis.

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

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

The 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 2013 Gross operating profit – EBITDA). The Group sets a maximum "cap" for the bonus payable.

The Shareholders' Meeting of 23 April 2012 approved a Stock Grant Plan with the aim of linking the remuneration of the 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.

The Plan spans approximately 5 years. In particular, the three-year vesting period, with interim vesting, of each tranche of Stock Grants awarded was found to be the most suitable for achieving the Plan's objectives.

The Plan is qualified as a stock grant plan and entitles Beneficiaries to receive, subject to the fulfilment of certain conditions and without any cash outlay, ordinary TXT e-solutions S.p.A.'s shares.

Pursuant to the Plan, the Beneficiaries may be awarded up to 1,020,000 Shares (corresponding to 510,000 original Shares that doubled as an effect of the free share capital increase resolved by the Shareholders' Meetings of 17 December 2013), subject to the achievement of specific performance objectives linked to one or more of the following indicators: Revenues, Gross Operating Profit (EBITDA), Operating Profit (EBIT), Pre-Tax Profit, Net Profit, Economic Value Added – EVA, TXT share performance in absolute terms and/or relative to the performance of the relevant stock market indices, and the Net Financial Position, as the Board of Directors shall decide upon implementation of the Plan, following the proposal of the Remuneration Committee.

Each Stock Grant will vest as follows: 20% for the fulfilment of the conditions set out for the first financial year of reference; 30% for the fulfilment of the conditions set out for the second financial year of reference; 50% for the fulfilment of the conditions set out for the third and final financial year of reference.

The information document for the Stock Grant Plan, drawn up pursuant to Art. 84-bis of the Consob Regulation, is available at the company's website in the section: www.txtgroup.com/Governance/Shareholders' Meetings.

The previous 2008 Stock Option Plan concluded at the end of the financial year 2013: all options were exercised or cancelled. During 2013, no cost was recognised for these stock options, since the relevant fair value of the option was already expensed in previous 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 Plan and, as a consequence, the bonus will not be paid, not even pro-rata.

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

It is TXT Group's policy not to enter into agreements with directors and managers governing ex ante the financial aspects relating to early termination of the relationship by the Company or the individual (known as "parachutes"). At 31 December 2013 there were no such agreements with directors or managers.

With regard to the Chairman, who is not in managerial employment, the Company will pay him a severance package equal to 25% of compensation paid, as resolved by the Shareholders' Meeting of April 2011. There is no severance package for the other directors.

Should the existing relationship with the Group terminate for reasons other than just cause, the two parties will seek as far as possible to end the relationship in an amicable manner. Without prejudice, in any case, to legal and/or contractual obligations, employment termination agreements 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-compete agreements

The Group may enter into non-compete 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 played at the time the agreement is finalised and may extend to all the Countries in which the Group operates.

PART 2 – 2013 REMUNERATION REPORT

Compensation paid to directors and auditors

Emoluments paid during 2013 are reported in the annexed Table 1:

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

Name	Office	Term in office	In office until	Fixed compensa-tion	Compensation for attendance at committee meetings	Variable compensa-tion (Bonuses and other incentives)	Non-monetary benefits	Other compen-sation	Total	Fair value of equity-based compen-sation	Severance package for end of term of office or employ-ment termination
Directors											
Alvise Braga Illa	Chairman	20.4.2011	2013 Fin. Statements Appr.	260,000	-	-	5,755	-	265,755	-	61,250
Marco Edoardo Guida	CEO	20.4.2011	2013 Fin. Statements Appr.	210,423	-	46,150	3,353	-	259,926	7,419	16,413
Andrea Cencini	Director	20.4.2011	2013 Fin. Statements Appr.	161,489	-	32,500	2,818	-	196,807	7,419	13,258
Paolo Enrico Colombo	Director	20.4.2011	2013 Fin. Statements Appr.	147,515	-	37,050	2,834	-	187,399	4,433	12,560
Franco Cattaneo	Ind. Director	20.4.2011	2013 Fin. Statements Appr.	15,000	8,000	-	-	-	23,000	-	-
Adriano De Maio	Ind. Director	20.4.2011	2013 Fin. Statements Appr.	15,000	8,000	-	-	-	23,000	-	-
Teresa Cristiana Naddeo	Ind. Director	10.5.2012	2013 Fin. Statements Appr.	15,000	8,000	-	-	-	23,000	-	-
Managers with strategic responsibilities											
Paolo Matarazzo	CFO	-	-	140,000	-	42,250	3,140	-	185,390	7,419	13,500
Board of Statutory Auditors											
Raffaele Valletta	Chairman	20.4.2011	2013 Fin. Statements Appr.	26,270	-	-	-	-	26,270	-	-
Fabio Maria Palmieri	Standing	20.4.2011	2013 Fin. Statements Appr.	20,284	-	-	-	-	20,284	-	-
Luigi Carlo Filippini	Standing	20.4.2011	2013 Fin. Statements Appr.	20,284	-	-	-	-	20,284	-	-
Angelo Faccioli	Alternate	20.4.2011	2013 Fin. Statements Appr.	-	-	-	-	-	-	-	-
Pietro Antonio Grignani	Alternate	20.4.2011	2013 Fin. Statements Appr.	-	-	-	-	-	-	-	-
TOTAL				1,031,265	24,000	157,950	17,900	-	1,231,115	26,692	116,982

The emoluments paid relate only to the parent company TXT e-solutions Spa, as subsidiaries and associates did not pay any emoluments.

“Fixed compensation” includes the relevant emoluments resolved upon by the Shareholders' Meeting, even

though they have not been paid yet; 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	Compen-sation for the office	Fixed salary	Fixed compen-sation
Directors				
Alvise Braga Illa	15,000	245,000	-	260,000
Marco Edoardo Guida	15,000	20,000	175,423	210,423
Andrea Cencini	15,000	-	146,489	161,489
Paolo Enrico Colombo	15,000	-	132,515	147,515
Franco Cattaneo	15,000	-	-	15,000
Adriano De Maio	15,000	-	-	15,000
Teresa Cristiana Naddeo	15,000	-	-	15,000
Managers with strategic responsibilities				
Paolo Matarazzo	-	-	140,000	140,000

On the basis of the organisational structure of the TXT Group in 2013, Mr Marco Guida is the Chief Executive Officer, Mr Andrea Cencini, TXT Perform Division Manager, and Mr Paolo Colombo, TXT Next Division Manager, are also directors. Mr Paolo Matarazzo, Chief Financial Officer and Manager responsible for preparing corporate accounting documents, is identified as a manager with strategic responsibilities.

The Shareholders' Meeting held on 23 April 2013 resolved to set the compensation of each director at € 15,000 for the financial year 2013.

The column "Compensation for attendance at committee meetings" shows the compensation received by Messrs Franco Cattaneo and Adriano De Maio and by Ms Teresa Cristina Naddeo for attending 3 Remuneration Committee meetings and 3 Risks and Internal Controls Committee meetings each. The Shareholders' Meeting held on 23 April 2013 decided to set the compensation of each director for attending each company's internal committees, in this case the Remuneration Committee and the Risks and Internal Controls Committee, at € 1,500.

The column "Bonuses and other incentives" includes the portions of compensation vested and not yet paid, according to the corporate Management by Objectives – MBO plan for the financial year 2013. TXT has no profit-sharing plan. The listed bonuses relate to the financial year 2013, 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.

The column "Non-monetary benefits" shows the values of fringe benefits (on an income tax basis) including any supplementary pension funds and insurance policies. Non-monetary benefits essentially refer to company cars, in line with TXT's human resources policies and market practices.

The column "Other compensation" has not been filled out as no compensation other than that in the above categories has been paid.

The column "Fair value of equity-based compensation" shows the fair value of the compensation for the year at grant date as part of incentive plans based on financial instruments, estimated according to international accounting standards.
The amounts refer to the stock grants exercised in March 2013, for the portion relevant to the financial year 2013 accrued from May 2012 to March 2013.
The stock grants awarded with reference to the year 2013 have not vested because the objectives set were not achieved. No cost relative to said stock grants were therefore incurred during 2013.

The column "Severance package for end of term of office or employment termination" shows severance pay accrued and not yet paid to the Chairman as Termination Benefits accrued on fixed and variable compensation. With regard to the Chairman, who is not in managerial employment, the Company will pay him a severance package equal to 25% of the compensation paid, as resolved by the Shareholders' Meeting of 27 April 2011. There is no severance package for the other directors. For other beneficiaries, the amounts shown refer to their Post-Employment Benefits as employees accrued on the fixed salary and variable bonuses. There is no financial compensation for non-compete agreements.

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

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

On the basis of TXT's organisational structure, in addition to the directors, Mr Paolo Matarazzo, Chief Financial Officer and Manager responsible for preparing corporate accounting documents, is identified as a manager with strategic responsibilities.

Following the free share capital increase of 28 May 2012 through the issue of one new share for every share held, in accordance with the rules of the Plan approved by the Shareholders' Meeting, each option entitles its owner to subscribe for two ordinary shares.

The exercise of the stock options awarded in 2008 was conditional on achieving the objectives set concerning the three-year growth in EBITDA and TXT's average share price performance in the period 2009-2011, therefore the relevant cost was spread over the same period. No costs were incurred for the 2008 Stock option plan in 2013.

At 31 December 2013, all the stock options had been exercised and no other remaining options were left.

For the sake of clarity, the following table shows how many shares the beneficiaries exercised and the strike price for each share.

TABLE 2 - Stock options granted to members of administration bodies and managers with strategic responsibilities

Full name	Office	Options held at 31.12.2012			Options awarded in 2013		Options exercised in 2013			Options expired in 2013	Options held at 31.12.2013	Options expensed in 2013
		Number of Options	Options strike price in €	Potential exercise date	Number of Options	Options strike price in €	Number of Options	Options strike price in €	Share price at the exercise date in €	Number of Options	Number of Options	Fair Value
Directors												
Marco Guida	CEO	30,000	3.232	6.3.2012-14.11.2013	-	-	30,000	3.232	8.479	-	-	-
Andrea Cencini	Director	20,000	3.232	6.3.2012-14.11.2013	-	-	20,000	3.232	8.640	-	-	-
Paolo Colombo	Director	20,000	3.232	6.3.2012-14.11.2013	-	-	20,000	3.232	8.194	-	-	-
Managers with strategic responsibilities												
Paolo Matarazzo	CFO	30,000	3.232	6.3.2012-14.11.2013	-	-	30,000	3.232	8.141	-	-	-
TOTAL		100,000					100,000				-	

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

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

For the sake of clarity, the number of shares and relevant prices of the following tables was adjusted subsequent to the two free share capital increases resolved upon by the Shareholders' meetings of 28 May 2012 and 17 December 2013 (each free share capital increase entailed the issue of one new share for every share held). The number of shares indicated is therefore consistent with the number of currently outstanding shares.

Subsequent to the approval of the "Stock Grant Plan" by the Shareholders' Meetings of 23 April 2012, on 10 May 2012 the Board of Directors, awarded 280,000 stock grants (originally 70,000, they quadrupled following the two share capital increases). Of these stock grants, 192,656 were awarded to directors and managers with strategic responsibilities.

On 13 December 2012, the Board of Directors also awarded a second tranche of 360,000 stock grants (originally 180,000, they doubled following the free share capital increase) which may vest according to the results for 2013, 2014, and 2015. 208,800 of these stock grants were awarded to directors and executives with strategic responsibilities.
Pursuant to the plan, the termination date for the stock grants awarding is 30 June 2014.

The Stock Grant Plan resolved upon by the Shareholders' Meetings of 23 April 2012 for a total of 1,020,000 Shares (originally 510,000, they doubled following the free share capital increase) is detailed in the table below. The portion awarded to directors and managers with strategic responsibilities is shown separately:

	Total	of which Directors and Managers with strategic resp.
Stock Grants awarded, vested, allocated and exercised	56,000	38,536
Stock Grants awarded, vested, allocated, not yet exercised	12,340	-
Stock Grants assigned, vested however not allocated due to the non-fulfilment of the conditions	143,660	99,552
Stock Grants awarded, not yet vested during 2013	428,000	263,368
Stock Grants not awarded	380,000	
Total Plan approved by the Shareholders' Meeting	1,020,000	

For the sake of clarity, the number of shares indicated in this table was adjusted subsequent to the two free share capital increases resolved upon by the Shareholders' meetings of 28 May 2012 and 17 December 2013 (each free share capital increase entailed the issue of one new share for every share held). The number of shares indicated is therefore consistent with the number of currently outstanding shares.

Table 3A - Incentive plans based on instruments other than stock options for members of administration bodies and managers with strategic responsibilities

			Financial instruments awarded in previous years not vested during 2013		Financial instruments awarded during 2013					Financial instruments vested in 2013 and not awarded	Financial instruments vested during 2013 and awardable		Financial instruments expensed in 2013
Full name	Office	Plan	Number of instruments	Vesting period	Number of instruments	Fair value at grant date	Vesting period	Grant date	Market value at grant date	Number of instruments	Number of instruments	Value at vesting date	Fair Value (€)
Directors													
Marco Guida	CEO	23.4.2012 Stock Grant	26,776	2014	-	-	-	-	-	16,064	2,920	3.15	7,419
		23.4.2012 Stock Grant	44,800	2014-2015	-	-	-	-	-	11,200	-	-	-
			71,576		-					27,264	2,920		7,419
Andrea Cencini	Director	23.4.2012 Stock Grant	26,776	2014	-	-	-	-	-	16,064	2,920	3.15	7,419
		23.4.2012 Stock Grant	44,800	2014-2015	-	-	-	-	-	11,200	-	-	-
			71,576		-					27,264	2,920		7,419
Paolo Colombo	Director	23.4.2012 Stock Grant	16,000	2014	-	-	-	-	-	9,600	1,746	3.15	4,433
		23.4.2012 Stock Grant	32,640	2014-2015	-	-	-	-	-	8,160	-	-	-
			48,640		-					17,760	1,746		4,433
Managers with strategic responsibilities													
Paolo Matarazzo	CFO	23.4.2012 Stock Grant	26,776	2014	-	-	-	-	-	16,064	2,920	3.15	7,419
		23.4.2012 Stock Grant	44,800	2014-2015	-	-	-	-	-	11,200	-	-	-
			71,576		-					27,264	2,920		7,419
TOTAL			263,368		-					99,552	10,506		26,692

For the sake of clarity, the number of shares and relevant prices indicated in this table was adjusted subsequent to the two free share capital increases resolved upon by the Shareholders' meetings of 28 May 2012 and 17 December 2013 (each free share capital increase entailed the issue of one new share for every share held). The number of shares indicated is therefore consistent with the number of currently outstanding shares.

The stock grants awarded in the previous financial years refer to the third and last portion of the first awarding phase (2014 vesting period) and to the second and third portion of the second awarding phase (2014-2015 vesting period).

During 2013 no other stock grants were awarded.

Stock grants vested in 2013 were not awarded due to the non-fulfilment of the conditions set as performance objectives for 2013.

The stock grants vested during 2013 refer to the first portion of the 2012-2103-2014 awarding period, exercised in March 2013, for the share concerning 2013. The number of shares and their cost were recognised in the reference period, over the eleven months from the grant date (May 2012) to the date of approval of 2012 results (March 2013). The number of instruments indicated (10,506) and their cost recognised at fair value (€ 26,692) thus refers to the 3/11 of said allocation. The value at vesting date (€ 3.15) corresponds to the market price of the TXT shares at 31 December 2012 (i.e. the end of the reference financial year) halved as a result of the free share capital increase.

On 13 December 2013, the Board of Directors established the vesting conditions for 2014, subject to the achievement of the pre-tax profit objective.

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. of 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 at 31 December 2013 from the shareholders' register, communications received and other information acquired.

For the sake of clarity the number of shares in the table below doubled subsequent to the free share capital increase resolved upon by the Shareholders' Meetings of 17 December 2013 (issue of one new share for every share held). The number of shares indicated is therefore consistent with the number of shares currently outstanding.

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 31.12.2012	NO. OF SHARES PURCHASED/ SUBSCRIBED	NO. OF SHARES SOLD	NO. OF SHARES HELD AT 31.12.2013
Directors						
Alvise Braga Illa	Chairman	TXT	1,567,230	82,568	51,524	1,598,274
Marco Edoardo Guida	CEO	TXT	222,860	70,712	41,572	252,000
Paolo Colombo	Director	TXT	130,000	46,400	40,000	136,400
Andrea Cencini	Director	TXT	100,000	50,712	56,552	94,160
Franco Cattaneo	Indep. Dir.	TXT	20,000	-	-	20,000
Managers with strategic responsibilities						
Paolo Matarazzo	CFO	TXT	40,000	70,712	52,712	58,000
TOTAL			2,080,090	321,104	242,360	2,158,834

For the sake of clarity the number of shares of this table was doubled subsequent to the free share capital increase resolved upon by the Shareholders' Meetings of 17 December 2013 (issue of one new share for every share held). The number of shares indicated is therefore consistent with the number of shares currently issued.

TXT e-solutions Group

Consolidated financial statements

as at 31 December 2013

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 5,911,932 fully paid-in

Tax code and

Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(3)
Franco Cattaneo	Independent Director	(2)
Andrea Cencini	Director	(3)
Paolo Enrico Colombo	Director	(3)
Adriano De Maio	Independent Director	(2)
Teresa Cristiana Naddeo	Independent Director	(2) (4)

(5) Powers assigned: ordinary and extraordinary administration, except purchase and sale of buildings

(6) Member of the Remuneration Committee and the Risks and Internal Controls Committee.

(7) Powers assigned: ordinary administration.

(8) Appointed by the Shareholders' Meeting of 6 December 2012

BOARD OF STATUTORY AUDITORS

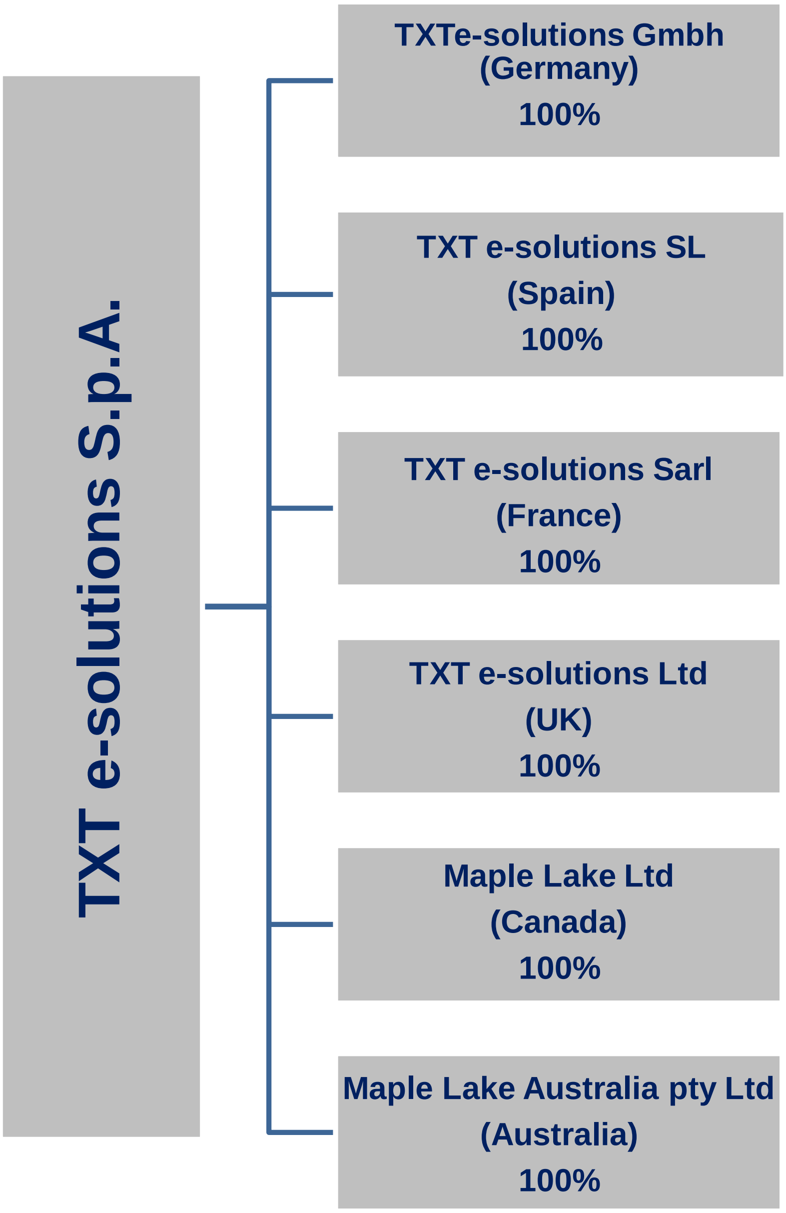
Raffaele Valletta	Chairman
Luigi Carlo Filippini	Standing Auditor
Fabio Maria Palmieri	Standing Auditor
Angelo Faccioli	Alternate Auditor
Pietro Antonio Grignani	Alternate Auditor

EXTERNAL AUDITORS Reconta Ernst & Young S.p.A.

INVESTOR RELATIONS E-mail: infofinance@txtgroup.com

Telephone: +39 02 25771.1

Organisational structure and scope of consolidation



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Consolidated financial statements as at 31 December 2013

Consolidated Balance Sheet

ASSETS	Notes	31 Dec. 2013	Of which due to related parties	31 Dec. 2012 (*)	Of which due to related parties
NON-CURRENT ASSETS					
Goodwill	7.1	12,481,045		12,912,416	
Intangible assets with a finite useful life	7.2	2,888,814		3,708,812	
Intangible assets		**15,369,859**	**-**	**16,621,228**	**-**
Property, plant and equipment	7.3	1,107,372		1,121,001	
Leased assets	7.3	11,093		33,281	
Property, plant and equipment		**1,118,465**	**-**	**1,154,282**	**-**
Sundry receivables and other non-current assets	7.4	128,741		301,053	
Deferred tax assets	7.5	1,233,314		493,907	
Other non-current assets		**1,362,055**	**-**	**794,960**	**-**
TOTAL NON-CURRENT ASSETS		**17,850,379**	**-**	**18,570,470**	**-**
CURRENT ASSETS					
Period-end inventories	7.6	1,451,390		1,388,486	
Trade receivables	7.7	16,840,120		17,274,489	
Sundry receivables and other current assets	7.8	1,802,252		2,287,953	
Cash and cash equivalents	7.9	14,821,027		15,818,812	
TOTAL CURRENT ASSETS		**34,914,789**	**-**	**36,769,740**	**-**
TOTAL ASSETS		**52,765,168**	**-**	**55,340,210**	**-**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2013	Of which due to related parties	31 Dec. 2012 (*)	Of which due to related parties
SHAREHOLDERS' EQUITY					
Share capital		5,911,932		2,883,466	
Reserves		13,875,881		17,422,627	
Retained earnings (accumulated losses)		3,506,898		719,788	
Profit (loss) for the period		4,642,043		4,996,888	
TOTAL SHAREHOLDERS' EQUITY	**7.10**	**27,936,754**	**-**	**26,022,769**	**-**
NON-CURRENT LIABILITIES					
Non-current financial liabilities	7.11	2,895,924		4,301,300	
Employee benefits expense	7.12	3,299,049		3,326,244	
Deferred tax provision	7.5	769,518		950,204	
Provision for future risks and charges	7.13	-		88,706	
TOTAL NON-CURRENT LIABILITIES		**6,964,491**	**-**	**8,666,454**	**-**
CURRENT LIABILITIES					
Current financial liabilities	7.14	3,352,069		5,496,498	
Trade payables	7.15	1,504,522		1,799,747	
Tax payables	7.16	73,182		889,563	
Sundry payables and other current liabilities	7.17	12,934,150	495,384	12,465,179	805,146
TOTAL CURRENT LIABILITIES		**17,863,923**	**495,384**	**20,650,987**	**805,146**
TOTAL LIABILITIES		**24,828,414**	**495,384**	**29,317,441**	**805,146**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**52,765,168**	**495,384**	**55,340,210**	**805,146**

(*) Consolidated Balance Sheet as at 31 December 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Income Statement

	Notes	2013	Of which due to related parties	2012 (*)	Of which due to related parties
Revenues		51,373,859		45,217,346	
Other income		1,186,187		1,281,279	
TOTAL REVENUES AND OTHER INCOME	**8.1**	**52,560,046**		**46,498,625**	
Purchase of materials and external services	**8.2**	(13,114,779)	(485,366)	(12,159,886)	(620,679)
Personnel costs	**8.3**	(31,346,993)	(752,377)	(27,126,310)	(777,145)
Other operating costs	**8.4**	(1,835,313)		(1,890,642)	
Depreciation and amortisation/Impairment	**8.5**	(1,307,076)		(1,051,170)	
OPERATING PROFIT (LOSS)		**4,955,885**	**(1,237,743)**	**4,270,617**	**(1,397,824)**
Financial income	**8.6**	1,227,977		1,627,629	
Financial charges	**8.6**	(1,662,425)		(1,279,976)	
EARNINGS BEFORE TAXES		**4,521,437**	**(1,237,743)**	**4,618,270**	**(1,397,824)**
Income taxes	**8.7**	120,606		(175,698)	
NET PROFIT (LOSS) FROM OPERATIONS		**4,642,043**	**(1,237,743)**	**4,442,572**	**(1,397,824)**
Profit (loss) from assets held for sale and discontinued operations		-		554,316	
NET PROFIT (LOSS) FOR THE PERIOD		**4,642,043**	**(1,237,743)**	**4,996,888**	**(1,397,824)**
EARNINGS PER SHARE		0.44		0.50	
DILUTED EARNINGS PER SHARE		0.43		0.46	

Consolidated Statement of Comprehensive Income

	2013	2012 (*)
NET PROFIT (LOSS) FOR THE PERIOD	**4,642,043**	**4,996,888**
Foreign currency translation differences - foreign operations	(99,891)	82,172
Net change in fair value of assets held for sale	3,450	20,412
Total items of other comprehensive income that will be subsequently reclassified to profit /(loss) for the period net of taxes	**(96,441)**	**102,584**
Defined benefit plans actuarial gains (losses)	87,370	(210,038)
Total items of other comprehensive income that will not be subsequently reclassified to profit /(loss) for the period net of taxes	**87,370**	**(210,038)**
Total profit/ (loss) of Comprehensive income net of taxes	**(9,071)**	**(107,454)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4,632,972**	**4,889,434**

(*) Consolidated Income Statement as at 31 December 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Statement of Cash Flows

	2013	2012 (*)
Net profit (loss) for the period	**4,642,043**	**4,996,889**
Non-monetary costs	152,653	125,333
Current tax	(816,381)	512,707
Change in deferred tax	(920,093)	(260,970)
Depreciation and amortisation, impairment and provisions	1,208,271	1,067,434
Cash flows from (used in) operating activities (before change in working capital)	**4,266,493**	**6,441,393**
(Increases)/decreases in trade receivables	1,112,252	(2,443,895)
(increases)/decreases in inventories	(62,904)	68,995
Increases/(decreases) in trade payables	(295,225)	(3,112,347)
increases/(decreases) in post-employment benefits	11,133	(41,245)
increases/(decreases) in other assets and liabilities	449,103	2,840,987
Change in operating assets and liabilities	1,214,359	(2,687,505)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**5,480,852**	**3,753,888**
(Increases) / decreases in property, plant and equipment	(482,656)	(674,895)
(Increases) / decreases in intangible assets	19,182	26,929
(Increases) / decreases in financial assets	-	2,219,614
Net cash flow from Maple Lake acquisition	-	(10,529,849)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(463,474)**	**(8,958,201)**
Increases / (decreases) in financial payables	(3,549,806)	5,886,357
(Increases) / decreases in financial receivables	-	820,747
Distribution of dividends	(2,106,906)	-
Share buy-backs	(1,125,282)	-
Stock options exercise	468,928	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(6,313,066)**	**6,707,104**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,295,688)**	**1,502,791**
Effect of exchange rate changes on cash flows	297,903	135,085
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**15,818,812**	**14,180,936**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**14,821,027**	**15,818,812**

(*) Consolidated Statement of Cash Flows as at 31 December 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) concerning the Maple Lake business combination.

Consolidated Statement of Changes in Equity as at 31 December 2013

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	IRS fair value reserve	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
Balances at 31 December 2012 (Restated)	2,883,466	340,130	15,280,603	1,911,444	140,667	663,956	(754,463)	(3,450)	(156,257)	719,785	4,996,888	26,022,769
Profit (loss) at 31 December 2012		102,870								4,894,018	(4,996,888)	-
Free share capital increase	2,955,966		(2,955,966)									-
Distribution of dividends										(2,106,906)		(2,106,906)
Allocation to stock option plan						77,849						77,849
Stock option subscription	72,500		396,428									468,928
Share buy-backs			(1,125,282)									(1,125,282)
MTM IRS								3,450				3,450
Post-employment benefits discounting							87,370					87,370
Exchange differences									(133,467)			(133,467)
Profit (loss) at 31 December 2013											4,642,043	4,642,043
Balances at 31 December 2013	5,911,932	443,000	11,595,783	1,911,444	140,667	741,805	(667,093)	-	(289,724)	3,506,897	4,642,043	27,936,754

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	IRS fair value reserve	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
Balances at 31 December 2011	1,366,519	340,130	15,976,803	1,911,444	140,667	1,499,106	(544,425)	(23,862)	(204,885)	(14,381,062)	14,184,230	20,264,665
Profit (loss) at 31 December 2011										14,184,230	(14,184,230)	-
Stock options exercise						(938,598)				938,598		-
Stock option subscription	18,000		182,384									200,384
Free share capital increase	1,379,520		(1,379,520)									-
Allocation to stock option plan						103,448						103,448
Share buy-backs			(891,583)									(891,583)
MTM IRS								20,412				20,412
Post-employment benefits discounting							(210,039)					(210,039)
Maple Lake acquisition	119,427		1,392,519									1,511,946
Exchange differences									48,626			48,626
Other changes										(21,978)		(21,978)
Profit (loss) at 31 December 2012											5,137,932	5,137,932
Balances at 31 December 2012	2,883,466	340,130	15,280,603	1,911,444	140,667	663,956	(754,464)	(3,450)	(156,259)	719,788	5,137,932	26,163,813
PPA remeasurement											(141,044)	(141,044)
Balances at 31 December 2012 (Restated)	2,883,466	340,130	15,280,603	1,911,444	140,667	663,956	(754,464)	(3,450)	(156,259)	719,788	4,996,888	26,022,769

NOTES TO THE FINANCIAL STATEMENTS

1. Group's structure and scope of consolidation

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

The table below shows the companies included in the scope of consolidation under the line-by-line method at 31 December 2013:

Company name of the subsidiary	Currency	% of direct interest	Share Capital
TXT e-solutions SL	EUR	100%	600,000
TXT e-solutions Sarl	EUR	100%	1,300,000
TXT e-solutions Gmbh	EUR	100%	1,300,000
TXT e-solutions Ltd	GBP	100%	2,966,460
Maple Lake Ltd	CAD	100%	2,230,553
Maple Lake Pty Ltd	AUD	100%	112

TXT e-solutions Group's consolidated financial statements are presented in Euro.

Here below are the foreign exchange rates used for translating the amounts expressed in foreign currency of the subsidiaries TXT e-solutions Ltd, Maple Lake Ltd, Maple Lake Pty Ltd into Euro:

- Income statement (average exchange rate)

Currency	31 Dec. 2013	31 Dec. 2012
British Pound Sterling (GBP)	0.8493	0.8710
Canadian Dollar (CAD)	1.3685	1.2684
Australian Dollar (AUD)	1.3770	1.2396

- Balance sheet (exchange rate at 31 December 2013 and 31 December 2012)

Currency	31 Dec. 2013	31 Dec. 2012
British Pound Sterling (GBP)	0.8337	0.8161
Canadian Dollar (CAD)	1.4671	1.3137
Australian Dollar (AUD)	1.5423	1.2712

2. Basis of preparation of the consolidated financial statements

TXT e-solutions Group's consolidated 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 consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments. 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.

Consolidated financial statements have been prepared based on accounting entries at 31 December 2013 and on a going concern basis. The accounting policies applied in preparing the financial statements, as well as the composition of, and changes in, individual items, are illustrated below. Comparative data for the prior-year period have been restated to reflect the new accounting policies.

All amounts are expressed in Euro, unless otherwise indicated.

The publication and release of this report were approved by the Board of Directors' Meeting held on 4 March 2014.

2.1 Accounting standards and basis of consolidation

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 2013.

The subsidiaries are consolidated line-by-line from the acquisition date, or the date when control is obtained, and cease to be consolidated on the date when control is lost. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, 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 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's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

If the parent 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;
- derecognises the cumulative exchange differences recognised in equity;
- recognises the fair value of the consideration received;
- recognises the investment retained in the former subsidiary at its fair value;
- recognises any gain or loss in profit or loss;
- reclassifies to profit or loss, or transfers directly to retained earnings if required, the parent's share in the amounts previously recognised in other comprehensive income.

Foreign currency transactions

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 profit or loss 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 until the disposal of the net investment, and only then will be recognised in profit or loss. Taxes and tax credits attributable to exchange differences on monetary items shall also be 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 other comprehensive income or profit or loss are recognised in other comprehensive income or profit or loss, respectively).

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.

Consolidation of foreign operations

The consolidated financial statements are presented in Euro, which is the functional and presentation currency adopted by the parent. Each company of the Group determines its own functional currency, which is used to measure the items included in the individual 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.

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 the recognised amount of the non-controlling interest in the acquiree. For each business combination, the Group defines whether to measure the non-controlling interest in the acquiree at fair value or the non-controlling interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition costs are expensed in the year and classified as administrative expenses.

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

If the business combination is achieved in stages, the pre-existing equity interest is carried at fair value at the date of acquisition and the resulting gain or loss, if any, is recognised in profit or loss. 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, i.e. a financial instrument and is within the scope of IAS 39 Financial Instruments: Recognition and Measurement, will be recognised in profit or loss or in other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is accounted for in accordance with the appropriate IFRS. 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 nets assets acquired exceeds the aggregate of the consideration transferred, the Group reassess 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 profit or loss.

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

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

ASSETS AND LIABILITIES

Intangible assets

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

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

Intangible asset with a finite useful life are amortised 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 profit or loss 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 are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are recognised as an expense in profit or loss 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 licenses

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

Property, plant and equipment

An item of property, plant and equipment is measured at acquisition or production cost including directly attributable costs necessary to bring the asset to its working condition.

An item of property, plant and equipment is depreciated on a straight-line basis over its 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
Plant and equipment	5 years
Motor vehicles	4 years

The costs of maintenance, repair, enhancement, upgrade, and replacement that have not lead 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.

Assets held under finance leases (for which the companies of the group assume substantially all the risks and rewards) are accounted for as property, plant and equipment (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.

Impairment of non-financial assets

At the end of each reporting period, 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 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 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 budget 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 profit or loss 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 amount 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 profit or loss 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:

Goodwill

Goodwill is tested for impairment at least annually (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.

Intangible assets

An intangible asset with an indefinite useful life is tested for impairment at least annually (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

Initial recognition and measurement

The financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or derivatives designated as hedging instruments that are determined to be effective hedges, as appropriate. The Group determines the classification of its financial assets upon initial recognition.

Financial assets are initially recognised at fair value plus the transaction costs directly attributable to the acquisition, except in the case of financial assets at fair value through profit or loss.

A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned is a regular way purchase or sale and is recognised using trade date accounting. Trade date is the date that the Group commits itself to purchase or sell an asset.

The Group's financial assets include cash and short-term deposits, trade receivables and other receivables, loans and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

Subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

This category includes financial assets held for trading and assets designated as at fair value through profit or loss upon initial recognition.

Assets held for trading are all those assets acquired for the purpose of selling them in the near term.

This category includes the derivative financial instruments subscribed by the Group that were not designated as hedging instruments in accordance with the hedging relationship as defined by IAS 39.

Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

The financial instruments at fair value through profit or loss are recognised in the balance sheet at fair value, while the changes in fair value are recognised in profit or loss as financial income or charges.

No financial asset was designated upon initial recognition as at fair value through profit or loss.

The Group assessed its financial assets held for trading, other than derivatives, to verify whether the intention to sell them in the near term is still appropriate. In rare cases, i.e. when the Group is unable to sell these financial assets because markets are not active and management's intention to sell them in the foreseeable future changes significantly, the Group may choose to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale financial assets, or held-to-maturity financial assets depends on the nature of the asset. This assessment has no impact on any financial asset designated as at fair value through profit or loss designated under the fair value option.

The embedded derivatives contained in host contracts are accounted for as separate derivatives and measured at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not held for trading or measured at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. The initial assessment is not revised unless a change in the contractual terms significantly modifies the cash flows that otherwise would be expected.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. The amortised cost is calculated accounting for any discounts, acquisition premiums, fees or costs that are an integral part of the effective interest rate.

The amortisation at the effective interest rate is recognised as financial income in profit or loss. The losses arising from impairment are recognised as financial charges in profit or loss.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments are classified as “held-to-maturity financial assets” whenever the Group has the positive intention and ability to hold them to maturity.

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. The amortised cost is calculated by accounting for any discounts, acquisition premiums, fees or costs that are an integral part of the effective interest rate. The amortisation at the effective interest rate is recognised as financial income in profit or loss. The losses arising from impairment are recognised as financial charges in profit or loss. The Group did not hold any investments of this type during the financial years ended 31 December 2013 and 2012.

Impairment of financial assets

At the end of each reporting period, the Group determines whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment can be represented by indicators such as financial difficulty, a breach of contract, the default or delinquency in interest or principal payments, that borrowers, or a group of borrowers, are incurring; it becoming probable that the borrower will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in circumstances or in the economic conditions related to the obligations.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group assessed whether objective evidence of impairment existed individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be estimated based on the reduced carrying amount and is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is recognised in profit or loss as part of financial income. Loans and the relevant provisions are reversed when there is no realistic prospect of recovery and all guarantees have been enforced or transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases following an event occurring after the impairment was recognised, the previously recognised impairment loss shall be increased or decreased by adjusting an allowance account. If a reversal is subsequently recovered, the amount of the reversal is recognised in profit or loss as a decrease in financial charges.

Investments in other companies

The item includes investments in other companies (ownership of less than 20% of the stock or 2% for listed companies) measured at fair value through equity; when the fair value cannot be reliably measured, the investments are measured at cost less impairment. When the conditions that caused the impairment no longer exist, the investments measured at cost are revalued to the extent of the impairment loss previously recognised through profit or loss.

Other non-current assets, Trade receivables, Current financial receivables, and Other current receivables

With the exception of assets deriving from derivative financial instruments, the other assets and all financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured, if they have fixed maturity, at amortised cost using the effective interest method. When financial assets do not have fixed maturity, they are measured at cost. Loans with maturity over one year, granted interest-free or at a below-market rate, are discounted at market rates of interest.

The Group regularly assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is recognised as an expense when incurred.

Inventories

Inventories 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, since the turnover rate for these inventories is high, 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 by reference 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 profit or loss 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. If stock options are exercised, they are serviced with treasury shares.

Financial Liabilities, Other non-current liabilities, Trade payables, Current financial payables and other payables

Upon initial recognition, they are designated as at fair value (typically represented by the cost of the transaction that originated them), including transaction costs.

Subsequently, except for derivative financial instruments, financial liabilities are measured at amortised cost using the effective interest method.

The receivables and payables in the foreign currency of countries outside the euro area are translated at closing rates; any positive or negative differences between the amounts of the receivables and payables translated at closing rates and those measured at the original exchange rates, are recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

The financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, such as loans and borrowings, or derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial liabilities upon initial recognition.

Financial liabilities are initially recorded at fair value plus transaction costs directly attributable to them in the case of loans and borrowings.

The Group's financial liabilities include trade payables and other payables, bank overdrafts, loans and borrowings, guarantees issued and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss upon initial recognition.

Liabilities held for trading are all those liabilities acquired for the purpose of selling them in the near term. This category includes the derivative financial instruments subscribed by the Group that were not designated as hedging instruments in accordance with the hedging relationship as defined by IAS 39. Separated embedded derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains and losses on financial liabilities held for trading are recognised in profit or loss.

Financial liabilities are designated upon initial recognition as at fair value through profit or loss only if the conditions in IAS 39 are met. The Group has not designated upon initial recognition any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss only when the liability is extinguished, as well as through amortisation.

The amortised cost is calculated accounting for any acquisition discounts or premiums, fees or costs that are an integral part of the effective interest rate. The amortisation at the effective interest rate is recognised in financial charges in profit or loss.

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) in case 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 in the case 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 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 at 31 December 2013.

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 profit or loss (in comprehensive income) and directly in equity.

Stock option plans

TXT e-solutions S.p.A. recognises additional benefits to particular categories of employees who work in the Company and its subsidiaries, deemed to be "key management personnel" in terms of authority and/or responsibility 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 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 becomes probable but its amount cannot be determined, 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

As for transactions with related parties, it should be noted that they cannot be classified as atypical nor 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.

Translation of foreign currency items

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 profit or loss 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 until the disposal of the net investment, and only then will be recognised in profit or loss. 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 other comprehensive income or profit or loss are recognised in other comprehensive income or profit or loss, respectively).

REVENUE AND EXPENSES

Revenue is recognised when it is probable that the economic benefits will flow to the TXT e-solutions Group and the relevant amount can be measured reliably, irrespective of collection date. Revenue is measured at the fair value of the consideration received or receivable, taking into account the contract terms of payment and excluding taxes and duties. The Group specifically assessed its sales contracts and concluded that it is acting directly as the principal in all sales contracts.

These specific measurement criteria shall also apply with reference to revenue recognition:

Sales of assets

Sales are recognised when ownership is transferred, i.e. all risks and rewards associated with the asset are transferred. Revenue is recognised net of returns, discounts, rebates and premiums, as well as of any directly related taxes.

Services

Revenues arising from the provision of development and maintenance services are measured on the basis of the considerations agreed by reference to the stage of completion determined using the cost-to-cost method. When the outcome of a contract cannot be reliably measured, revenue is recognised only to the extent that costs incurred are deemed to satisfy the recoverability requirements.

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 profit or loss (IAS 18.30 a).

EXPENSES

Expenses are recognised in profit or loss when they relate to goods and services sold or consumed during the year or systematically allocated when the relevant future benefits cannot be estimated.

Personnel costs include, consistently with their substantial nature, stock options granted to employees. In determining those costs, reference is made to the comments in the introduction 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 attaching to them. When grants are related to expenses, they are recognised as income; however, they are recognised on a systematic basis over the periods in which the entity recognises the expenses that the grants are intended to compensate. If a grant is related to an asset, the grant is recognised as income on a straight-line basis over the expected useful life of the relevant asset.

When the TXT e-solutions Group receives a non-monetary grant, the asset and the grant are recognised at their nominal amount in profit or loss 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 tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities, using the rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised outside profit or loss if the tax relates to items that are recognised outside profit or loss, and is therefore recognised in equity or in other comprehensive income, consistently with the recognition of the item it relates to. The 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 carryforward 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 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 amount 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 profit or loss if the tax relates to items that are recognised outside profit or loss, and is therefore recognised in equity or in other comprehensive income, 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 of 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 profit or loss, 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 profit or loss;
- trade receivables and payables include the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the taxation authorities is recognised as part of trade receivables or payables, depending on whether the balance is positive or negative.

FAIR VALUE HIERARCHY

For measurement of financial instruments recognised in the balance sheet, IFRS 7 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 2013.

Comparison between fair value and carrying amount of the TXT Group's financial instruments is provided in the table below:

	31 December 2013	Level 1	Level 2	Level 3
	€000	€000	€000	€000
Financial assets at fair value	-	-	-	-
- other non-current financial assets	-	-	-	-
- other current financial assets	-	-	-	-

Total financial assets	-	-	-	-
Financial liabilities at fair value				
- Non-current financial liabilities	2,895,924	-	2,927,500	-
- Current financial liabilities	3,352,069	-	3,352,069	-
Total financial liabilities	6,247,993	-	6,279,569	-

Current financial liabilities approximate market value.

Non-current financial liabilities refer to loans signed by the Group. The fair value measurement of non-current liabilities was made by discounting future cash flows based on the market interest rates increased by credit rating recognized by bank counterparties in trading similar financial products.

Guarantees issued, obligations and other contingent liabilities

At 31 December 2013, 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.

Use of estimates 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 profit or loss. 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.

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 flows projections are based on the plan for the next three 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.

Taxes

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

Pension funds

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

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

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

Fair value measurement of contingent considerations

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 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.

New accounting standards, interpretations and amendments adopted by the Group

The accounting standards adopted in preparing the consolidated financial statements as at 31 December 2013 are consistent with those used in preparing the Group financial statements as at 31 December 2012, except for the adoption of the new standards, amendments and interpretations effective since 1 January 2013.

The amendments to IAS 19 did not have any effect, since the Group had already adopted the provisions of such standard.

Several new standards and amendments became effective as of 2013. However, they did not have any impact on TXT e-solutions Group's consolidated financial statements.

Contents and effects of each new standard/amendment are detailed below:

IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income

The amendment to IAS 1 introduces the grouping of items of other comprehensive income. The items that could be subsequently reclassified (or “recycled”) to profit or loss (for example, net gains/losses on available-for-sale financial assets) must now be presented separately from the items that will never be reclassified (for example, revaluations of land and buildings). The amendment only concerned the method of presentation and did not have any impact on the Group's financial position or performance.

IAS 12 - Deferred Tax: Recovery of Underlying Assets

This amendment clarifies the measurement of deferred taxes on investment properties at fair value. This amendment introduces a rebuttable presumption that the carrying amount of an investment property, measured using the fair value model of IAS 40, will be recovered entirely through sale and that consequently the related deferred taxes should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and held with the objective of consuming substantially all of the economic benefits over time, rather than through sale. The amendment had no impact on the Group's balance sheet, performance, or financial disclosure.

IFRS 7 Disclosures - Offsetting financial assets and liabilities – Amendments to IFRS 7

These amendments require the entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements). These disclosures will provide the readers with useful information to evaluate the effect of the offsetting arrangements on the entity's balance sheet. The new disclosure is required for all the financial instruments whose amounts are offset in accordance with the criteria in IAS 32 Financial Instruments: Presentation. The disclosure is also required for financial instruments under an enforceable master netting agreement or similar arrangement, regardless of them being offset pursuant to IAS 32. These amendments had no impact on the Group's balance sheet or performance.

IAS 19 Employee Benefits (2011)

IAS 19 *Employee Benefits* (2011) includes numerous amendments concerning the accounting for defined-benefit plans.

With Regulation (EU) No. 475 / 2012 of 5 June 2012, the amendments to IAS 19 were approved, among others.

Each company shall apply the amendments referred to in the aforementioned Regulation as from the commencement date of its first financial year starting on or after 1 January 2013.

The most important changes are briefly illustrated below:

- the “corridor” approach for recognizing actuarial gains and losses is eliminated and past service cost is immediately recognised as an expense;
- the disaggregation of the defined benefit plan cost into the following components: Service Cost, Net Interest on the net defined benefit liability (hereafter Net Interest) that replaces Interest Cost, and finally Remeasurements.

Remeasurements comprise actuarial gains and losses (consisting of changes in actuarial assumptions and experience adjustments – the effect of differences between the previous actuarial assumptions and what has actually occurred, hereafter “experience adjustments”). In addition to actuarial gains and losses, remeasurements also include changes in return on plan assets (excluding amounts included in Net Interest) and any other difference.

Remeasurements are recognised in OCI (Other Comprehensive Income) while Service Cost and Net Interest are recognised in profit or loss with no separate items.

Increasingly precise and transparent disclosures should also include information on the risks associated with each plan, a sensitivity analysis on the present value of the obligation of the most significant actuarial assumptions, a plan amendment or curtailment and information on the average duration of the obligation.

IFRS 13 Fair Value Measurement

IFRS 13 provides a single IFRS framework for measuring fair value. IFRS 13 does not attempt to change the cases in which fair value shall be used, rather it provides principles-based guidance on how to measure fair value under IFRS. In accordance with such guidance, the Group revised the standards applied in estimating fair value, in particular the input used for the measurement such as, for example, the non-performance risk for the liabilities.

The adoption of IFRS 13 had no significant impact on the Group's fair value.
With regard to assets and liabilities whose fair value was subject to measurement, the additional disclosure required by this standard is provided in the relevant Note. Fair value hierarchy is detailed in Note 2 "FAIR VALUE HIERARCHY".

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to the stripping costs of surface mining during the production phase. The interpretation considers how to account for benefits arising from the stripping activity. The new interpretation had no impact on the Group.

Standards issued but not yet effective

The standards and interpretations issued but not yet effective at the date of preparation of these consolidated financial statements are illustrated below. The Group intends to adopt these standards as they become effective.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate financial statements

IFRS 10 supersedes the part of IAS 27 Consolidated and Separate Financial Statements applied in accounting for the consolidated financial statements. It also deals with the issues raised in SIC-12 Consolidation – Special purpose entities.

IFRS 10 establishes a single control model applying to all entities, including special purpose entities. With respect to the provisions in IAS 27, the amendments introduced by IFRS 10 will require management to make important discretionary assessments, to determine which entities are controlled, and therefore shall be consolidated by the parent. Based on the preliminary analysis conducted, IFRS 10 is not expected to have any impact on the interests currently held by the Group. This standard applies to annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly controlled entities – Non-Monetary Contributions by Venturers.

IFRS 11 eliminates the option to account for jointly controlled entities through proportionate consolidation. Jointly controlled entities classified as joint ventures shall instead be accounted for using the equity method. The standard will have no impact on the Group's balance sheet or performance. This standard applies to annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes disclosure previously required by IAS 27 concerning the consolidated financial statements, as well as disclosure required by IAS 31 and IAS 28. It deals with an entity's interests in subsidiaries, joint arrangements, associates, and unconsolidated 'structured entities'. New disclosures are also presented. This standard will have no impact on the Group's balance sheet or performance. This standard applies to annual periods beginning on or after 1 January 2014.

IAS 28 (2011) Investments in associates and joint ventures

Following the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 was renamed as Investments in Associates and Joint Ventures, and outlines how to apply the equity method to investments in associates and joint ventures. The standard will have no impact on the Group's balance sheet or performance. The amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 32 Offsetting Financial Assets and Liabilities – Amendments to IAS 32

The amendments clarify the meaning of "currently has a legally enforceable right of set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing houses) which apply gross settlement mechanisms that are not simultaneous. These amendments should not have any impacts on the Group's balance sheet or performance and are effective for annual periods beginning on or after 1 January 2014.

3. Financial risk management

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). On the basis of cash and cash equivalents of € 14,821,027, the TXT e-solutions Group does not deem to be exposed to significant liquidity risks at present.

Currency risk

The Group's exposure to the 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 2013, 54% of the Group's revenues were earned outside Italy).

At 31 December 2013, about 22% of sales revenues were denominated in foreign currency, while 20% of the Group's operating costs were denominated in a currency other than the Euro.

In order to manage the economic impact deriving from the exchange rate fluctuations with respect to the Euro – mainly Canadian Dollar and British Pound Sterling – the Parent Company has entered into specific hedging contracts to mitigate the impact of the exchange rate volatility on the income statement. The expiry dates of such derivatives are in line with the transactions to be hedged and in any case they expired before the end of financial year 2013.

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 (13% of consolidated revenues at 31 December 2013), the Canadian Dollar (9% of consolidated revenues at 31 December 2013), the Australian Dollar (1% of consolidated revenues at 31 December 2013).

The impact of the three subsidiaries 100% owned by the Parent Company (TXT UK Ltd, Maple Lake Ltd, Maple Lake Australia Pty Ltd) on profit for the year, deriving from an assumed appreciation/depreciation of such currencies against the Euro, with all other conditions being equal is shown below:

Canadian Dollar	Increase/Decrease	Effect on net profit (loss)
2013	+5%	(58,779)
	-5%	64,966

Australian Dollar	Increase/Decrease	Effect on net profit (loss)
2013	+5% -5%	7,284 (8,051)

British Pound Sterling	Increase/Decrease	Effect on net profit (loss)
2013	+5% -5%	(40,626) 44,902

Interest rate risk

The Group's debt is predominately characterised by floating interest rates, and therefore the Group 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 the interest rate risk.

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 of Euro)	31 Dec. 2013	Interest rate change	Financial income / charges
Net financial position	8,573		
Medium/long-term payables (fixed rate)	1,184		
Financial exposure (floating rate)	7,389	+1%	74
		-1%	(74)

Credit risk

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

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

	Amount in Euro	concentration %
Total receivables due from customers	16,840,120	-
Receivables due from customers (Top 5)	4,752,214	28%
Receivables due from customers (Top 10)	6,004,496	36%

In general, trade receivables are mainly concentrated in Italy and in the European Union. Furthermore, the concentration of each of the first ten customers oscillates from 4% to 1% if the Group's receivables due from an important Italian customer operating in the Aerospace and High Tech business, accounting for 16% of the Group's total trade receivables, are excluded from the balances above.

4. Going concern

Pursuant to IAS 1 paragraph 25, the directors assessed that no material uncertainties regarding the Company's ability to continue as a going concern exist.

5. Transactions with related parties

Related parties are:

a) Entities that, directly or indirectly, even through subsidiaries, trustees or third parties:
   - Have control over TXT e-solutions S.p.A.
   - Are subsidiaries of TXT e-solutions S.p.A.
   - Are subject to joint control by TXT e-solutions S.p.A.
   - Have an interest in TXT e-solutions S.p.A. such as to exercise a significant influence.

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

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

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

e) Close members of the family of parties as per 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.

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

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

At 31 December 2013	Receivables	Payables	Costs	Revenues
TXT e-solutions Sarl (France)	417,064	8,409	62,448	2,142,061
TXT e-solutions Gmbh (Germany)	246,351	50,368	153,794	534,051
TXT e-solutions SL (Spain)	48,678	10,203	31,443	466,296
TXT e-solutions Ltd (United Kingdom)	300,646	283,378	320,499	1,729,288
Maple Lake Australia Pty Ltd (Australia)	(28,696)	0	0	30,000
Maple Lake Ltd (Canada)	727,377	0	0	1,217,685
Directors and key management personnel	0	495,384	1,805,927	0
Total at 31 December 2013	**1,711,420**	**847,741**	**2,374,112**	**6,119,381**

At 31 December 2012	Receivables	Payables	Costs	Revenues
TXT e-solutions Sarl (France)	480,505	38,187	58,515	1,806,038
TXT e-solutions Gmbh (Germany)	0	85,718	155,726	102,258
TXT e-solutions SL (Spain)	0	0	18,231	321,053
TXT e-solutions Ltd (United Kingdom)	192,055	493	1,658	914,522
Maple Lake Australia Pty Ltd (Australia)	0	0	0	0
Maple Lake Ltd (Canada)	17,811	3,547	0	0
Directors and key management personnel	0	1,747,709	1,631,955	0
Total at 31 December 2012	**690,371**	**1,875,654**	**1,866,085**	**3,143,871**

Financial transactions

At 31 December 2013	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	0	2,390,960	0	15,681	0
TXT e-solutions Gmbh (Germany)	0	1,925,000	0	38,015	1,000,000
TXT e-solutions SL (Spain)	0	642,947	0	6,981	0
TXT e-solutions Ltd (United Kingdom)	899,604	0	0	0	32,986
TXT Holding Ontario (Canada)	0	0	0	0	0
Maple Lake Australia Pty Ltd (Australia)	123,193	0	0	0	2,953
Maple Lake Ltd (Canada)	2,484,566	0	0	1,155,726	72,383
Total at 31 December 2013	**3,507,363**	**4,958,907**	**0**	**1,216,403**	**1,108,322**

At 31 December 2012	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	0	1,000,132	1,200,000	22,894	0
TXT e-solutions Gmbh (Germany)	0	2,375,000	0	52,210	0
TXT e-solutions SL (Spain)	0	307,295	0	3,383	0
TXT e-solutions Ltd (United Kingdom)	2,372,240	0	0	9,969	25,111
TXT Holding Ontario (Canada)	0	656,740	0	0	0
Maple Lake Australia Pty Ltd (Australia)	0	0	0	0	0
Maple Lake Ltd (Canada)	1,975,874	0	0	13,187	17,811
Total at 31 December 2012	**4,348,114**	**4,339,167**	**1,200,000**	**101,643**	**42,922**

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.

6. 2012 restatement: final purchase price allocation concerning the Maple Lake Group business combination

For the sake of comparison, balance sheet and income statement balances for 2012 were restated due to the final purchase price allocation concerning the Maple Lake Group business combination.

On 19 July 2012, TXT e-solutions S.p.A. entered into a contract to purchase interests accounting for the entire share capital of Maple Lake Australia Pty Ltd, Maple Lake Ltd, and 2140531 Ontario Inc. both directly and through subsidiaries and special purpose vehicles. The contract was subsequently finalised by the parties on 28 September 2012.

Provisional goodwill recorded at 28 September 2012 (closing date) amounted to € 13,988,428.

According to the acquisition contract, part of the acquisition price shall be determined based on pre-set growth and profitability targets also deriving from combination synergies between Maple Lake and TXT in 2013 and 2014 up to a maximum amount of € 2,951,197 (CAD 4,000,000).

During 2013 the price was finally set and allocated to the fair value of assets acquired and liabilities assumed in line with the provisions of IFRS 3. Due to the final price determination and allocation, the fair value of assets acquired and liabilities assumed and recognised in the Consolidated Financial Statements as at 31 December 2012 was restated as shown in the Consolidated Balance Sheet and Income Statement as follows:

Consolidated Balance Sheet

ASSETS (Amounts in Euro)	31 Dec. 2012	Maple Lake final PPA effect	31 Dec. 2012 Restated
NON-CURRENT ASSETS			
Goodwill	15,139,294	(2,226,878)	12,912,416
R&D	1,300,004	-	1,300,004
Intangible assets with a finite useful life	3,426,956	(1,018,148)	2,408,808
Intangible assets	**19,866,254**	**(3,245,027)**	**16,621,228**
Own property, plant and equipment	1,121,001		1,121,001
Leased assets	33,281		33,281
Property, plant and equipment	**1,154,282**	**-**	**1,154,282**
Other non-current assets	**301,053**		**301,053**
Deferred tax assets	**493,907**		**493,907**
Other non-current assets	**794,960**	**-**	**794,960**
TOTAL NON-CURRENT ASSETS	**21,815,497**	**(3,245,027)**	**18,570,470**
CURRENT ASSETS			
Inventories	1,388,486		1,388,486
Trade receivables	17,274,489		17,274,489
Sundry receivables and other current assets	2,287,953		2,287,953
Cash and cash equivalents	15,818,812		15,818,812
TOTAL CURRENT ASSETS	**36,769,740**	**-**	**36,769,740**
TOTAL ASSETS	**58,585,237**	**(3,245,027)**	**55,340,210**
SHAREHOLDERS' EQUITY			
Share capital	2,883,466		2,883,466
Reserves	17,422,630		17,422,630
Retained earnings (accumulated losses)	719,785		719,785
Profit (loss) for the period	5,137,932	(141,044)	4,996,888
TOTAL SHAREHOLDERS' EQUITY	**26,163,814**	**(141,044)**	**26,022,769**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4,301,300		4,301,300
Long-term earn-out at fair value	2,784,284	(2,784,284)	-
Employee benefits expense	3,326,244		3,326,244
Deferred tax provision	1,269,903	(319,699)	950,204
Provision for future risks and charges	88,706		88,706
TOTAL NON-CURRENT LIABILITIES	**11,770,436**	**(3,103,983)**	**8,666,454**
CURRENT LIABILITIES			
Current financial liabilities	5,496,498		5,496,498
Short-term earn-out at fair value	-		-
Trade payables	1,799,747		1,799,747
Tax payables	889,563		889,563
Sundry payables and other current liabilities	12,465,179		12,465,179
TOTAL CURRENT LIABILITIES	**20,650,987**	**-**	**20,650,987**
TOTAL LIABILITIES	**32,421,423**	**(3,103,983)**	**29,317,441**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**58,585,237**	**(3,245,027)**	**55,340,210**

Consolidated Income Statement

(Amounts in Euro)	31 Dec. 2012	Maple Lake final PPA effect	31 Dec. 2012 Restated
Revenues	45,217,346	-	45,217,346
Other income	1,281,279	-	1,281,279
TOTAL REVENUES AND OTHER INCOME	**46,498,625**	**-**	**46,498,625**
			-
Purchase of materials and external services	(12,159,886)	-	(12,159,886)
Personnel costs	(27,126,310)	-	(27,126,310)
Other operating costs	(1,890,642)	-	(1,890,642)
Depreciation and amortisation/Impairment	(1,077,043)	37,717	(1,039,326)
OPERATING PROFIT (LOSS)	**4,244,744**	**37,717**	**4,282,461**
			-
Financial income	1,820,679	(193,050)	1,627,629
Financial charges	(1,306,109)	26,133	(1,279,976)
EARNINGS BEFORE TAXES	**4,759,314**	**(129,200)**	**4,630,114**
			-
Income taxes	(175,698)	(11,844)	(187,542)
NET PROFIT (LOSS) FROM OPERATIONS	**4,583,616**	**(141,044)**	**4,442,572**
			-
Profit (loss) from assets held for sale and discontinued operations	554,316	-	554,316
NET PROFIT (LOSS) FOR THE PERIOD	**5,137,932**	**(141,044)**	**4,996,888**

Consolidated Statement of Comprehensive Income

(Amounts in Euro)	31 Dec. 2012	Maple Lake final PPA effect	31 Dec. 2012 Restated
NET PROFIT (LOSS) FOR THE PERIOD	**5,137,932**	**(141,044)**	**4,996,888**
Foreign currency translation differences - foreign operations	82,172		82,172
Net change in fair value of assets held for sale	20,412		20,412
TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT /(LOSS) FOR THE PERIOD NET OF TAXES	**102,584**		**102,584**
Defined benefit plans actuarial gains (losses)	(210,038)		(210,038)
TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT /(LOSS) FOR THE PERIOD NET OF TAXES	**(210,038)**		**(210,038)**
TOTAL PROFIT/ (LOSS) OF COMPREHENSIVE INCOME NET OF TAXES	**(107,454)**		**(107,454)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**5,030,478**	**(141,044)**	**4,889,434**

Following the review of growth and profitability targets and determination of the purchase price, the earn-out was subject to remeasurement and estimated at zero. Therefore, the total purchase price amounted to € 10,309,139 (compared to € 13,260,336 before the final purchase price allocation).

The price remeasurement involved the following adjustments:

- € 2,226,878 decrease in goodwill compared to financial statements as at 31 December 2012, due to the € 2,951,196 change in the price paid and to the relevant lower allocation to intellectual property rights to the tune of € 724,319;
- lower fair value attributed to intellectual property rights to the tune of € 1,018,148;
- reassessment of earn-out, previously set at € 2,784,284, which fell to zero;
- € 319,699 decrease in deferred tax liabilities due to adjustments made to the value of intellectual property rights;
- € 141,044 decrease in 2012 profit, due to lower interest expense on earn-out payable discounting, net of revesal of amortisation of intellectual property rights in the period and relevant deferred tax liabilities.

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT AS AT 31 DECEMBER 2013

7. Balance sheet

7.1. Goodwill

Goodwill, referring entirely to the TXT Perform Cash Generating Unit (CGU), amounted to € 12,481,045 at 31 December 2013, down € 431,371 from 31 December 2012. The difference in the gross amount at 31 December 2013 compared to the end of 2012 can be attributed entirely to exchange differences on goodwill in foreign currencies other than the Euro.

During 2013 the price was finally set and allocated to the fair value of assets acquired and liabilities assumed in relation to the business combination (Purchase Price Allocation - PPA) in line with the provisions of IFRS 3. Determination of goodwill arising from the Maple Lake acquisition is definite. For further information reference should be made to paragraph 6.

Impairment test

Pursuant to IAS 36, goodwill is not subject to amortization, 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 in measuring the recoverable value of each Cash Generating Unit (CGU) and comparing the latter with the net carrying value of the relevant assets, including goodwill.

The recoverable value is estimated by determining the value in use, which is the present value of future cash flows which are expected to be associated with each Cash Generating Unit based on the latest three-year plans prepared by management for the 2014-2016 period and approved by the Board of Directors on 12 December 2013.

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

Terminal Value

The terminal value in the DCF method, recognised at the end of the explicit forecast period (beyond 2018), is calculated assuming the investment produces a constant cash flow starting from that moment. The approach used consisted in the present value of a perpetuity growing at a constant rate g.

Terminal value = net cash flow at the end of the explicit forecast period adjusted for rate g and divided by the difference between the discount rate (Wacc) and the constant rate g. The residual value is calculated as a perpetuity obtained by capitalizing the last cash flow for the explicit period at a specific rate corresponding to Wacc adjusted for a growth or decline factor (g).

The rate g used was equal to 1.00%.

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 discount rate used for discounting cash flows is equal to 8.23%, based on the following assumptions:

- The risk-free interest rate related to the Euro zone should be the rate of return of government bonds of the country with the lower rates, implicitly identified as that with lower risk. In the current economic situation, characterized by high dispersion of returns of the European government bonds, the lower rate is that of the 10-year German Bund (1.94% at 31 December 2013). In order to calculate TXT Group's cost of capital, a certain level of systemic risk deriving from operations in different countries with different spread profiles was thus included, and the base rate was considered to be the average yield of the ten-year government bonds of the countries in which the TXT Group operates, which, from Q4 2012, subsequent to the Maple Lake acquisition, included also Canada and Australia. The countries are Germany (EUR), Canada (CAD$), UK (Pound), France (EUR), Australia (AUD$), Italy (EUR), and Spain (EUR). The calculated average rate is 3.23%, including 129 basis points of "systemic" risk compared to the German rate (1.94%), considering the average risk of the countries in which the TXT Group's operates.
- The risk premium relative to the market was estimated at 5.00%.
- Beta was estimated at 1.00.

The cost of own capital is therefore: 3.23% + 5.00%*1.00 = 8.23%.

Since at 31 December 2013 the TXT Group had no net financial debt, but the entire invested capital was covered by equity, the discount rate is equal to the cost of own capital.

Sensitivity analysis

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

- Discount rate. Increased and decreased by 1 and 2 percentage points compared to the base discount rate of 8.23% (therefore in the ranges 6.23%-7.23%-8.23%-9.23%-10.23%).
- Revenue growth rate. The revenue growth/decrease rate was increased and decreased by 2 percentage points and the implicit growth rate g was simultaneously increased/decreased by 0.5% within the range (0.50%-1.00%-1.50%).

The sensitivity analysis, pursuant to paragraph 134 of IAS 36, regarding the CGUs for which no impairment was recorded, showed the following tolerance margins:

- Discount rate: the fair value measurement of goodwill is higher than the CGU's carrying amount even in case of a reasonable increase of the discount rate (WACC).
- EBITDA: the fair value measurement of goodwill is higher than the CGU's carrying amount even in case of a reduction in each year of the projected period of the plan, up to -76.1% of the estimated EBITDA.

Conclusions

Based on the analysis conducted, the Company's Directors concluded that the conditions for confirming the carrying amount of goodwill at 31 December 2013 existed.

7.2. Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 2,888,814 at 31 December 2013. The changes occurred during the year are detailed below:

Intangible assets	Software licenses	Research and development	Intellectual Property	Customer Relationship	Other intangible assets	TOTAL
Balances at 31 December 2012	**39,505**	**1,300,004**	**931,862**	**1,437,441**	**-**	**3,708,812**
Acquisitions	23,013	-	-	-	468	23,481
Disposals	-	-	-	-	-	-
Other changes	(19,195)	-	-	-	13	(19,182)
Amortisation	(22,755)	(515,937)	(138,054)	(147,429)	(122)	(824,297)
Impairment	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
Balances at 31 December 2013	**20,568**	**784,067**	**793,808**	**1,290,012**	**359**	**2,888,814**

Balances at 31 December 2012						
Historical cost	1,123,927	3,886,715	1,004,085	1,474,298	-	7,489,025
Accumulated amortisation and impairment	(1,084,422)	(2,586,711)	(72,223)	(36,857)	-	(3,780,213)
Net value	**39,505**	**1,300,004**	**931,862**	**1,437,441**	**-**	**3,708,812**

Balances at 31 December 2013						
Historical cost	1,095,088	2,579,684	966,375	1,474,298	468	6,115,913
Accumulated amortisation and impairment	(1,074,520)	(1,795,617)	(172,567)	(184,286)	(109)	(3,227,099)
Net value	**20,568**	**784,067**	**793,808**	**1,290,012**	**359**	**2,888,814**

The item is detailed as follows:

- Software licenses: they included software licenses acquired mainly by the Parent Company for operating in-house instruments and implement TXT Perform's products. Investments in the period of € 23,013 referred to renewal of software licenses.
- Research and development costs: they concerned expenses incurred for applied research and development of the TXT Perform product line. Such costs relate to clearly defined products that are certain to be produced. Such costs will certainly be offset with the revenues to be derived from such products in the future. Amortisation takes place systematically on a straight-line basis over the product's useful life, that is the estimated period of time over which the asset will generate benefits.
- *Intellectual Property and Customer Relationship*: these intangible assets were acquired as part of the Maple Lake Group acquisition. The directors allocated these assets with the help of an independent expert. Intellectual Property represents the intellectual property rights over the “Quick” software, developed and owned by Maple Lake. Also the Maple Lake group companies' Customer Relationship was considered during the allocation of the premium paid.

The negative change (€ 819,998) compared to the previous year was almost entirely attributable to the amortisation for the period.

7.3. Property, plant and equipment

Net of depreciation, property, plant and equipment amounted to € 1,118,466 at 31 December 2013, down € 35,817 compared with 31 December 2012. The changes occurred during the year are detailed below:

Property, plant and equipment	Plants	Vehicles	Furniture and fixtures	Electronic machinery	Other property, plant and equipment	TOTAL
Balances at 31 December 2012	**5,748**	**270,246**	**168,756**	**487,393**	**222,140**	**1,154,283**
Acquisitions	5,567	46,034	31,957	272,829	73,624	430,011
Disposals		(63,824)	(9,728)	(21,282)	-	(94,834)
Other changes		34,763	4,962	18,417	(5,497)	52,645
Depreciation	(1,850)	(71,718)	(67,556)	(201,198)	(81,317)	(423,639)
Impairment	-		-	-	-	-
Revaluations	-		-	-	-	-
Balances at 31 December 2013	**9,465**	**215,501**	**128,391**	**556,159**	**208,950**	**1,118,466**
Balances at 31 December 2012						
Historical cost	875,021	431,222	658,430	877,407	657,765	3,499,845
Accumulated depreciation and impairment	(869,273)	(160,976)	(489,674)	(390,014)	(435,625)	(2,345,562)
Net value	**5,748**	**270,246**	**168,756**	**487,393**	**222,140**	**1,154,283**
Balances at 31 December 2013						
Historical cost	880,588	407,209	670,209	1,155,055	722,893	3,835,954
Accumulated depreciation and impairment	(871,123)	(191,708)	(541,818)	(598,896)	(513,943)	(2,717,488)
Net value	**9,465**	**215,501**	**128,391**	**556,159**	**208,950**	**1,118,466**

Investments in the “electronic machinery” category mainly referred to the purchase of computer systems and hardware to bolster productive capacity. Electronic machinery includes systems and equipment that TXT e-solutions S.p.A. uses to carry out its business and that are recognised as finance leases pursuant to IAS 17.

The breakdown of property, plant and equipment by ownership is shown below:

	31 December 2013			31 December 2012		
	Owned assets	Leased assets	TOTAL	Owned assets	Leased assets	TOTAL
Electronic machinery	545,066	11,093	556,159	454,112	33,281	487,393
TOTAL	**545,066**	**11,093**	**556,159**	**454,112**	**33,281**	**487,393**

The increases in “other property, plant and equipment” mainly referred to leasehold improvements, in particular the costs for renovating the Parent Company's headquarters.

7.4. Sundry receivables and other non-current assets

Sundry receivables and other non-current assets amounted to € 128,741 at 31 December 2013, compared with € 301,053 at 31 December 2012. The item included security deposits paid by the Group companies as part of their operations and relating to car rentals and bids in public tenders. The decrease compared with the end of the previous year can be attributed to the end of a lawsuit with a Spanish customer.

7.5. Deferred tax assets / liabilities

The breakdown of deferred tax assets and liabilities at 31 December 2013 compared with the end of 2012 is shown below:

	Balance at 31 December 2013	Balance at 31 December 2012	Change
Deferred tax assets	1,233,314	493,907	739,407
Deferred tax provision	(769,518)	(950,204)	(180,686)
Total	**463,796**	**(456,297)**	**920,093**

Deferred tax assets mainly refer to the recognition of prepaid taxes on previous tax losses, the temporary differences (deductible in future years) for which recovery in the next few years is deemed to be reasonably certain.

The decision to recognise deferred tax assets for previous tax losses was made also following the changes in legislation (Italian Decree Law no. 98/2011) about the use of each tax period's losses without limitation in time and due to the Group's positive outlook, and the positive results recorded in recent years. The recognition of deferred tax assets on the previous losses was based on company plans that consider future profitability and within the limits of the capacity to absorb previous losses in the next three years.

The change with respect to 31 December 2012 is mainly due to the allocation of deferred tax assets on part of the previous tax losses of some of the Group companies.

The deferred tax provision referred to the recognition of deferred tax for the assets acquired during 2012 as part of the Maple Lake business combination (Customer Relationship and Intellectual Property).

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 December 2012		31 December 2013	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Prepaid taxes for recoverable losses	-	-	2,859,941	846,703
Provisions	393,530	112,785	564,000	170,934
Provision for bad debts	289,961	79,739	289,961	79,740
Write-down on treasury shares	244,664	67,283	244,664	67,283
R&D mismatch	95,255	26,195	95,255	26,195
Provision for TXT e-solutions Sarl pension fund	40,222	13,406	49,042	16,346
Costs allocated on accrual basis and deductible on a cash basis	511,408	111,865	-	-
Maple Lake UK Acquisition	234,265	57,395	112,204	26,113
Accumulated losses (change in the UK tax rate)	103,017	25,239	-	-
Total	**1,912,322**	**493,907**	**4,215,067**	**1,233,314**

Deferred tax liabilities	31 December 2012		31 December 2013	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Goodwill mismatch	444,443	134,138	366,883	113,893
Exchange differences	205,278	56,451	4,745	1,305
Maple Lake Purchase Price Allocation	2,369,302	743,962	2,083,822	654,320
R&D mismatch	118,866	4,636	-	-
IAS 19 Employee Benefits effect	31,845	8,757	-	-
Accelerated amortisation	57,916	2,259	-	-
Total	**3,227,650**	**950,204**	**2,455,450**	**769,518**

Furthermore, it should be noted that the Group's tax losses at 31 December 2013 amounted to 15.8 million, mainly relating to the Parent Company, for which no deferred tax assets were recorded.

7.6. Period-end inventories

Period-end inventories at 31 December 2013 amounted to € 1,451,390, up € 62,904 compared with the end of 2012.

The table below reports the breakdown of inventories of work-in-progress among the Group companies:

Company	31 December 2013	31 December 2012	Change
TXT e-solutions S.p.A.	1,334,564	1,356,919	(22,355)
TXT e-solutions S.a.r.l.	116,826	30,272	86,554
TXT e-solutions Gmbh	-	1,295	(1,295)
TOTAL	**1,451,390**	**1,388,486**	**62,904**

Contract work in progress is recognised on the basis of the considerations agreed by reference to the stage of completion determined using the cost-to-cost method. It is mainly attributable to the Parent Company's TXT Next division.

Revenue accrued based on the stage of completion is recognised in the income statement.

7.7. Trade receivables

Trade receivables at 31 December 2013, net of the provision for bad debts, amounted to € 16,840,120, down € 434,369 compared with the end of 2012.

The item is detailed in the table below:

Trade receivables	31 December 2013	31 December 2012	Change
Gross value	17,475,783	17,979,336	(503,553)
Provision for bad debts	(635,663)	(704,847)	69,184
Net value	**16,840,120**	**17,274,489**	**(434,369)**

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

Provision for bad debts	31 December 2013
Opening amount	**(704,847)**
Allocation	(4,043)
Use	73,227
Closing amount	**(635,663)**

The breakdown of trade receivables into coming due and past due at 31 December 2013, compared with 31 December 2012, is shown below:

Maturities of trade receivables	Total	Coming due	Past due	
			0 - 90 days	More than 90 days
31 December 2013	**16,840,120**	9,642,734	6,240,757	956,629
31 December 2012	**17,724,489**	8,012,224	6,508,635	2,753,630

7.8. Sundry receivables and other current assets

The item “Sundry receivables and other current assets”, which included receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses and short-term financial receivables, amounted to € 1,802,352 at 31 December 2013, compared to € 2,287,953 at 31 December 2012.

The breakdown is shown below:

Sundry receivables and other current assets	31 December 2013	31 December 2012	Change
Receivables due from EU	1,054,531	1,128,443	(73,912)
Tax receivables	154,366	647,719	(493,353)
Other receivables	61,251	74,195	(12,944)
Accrued income and prepaid expenses	512,234	437,596	74,638
Short-term financial receivables	19,970	-	19,970
Total	**1,802,352**	**2,287,953**	**(485,601)**

The item “receivables due from EU” included receivables for research grants related to income, awarded to the Parent Company to support the 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 decrease compared to 31 December 2012 was the result of payments received during 2013, totalling € 868,678, and the accrual of revenues earned in the year, amounting to € 794,765.

Tax receivables, amounting to € 154,366, represent the receivables due from taxation authorities for withholding taxes on self-employment and employment income, bank interest income, and tax credits for post-employment benefits.

Other receivables, amounting to € 61,251 included receivables due from employees for travel advances and ticket restaurants (€ 60,827).

Accrued income and prepaid expenses, amounting to € 512,234, consisted of reversals of prepaid expenses that did not relate to the period.

7.9. Cash and cash equivalents

The Group's cash and cash equivalents amounted to € 14,821,027, down € 997,785 compared with 31 December 2012. Reference should be made to the statement of cash flows for details about cash flow generation.

Cash and cash equivalents referred to ordinary current accounts held with Italian banks, amounting to € 13,712,991, as well as with foreign banks, totalling € 1,108,399.

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.

7.10. Shareholders' equity

The company's share capital at 31 December 2013 consisted of 11,823,864 ordinary shares with a par value of € 0.5, totalling € 5,911,932 (at 31 December 2012: 5,766,932 shares with a par value of € 0.5, totalling € 2,883,466).

The change for the year is the result of the issue of 290,000 shares (originally 145,000, they doubled following the free share capital increase) further to the subscription of the 2008 stock option plan by employees and directors (share capital increase of Euro 72,500) and to the free share capital increase resolved upon by the Shareholders' Meeting of 17 December 2013 and filed on 27 December 2013 with the Milan Business Register. The free share capital increase was made possible through the use of the share premium reserve and has become cum dividend since 3 February 2014.

The reserves and retained earnings included the legal reserve (€ 443,000), the share premium reserve (€ 11,595,783), the merger surplus reserve (€ 1,911,444), the "first-time adoption reserve" (€ 127,370) the “stock option/stock grant reserve” (€ 741,805), the "reserves for actuarial differences on post-employment benefits” (negative to the tune of € 667,095), the reserves for retained earnings (€ 3,506,898), and the “translation reserve” (negative to the tune of € 256,148).

The stock option reserve is used to recognise the value of share-based payments due to employees, including the benefits for key management personnel settled with equity instruments, which form part of their compensation.

This reserve amounted to € 741,805 (€ 663,956 at 31 December 2012) and is broken down as follows:

- € 560,507 for the 2008 stock option plan;
- € 181,296 for the 2012 stock grant plan.

The disclosures required by IFRS 2 about the 2008 stock option plan and the 2012 stock grant plan are reported below:

STOCK OPTION PLAN DISCLOSURES - IFRS 2							
	2008 - 2012 PLAN						
	Options	2008	2009	2010	2011	2012	2013
(I)	Outstanding at the beginning of the period	226,000	226,000	226,000	238,000	105,500	354,500
(III)	Granted during the period	-	-	16,000	-	280,000	360,000
(III)	Forfeited during the period	-	-	(4,000)	(27,000)	-	(143,000)
(IV)	Exercised during the period	-	-	-	(105,500)	(31,000)	(128,500)
(V)	Expired during the period	-	-	-	-	-	(2,000)
(VI)	Outstanding at the end of the period	226,000	226,000	238,000	105,500	354,500	440,340
(VII)	Of which exercisable at the end of period	-	-	-	-	74,500	12,340

For further details and information, reference should be made to the Directors' report.

Here below is the table regarding the amounts of the reserves:

Description	Free	Required by Law	Required by By-Laws	Established by Shareholders' Meetings	TOTAL
Share premium reserve	10,553,748	1,042,035	-	-	11,595,783
Legal reserve	-	443,000	-	-	443,000
Stock option reserve	-	-	-	741,805	741,805
Merger surplus	1,911,444	-	-	-	1,911,444
Reserve for retained earnings	-	-	-	-	-
Reserve for actuarial differences on post-employment benefits	-	-	-	1,682,001	1,682,001
Translation reserve	-	-	-	(667,095)	(667,095)
Total	**12,465,192**	**1,485,035**	**-**	**1,756,711**	**15,706,938**

Incentive plans

The Shareholders' Meeting held on 23 April 2012 approved a stock grant plan for the group's executive directors and senior managers, involving up to 1,020,000 shares (510,000 shares prior to the free share capital increase) over five years with three-year vesting periods and performance conditions concerning growth, profitability and the net financial position. The performance conditions relate to one or more of the following indicators: Revenues, Gross Operating Profit (EBITDA), Operating Profit (EBIT), Earnings before taxes, Net Profit, Economic Value Added – EVA, TXT share performance in absolute terms and/or relative to the performance of the relevant stockmarket indices, and the Net Financial Position, as the Board of Directors shall decide upon each grant.

The Board of Directors has the right to resolve upon granting stock options in each of the years 2012, 2013 and 2014. All options will have a three-year vesting period.

Each stock option grant will vest as follows:

- 20% upon satisfying the conditions for the first year of the plan;
- 30% upon satisfying the conditions for the second year of the plan;
- 50% upon satisfying the conditions for the third and final year of the plan.

The Board of Directors has established the obligation on the Recipients to hold a portion not lower than 30% of the shares granted to them for a period of three years from the grant date.

On 10 May 2012 the Board of Directors awarded the first tranche of 280,000 stock grants (originally 140,000, they doubled following the free share capital increase) which will vest upon satisfying the performance conditions for 2012, 2013 and 2014.

Based on achievement of 2012 objectives, 56,000 shares were granted.

The cost accrued in 2013 for stock grants awarded on 10 May 2012 amounted to € 38,793 (€ 103,448 at 31 December 2012).

On 13 December 2012 the Board of Directors awarded the second tranche of 180,000 stock grants which will vest upon satisfying the performance conditions for 2013, 2014 and 2015.

The target objectives for 2013 were partially achieved with vesting of 12,340 shares for an overall cost of € 39,056. The 143,660 shares linked to unachieved 2013 objectives were annulled, with no cost expensed in the year.

Treasury shares

At 31 December 2013, the Company held 1,368,120 treasury shares (1,187,000 at 31 December 2012), accounting for 11.57% of shares outstanding, and amounting to € 3,568,212 (€ 2,650,307 at 31 December); shares outstanding (issued) at 31 December 2013 numbered 11,823,864.
During the year, 237,120 treasury shares were purchased at an average price of € 4.745, for a total amount of € 1,125,282; treasury shares were awarded to employees pursuant to the stock grant plan (56,000 shares) at a carrying amount of € 3.705 each, totalling € 207,377.
Subsequent to the subscription to the 2008 stock option plan, 290,000 TXT shares were issued, raising € 468,928, of which 72,500 as capital increase and € 396,428 as share premium.
These purchases were made pursuant to the share buy-back plan resolved upon by the Board of Directors following authorisation from the Shareholders' Meeting held on 23 April 2003. The share buy-back refers to a maximum number of shares so as not to exceed the legal maximum number at the maximum price, i.e. the quoted price prior to each individual transaction plus no more than 10%, and in any case no more than € 25.

7.11. Non-current financial liabilities

The item “non-current financial liabilities" amounted to € 2,895,924 (€ 4,301,301 at 31 December 2012) and consisted of:

- The payable for three loans, granted for research and development purposes and with € 549,768 outstanding (€ 1,184,350 at 31 December 2012). The first had € 343,337 outstanding (€ 566,599 at 31 December 2012) and was granted by the Ministry of Education, University and Research through Intesa San Paolo for an original amount of € 1,914,368 at a subsidised fixed interest rate of 1%.
  The second loan, with € 150,199 outstanding (€ 449,475 at 31 December 2012), was granted by the Ministry of Education, University and Research for an original amount of € 2,503,080 on 5 November 2009, net of already made interest-only payments, at an annual subsidised fixed interest rate of 1%; the third loan, with € 56,232 outstanding (€ 168,275 at 31 December 2012), was granted by the Ministry of Education, University and Research for an original amount of € 501,617 on 13 May 2010, net of already made interest-only payments, at an annual subsidised fixed interest rate of 1%;

- a € 2,346,156 loan for the acquisition of Maple Lake granted to the Company by BNL on 20 December 2012 for a notional amount of € 4,000,000 at a 3-month Euribor floating rate (360) + 2.60% spread.

The table below details the maturity of non-current financial liabilities, compared with the situation at the end of the prior year:

	31 December 2013	31 December 2012	Change
Between 1 and 2 years	1,234,182	1,434,582	3,261
Between 2 and 5 years	1,661,742	2,866,719	(704,491)
Total	**2,895,924**	**4,301,301**	**(701,230)**

7.12. Employee benefits expense

The item "Employee benefits expense" at 31 December 2013 amounted to € 3,299,049, of which € 3,101,464 relating to obligations to the employees of the Parent, € 148,543 relating to the pension fund for the management of the German subsidiary, and € 49,042 relating to a pension fund for the management of the French subsidiary. The breakdown of, and changes in, this item over the period are presented below:

Employee benefits expense	31 December 2012	Provisions	Uses / Payments	Actuarial gains/losses and other	Financial income / charges	31 December 2013
Post-employment benefits	2,537,657	880,791	(1,047,576)	(87,370)	23,245	2,306,747
Provision for severance for end of term of office	693,467	101,250	-	-	-	794,717
Pension fund for German subsidiary management	94,682	53,861	-	-	-	148,543
Pension fund for French subsidiary management	40,223	16,885	(8,066)	-	-	49,042
Provision for customer refunds	438	-	(438)	-	-	-
Total non-current provisions relating to employees	**3,326,244**	**1,035,902**	**(1,048,014)**	**(87,370)**	**23,245**	**3,299,049**

To calculate 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 20%.
- 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 1.50% staff turnover rate was calculated and agreed upon with the Company.
- As for the probability of requests for advance payment of benefits, an annual 1.00% advance payment rate, with advance payments amounting to 70% of the post-employment benefits outstanding held with the company, was estimated.

Changes in wages and salaries had no impact on the actuarial valuation. The estimated inflation rate used for measurement purposes was 2.00% per year.

The discount rate used for measurement purposes was 3.17% per year, i.e. the rate on over-10-year Bonds issued by AA-rated European Companies at 31 December 2013.

The impact on the Parent company's post-employment benefits (which represents 94% of total personnel provisions), of an increase/decrease of certain "key" variables used for the actuarial calculation is shown in the table below:

Sensitivity analysis at 31 December 2013	% Change in liabilities (DBO)	
Type of change for the specific assumption	**Decrease**	**Increase**
Decrease or increase of 50% of company's staff turnover	-0.44%	0.43%
Decrease or increase of 50% in frequency of advanced payments	-0.21%	0.19%
Decrease or increase of inflation by one percentage point	-6.84%	7.48%
Decrease or increase of discount rate by one percentage point	13.28%	-11.20%

7.13. Provision for future risks and charges

The item "provisions for future risks and charges" fell to zero at 31 December 2013 since contingent liabilities related to the services provided by the German subsidiary were no longer recognised. The breakdown and change of this provision as compared with 31 December 2012 are shown in the table below:

	31 December 2012	Increases	Uses	31 December 2013
Provision for product warranty	48,483	-	(48,483)	-
Total provision for risks and charges	**48,483**	**-**	**(48,483)**	**-**

7.14. Current financial liabilities

Current financial liabilities amounted to € 3,352,069 (€ 5,496,498 at 31 December 2012) and included the short-term portion of medium /long-term loans, the short-term portion of loans from financial companies for leases, and the payables on research projects funded by the European Union. In particular:

- The short-term portion of medium/long-term loans amounted to € 1,434,582 (€ 1,652,136 as at 31 December 2012) and included the short-term portion of the three loans granted by the Ministry of Education for a total amount of € 634,582 (€ 628,133 as at 31 December 2012) and the current portion of the loan granted in 2012 by BNL for the acquisition of Maple Lake equal to € 800,000. It should be noted that the payable relating to the loan granted by Unicredit (short-term portion of € 224,003 at 31 December 2012) was paid off in April 2013.
- The € 1,900,324 payable for research projects funded by the European Union (€ 3,571,448 at 31 December 2012) received as lead manager and to be distributed to the project partners. This payable will be paid off in 2014.
- € 3,871 for the forward sale of GBP 750,000 outstanding at 31 December 2013 and € 103 for current account overdrafts.
- The short-term portion of a loan obtained by the German subsidiary amounting to € 13,189.

7.15. Trade payables

Trade payables amounted to € 1,504,522 at 31 December 2013, down € 295,225 compared with 31 December 2012. Trade payables due to suppliers are non-interest bearing, refer all to trade transactions, and are due within twelve months.

7.16. Tax payables

Tax payables amounted to € 73,182 at 31 December 2013 and can be attributed to the Parent Company's IRAP [regional tax on productive activities] payable, amounting to € 40,698, and the income taxes of the subsidiaries TXT e-solutions Ltd and Maple Lake Ltd.

7.17. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 12,934,150 at 31 December 2013, compared with € 12,465,177 at 31 December 2012, as shown in the table below:

Sundry payables and other current liabilities	31 December 2013	31 December 2012	Change
Other payables	1,956,488	1,491,695	464,793
Accrued expenses and deferred income	3,924,809	4,082,240	(157,431)
Advance payments for multi-year orders	1,533,565	1,191,837	341,728
Payables due to social security institutions	1,402,626	1,330,839	71,787
Payables due to employees and external staff	4,116,662	4,368,566	(251,904)
Sundry payables and other current liabilities	**12,934,150**	**12,465,177**	**468,973**

The item "Payables due to employees and external staff" included payables for wages and salaries relating to December 2013 as well as payables due to employees for unused annual leave.

The item "Advance payments for multi-year orders" included the advance payments received from customers for orders currently being processed.

As for accrued expenses and deferred income, the item essentially referred to adjustments to maintenance and service invoices made to recognise only revenues for the period.

"Other payables" mainly included the payables due to taxation authorities for withholding taxes on salaries of employees and external staff as well as VAT payables.

8. Income Statement

8.1. Total revenues and other income

Consolidated revenues and other income amounted to € 52,560,046, up 13% compared with the previous year, as detailed below:

	31 December 2013	31 December 2012	Change	% change
Revenues	51,373,859	45,217,346	6,156,513	14%
Other income	1,186,187	1,281,279	(95,092)	-7%
Total	**52,560,046**	**46,498,625**	**6,061,421**	**13%**

The increase over the previous year was mainly due to revenues generated by Maple Lake group companies acquired during the second half of 2012. For further details, reference should be made to the Directors' report on operations.

The other income includes the charging back of customers' costs and the portion of grants received from the European Union accrued during the financial year.

8.2. Purchase of materials and external services

Purchases of materials and external services amounted to € 13,114,779, up from 2012, when they totalled € 12,159,886.

The item is detailed below:

	31 December 2013	31 December 2012	Change
Consumables and resale items	338,678	86,717	251,962
Technical consulting	5,573,028	5,791,967	(218,939)
Travel expenses	1,783,036	1,702,895	80,140
Utilities	644,470	627,608	16,862
Media & marketing services	1,105,808	925,751	180,057
Maintenance and repair	481,838	369,208	112,631
Canteen and ticket services	445,275	413,998	31,277
Administrative and legal services	272,213	456,345	(184,132)
Directors' fees	485,366	620,679	(135,313)
Subcontractors	387,678	283,156	104,523
Others	1,597,389	1,074,835	522,553
PKD general services charges		(193,273)	193,273
Total	**13,114,779**	**12,159,886**	**954,893**

As a percentage of consolidated revenues, the costs for purchasing materials and services were essentially in line with 2012, edging up from 24.95% to 26.15%.

Technical consulting fell by € 218,939 compared with the end of 2012, due to the fact that certain processes, previously provided by outside consultants, were brought in-house.

Media & marketing service costs increased compared with 31 December 2012 because of increasing expenditure in fairs and events, mainly for the purpose of promoting the TXT e-solutions Group in North America.

Administrative and legal services at 31 December 2013 decreased by € 184,132, since in the previous year the company incurred costs for legal consulting services related to the Maple Lake Group acquisition.

General services charges at 31 December 2012 amounted to € 193,273 and referred to the costs incurred for the spin-off of operating activities subsequent to the sale of the Polymedia business unit to Kit-Digital.

8.3. Personnel costs

Personnel costs for 2013 amounted to € 31,346,993, growing by € 4,220,683 (15.56%) compared with 31 December 2012.

This increase was attributable mainly to personnel costs relating to the new companies acquired, which joined the group since 28 September 2012, and to the growth in resources of the Next division due to higher business volumes.

The employees of the TXT e-solutions Group numbered 498 at 31 December 2013 (487 at 31 December 2012) broken down as follows:

	White-collar staff	Middle managers	Executives and managers	Total
31 December 2012	417	51	19	487
31 December 2013	426	52	20	498

8.4. Other operating costs

The item "other operating costs" at the end of 2013 amounted to € 1,835,313, down € 55,330 from the previous year.

This item included mainly expenses for rents, car and other rentals, and sundry operating costs (including contingent liabilities and deductible taxes).

	31 December 2013	31 December 2012	Change
Other tax (other than income tax)	73,498	58,472	15,026
Fines and penalties	2,462	66,173	(63,711)
Magazine and subscription expenses	10,676	11,045	(369)
Contingent liabilities	25,584	108,086	(82,502)
Other expenses and extraordinary income adj.	31,262	30,498	1,421
Rental expense for offices	1,069,731	994,257	75,474
Rental expense for servers	85,075	47,736	37,339
Rental expense for motor vehicles	499,521	532,529	(33,008)
Royalties	7,065	14,193	(7,128)
Other rental expense	30,439	27,653	2,786
Total	**1,835,313**	**1,890,643**	**(55,330)**

The item rental expense for motor vehicles includes both the amount for the rental expense for leased motor vehicles and occasional rentals for individual business trips. It should also be noted that the costs incurred with regard to the cars assigned to managers and other personnel depend on the business role and service requirements for business trips.

Donations, deductible taxes, and other negligible costs are included under the item "other expenses and extraordinary income adjustments".

8.5. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment amounted to € 1,307,076 at 31 December 2013, up € 255,906 from the end of 2012.

The change compared to 31 December 2012 was mainly due to the fact that, subsequent to the allocation to intangible assets of part of the consideration paid for the Maple Lake business combination, also Customer Relationship and Intellectual Property were amortised over the year, for a total amount of € 285,483.

8.6. Financial income (charges)

At 31 December 2013, the company recognised financial charges amounting to € 434,448, compared with € 347,653 in financial income at the end of 2012.

The € 782,101 fall can be attributed to the fact that, during 2012, the company had recognised capital gains on the disposal of Kit-Digital shares, sold at a price of 11.86 dollars, compared to a carrying amount of 8.45 dollars.

8.7. Income taxes

Income taxes at 31 December 2013 were positive to the tune of € 120,606, and are detailed as follows:

	31 December 2013	31 December 2012	Change
Total current tax	799,669	458,613	341,056
Total prepaid taxes	(739,407)	(297,794)	441,613
Total deferred taxes	(180,868)	14,878	(195,746)
Total taxes	**(120,606)**	**175,697**	**(296,303)**

Current taxes consist of IRAP [regional tax on productive activities] for an amount of Euro 705,163 attributable to the Parent company and income taxes for the period for an amount of Euro 94,506.

Theoretical tax reconciliation – income taxes:

Description	Amount	Taxes
Pre-tax profit (loss)	**4,521,437**	
Theoretical tax expense		**1,243,395**
Differences that will not be carried forward in future years	(415,400)	(114,235)
Taxes expensed in the year		**1,129,160**
Temporary differences taxable in future years	(60,673)	(16,685)
Temporary differences deductible in future years	270,373	74,353
Temporary differences from previous years		
Reversal of temporary differences from previous years	(1,463,124)	(402,359)
Use of past losses that may be carried forward (not activated)	(2,508,957)	(689,963)
Tax base for the year	**(4,177,781)**	
Theoretical current taxes for the year		**94,506**

Theoretical tax reconciliation – IRAP:

Description	Amount	Taxes
Difference between production value and costs	2,298,984	
Non-significant costs for IRAP purposes:		
Personnel charges	11,707,735	
Other non-deductible expenses for IRAP purposes	4,190,674	
Non-significant revenues for IRAP purposes		
Theoretical tax expense (3.9%)	**18,197,393**	**709,698**
Differences that will not be carried forward in future years	33,076	1,290
Tax expensed in the year		**710,988**
Temporary differences deductible in future years:	200,000	
Temporary differences taxable in future years:	-55,555	
Temporary differences from previous years:	-422,008	
IRAP tax base for the year	**17,952,906**	
Current IRAP for the year		**705,163**

9. Net earnings per share

Basic net earnings per share

The basic net earnings per share for 2013 is calculated by dividing net profit of € 4,462,043 (€ 4,996,888 at 31 December 2012) by the weighted average number of ordinary shares outstanding in 2013, equal to 10,463,926. They amounted to € 0.44.

Basic net earnings per share for 2012 were adjusted following the free share capital increase approved in 2013. For further details on the share capital increase, reference should be made to Note 7.10.

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 are not calculated in case of losses, as any dilutive effect would determine an increase in earnings per share.

At 31 December 2013, the weighted average number of ordinary shares outstanding in 2013 was 10,904,266, and the diluted earnings per share amounted to € 0.43.

Diluted earnings per share for 2012 were adjusted following the free share capital increase approved in 2013. For further details on the share capital increase, reference should be made to Note 7.10.

10. Segment disclosures

For operating purposes, the Group is organised into two Business Units based on the basis of the end-use of the products and services provided; the heading “Unallocated” includes the Corporate operating and financial amounts. The main financial and operating data broken down by business segment were as follows:

BALANCE SHEET BY BUSINESS UNIT AS AT 31 DECEMBER 2013

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
Intangible assets	15,370	-		15,370
Property, plant and equipment	673	445		1,118
Other fixed assets	820	542		1,362
FIXED ASSETS	**16,864**	**986**		**17,850**
Inventories	148	1,303		1,451
Trade receivables	9,559	7,282		16,841
Sundry receivables and other short-term assets	1,085	717		1,802
Trade payables	(869)	(636)		(1,505)
Tax payables	(56)	(17)		(73)
Sundry payables and other short-term liabilities	(7,467)	(5,466)		(12,933)
NET WORKING CAPITAL	**2,401**	**3,182**		**5,583**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,349)**	**(1,720)**		**(4,069)**
CAPITAL EMPLOYED	**16,916**	**2,448**		**19,364**
Shareholders' equity			27,937	27,937
Net financial debt			(8,573)	(8,573)
CAPITAL EMPLOYED			**19,364**	**19,364**

BALANCE SHEET BY BUSINESS UNIT AS AT 31 DECEMBER 2012

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
Intangible assets	8,356	-	8,265	16,621
Property, plant and equipment	654	500	-	1,154
Other fixed assets	451	344	-	795
FIXED ASSETS	**9,461**	**844**	**8,265**	**18,570**
Inventories	(393)	1,781	-	1,388
Trade receivables	8,736	8,538	-	17,274
Sundry receivables and other short-term assets	1,297	991	-	2,288
Trade payables	(986)	(814)	-	(1,800)
Tax payables	(1,284)	(556)	-	(1,839)
Sundry payables and other short-term liabilities	(6,826)	(5,639)	-	(12,465)
NET WORKING CAPITAL	**544**	**4,301**	**-**	**4,846**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(1,870)**	**(1,545)**	**-**	**(3,415)**
CAPITAL EMPLOYED	**8,135**	**3,600**	**8,265**	**20,001**
Shareholders' equity			26,023	26,023

Net financial debt	(6,022)	(6,022)
CAPITAL EMPLOYED	**20,001**	**20,001**

INCOME STATEMENT BY BUSINESS UNIT AS AT 31 DECEMBER 2013

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
REVENUES	**31,657**	**20,903**	**-**	**52,560**
Licenses & maintenance	12,762	80	-	12,842
Services and other revenues	18,895	20,823	-	39,718
OPERATING COSTS:				
Direct costs	11,624	13,230	-	24,854
Research and development costs	3,083	1,678	-	4,761
Commercial costs	8,103	2,071	-	10,174
General and administrative costs	3,920	2,588	-	6,508
TOTAL OPERATING COSTS	**26,730**	**19,567**	**-**	**46,297**
EBITDA	**4,927**	**1,336**	**-**	**6,263**
Amortisation	883	0	-	883
Depreciation	255	169	-	424
OPERATING PROFIT (LOSS) [EBIT]	**3,789**	**1,167**	**-**	**4,956**
Financial income (charges)	-332	-102	-	-434
EARNINGS BEFORE TAXES [EBT]	**3,457**	**1,065**	**-**	**4,522**
Taxes	**93**	**28**	**-**	121
NET PROFIT (LOSS) FOR THE PERIOD	**3,550**	**1,093**		**4,643**

INCOME STATEMENT BY BUSINESS UNIT AS AT 31 DECEMBER 2012

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
REVENUES	**26,361**	**20,138**	**-**	**46,499**
Licenses & maintenance	10,152	136	-	10,288
Services and other revenues	16,209	20,002	-	36,211
OPERATING COSTS:				
Direct costs	9,910	12,441	-	22,351
Research and development costs	2,121	1,970	-	4,091
Commercial costs	7,254	1,722	-	8,976
General and administrative costs	3,265	2,494	-	5,759
TOTAL OPERATING COSTS	**22,550**	**18,627**	**-**	**41,177**
EBITDA	**3,811**	**1,511**	**-**	**5,322**
Amortisation	621	66	-	687
Depreciation	200	152	-	352
OPERATING PROFIT (LOSS) [EBIT]	**2,990**	**1,293**	**-**	**4,283**
Financial income (charges)	(26)	(11)	-	(37)
EARNINGS BEFORE TAXES [EBT]	**2,964**	**1,282**	**-**	**4,246**
Taxes	**(131)**	**(57)**	-	(188)
NET PROFIT (LOSS) FROM OPERATIONS	**2,833**	**1,225**	**-**	**4,058**
Non-recurring profit (loss)			939	939
NET PROFIT (LOSS) FOR THE PERIOD	**2,833**	**1,225**	**939**	**4,997**

11. Net financial position

Pursuant to Consob communication dated 28 July 2006 and in conformity with the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses", it is noted that the TXT e-solutions Group's net financial position at 31 December 2013 is as follows:

(€ thousand)	31 Dec. 2013	31 Dec. 2012 Restated *	Change
Cash and bank assets	14,821	15,819	(998)
Short-term financial payables	(3,352)	(5,496)	2,144
Short-term financial resources	**11,469**	**10,323**	**1,146**
Payables due to banks with maturity beyond 12 months	(2,896)	(4,302)	1,406
Total Net Financial Position	**8,573**	**6,021**	**2,552**

12. Subsequent events

On 7 February 2014, TXT USA Inc. was incorporated with the aim of supporting trade development in North America.

13. Significant non-recurring events and transactions

Based on Consob Resolution no. 15519 dated 27 July 2006, it should be noted that no "non-recurring events and transactions" took place in the period.

14. 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.

15. 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 2012 for auditing services and for services other than auditing rendered by the Auditing firm and by companies belonging to its network. These fees represent the costs incurred and recognised in the financial statements for the year, net of reimbursements of expenses and non-deductible VAT.

Type of service	Provider	Beneficiary	Fees (€ '000)
Auditing	Ernst & Young	Parent TXT e-solutions Spa	53
Auditing	Network Ernst & Young	Subsidiary TXT e-solutions GmbH	13
Auditing	Network Ernst & Young	Subsidiary TXT e-solutions SL	5
Auditing	Network Ernst & Young	Subsidiary TXT e-solutions Sarl	13
Auditing	Network Ernst & Young	Subsidiary TXT e-solutions Ltd	8
Auditing	Network Ernst & Young	Subsidiary Maple Lake Ltd	12

16. Certification of the consolidated financial statements

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

The undersigned Alvise Braga Illa as Chairman of the Board of Directors and Paolo Matarazzo as Manager responsible for preparing corporate accounting documents for TXT S.p.A. certify, also pursuant to Article 154-bis, paragraphs 3 and 4 of 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 2013.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2013 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission 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 2013:

- 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 Legislative Decree no. 38/2005;
- are suitable to provide a true and fair view of the financial position, performance and cash flows of the issuer.

Manager responsible for preparing corporate accounting documents

Paolo Matarazzo

Chairman of the Board of Directors

Alvise Braga Illa

Milan, 4 March 2014

TXT e-solutions S.p.A.

Financial Statements
as at 31 December 2013

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 5,911,932 fully paid-in

Tax code and

Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(3)
Franco Cattaneo	Independent Director	(2)
Andrea Cencini	Director	(3)
Paolo Enrico Colombo	Director	(3)
Adriano De Maio	Independent Director	(2)
Teresa Cristiana Naddeo	Independent Director	(2) (4)

(1) Powers assigned: ordinary and extraordinary administration, except purchase and sale of buildings.

(2) Member of the Remuneration Committee and the Risks and Internal Controls Committee.

(3) Powers assigned: ordinary administration.

(4) Appointed by the Shareholders' Meeting of 6 December 2012

BOARD OF STATUTORY AUDITORS

Raffaele Valletta	Chairman
Luigi Carlo Filippini	Standing Auditor
Fabio Maria Palmieri	Standing Auditor
Angelo Faccioli	Alternate Auditor
Pietro Antonio Grignani	Alternate Auditor

EXTERNAL AUDITORS Reconta Ernst & Young S.p.A.

INVESTOR RELATIONS

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Telephone: +39 02 25771.1

Contents

Balance Sheet

Amounts in Euro	Notes	31 Dec. 2013	Of which due to related parties	31 Dec. 2012	Of which due to related parties
NON-CURRENT ASSETS					
Intangible assets		**1,617,335**		**2,139,509**	
Intangible assets with an indefinite useful life	6.1	800,000		800,000	
Intangible assets with a finite useful life		817,335		1,339,509	
- of which R&D	6.2	784,067		1,300,004	
- of which other intangible assets with a finite useful life	6.2	33,268		39,505	
Property, plant and equipment	**6.3**	**680,501**		**614,878**	
- Own property, plant and equipment		9,465		5,748	
- Other assets		659,943		575,848	
- Leased assets		11,094		33,281	
Other non-current assets		**13,139,738**		**16,356,128**	
- Equity investments	6.4	12,387,699		16,325,241	
- Sundry receivables and other non-current assets	6.5	30,887		30,887	
Deferred tax assets	**6.6**	**721,152**		**397,868**	
TOTAL NON-CURRENT ASSETS	**(A)**	**15,437,574**		**19,508,383**	
CURRENT ASSETS					
Inventories	6.7	1,334,564		1,356,919	
Trade receivables	6.8	12,100,806	1,711,420	12,685,854	690,371
Sundry receivables and other current assets	6.9	1,884,103		2,004,857	
of which non-recurrent		405,147		405,147	
Available-for-sale securities		(0)		0	
Other financial receivables	6.10	3,527,233	3,507,363	4,348,114	4,348,114
Cash and cash equivalents	6.11	13,713,151		14,578,548	
TOTAL CURRENT ASSETS	**(B)**	**32,559,857**	5,218,783	**34,974,293**	5,038,485
TOTAL ASSETS	**(A + B)**	**47,997,431**	5,218,783	**54,482,676**	5,038,485

Amounts in Euro	Notes	31 Dec. 2013	Of which due to related parties	31 Dec. 2012	Of which due to related parties
SHAREHOLDERS' EQUITY					
Share capital	6.12	5,911,932		2,883,466	
Reserves	6.12	14,024,939		17,438,220	
Retained earnings (accumulated losses)		1,848,917		2,007,425	
Profit (loss) for the year		1,528,446		2,051,268	
TOTAL SHAREHOLDERS' EQUITY	**(A)**	**23,314,234**		**24,380,379**	
NON-CURRENT LIABILITIES					
Non-current financial liabilities	6.13	2,895,924		4,301,301	
Employee benefits expense	6.14	3,101,464		3,231,561	
Deferred tax provision	6.6	115,198		206,242	
Provision for future risks and charges	6.15	564,000		319,530	
Long-term earn-out at fair value	6.16	(0)		2,784,278	
TOTAL NON-CURRENT LIABILITIES	**(B)**	**6,676,587**		**10,842,913**	
CURRENT LIABILITIES					
Current financial liabilities	6.17	8,297,787	4,958,907	9,587,699	4,339,167
Trade payables	6.18	2,559,625	352,357	2,402,081	127,945
Tax payables	6.19	97,768		86,806	
Sundry payables and other current liabilities	6.20	7,051,430	495,384	7,182,799	805,146
TOTAL CURRENT LIABILITIES	**(C)**	**18,006,610**	5,806,648	**19,259,384**	5,272,258
TOTAL LIABILITIES	**(E = B + C)**	**24,683,197**	5,806,648	**30,102,297**	5,272,258
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**(A + E)**	**47,997,431**	5,806,648	**54,482,676**	5,272,258

Income Statement

Amounts in Euro	Notes	31 Dec. 2013	Of which due to related parties	31 Dec. 2012	Of which due to related parties
Revenues		34,082,829	6,119,382	31,245,741	3,143,869
Other income		1,246,629		1,710,699	
Total revenues and other income	7.1	**35,329,459**	**6,119,382**	**32,956,440**	**3,143,869**
Purchase of materials and external services	7.2	(10,837,804)	(1,053,550)	(10,297,171)	(854,810)
Personnel costs	7.3	(20,408,053)	(752,377)	(19,690,412)	(777,145)
Other operating costs	7.4	(1,044,665)	0	(1,279,363)	
EBITDA		**3,038,936**	**4,313,455**	**1,689,494**	**1,511,915**
Depreciation and amortisation/Impairment/Provisions	7.5	(739,952)	0	(790,217)	
Capital gains/losses on disposal of non-current assets	7.6	(1,153,264)	(1,153,264)	0	
OPERATING PROFIT (LOSS)		**1,145,720**	**3,160,190**	**899,276**	**1,511,915**
Financial income	7.7	2,310,989	1,108,322	1,864,969	42,922
Financial charges	7.8	(1,580,658)	(63,139)	(1,328,410)	(101,644)
EARNINGS BEFORE TAXES [EBT]		**1,876,052**	**4,205,374**	**1,435,835**	**1,453,193**
Income taxes		**(347,606)**	0	61,117	
of which non-recurrent		0		405,147	
Profit (loss) for the year		**1,528,446**	0	1,496,952	
Capital gain/(loss) generated by the sale of investment		**0**	**0**	**554,316**	
Profit for the year after extraordinary transactions		**1,528,446**	**0**	**2,051,268**	

Statement of Comprehensive Income

Amounts in Euro	2013	2012
Profit (loss) for the year	1,528,446	2,051,268
Change in fair value of available-for-sale financial assets	3,450	20,412
TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT /(LOSS) FOR THE PERIOD NET OF TAXES	3,450	20,412
Defined benefit plans actuarial gains (losses)	87,368	(210,037)
TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT /(LOSS) FOR THE PERIOD NET OF TAXES	87,368	(210,037)
TOTAL PROFIT/ (LOSS) OF COMPREHENSIVE INCOME NET OF TAXES	90,818	(189,625)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,619,264	1,861,643

Statement of Cash Flows

Amounts in Euro	31 Dec. 2013	31 Dec. 2012
Cash flows from operating activities		
Profit (loss) for the year	1,528,446	2,051,268
Depreciation and amortisation, impairment and provisions	739,952	790,217
Tax expense	180,226	
Interest expense	137,995	58,325
Other non-monetary costs	77,849	103,448
Cash flow from operating activities before change in working capital	**2,664,468**	**3,003,259**
(Increases)/decreases in trade receivables	585,048	(3,522,546)
(increases)/decreases in inventories	22,356	74,414
increases/(decreases) in trade payables	157,544	(313,968)
increases/(decreases) in tax payables(receivables)	(583,592)	(173,065)
increases/(decreases) in post-employment benefits	(42,727)	(32,256)
increases/(decreases) in other assets and liabilities	99,309	423,959
Net cash from operating activities	**2,902,406**	**(540,204)**
Cash flows from investing activities		
Increases in non-current assets:		
- Intangible assets	(9,863)	(24,226)
- Property, plant and equipment	(273,538)	(355,841)
- Financial assets	3,937,542	(7,874,932)
Decreases and other changes in non-current assets:		
Net cash used in investing activities	**3,654,141**	**(8,254,999)**
Cash flows from financing activities		
Increases/(decreases) in financial payables/receivables	(4,658,686)	9,500,339
Other changes in equity	(1,125,282)	(891,585)
Distribution of dividends	(2,106,906)	
Rights issue	468,928	1,712,329
Net cash used in financing activities	**(7,421,946)**	**10,321,083**
Increase/(decrease) in cash and cash equivalents	**(865,399)**	**1,525,879**
Cash and cash equivalents at the beginning of the period	**14,578,548**	**13,052,669**
Cash and cash equivalents at the end of the period	**13,713,151**	**14,578,548**

Statement of Changes in Equity as at 31 December 2013

Amounts in Euro	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock option reserve	Actuarial differences	IRS Fair Value	Retained earnings (accumulated losses)	Profit (loss) for the year	Total
At 31 December 2011	**1,366,520**	**340,130**	**15,976,802**	**1,911,444**	**225,081**	**1,499,106**	**(544,426)**	**(23,862)**	**(11,965,694)**	**12,809,439**	**21,594,540**
Allocation of previous year's profit									12,809,439	(12,809,439)	0
Stock option subscription	18,000		182,384								200,384
Free capital increase	1,379,520		(1,379,520)								0
Maple Lake Ltd acquisition	119,427		1,392,519								1,511,946
Allocation to stock option reserve						(938,598)			938,598		0
Allocation to stock grant plan						103,448					103,448
Share buy-back			(891,583)								(891,583)
MTM IRS								20,412			20,412
Post-employment benefits discounting							(210,037)				(210,037)
Profit (loss) for the year										2,051,269	2,051,269
At 31 December 2012	**2,883,466**	**340,130**	**15,280,603**	**1,911,444**	**225,081**	**663,956**	**(754,463)**	**(3,450)**	**1,782,343**	**2,051,269**	**24,380,379**

Amounts in Euro	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock option reserve	Actuarial differences	IRS Fair Value	Retained earnings (accumulated losses)	Profit (loss) for the year	Total
At 31 December 2012	**2,883,466**	**340,130**	**15,280,603**	**1,911,444**	**225,081**	**663,956**	**(754,463)**	**(3,450)**	**1,782,343**	**2,051,269**	**24,380,379**
Allocation of previous year's profit		102,870							1,948,399	(2,051,269)	0
Stock option subscription	72,500		396,428								468,928
Free share capital increase	2,955,966		(2,955,966)								0
Distribution of dividends									(2,106,906)		(2,106,906)
Maple Lake Ltd acquisition											0
Allocation to stock grant plan						77,849					77,849
Share buy-back			(1,125,282)								(1,125,282)
MTM IRS								3,450			3,450
Post-employment benefits discounting							87,368				87,368
Profit (loss) for the year										1,528,446	1,528,446
At 31 December 2013	**5,911,932**	**443,000**	**11,595,783**	**1,911,444**	**225,081**	**741,805**	**(667,095)**	**0**	**1,623,837**	**1,528,446**	**23,314,233**

Introduction

Founded in 1989, TXT e-solutions S.p.A. specialises in software and strategic high-value solutions targeting large enterprises and operates on an international level. The main business areas are: **Integrated & Collaborative Planning**, with TXT Perform Division's products and services for companies in the Luxury, Fashion, Accessory and Retail segments; **Software for Complex Operations & Manufacturing**, with TXT Next's solutions in the Aerospace, Defence, High-Tech and Finance sectors. TXT is listed on the Italian Stock Market (STAR segment, TXT.MI) and its registered office is based in Milan. It also has offices in Italy, France, UK, Germany, Spain, Canada and Australia. 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 2013 and all relevant accounting information was prepared in accordance with IFRSs endorsed by the European Union.

NOTES TO 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 as at 31 December 2013 have been prepared on the historical cost basis, except for derivative financial instruments. 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.

Financial statements have been prepared based on accounting entries at 31 December 2013 and on a going concern basis. Comparative data for the prior-year period have been restated to reflect the new accounting policies.

As for information relating to the nature of the company's business, business areas, and significant events after the reporting period, 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 held on 04 March 2014. 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 2013.

For a description of operating segments pursuant to IFRS 8, reference should be made to the Notes to the consolidated financial statements.

1. 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 are recognised in profit or loss as incurred.

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

Intangible asset with a finite useful life are amortised 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 profit or loss 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 are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are recognised as an expense in profit or loss 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 licenses

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

Property, plant and equipment

An item of property, plant and equipment is measured at acquisition or production cost including directly attributable costs necessary to bring the asset to its working condition.

An item of property, plant and equipment is depreciated on a straight-line basis over its 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
Plant and equipment	5 years
Motor vehicles	4 years

The costs of maintenance, repair, enhancement, upgrade, and replacement that have not lead 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.

Assets held under finance leases (for which the Company assume substantially all the risks and rewards) are accounted for as property, plant and equipment (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.

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 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, 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 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.

TXT bases its impairment test on detailed budget 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 profit or loss 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, 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 amount 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 profit or loss 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:

Goodwill

Goodwill is tested for impairment at least annually (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.

Intangible assets

An intangible asset with an indefinite useful life is tested for impairment at least annually (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

Initial recognition and measurement

The financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available-for-sale financial assets, or derivatives designated as hedging instruments that are determined to be effective hedges, as appropriate. TXT determines the classification of its financial assets upon initial recognition.

Financial assets are initially recognised at fair value plus the transaction costs directly attributable to the acquisition, except in the case of financial assets at fair value through profit or loss.

A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned is a regular way purchase or sale and is recognised using trade date accounting. Trade date is the date that TXT commits itself to purchase or sell an asset.

TXT's financial assets include cash and short-term deposits, trade receivables and other receivables, loans and other receivables, quoted and unquoted financial instruments, and derivatives.

Subsequent measurement

Subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

This category includes financial assets held for trading and assets designated as at fair value through profit or loss upon initial recognition.

Assets held for trading are all those assets acquired for the purpose of selling them in the near term. This category includes the derivative financial instruments subscribed by TXT that were not designated as hedging instruments in accordance with the hedging relationship as defined by IAS 39. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

The financial instruments at fair value through profit or loss are recognised in the balance sheet at fair value, while the changes in fair value are recognised in profit or loss as financial income or charges.

No financial asset was designated upon initial recognition as at fair value through profit or loss.

TXT assessed its financial assets held for trading, other than derivatives, to verify whether the intention to sell them in the near term is still appropriate. In rare cases, i.e. when TXT is unable to sell these financial assets because markets are not active and management's intention to sell them in the foreseeable future changes significantly, TXT may choose to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale financial assets, or held-to-maturity financial assets depends on the nature of the asset. This assessment has no impact on any financial asset designated as at fair value through profit or loss designated under the fair value option.

The embedded derivatives contained in host contracts are accounted for as separate derivatives and measured at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not held for trading or measured at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. The initial assessment is not revised unless a change in the contractual terms significantly modifies the cash flows that otherwise would be expected.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. The amortised cost is calculated accounting for any discounts, acquisition premiums, fees or costs that are an integral part of the effective interest rate.

The amortisation at the effective interest rate is recognised as financial income in profit or loss. The losses arising from impairment are recognised as financial charges in profit or loss.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments are classified as “held-to-maturity financial assets” whenever TXT has the positive intention and ability to hold them to maturity.

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. The amortised cost is calculated by accounting for any discounts, acquisition premiums, fees or costs that are an integral part of the effective interest rate. The amortisation at the effective interest rate is recognised as financial income in profit or loss. The losses arising from impairment are recognised as financial charges in profit or loss. TXT did not hold any investments of this type during the financial years ended 31 December 2012 and 2011.

Impairment of financial assets

At the end of each reporting period, TXT determines whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment can be represented by indicators such as financial difficulty, a breach of contract, the default or delinquency in interest or principal payments, that borrowers, or a group of borrowers, are incurring; it becoming probable that the borrower will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in circumstances or in the economic conditions related to the obligations.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, TX first of all assessed whether objective evidence of impairment existed individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If TXT determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be estimated based on the reduced carrying amount and is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is recognised in profit or loss as part of financial income. Loans and the relevant provisions are reversed when there is no realistic prospect of recovery and all guarantees have been enforced or transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases following an event occurring after the impairment was recognised, the previously recognised impairment loss shall be increased or decreased by adjusting an allowance account. If a reversal is subsequently recovered, the amount of the reversal is recognised in profit or loss as a decrease in financial charges.

Investments in subsidiaries and associates

As defined by IAS 27 – Consolidated and separate financial statements, a subsidiary is an entity that is controlled by Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

An associate is a company in which TXT e-solutions S.p.A. holds at least 20% of the voting rights.

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 profit or loss under impairments. If 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 profit or loss 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.

Investments in other companies

The item includes investments in other companies (ownership of less than 20% of the stock or 2% for listed companies) measured at fair value through equity; when the fair value cannot be reliably measured, the investments are measured at cost less impairment. When the conditions that caused the impairment no longer exist, the investments measured at cost are revalued to the extent of the impairment loss previously recognised through profit or loss.

Other non-current assets, Trade receivables, Current financial receivables, and Other current receivables

With the exception of assets deriving from derivative financial instruments, the other assets and all financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured, if they have fixed maturity, at amortised cost using the effective interest method. When financial assets do not have fixed maturity, they are measured at cost.

Loans with maturity over one year, granted interest-free or at a below-market rate, are discounted at market rates of interest.

The Group regularly assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is recognised as an expense when incurred.

Inventories

Inventories 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, since the turnover rate for these inventories is high, 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 by reference 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 profit or loss 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. If stock options are exercised, they are serviced with treasury shares.

Financial Liabilities, Other non-current liabilities, Trade payables, Current financial payables and Other payables

Upon initial recognition, they are designated as at fair value (typically represented by the cost of the transaction that originated them), including transaction costs.

Subsequently, except for derivative financial instruments, financial liabilities are measured at amortised cost using the effective interest method.

The receivables and payables in the foreign currency of countries outside the Euro area are translated at closing rates; any positive or negative differences between the amounts of the receivables and payables translated at closing rates and those measured at the original exchange rates, are recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

The financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, such as loans and borrowings, or derivatives designated as hedging instruments, as appropriate. TXT determines the classification of its financial liabilities upon initial recognition.

Financial liabilities are initially recorded at fair value plus transaction costs directly attributable to them in the case of loans and borrowings.

Financial liabilities include trade payables and other payables, bank overdrafts, loans and borrowings, guarantees issued and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss upon initial recognition.

Liabilities held for trading are all those liabilities acquired for the purpose of selling them in the near term. This category includes the derivative financial instruments subscribed by TXT that were not designated as hedging instruments in accordance with the hedging relationship as defined by IAS 39. Separated embedded derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Gains and losses on financial liabilities held for trading are recognised in profit or loss.

Financial liabilities are designated upon initial recognition as at fair value through profit or loss only if the conditions in IAS 39 are met. TXT has not designated upon initial recognition any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss only when the liability is extinguished, as well as through amortisation.

The amortised cost is calculated accounting for any acquisition discounts or premiums, fees or costs that are an integral part of the effective interest rate. The amortisation at the effective interest rate is recognised in financial charges in profit or loss.

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) in case 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 in the case 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 2008.

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 profit or loss (in comprehensive income) and directly in equity.

Stock option plans

TXT e-solutions Spa recognises additional benefits to particular categories of employees who work in the Company and its subsidiaries, deemed to be "key management personnel" in terms of authority and/or responsibility through stock grant plans. Pursuant to IFRS 2 – Share-Based Payment – the overall amount of the present value of the stock grants 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 grants 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 becomes probable, this fact is reported in the notes to the financial statements.

Dividends

Dividends received are recorded in profit or loss 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. 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

As for transactions with related parties, including intra-group transactions, it should be noted that they cannot be classified as atypical nor 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 relevant section of the Consolidated Financial Statements as at 31 December 2013.

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 profit or loss 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 until the disposal of the net investment, and only then will be recognised in profit or loss. 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 other comprehensive income or profit or loss are recognised in other comprehensive income or profit or loss, respectively).

Revenues

Revenue is recognised when it is probable that the economic benefits will flow to TXT and the relevant amount can be measured reliably, irrespective of collection date. Revenue is measured at the fair value of the consideration received or receivable, taking into account the contract terms of payment and excluding taxes and duties. The Company specifically assessed its sales contracts and concluded that it is acting directly as the principal in all sales contracts.

These specific measurement criteria shall also apply with reference to revenue recognition:

Sales of assets

Sales are recognised when ownership is transferred, i.e. all risks and rewards associated with the asset are transferred. Revenue is recognised net of returns, discounts, rebates and premiums, as well as of any directly related taxes.

Services

Revenues arising from the provision of development and maintenance services are measured on the basis of the considerations agreed by reference to the stage of completion determined using the cost-to-cost method. When the outcome of a contract cannot be reliably measured , revenue is recognized only to the extent that costs incurred are deemed to satisfy the recoverability requirements.

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 profit or loss (IAS 18.30 a).

Expenses

Expenses are recognised in profit or loss when they relate to goods and services sold or consumed during the year or systematically allocated when the relevant future benefits cannot be estimated.

Personnel costs include, consistently with their substantial nature, stock options/grants granted to employees. In determining those costs, reference is made to the comments in the introduction 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 attaching 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 receives a non-monetary grant, the asset and the grant are recognised at their nominal amount in profit or loss 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.

Current tax

Current taxes are measured at the amount expected to be paid to taxation authorities using the rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised outside profit or loss if the tax relates to items that are recognised outside profit or loss, and is therefore recognised in equity or in other comprehensive income, consistently with the recognition of the item it relates to. The 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 carryforward 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 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 amount 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 profit or loss if the tax relates to items that are recognised outside profit or loss, and is therefore recognised in equity or in other comprehensive income, 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 of 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 profit or loss, 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 profit or loss;
- trade receivables and payables include the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the taxation 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 7 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 2013.

Comparison between fair value and carrying amount of the TXT Group's financial instruments is provided in the table below:

Amounts in Euro	31 Dec. 2013	Level 1	Level 2	Level 3
Financial assets at fair value				
- other non-current financial assets	0	0	0	0
- other current financial assets	0	0	0	0
Total financial assets	**0**	**0**	**0**	**0**
Financial liabilities at fair value				
- other non-current financial liabilities	2,895,924	0	2,927,924	0
- other current financial liabilities	8,297,627	0	8,297,627	0
Total financial liabilities	**11,193,552**	**0**	**11,225,127**	**0**

Current financial assets and liabilities approximate market value.

Non-current financial liabilities refer to loans signed by the Group. The fair value measurement of non-current liabilities was made by discounting future cash flows based on the market interest rates increased by credit rating recognized by bank counterparties in trading similar financial products.

Guarantees issued, obligations and other contingent liabilities

At 31 December 2013, the Company had issued guarantees on debts and obligations of third parties and associates amounting to € 366 thousand, in particular € 244 thousand in the form of bank guarantees for rental security deposits, and the remainder in the form of bank guarantees for bids in tenders.

2. Use of estimates and discretionary assessments

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

Estimates and assumptions are reviewed on an ongoing basis and any changes are immediately recognised in profit or loss. 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.

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 flows projections are based on the plan for the next three 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. The key assumptions used to determine the recoverable amount for the various cash generating units, including a sensitivity analysis, are detailed in Note 4.

Taxes

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

Pension funds

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

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

The mortality rate is based on mortality tables available for each country. Future salary and benefit increases are based on the expected inflation rates for each country. Further details, including a sensitivity analysis, are provided in Note 13.

3. New accounting standards, interpretations and amendments adopted by the Group

The accounting standards adopted in preparing the TXT e-solutions S.p.A.'s financial statements as at 31 December 2013 are consistent with those used in preparing the Company's financial statements as at 31 December 2012, except for the adoption of the new standards, amendments and interpretations effective since 1 January 2013.

The amendments to IAS 19 did not have any effect, since the Company had already adopted the provisions of such standard.

Several new standards and amendments became effective as of 2013. However, they did not have any impact on the financial statements of TXT e-solutions.

Contents and effects of each new standard/amendment are detailed below:

IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income

The amendment to IAS 1 introduces the grouping of items of other comprehensive income. The items that could be subsequently reclassified (or “recycled”) to profit or loss (for example, net gains/losses on available-for-sale financial assets) must now be presented separately from the items that will never be reclassified (for example, revaluations of land and buildings). The amendment only concerned the method of presentation and did not have any impact on the Company's financial position or performance.

IAS 12 - Deferred Tax: Recovery of Underlying Assets

This amendment clarifies the measurement of deferred taxes on investment properties at fair value. This amendment introduces a rebuttable presumption that the carrying amount of an investment property, measured using the fair value model of IAS 40, will be recovered entirely through sale and that consequently the related deferred taxes should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and held with the objective of consuming substantially all of the economic benefits over time, rather than through sale. The amendment had no impact on the Company's balance sheet, performance, or financial disclosure.

IFRS 7 Disclosures - Offsetting financial assets and liabilities – Amendments to IFRS 7

These amendments require the entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements). These disclosures will provide the readers with useful information to evaluate the effect of the offsetting arrangements on the entity's balance sheet. The new disclosure is required for all the financial instruments whose amounts are offset in accordance with the criteria in IAS 32 Financial Instruments: Presentation. The disclosure is also required for financial instruments under an enforceable master netting agreement or similar arrangement, regardless of them being offset pursuant to IAS 32. These amendments had no impact on the Company's balance sheet or performance.

IAS 19 Employee Benefits (2011)

IAS 19 *Employee Benefits* (2011) includes numerous amendments concerning the accounting for defined-benefit plans.

With Regulation (EU) No. 475 / 2012 of 5 June 2012, the amendments to IAS 19 were approved, among others.

Each company shall apply the amendments referred to in the aforementioned Regulation as from the commencement date of its first financial year starting on or after 1 January 2013.

The most important changes are briefly illustrated below:

- the "corridor" approach for recognizing actuarial gains and losses is eliminated and past service cost is immediately recognised as an expense;
- the disaggregation of the defined benefit plan cost into the following components: Service Cost, Net Interest on the net defined benefit liability (hereafter Net Interest) that replaces Interest Cost, and finally Remeasurements.

Remeasurements comprise actuarial gains and losses (consisting of changes in actuarial assumptions and experience adjustments – the effect of differences between the previous actuarial assumptions and what has actually occurred, hereafter "experience adjustments"). In addition to actuarial gains and losses, remeasurements also include changes in return on plan assets (excluding amounts included in Net Interest) and any other difference.

Remeasurements are recognised in OCI (Other Comprehensive Income) while Service Cost and Net Interest are recognised in profit or loss with no separate items.

Increasingly precise and transparent disclosures should also include information on the risks associated with each plan, a sensitivity analysis on the present value of the obligation of the most significant actuarial assumptions, a plan amendment or curtailment and information on the average duration of the obligation.

IFRS 13 Fair Value Measurement

IFRS 13 provides a single IFRS framework for measuring fair value. IFRS 13 does not attempt to change the cases in which fair value shall be used, rather it provides principles-based guidance on how to measure fair value under IFRS. In accordance with such guidance, the Group revised the standards applied in estimating fair value, in particular the input used for the measurement such as, for example, the non-performance risk for the liabilities.

The adoption of IFRS 13 had no significant impact on the Company's fair value.
With regard to assets and liabilities whose fair value was subject to measurement, the additional disclosure required by this standard is provided in the relevant Note. Fair value hierarchy is detailed in Note "FAIR VALUE HIERARCHY".

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to the stripping costs of surface mining during the production phase. The interpretation considers how to account for benefits arising from the stripping activity. The new interpretation had no impact on the Company.

3.1 Standards issued but not yet effective

The standards and interpretations issued but not yet effective at the date of preparation of these financial statements are illustrated below. The Company intends to adopt these standards as they become effective.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate financial statements

IFRS 10 supersedes the part of IAS 27 Consolidated and Separate Financial Statements applied in accounting for the consolidated financial statements. It also deals with the issues raised in SIC-12 Consolidation – Special purpose entities.

IFRS 10 establishes a single control model applying to all entities, including special purpose entities. With respect to the provisions in IAS 27, the amendments introduced by IFRS 10 will require management to make important discretionary assessments, to determine which entities are controlled, and therefore shall be consolidated by the parent. Based on the preliminary analysis conducted, IFRS 10 is not expected to have any impact on the interests currently held by the Company. This standard applies to annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly controlled entities – Non-Monetary Contributions by Venturers.

IFRS 11 eliminates the option to account for jointly controlled entities through proportionate consolidation. Jointly controlled entities classified as joint ventures shall instead be accounted for using the equity method. The standard will have no impact on the Company's balance sheet or performance. This standard applies to annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes disclosure previously required by IAS 27 concerning the consolidated financial statements, as well as disclosure required by IAS 31 and IAS 28. It deals with an entity's interests in subsidiaries, joint arrangements, associates, and unconsolidated 'structured entities'. New disclosures are also presented. This standard will have no impact on the Company's balance sheet or performance. This standard applies to annual periods beginning on or after 1 January 2014.

IAS 28 (2011) Investments in associates and joint ventures

Following the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 was renamed as Investments in Associates and Joint Ventures, and outlines how to apply the equity method to investments in associates and joint ventures. The standard will have no impact on the Company's balance sheet or performance. The amendments are effective for annual periods beginning on or after 1 January 2014.

IAS 32 Offsetting Financial Assets and Liabilities – Amendments to IAS 32

The amendments clarify the meaning of "currently has a legally enforceable right of set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing houses) which apply gross settlement mechanisms that are not simultaneous. These amendments should not have any impacts on the Company's balance sheet or performance and are effective for annual periods beginning on or after 1 January 2014.

4. Financial risk management

TXT 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, also 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). On the basis of cash and cash equivalents of € 13,713,151 at 31 December 2013, TXT's liquidity risk is deemed to be negligible, as described further on.

Financial Risks

Currency risk

The Company's exposure to the 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 2013, 31% of the TXT revenues were earned outside Italy).

During 2013, about 11.69% of the sales revenues were denominated in a currency other than the Euro, while 4.78% of production costs were denominated in a currency other than the Euro.

To order to manage the economic impact deriving from the exchange rate fluctuations with respect to the Euro – mainly the Canadian Dollar, –TXT has entered into specific hedging contracts to mitigate the impact of the exchange rate volatility on the income statement. The expiry dates of such derivatives are in line with the transactions to be hedged and in any case they expired before the end of financial year 2013.

Credit risk

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

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

The table below shows the concentration of the Company's trade receivables:

	Amount in Euro	concentration %
Receivables due from customers	12,723,146	-
Provision for bad debts	(622,340)	
Total receivables due from customers	12,100,806	
Receivables due from customers (Top 5)	5,846,336	46%
Receivables due from customers (Top 10)	7,314,530	57%

In general, trade receivables are mainly concentrated in Italy. Furthermore, the concentration of each of the first ten customers oscillates from 2% to 6% if the Company's receivables due from an important Italian customer operating in the Aerospace and High Tech business, accounting for 22%

of the Company’s total trade receivables, are excluded from the balances above.

Interest rate risk

The Company's debt is predominately characterised by floating interest rates, and therefore the Company is exposed to the risk deriving from their fluctuation.

At the end of the reporting period, the Company has not entered in any derivative contracts for the purpose of hedging the interest rate risk.

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

(Amounts in thousands of Euro)	31 Dec. 2013	Interest rate change	Financial income / charges
Net financial position	8,942,597		
Medium/long-term payable (fixed rate)	2,895,924		
Financial exposure (floating rate)	6,046,673	+1%	60,467
		-1%	(60,467)

5. Going concern

Pursuant to IAS 1 paragraph 25, the directors assessed that no material uncertainties regarding the Company's ability to continue as a going concern exist.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

6. Balance sheet

6.1 Intangible assets with an indefinite useful life

The item includes goodwill, fully referring to the TXT Perform Cash Generating Unit , amounting to € 800,000. It arises from Aisoftw@are's purchase of the “Program” business in 2003 concerning operations in the Fashion sector based in Vicenza. Program is part of TXT Perform's business unit, but continued its operations with the same organizational structure in Vicenza.

The carrying amount of goodwill is lower than the fair value of the investment. The fair value was measured based on the present value of future cash flows expected to be derived from the asset as calculated by management.

Subsequent to the financial assessments made, it should be noted that the carrying amount of goodwill related to the acquisition and recognised at the most recent reporting date is lower than its recoverable amount.

Impairment test on goodwill and intangible assets with indefinite useful lives

For the purpose of impairment testing, consistently with the impairment test carried out at 31 December 2012, goodwill was allocated to the cash-generating unit TXT Perform composed of the assets and liabilities (i.e. the orders and the relevant revenues/costs) directly attributable and allocatable to the operating profit or loss from the cash-generating unit.

The recoverable amount of the individual cash generating units was assumed to be equal to their value in use estimated discounting the expected cash flows over a 5-year period. On 13 December 2013, the Company's Board of Directors approved the plans based on which the recoverable amounts were measured.

Terminal Value

The terminal value in the DCF method, recognised at the end of the explicit forecast period (2018), is calculated assuming the investment produces a constant cash flow starting from that moment. The approach used consisted in the present value of a perpetuity growing at a constant rate g.

Terminal value = net cash flow at the end of the explicit forecast period adjusted for rate g and divided by the difference between the discount rate (Wacc) and the constant rate g. The residual value is calculated as a perpetuity obtained by capitalizing the last cash flow for the explicit period at a specific rate corresponding to Wacc adjusted for a growth or decline factor (g).

The rate g used was equal to 1.00%, based on a more prudential approach than the one used by the Company’s specialist (3.00%).

Discount rate

The discount rate used is equal to **8.23%**, based on the following assumptions:

- Risk-free interest rate related to long-term investments.

In order to calculate TXT's cost of capital, a certain level of systemic risk deriving from operations in different countries with different spread profiles was included, and the base rate was considered to be the average yield of the ten-year government bonds of the countries in which the TXT Group operates, which, from Q4 2012, subsequent to the Maple Lake acquisition, included also Canada and Australia. The countries are Germany (EUR), Canada (CAD$), UK (Pound), France (EUR), Australia (AUD$), Italy (EUR), and Spain (EUR). The calculated average rate is 3.23%, including 129 basis points of "systemic" risk compared to the German rate (1.94%), considering the average risk of the countries in which TXT operates.

- The risk premium relative to the market was estimated at 5.00%, in line with the previous year.
- Beta was estimated at 1.00, in line with the previous year.
- The cost of own capital is therefore: 3.23% + 5.00%*1.00 = 8.23%
- Since at 31 December 2013 TXT had no net financial debt, but the entire invested capital was covered by equity, the discount rate is equal to the cost of own capital.

Sensitivity analysis

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

- Discount rate. Increased and decreased by 1 and 2 percentage points compared to the base discount rate of 8.23% (therefore in the ranges 6.23%-7.23%-8.23%-9.23%-10.23%).
- Revenue growth rate. The revenue growth/decrease rate was increased and decreased by 2 percentage points and the implicit growth rate g was simultaneously increased/decreased by 0.5% within the range (0.50%-1.00%-1.50%).

According to the directors, no reasonable change in expected economic parameters would have resulted in a write-down of this item.

Conclusions

Based on the analysis conducted, the Company's directors concluded that the conditions for confirming the carrying amount of goodwill at 31 December 2013 existed.

6.2 Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 817,335 at 31 December 2013. The changes occurred during the year are detailed below:

	Software licenses	R&D, advertising	Total
Historical cost	758,190	2,579,684	3,337,875
Accumulated amortisation	(718,685)	(1,279,681)	(1,998,366)
Balance at 31 December 2012	**39,505**	**1,300,003**	**1,339,509**
Acquisitions / capitalisations	9,863	0	9,863
Amortisation	(16,100)	(515,937)	(532,037)
Net value at 31 December 2013	**33,268**	**784,066**	**817,335**
Balance at 31 December 2013			
Historical cost at 31 December 2013	768,054	2,579,684	3,347,738
Accumulated amortisation at 31 December 2013	(734,785)	(1,795,618)	(2,530,403)
Net value	**33,268**	**784,066**	**817,335**

The item is detailed as follows:

- Software licenses: they included licenses acquired mainly by the Company for operating in-house instruments and implement products. Investments in the period of € 9,863 referred to the purchase of software licenses.

- Research and development: they consisted of the (internal and external) research and development costs incurred for the purchase or the internal production of intangible fixed assets concerning proprietary TXT products.

6.3 Property, plant and equipment

Net of depreciation, property, plant and equipment amounted to € 680,501 at 31 December 2013 up € 65,624 compared with 31 December 2012. The changes occurred during the year are detailed below:

	Plants	Furniture and fixtures	Electronic equipment	Other assets	Leasehold improvements	Total
Historical cost	879,214	301,274	663,331	74,926	451,162	2,369,907
Accumulated depreciation	(873,466)	(266,873)	(241,999)	(74,681)	(298,011)	(1,755,029)
Balance at 31 December 2012	**5,748**	**34,401**	**421,332**	**245**	**153,151**	**614,878**
Acquisitions / capitalisations	5,567	10,695	199,970	14,363	42,943	273,538
Disposals	(4,193)	0	0	0	0	(4,193)
Other changes	4,193	0	0	0	0	4,193
Depreciation	(1,850)	(5,577)	(151,017)	(14,473)	(34,998)	(207,915)
Net value at 31 December 2013	**9,465**	**39,519**	**470,286**	**135**	**161,096**	**680,501**
Balance at 31 December 2013						
Historical cost at 31 December 2013	884,781	311,969	863,302	89,289	494,105	2,643,445
Accumulated depreciation at 31 December 2013	(875,316)	(272,450)	(393,015)	(89,154)	(333,009)	(1,962,944)
Net value	**9,465**	**39,519**	**470,286**	**135**	**161,096**	**680,501**

Investments during the period refer mainly to IT systems and hardware equipment, purchased in order to boost productive capacity, and to refurbishment of the Company's registered office. The present amount of accumulated depreciation is deemed adequate to face the depreciation of each class of fixed assets in relation to their estimated remaining useful life.

Electronic machinery includes systems and equipment that TXT e-solutions S.p.A. uses to carry out its business and that are recognised as finance leases pursuant to IAS 17.

The breakdown of property, plant and equipment by ownership is shown below:

	31 December 2013			31 December 2012		
	Owned assets	Leased assets	TOTAL	Owned assets	Leased assets	TOTAL
Electronic machinery	459,192	11,094	470,286	388,051	33,281	421,332
TOTAL	**459,192**	**11,094**	**470,286**	**388,051**	**33,281**	**421,332**

6.4 Investments

Investments amounted to € 12,220,780 at 31 December 2013 compared with € 16,325,241 at 31 December 2012 and changed as follows during the year.

	Balances at 31 December 2012	Acquisitions	Disposals	Impairments and other changes	Balances at 31 December 2013
Investments in subsidiaries	16,325,241	0	0	(3,937,542)	12,387,699

Following the review of growth and profitability targets and determination of the purchase price of the Maple Lake Ltd investment, the earn-out was subject to remeasurement and estimated at zero. Therefore, the total Maple Lake Ltd acquisition price was € 3,471,389, down by € 2,784,284.

During the year, as a consequence of the lower than expected results and the revision of forecasts on the local market, the investment in Maple Lake Australia Pty was written down by Euro 1,153,264 and adjusted to the fair value calculated based on prospective cash flows, for a residual amount of € 466,000.

Information required by Consob communication no. 6064293 dated 28 July 2006 is provided in the table below.

Company name	City or foreign country	Share capital	Shareholders' equity	Profit / Loss	% of control	Carrying amount	Equity pursuant to Article 2426, para. 4, of Italian Civil Code
TXT e-solutions Gmbh	Germany	1,300,000	2,363,198	110,602	100	3,576,930	2,363,198
TXT e-solutions SL	Spain	600,000	1,063,843	274,687	100	735,107	1,063,843
TXT e-solutions SARL	France	1,300,000	2,460,295	1,318,985	100	1,676,217	2,460,295
TXT e-solutions LTD	Great Britain	3,551,447	4,959,877	307,782	100	2,462,055	4,959,877
Maple Lake Australia Pty Ltd	Australia	88	(45,084)	(163,364)	100	466,001	(45,084)
Maple Lake Ltd	Canada	1,675,268	1,138,525	(213,926)	100	3,471,389	1,138,525
Total		**8,426,803**				**12,387,699**	

Investments at 31 December 2013 were tested for impairment. An impairment loss was recognised for the investment held in TXT Australia; the carrying amount of other investments was deemed to be lower than the recoverable amount. The recoverable amount of the individual investment was assumed to be equal to their value in use estimated discounting the expected cash flows over a 5-year period. On 13 December 2013, the Company's Board of Directors approved the plans based on which the recoverable amounts were measured. The terminal value and the discount rate used to check the recoverable amount of the investments are consistent with those used in the impairment test for goodwill (for further details reference should be made to Note 1.1).
In order to test the fair value measurement model for changes in variables, changes in the two key variables were simulated.

- Discount rate. Increased and decreased by 1 and 2 percentage points compared to the base discount rate of 8.23% (therefore in the ranges 6.23%-7.23%-8.23%-9.23%-10.23%).
- Revenue growth rate. For the years beyond the analytical forecast for the 2014 budget, and therefore for the 2015-2018 period, the revenue growth/decrease rate was increased and decreased by 2 percentage points and the implicit growth rate g was simultaneously increased/decreased by 0.5% within the range (0.50%-1.00%-1.50%).

The sensitivity analysis, pursuant to paragraph 134 of IAS 36, regarding the CGUs for which no impairment was recorded, showed the following tolerance margins:

	WACC max rate	EBITDA
TXT e-solutions Sarl	167%	-97%
TXT e-solutions Gmbh	68%	-84%
TXT e-solutions Sl	217%	-106%
TXT e-solutions Ltd	41%	-84%
Maple Lake Ltd	21%	-64%

The following table shows the sensitivity analysis for the subsidiary Maple Lake Australia Pty Ltd. assuming a change in EBITDA of +/-5% and in WACC of +/-2%.

	Variance 1% discounting rate				
	-2%	**-1%**	**0%**	**1%**	**2%**
Variance EBITDA	6.23%	7.23%	8.23%	9.23%	10.23%
-5%	235	74	(41)	(127)	(195)
0%	295	123	-	(92)	(164)
5%	354	172	42	(57)	(133)

Associates

The only investment in associates is represented by “Innovazione Più CS”; the relevant disclosure is provided below:

Company name	**City or foreign country**	**Share capital**	**Shareholders' equity**	**Profit / Loss**	**% of control**	**Carrying amount**	**Equity pursuant to Article 2426, para. 4, of Italian Civil Code**
Innovazione Più CS	Milan	75,000	(88,374)	(8,076)	14.29	0	(12,625)

The extraordinary shareholders' meeting of the cooperative Innovazione Più on 13 December 2011 resolved to place the company into liquidation.

The most recent financial statements approved and available are those as at 31 December 2011, since the company is in liquidation.

The Company expects no cost to arise from the conclusion of the liquidation process.

6.5 Sundry receivables and other non-current assets

Sundry receivables and other non-current assets amounted to € 30,887 at 31 December 2013 , unchanged with respect to 31 December 2012. The item included security deposits of € 28,887 for the Milan office (Via Frigia 27), and security deposits for car rentals and bids in public tenders as well as advanced payments to employees of € 1,500 (€ 2,000 at 31 December 2012).

6.6 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities at 31 December 2013 compared with the end of 2012 is shown below:

	Taxes prepaid	Taxes deferred
At the beginning of the period	397,868	206,242
Used in the period	(123,299)	(109,793)
Provisions in the period	446,583	18,749
At the end of the period	**721,152**	**115,198**

Deferred tax assets mainly refer to the recognition of prepaid taxes on previous tax losses, the temporary differences (deductible in future years) for which recovery in the next few years is deemed to be reasonably certain.

The decision to recognise deferred tax assets for previous tax losses was made also following the changes in legislation (Italian Decree Law no. 98/2011) about the use of each tax period's losses without limitation in time and due to the Company's positive outlook, and the positive results recorded in recent years. The recognition of deferred tax assets on the previous losses was based on company plans that consider future profitability and within the limits of the capacity to absorb previous losses in the next three years.

The change with respect to 31 December 2012 is mainly due to the allocation of deferred tax assets on part of the previous tax losses.

The deferred tax provision referred to the recognition of deferred tax on the tax amortization mismatch of goodwill.

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 December 2012		31 December 2013	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Prepaid taxes for recoverable losses	0	0	1,370,909	377,000
Provisions	393,530	112,785	564,000	170,934
Provision for bad debts	289,961	79,739	289,961	79,740
Write-down on treasury shares	244,664	67,283	244,664	67,283
R&D mismatch	95,255	26,195	95,255	26,195
Costs allocated on accrual basis and deductible on a cash basis	389,495	111,867	0	0
Total	**1,412,905**	**397,868**	**2,564,789**	**721,152**

Deferred tax liabilities	31 December 2012		31 December 2013	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Goodwill mismatch	444,443	134,138	366,883	113,893
Exchange differences	205,278	56,451	4,745	1,305
R&D mismatch	118,866	4,636	0	0
IAS 19 Employee Benefits effect	31,845	8,757	0	0
Accelerated amortisation	57,916	2,259	0	0
Total	**858,348**	**206,242**	**371,628**	**115,198**

Furthermore, it should be noted that the Company's tax losses at 31 December 2013 amounted to 11.6 million, for which no deferred tax assets were recorded.

6.7 Period-end inventories

Period-end inventories at 31 December 2013 amounted to € 1,334,564, down € 22,356 compared with the end of 2012. Inventories are broken down as follows:

	as at 31 December 2013	as at 31 December 2012	Change
Inventories of work-in-progress	1,332,347	1,354,191	(21,844)
Inventories of consumables	2,216	2,725	(509)
Total	**1,334,564**	**1,356,916**	**(22,352)**

Contract work in progress is recognised by reference to the stage of completion using the cost-to-cost method. It is mainly attributable to the TXT Next division.

6.8 Trade receivables

Trade receivables at 31 December 2013, net of the provision for bad debts, amounted to € 12,100,806 as shown in detail below:

	at 31 December 2013	at 31 December 2012	Change
Receivables due from customers	10,038,417	11,911,747	(1,873,329)
Receivables to be collected	63,751	138,781	(75,030)
Receivables due from customers for invoices to be issued	909,558	597,476	312,082
Provision for bad debts	(622,340)	(652,520)	30,180
Receivables due from Intercompany customers	1,711,420	690,371	1,021,049
Total	**12,100,806**	**12,685,854**	**(585,048)**

Trade receivables as at 31 December 2013 decreased to € 585,048 compared with the end of 2013 as a consequence of the improvement in the average terms of payment from customers.

The provision for bad debts of € 622,340 changed in the year as follows:

	31 December 2012	Allocations	Uses	31 December 2013
Provision for bad debts	652,520	0	30,180	622,340

This provision is deemed suitable to manage any possible losses.

Receivables from subsidiaries amounted to € 1,711,420 and they were all performing.

The table below includes the detail for receivables past due and not impaired at 31 December 2013 compared with the situation at 31 December 2012:

	Trade receivables	Performing	0 - 90 days	91 - 180 days	181 - 360 days	More than 360 days	Non performing
Trade receivables	12,723,146	8,304,689	3,679,161	287,908	157,195	294,195	4,418,458
Provision for bad debts	(622,340)	0	0	(170,951)	(157,195)	(294,195)	(622,340)
Balance at 31 December 2013	**12,100,806**	**8,304,689**	**3,679,161**	**116,956**	**0**	**0**	**3,796,117**
Trade receivables	13,338,374	7,073,291	4,186,209	1,601,374	220,198	257,303	6,265,084
Provision for bad debts	(652,520)	0	0	(175,019)	(220,198)	(257,303)	(652,520)
Balance at 31 December 2012	**12,685,854**	**7,073,291**	**4,186,209**	**1,426,355**	**0**	**0**	**5,612,564**

6.9 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 € 1,884,103 at 31 December 2013, compared to € 2,004,857 at 31 December 2012.

The breakdown is shown below:

	at 31 December 2013	at 31 December 2012	Change
Receivables due from EU	1,054,531	1,128,443	(73,913)
Tax receivables	484,387	600,158	(115,771)
Other receivables	75,487	64,439	11,048
Accrued income and prepaid expenses	269,698	211,817	57,881
Total	**1,884,103**	**2,004,857**	**(120,754)**

The item “receivables due from EU” included receivables for research grants related to income, awarded to support the 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 decrease compared with 31 December 2012 was the result of payments of € 868,678 received in 2013, and the accrual of revenues earned in the year, amounting to € 794,766.

Tax receivables of € 484,387 represent the receivables due from taxation authorities as shown below in detail:

	at 31 December 2013	at 31 December 2012	Change
IRES [Corporate Income Tax] receivable for IRAP deductibility on personnel costs	405,147	405,147	0
Interest income withholding	49,770	92,765	(42,995)
IRES payments on account	0	72,764	(72,764)
VAT to be reimbursed	19,880	19,880	0
Other withholding taxes paid	9,589	9,602	(13)
Total	**484,386**	**600,158**	**(115,772)**

The item “VAT to be reimbursed” refers to the receivable refund application submitted by the subsidiary Tecno Team Srl liquidated in 2011 and transferred to TXT e-solutions Spa at the beginning of the liquidation process.

Other receivables, amounting to € 75,487 mainly included receivables due from employees for travel advances and ticket restaurants (€ 60,827) and other trade receivables.

Prepaid expenses, amounting to € 269,698, consisted of reversals of prepaid expenses that did not relate to the period.

The increase on the previous year is due to the increase of revenues invoiced to customers.

6.10 Other financial receivables

The item "Other financial receivables" amounted to € 3,527,233 at 31 December 2013 compared to € 4,348,114 at 31 December 2012.

This mainly represents the receivables for cash-pooling due from subsidiaries as detailed below:

	at 31 December 2013	at 31 December 2012	Change
Cash pooling TXT e-solutions ltd	899,604	2,372,240	(1,472,636)
Cash pooling Maple Lake ltd	2,484,566	1,975,874	508,692
Cash pooling Maple Lake Australia Pty ltd	123,193	0	123,193
Currency forward sales	19,870	0	19,870
Total	**3,527,233**	**4,348,114**	**(820,881)**

The decrease of Euro 820,881 was the result of the refund of part of receivables due from subsidiaries. Interests income for Cash pooling transactions amounted to € 108,322 (GBP 27,956, CAD 102,735, and AUD 4,473, respectively) calculated applying an interest rate equal to the 12-month Euribor + 1% spread for the Euro zone companies, and the 12-month Libor +1% for loans in British sterling, Australian Dollar, and Canadian Dollar.

6.11 Cash and cash equivalents

Cash and cash equivalents showed a decrease of € 865,398 compared with 31 December 2012, and were broken down as follows:

	at 31 December 2013	at 31 December 2012	Change
Cash	445	1,354,191	(1,353,746)
Bank deposits	13,712,706	13,224,357	488,349
Total	**13,713,151**	**14,578,548**	**(865,398)**

The balance consists of cash and cash equivalents in Italian current accounts held at leading bank institutions. Cash and cash equivalents at the end of the year in currencies other than the Euro refer to a current account in American dollars (USD) amounting to € 8,925.

Cash and cash equivalents are not subject to any constraints, and there are no monetary or other types of restrictions on their transferability.

Please refer to the statement of cash flows for further details about cash flow generation.

6.12 Shareholders' equity

The Company's share capital at 31 December 2013 consisted of 11,823,864 ordinary shares with a par value of € 0.5, totalling € 5,911,932 (at 31 December 2012, 5,766,932 shares with a par value of € 0.5, totalling € 2,883,466).

The Shareholders' Meeting held on 17 December 2013 approved a resolution concerning a free share capital increase from € 2,955,966.00 to € 5,911,932.00 involving the issue of one share with a par value of € 0.5, cum dividend, for every share held, by partially using the share premium reserve. New shares have become cum dividend since 1 January 2013 and have become effective on the Stock Market since 3 February 2014.

The additional change was the result of the issue of 145,000 ordinary shares (originally 72,500, they doubled subsequently to the free share capital increase) following the subscription to the 2008 stock option plan by employees and directors (€ 72,500 capital increase).

The reserves and retained earnings included the legal reserve (€ 443,000), the share premium reserve (€ 11,595,783), the merger surplus reserve (€ 1,911,444), the "stock option/stock grant reserve" (€ 741,805), the "reserves for actuarial differences on post-employment benefits" (€ 667,095), the reserves for retained earnings (€ 1,682,001).

The stock option reserve is used to recognise the value of share-based payments due to employees, including the benefits for key management personnel settled with equity instruments, which form part of their compensation.

This reserve amounted to € 741,805 (€ 663,956 at 31 December 2012) and is broken down as follows:

- € 560,507 for the 2008 stock option plan;
- € 181,296 for the 2012 stock grant plan.

The disclosures required by IFRS 2 about the 2008 stock option plan and the 2012 stock grant plan are reported below:

2008 - 2012 stock option plan and 2012- 2016 stock grant plan							
	Options	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
(i)	Outstanding at the beginning of the period	226,000	226,000	226,000	238,000	105,500	354,500
(ii)	Granted during the period	0	0	16,000	0	280,000	360,000
(iii)	Forfeited during the period	0	0	(4,000)	(27,000)	0	(143,660)
(iv)	Exercised during the period	0	0	0	(105,500)	(31,000)	(128,500)
(v)	Expired during the period	0	0	0	0	0	(2,000)
(vi)	Outstanding at the end of the period	226,000	226,000	238,000	105,500	354,500	440,340
(vii)	Exercisable at the end of period	0	0	0	0	74,500	12,340

For further details and information, reference should be made to the Directors' report.

Here below is the table regarding the amounts of the reserves:

Description	**Free**	**Required by Law**	**Established by Shareholders' Meetings**	**TOTAL**
Share premium reserve	10,778,449	817,334	0	11,595,783
Legal reserve	0	443,000	0	443,000
Stock option reserve	0	0	741,805	741,805
Merger surplus	1,911,444	0	0	1,911,444
Reserve for retained earnings	0	0	1,848,918	1,848,918
Reserve for actuarial differences on post-employment benefits	0	0	(667,095)	(667,095)
Total	**12,689,893**	**1,260,334**	**1,923,628**	**15,873,855**

Incentive plans

The Shareholders' Meeting held on 23 April 2012 approved a stock grant plan for the group's executive directors and senior managers, involving up to 1,020,000 shares (510,000 shares prior to the free share capital increase) over five years with three-year vesting periods and performance conditions concerning growth, profitability and the net financial position. The performance conditions relate to one or more of the following indicators: Revenues, Gross Operating Profit (EBITDA), Operating Profit (EBIT), Earnings before taxes, Net Profit, Economic Value Added – EVA, TXT share performance in absolute terms and/or relative to the performance of the relevant stockmarket indices, and the Net Financial Position, as the Board of Directors shall decide upon each grant.

The Board of Directors has the right to resolve upon granting stock options in each of the years 2012, 2013 and 2014. All options will have a three-year vesting period.

Each stock option grant will vest as follows:

- 20% upon satisfying the conditions for the first year of the plan;
- 30% upon satisfying the conditions for the second year of the plan;
- 50% upon satisfying the conditions for the third and final year of the plan.

The Board of Directors has established the obligation on the Recipients to hold a portion not lower than 30% of the shares granted to them for a period of three years from the grant date.

On 10 May 2012 the Board of Directors awarded the first tranche of 280,000 stock grants (originally 140,000, they doubled following the free share capital increase) which will vest upon satisfying the performance conditions for 2012, 2013 and 2014.

Based on achievement of 2012 objectives, 56,000 shares were granted.

The cost accrued in 2013 for stock grants awarded on 10 May 2012 amounted to € 38,793 (€ 103,448 at 31 December 2012).

On 13 December 2012 the Board of Directors awarded the second tranche of 180,000 stock grants which will vest upon satisfying the performance conditions for 2013, 2014 and 2015.

The target objectives for 2013 were partially achieved with vesting of 12,340 shares for an overall cost of € 39,056. The 143,660 shares linked to unachieved 2013 objectives were annulled, with no cost expensed in the year.

Treasury shares

At 31 December 2013, the Company held 1,368,120 treasury shares (1,187,000 at 31 December 2012), accounting for 11.57% of shares outstanding, and amounting to € 3,568,212 (€ 2,650,307 at 31 December 2012); shares outstanding (issued) at 31 December 2013 numbered 11,823,864.

During the year, 237,120 treasury shares were purchased at an average price of € 4.745, for a total amount of € 1,125,282; treasury shares were awarded to employees pursuant to the stock grant plan (56,000 shares) at a carrying amount of € 3.705 each, totalling € 207,377.

Subsequent to the subscription to the 2008 stock option plan, 290,000 TXT shares were issued, raising € 468,928, of which 72,500 as capital increase and € 396,428 as share premium.

These purchases were made pursuant to the share buy-back plan resolved upon by the Board of Directors following authorisation from the Shareholders' Meeting held on 23 April 2003. The share buy-back refers to a maximum number of shares so as not to exceed the legal maximum number at the maximum price, i.e. the quoted price prior to each individual transaction plus no more than 10%, and in any case no more than € 25.

6.13 Non-current financial liabilities

	31 December 2013	31 December 2012	Change
Non-current financial liabilities	2,895,924	4,301,301	(1,405,377)
Total	**2,895,924**	**4,301,301**	**(1,405,377)**

The item "Non-current financial liabilities" consists of:

a. three loans awarded for research and development granted to the Company for an aggregate amount of € 549,768 (€ 1,184,350 at 31 December 2012);

   The first loan, amounting to € 343,337 (€ 566,599 at 31 December 2012), was granted by the Ministry of Education, University and Research through Intesa San Paolo for an original amount of € 1,914,368 at a subsidised fixed interest rate of 1%.

   The second loan, amounting to € 150,199 (€ 449,475 at 31 December 2012), granted by the Ministry of Education, University and Research for an original amount of € 2,503,080 on 5 November 2009, net of already made interest-only payments, at an annual subsidised fixed interest rate of 1%.

   The third loan, amounting to € 56,232 (€ 168,275 at 31 December 2012), granted by the Ministry of Education, University and Research for an original amount of € 501,617 on 13 May 2010, net of already made interest-only payments, at an annual subsidised fixed interest rate of 1%;

b. a € 2,346,156 loan for the acquisition of Maple Lake granted to the Company by BNL on 20 December 2012 for a notional amount of € 4,000,000. At 31 December 2013, this loan also included a current portion of € 800,000, at a 3-month Euribor floating rate (360) + 2.60% spread.

The table below details the maturity of non-current financial liabilities, compared with the situation at the end of the prior year:

	31 December 2013	31 December 2012	Change
Between 1 and 2 years	1,234,182	1,434,582	(200,400)
Between 2 and 5 years	1,661,742	2,866,719	(1,204,976)
Total	**2,895,924**	**4,301,301**	**(1,405,376)**

The reduction on the previous year is the result of the re-payments of portions made in the year, for an amount of € 1,405,376.

Non-current financial liabilities at 31 December 2013 are not subject to compliance with any financial covenants.

6.14 Employee benefits expense

The item "Employee benefits expense" at 31 December 2013 amounted to € 3,101,464, for both defined contribution plans and defined benefit plans.

The breakdown of, and changes in, this item over the period are presented below:

	At 31 December 2012	Provisions	Uses / Payments	Actuarial gains/losses and other	Financial income / charges	At 31 December 2013
Post-employment benefits	2,537,657	880,791	(1,047,576)	(87,370)	23,245	2,306,747
Provision for severance for end of term of office	693,467	101,250	0	0	0	794,717
Provision for customer refunds	438	0	(438)	0	0	0
Total non-current provisions relating to employees	**3,231,562**	**982,041**	**(1,048,014)**	**(87,370)**	**23,245**	**3,101,464**

Post-employment benefits for personnel of € 2,306,747 at 31 December 2013 (€ 2,537,657 at 31 December 2012) were measured as a defined benefit provision. The portion allocated to the provision amounted to € 880,791. The item "uses/payments" also includes the payments of post-employment benefits to the personnel leaving in 2013 (€ 95,565) and advanced payments to personnel still working in the Company (€ 71,219).

Below is the reconciliation of the provision for post-employment benefits based on statutory regulations and IAS – IFRS carrying amount:

	2013	2012
Provision for post-employment benefits	**2,453,249**	**2,569,504**
Current cost	(50,531)	(70,582)
Financial charges	23,245	46,145
Actuarial differences	(87,369)	210,037
Retained earnings	(31,847)	(217,447)
Total	**2,306,747**	**2,537,657**

To calculate the present value of post-employment benefits, as described in paragraph 3, 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 20%.
- 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 1.50% staff turnover rate was calculated.
- As for the probability of requests for advance payment of benefits, an annual 1.00% advance payment rate with advance payments amounting to 70% of the post-employment benefits outstanding held with the company, was estimated.

Change in wages and salaries had no impact on the actuarial valuation. The estimated inflation rate used for measurement purposes was 2.00% per year.

The discount rate used for measurement purposes was 3.17% per year i.e. the rate on over-10-year Bonds issued by AA-rated European Companies at 31 December 2013.

The table below shows the impact on post-employment benefits of the increase/decrease of certain “key” variables used for the actuarial calculation:

Sensitivity analysis at 31 December 2013	% Change in liabilities (DBO)	
Type of change for the specific assumption	**Decrease**	**Increase**
Decrease or increase of 50% of company's staff turnover	-0.44%	0.43%
Decrease or increase of 50% in frequency of advanced payments	-0.21%	0.19%
Decrease or increase of inflation by one percentage point	-6.84%	7.48%
Decrease or increase of discount rate by one percentage point	13.28%	-11.20%

6.15 Provision for future risks and charges

The item “provisions for future risks and charges” amounted to € 564,000 at 31 December 2013 (€ 319,530 at 31 December 2012).

It mainly referred to allocations for contingent liabilities on cost accouting of funded research projects and personnel disputes.

6.16 Fair value measurement of the earn-out amount

Following the review of growth and profitability targets and determination of the purchase price of the Maple Lake Ltd investment, the earn-out was subject to remeasurement and estimated at zero (at 31 December 2012 it amounted to € 2,784,278).

6.17 Current financial liabilities

Current financial liabilities amounted to € 8,297,787 (€ 9,587,699 at 31 December 2012) and included the short-term portion of medium /long-term loans, the short-term loans from subsidiaries, and the payables on research projects funded by the European Union. In particular:

- the short-term portion of medium/long-term loans amounted to € 1,434,582 (€ 1,652,136 at 31 December 2012) and included
    - the short-term portion of the three loans granted by the Ministry of Education for a total of € 634,582 (€ 628,133 at 31 December 2012);
    - the current portion of the loan granted by BNL in 2012 for the acquisition of Maple Lake, equal to € 800,000.

  It should be noted that the residual payable relating to the loan granted by Unicredit (short-term portion of € 224,003 at 31 December 2012) was paid off in April 2013.

- The loans granted by subsidiaries to the Parent Company through “cash-pooling” contracts amounted to € 4,958,907 (€4,339,167 as at 31 December 2012). Interest expense of € 60,662 accrued on these loans and were calculated by applying an interest rate equal to the 12-month Euribor + 1% spread for the Euro zone companies. The table below details the loans by counterparty, and compares the values with those of 31 December 2012:

	31 December 2013	31 December 2012	Change
Cash Pooling TXT e-solutions SL	642,947	307,295	335,652
Cash Pooling TXT e-solutions GmbH	1,925,000	2,375,000	(450,000)
Cash Pooling TXT e-solutions Sarl	2,390,960	1,000,132	1,390,828
Cash Pooling TXT Holding Ontario	0	656,740	(656,740)
Total	**4,958,907**	**4,339,167**	**619,740**

The changes are due to the subsidiaries' cash generation, net of the relevant net changes in working capital, which generated a surplus or demand for cash accredited/charged on the Cash-pooling accounts.

- The € 1,900,324 payable for research projects funded by the European Union (€ 3,571,448 at 31 December 2012) received as lead manager and to be distributed to the project partners. This payable will be paid off in 2014.
- € 3,871 on the forward sale of GBP 1,000,000 outstanding at 31 December 2013.
- Current account overdrafts amounting to € 103.

6.18 Trade payables

Trade payables amounted to € 2,559,625 at 31 December 2013 and increased by € 157,544 compared with 31 December 2012. Trade payables due to suppliers are non-interest bearing, refer all to transactions, and are due within twelve months.

6.19 Tax payables

Tax payables amounted to € 97,768 at 31 December 2013 (€ 86,806 at 31 December 2012) and can be attributed to IRAP [regional tax on productive activities] payable amounting to € 40,698 and income taxes of € 57,070.

A breakdown of taxes and relevant comparison with figures at 31 December 2012 are provided in the following table:

	31 December 2013	31 December 2012	Change
IRES income taxes	57,070	0	57,070
IRAP taxes	40,698	86,806	(46,108)
Total	**97,768**	**86,806**	**10,962**

6.20 Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 7,051,430 at 31 December 2013, compared with € 7,182,799 at 31 December 2012, as shown in the table below:

(Amount in Euro)	at 31 December 2013	at 31 December 2012	Change
Payables due to social security institutions	1,036,762	981,666	55,096
Payables due to employees and external staff	3,857,888	4,268,154	(410,266)
Tax payables other than income taxes	845,984	627,808	218,176
Other payables	10,826	10,871	(45)
Accrued expenses and deferred income	1,299,969	1,294,299	5,670
Total	**7,051,430**	**7,182,799**	**(131,369)**

The item payables due to employees and external staff" included variable remuneration (bonuses) of € 1,878,000 that will be paid during 2014 based on the achievement of corporate and personal performance targets. The reduction with respect to the previous year is due to lower variable remuneration allocations compared with 2012.

VAT payables of € 280,481 (€ 130,517 at 31 December 2012) and payables for withholding taxes for employees, external staff and professionals of € 565,503 (€497,291 at 31 December 2012) are classified under the item "tax payables other than income taxes".

The item "accrued expenses and deferred income" mainly refers to revenues pertaining to future financial years invoiced to customers in advance. The amount is in line with previous years.

7. Income Statement

7.1 Total revenues and other income

2013 revenues and other income amounted to € 35,329,459, up 7.2% compared with the previous year, as detailed below:

	31 December 2013	31 December 2012	Change	% change
Revenues	34,082,829	31,245,741	2,837,088	9.1%
Other income	1,246,629	1,710,699	(464,070)	(27.1)%
Total	**35,329,459**	**32,956,440**	**2,373,018**	**7.2%**

Other income includes the charging back of customers' costs and the portion of grants received from the European Union accrued during the financial year.

The decline of "Other income" is mainly due to a decrease in the funded research projects.

For further details, reference should be made to the Directors' report on operations.

7.2 Purchase of materials and external services

Purchases of materials and external services amounted to € 10,837,804, up from 2012, when they totalled € 10,297,171.

The item is detailed below:

	as at 31 December 2013	as at 31 December 2012	Change
Consumables and resale items	304,195	90,758	213,437
Technical consulting	5,206,687	5,469,506	(262,819)
Intercompany charges	568,184	234,131	334,053
Travel expenses	1,741,570	1,664,562	77,008
Utilities	339,241	395,895	(56,654)
Media & marketing services	539,673	451,371	88,302
Maintenance and repair	401,310	263,772	137,538
Canteen and ticket services	416,364	378,569	37,795
General, administrative and legal services	517,559	548,062	(30,503)
Costs for Directors and Statutory Auditors	557,726	684,208	(126,482)
Others	245,296	116,336	128,960
Total	**10,837,804**	**10,297,171**	**540,634**

As a percentage of revenues, the costs for purchasing materials and services decreased with respect to 2012, from 32% to 30%, mainly as a result of a reduction in the purchase of external technical consulting.

Purchases for resales increased compared with 31 December 2012 due to the increase in the sales of non-TXT licenses made by the TXT Next Division.

Technical consulting fell by € 262,819 compared with the end of 2012 due to the fact that various software development processes, previously provided by outside consultants, were brought in house.

The charging back of intercompany costs increased by € 334,053 as a result of greater involvement of Company's personnel, with high professional skills and experience, in subsidiaries' projects.

Media & marketing service costs increased compared with 31 December 2012, due to increasing capital expenditure in fairs and events.

7.3 Personnel costs

Personnel costs for 2013 amounted to € 20,408,053, growing by € 717,641 (3.6%) compared with 31 December 2012.

This increase is mainly attributable to the increase of personnel at the Next Division due to the increase in business volume.
The employees of TXT e-solutions, excluding directors and external consultants, numbered 347 at 31 December 2013 (334 at 31 December 2012).
The table below shows the breakdown of employees by level:

	White-collar staff	Middle managers	Executives and managers	Total
31 December 2012	265	50	19	334
31 December 2013	274	53	20	347

Stock grants awarded on 10 May 2012

On 10 May 2012, the Board of Directors awarded 280,000 shares to Directors (with the Chairman of the Board of Directors being explicitly excluded) and Managers.

The fair value of each option at the grant date amounted to € 2.54.

The cost of the stock grant plan in financial statements 2013 amounted to € 38,793.

The option awarded with the plan may be exercised in accordance with the following scheme:

i. 20% of options may be exercised if objectives are achieved;
ii. 30% of options, may be exercised if objectives for 2013 are achieved;
iii. 50% of options, may be exercised if objectives for 2014 are achieved.

Stock grants awarded on 31 December 2012

On 13 December 2012, the Board of Directors awarded 360,000 options to Directors (with the

Chairman of the Board of Directors being explicitly excluded) and Managers.

The fair value of each option on the grant date amounted to € 3.165.

Since the 2013 objectives were only partially achieved, only 12,340 stock grants of 156,000 vested, while 143,660 were cancelled. The relevant cost for vesting stock grants was € 39,056.

7.4 Other operating costs

The item “other operating costs” amounted to € 1,044,665, down € 234,698 from the previous year.

This item mainly included expenses for rents, car and other rentals, and sundry operating costs (including contingent liabilities and deductible taxes).

	at 31 December 2013	at 31 December 2012	Change
Rental expense for premises	482,372	569,233	(86,861)
Rental expense for motor vehicles	475,652	479,102	(3,450)
Contingent liabilities	25,584	108,086	(82,502)
Other operating costs	61,057	122,941	(61,884)
Total	**1,044,665**	**1,279,363**	**(234,698)**

The item “rental expense for premises” decreased due to the renegotiation of the lease contracts for the Milan, Genoa, and Turin offices.

The item “rental expense for motor vehicles” includes both the amount for the rental expense for leased motor vehicles and occasional rentals for individual business trips. It should also be noted that the costs incurred with regard to the cars assigned to managers and other personnel depend on the business role and service requirements for business trips.

Also donations, deductible taxes, and other costs of negligible costs are included under item “other operating costs”.

7.5 Depreciation, amortisation and impairment

Depreciation and amortisation amounted to € 739,952 at 31 December 2013 , down € 50,265 compared with 31 December 2012.

They 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.

During the year, no allocations to the provision for bad debts were made since the provision was deemed to be appropriate.

7.6 Capital losses on non-current assets

During the year, as a consequence of the lower than expected results and the revision of forecasts on the local market, the investment in Maple Lake Australia Pty was written down by Euro 1,153,264 and adjusted to the fair value calculated based on prospective cash flows , for a residual amount of € 466,000 at 31 December 2013.

7.7 Financial income (charges)

The balance of financial income and charges at 31 December 2013 was positive to the tune of € 730,331, compared with € 369,642 at 31 December 2012.

Financial income is detailed as follows:

	at 31 December 2013	at 31 December 2012	Change
Subsidiaries' dividends	1,000,000	19,880	980,120
Bank interest income	248,863	463,008	(214,145)
Exchange rate gains	834,235	515,803	318,432
Profit on forward sales	119,569	44,477	75,092
Interest income on intercompany loans	108,322	42,922	65,400
Capital gains on securities recorded in current assets	0	778,878	(778,878)
Total	**2,310,989**	**1,864,969**	**446,020**

The main change consists in the dividend received from the TXT e-solutions GmbH dividend in Q4 2013 as resolved by the Shareholders' Meeting of 30 September 2013.

Interest income decreased due to shorter cash deposit periods in 2013 compared with the previous year, due to the Maple Lake acquisition and the general reduction in short-term interest rates on the Euro.

Balance at 31 December 2012 included a capital gain of € 585,828 arising from the sale of KIT Digital shares which took place in the Q1 2012 at an average amount of $ 11.86 compared to a carrying amount of $ 8.45. Financial charges are detailed as follows:

	as at 31 December 2013	as at 31 December 2012	Change
Interest expense for post-employment benefit discounting	23,245	46,145	(22,900)
Interest expense and bank costs	12,692	13,336	(644)
Interest expense on loans	125,330	45,167	80,163
Interest expense on intercompany loans	63,139	101,644	(38,505)
Exchange rate losses	1,218,188	669,910	548,278
Losses on forward sales	62,257	0	62,257
Differences on hedging IRS (Interest Rate Swap)	3,440	22,040	(18,600)
Bank expenses	42,568	7,628	34,940
Capital losses on securities recorded in current assets	0	393,715	(393,715)
Other	29,690	28,826	864
Total	**1,580,549**	**1,328,410**	**252,139**

The main item refers to the exchange rate losses largely arising from the foreign currency loans to foreign subsidiaries after the appreciation of the Euro during the year.

The increase in bank interest expense compared with the previous year is due to the loan granted by BNL for the Maple Lake acquisition amounting to € 4 million in December 2012.

Finally, it should be noted that the balance at 31 December 2012 included a capital loss of € 393,715, deriving from the sale of the KIT Digital investment.

7.8 Income taxes

Income taxes amounted to € 347,606, compared with a positive balance in 2012 of € 61,117, detailed as follows:

	2013	2012	Change
Current tax	762,233	648,558	113,675
Deferred tax assets	(323,284)	(269,427)	(53,857)
Deferred tax liabilities	(91,044)	14,878	(105,922)
Deferred taxes of previous years	(299)	(455,126)	454,827
Total	**347,606**	**(61,117)**	**408,723**

In 2012 non-current income of € 405,147 was recorded in relation to IRES receivables on IRAP for personnel costs for years 2007-2011 subsequent to regulation amendments.

€ 705,163 of current taxes can be attributed to IRAP while € 57,070 to income tax (IRES).

Theoretical income tax expense reconciliation :

Description	Amount	Taxes
Pre-tax profit (loss)	1,876,351	
Theoretical tax expense (27.5%)		**515,997**
Differences that will not be carried forward in future years	(415,400)	(114,235)
Taxes expensed in the year		**401,762**
Temporary differences taxable in future years	(60,673)	(16,685)
Temporary differences deductible in future years	270,373	74,353
Reversal of temporary differences from previous years	(1,463,124)	(402,359)
IRES tax base for the year	**207,527**	
Current theoretical IRES for the year		**57,070**

Theoretical IRAP tax expense reconciliation:

Description	Amount	Taxes
Difference between production value and costs	2,298,984	
Non-significant costs for IRAP purposes:		
Personnel charges	11,707,735	
Other non-deductible expenses for IRAP purposes	4,190,674	
Non-significant revenues for IRAP purposes		
Theoretical tax expense (3.9%)	**18,197,393**	**709,698**
Differences that will not be carried forward in future years:	33,076	1,290
Tax expensed in the year		**710,988**
Temporary differences deductible in future years:	200,000	
Temporary differences taxable in future years:	(55,555)	
Temporary differences from previous years:	(422,008)	
IRAP (Regional Tax on Productive Activities) tax base for the year	**17,952,906**	
Current IRAP for the year		**705,163**

With regard to the prepaid/(deferred) taxes, reference should be made to the notes to the Balance Sheet.

7.9 Net earnings per share

<u>Basic net earnings per share</u>

The basic net earnings per share for 2013 is calculated by dividing net profit of € 4,462,043 (€

4,996,888 at 31 December 2012) by the weighted average number of ordinary shares outstanding in 2013, equal to 10,463,926. They amounted to € 0.44.

Basic net earnings per share for 2012 were adjusted following the free share capital increase approved in 2013. For further details on the share capital increase, reference should be made to Note 7.10.

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 are not calculated in case of losses, as any dilutive effect would determine an increase in earnings per share.

At 31 December 2013, the weighted average number of ordinary shares outstanding in 2013 was 10,904,266, and the diluted earnings per share amounted to € 0.43.

Diluted earnings per share for 2012 were adjusted following the free share capital increase approved in 2013. For further details on the share capital increase, reference should be made to Note 7.10.

8. 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

At 31 December 2013	Receivables	Payables	Costs	Revenues
TXT e-solutions Sarl (France)	417,064	8,409	62,448	2,142,061
TXT e-solutions Gmbh (Germany)	246,351	50,368	153,794	534,051
TXT e-solutions SL (Spain)	48,678	10,203	31,443	466,296
TXT e-solutions Ltd (United Kingdom)	300,646	283,378	320,499	1,729,288
Maple Lake Australia Pty Ltd (Australia)	(28,696)	0	0	30,000
Maple Lake Ltd (Canada)	727,377	0	0	1,217,685
Directors and key management personnel	0	495,384	1,805,927	0
Total at 31 December 2013	**1,711,420**	**847,741**	**2,374,112**	**6,119,381**

At 31 December 2012	Receivables	Payables	Costs	Revenues
TXT e-solutions Sarl (France)	480,505	38,187	58,515	1,806,038
TXT e-solutions Gmbh (Germany)	0	85,718	155,726	102,258
TXT e-solutions SL (Spain)	0	0	18,231	321,053
TXT e-solutions Ltd (United Kingdom)	192,055	493	1,658	914,522
Maple Lake Australia Pty Ltd (Australia)	0	0	0	0
Maple Lake Ltd (Canada)	17,811	3,547	0	0
Directors and key management personnel	0	1,747,709	1,631,955	0
Total at 31 December 2012	**690,371**	**1,875,654**	**1,866,085**	**3,143,871**

Financial transactions

At 31 December 2013	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	0	2,390,960	0	15,681	0
TXT e-solutions Gmbh (Germany)	0	1,925,000	0	38,015	1,000,000
TXT e-solutions SL (Spain)	0	642,947	0	6,981	0
TXT e-solutions Ltd (United Kingdom)	899,604	0	0	0	32,986
TXT Holding Ontario (Canada)	0	0	0	0	0
Maple Lake Australia Pty Ltd (Australia)	123,193	0	0	0	2,953
Maple Lake Ltd (Canada)	2,484,566	0	0	1,155,726	72,383
Total at 31 December 2013	**3,507,363**	**4,958,907**	**0**	**1,216,403**	**1,108,322**

At 31 December 2012	Receivables	Payables	Guarantees	Charges	Income
TXT e-solutions Sarl (France)	0	1,000,132	1,200,000	22,894	0
TXT e-solutions Gmbh (Germany)	0	2,375,000	0	52,210	0
TXT e-solutions SL (Spain)	0	307,295	0	3,383	0
TXT e-solutions Ltd (United Kingdom)	2,372,240	0	0	9,969	25,111
TXT Holding Ontario (Canada)	0	656,740	0	0	0
Maple Lake Australia Pty Ltd (Australia)	0	0	0	0	0
Maple Lake Ltd (Canada)	1,975,874	0	0	13,187	17,811
Total at 31 December 2012	**4,348,114**	**4,339,167**	**1,200,000**	**101,643**	**42,922**

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.

9. Net financial position

Pursuant to Consob communication dated 28 July 2006 and in conformity with the CESR's recommendation dated 10 February 2005, "Recommendations for the consistent implementation of the European Commission's Regulation on prospectuses", it is noted that TXT's net financial position is as follows:

	31 December 2013	31 December 2012	Change
Amounts in Euro	*(a)*	*(a)*	*(a-b)*
Cash, bank assets, and securities	13,713,151	14,578,548	(865,397)
Short-term payables due to banks	(1,434,686)	(1,652,203)	217,517
Intercompany receivables for cash-pooling	3,527,233	4,348,114	(820,881)
Intercompany payables for cash-pooling	(4,958,907)	(4,339,167)	(619,740)
Other short-term financial payables	(1,904,195)	(3,596,329)	1,692,134
Short-term financial position	**8,942,597**	**9,338,963**	**(396,366)**
Payables due to banks with maturity beyond 12 months	(2,895,924)	(4,301,301)	1,405,377
Total net financial position	**6,046,672**	**5,037,662**	**1,009,010**

Net financial position at 31 December 2013 increased by € 1 million, from € 5 million at 31 December 2012 to € 6 million at 31 December 2013. The increase is due to cash from operations, net of the dividend payments.

10. Subsequent events

On 7 February 2014, TXT USA Inc. was incorporated with the aim of supporting trade development in North America.

11. Significant non-recurring events and transactions

Based on Consob Resolution no. 15519 dated 27 July 2006, it should be noted that no "non-recurring events and transactions" took place in the period.