TXT e-solutions Group

Annual report

as at 31 December 2015

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Members' term of office expires upon approval of the financial statements for the year ending 31 December 2016:

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(3)(4)
Andrea Cencini	Director	(2)
Paolo Enrico Colombo	Director	(2)
Teresa Cristiana Naddeo	Independent Director	(3)
Stefania Saviolo	Independent Director	(3)

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

(2) Powers assigned: ordinary administration.

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

(4) Co-opted by the Board of Directors on 05/05/2015. In office until the next Shareholders' Meeting.

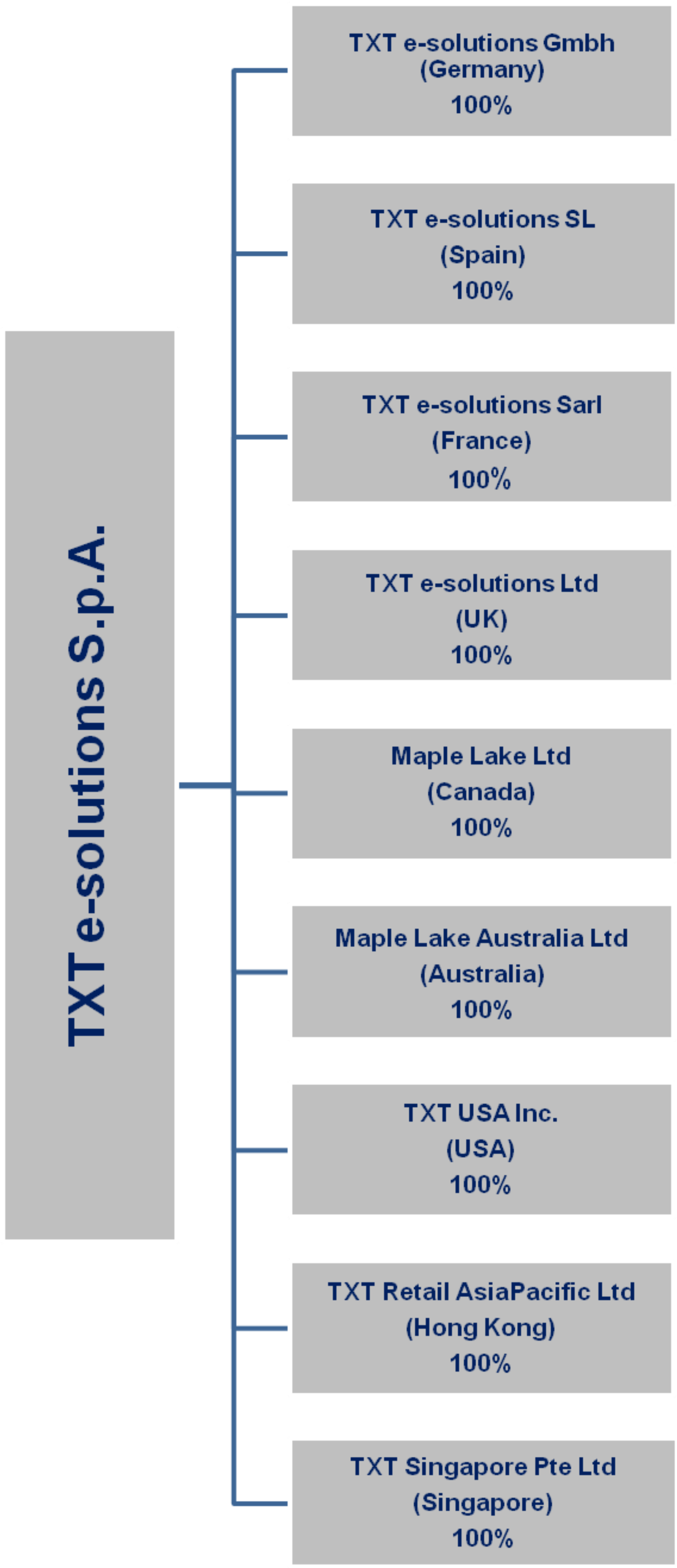
BOARD OF STATUTORY AUDITORS

Members' term of office expires upon approval of the financial statements for the year ending 31 December 2016:

Raffaele Valletta	Chairman
Luisa Cameretti	Standing Auditor
Fabio Maria Palmieri	Standing Auditor
Angelo Faccioli	Alternate Auditor
Pietro Antonio Grignani	Alternate Auditor
Laura Grimi	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



Key data and Directors' report on operations for the year 2015

TXT e-solutions Group – Key data

INCOME DATA (€ thousand)		2015	%	2014 (1)	2014 Events non-recurring	2014 "Normalised" (2)	%	VAR % vs 2014	Change % vs 2014 "Normalised"
REVENUES		**61,540**	**100.0**	**55,878**	**(1,468)**	**54,410**	**100.0**	**10.1**	**13.1**
	of which:								
	TXT Perform	36,673	59.6	34,101	(1,468)	32,633	60.0	7.5	12.4
	TXT Next	24,867	40.4	21,777		21,777	40.0	14.2	14.2
EBITDA pre Stock Grant (3)		**6,659**	**10.8**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(2.0)**	**16.2**
GROSS OPERATING PROFIT (LOSS) [EBITDA]		**5,919**	**9.6**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(12.9)**	**3.3**
OPERATING PROFIT (LOSS) [EBIT]		**4,795**	**7.8**	**5,467**	**(1,061)**	**4,406**	**8.1**	**(12.3)**	**8.8**
NET PROFIT (LOSS) FOR THE PERIOD		**3,882**	**6.3**	**4,172**	**(864)**	**3,308**	**6.1**	**(7.0)**	**17.4**

FINANCIAL DATA (€ thousand)	31.12.2015	31.12.2014	Change
Fixed assets	18,132	18,020	112
Net working capital	11,063	6,326	4,737
Post-employment benefits and other non-current	(3,830)	(3,841)	11
Capital employed	**25,365**	**20,505**	**4,860**
Net financial position	8,259	8,465	(206)
Group shareholders' equity	33,624	28,970	4,654

DATA PER SHARE	31.12.2015	31.12.2014 (4)	Change
Number of shares outstanding (4)	11,666,791	11,474,362	192,429
Operating profit per share (4)	0.33	0.36	(0.03)
Shareholder's equity per share (4)	2.88	2.52	0.36

ADDITIONAL INFORMATION	31.12.2015	31.12.2014 (3)	Change
Number of employees	672	569	103
TXT share price (4)	8.13	7.10	1.03

(1) Official Finance Reporting.

(2) The 2014 Income Statement includes non-recurring income of 1,468k€ and non-recurring costs of 407k€. In order to compare performance with the current year, the 2014 financial results have been "Normalised", excluding non-recurring Revenues and Costs. Taxes have been calculated pro-rata.

(3) EBITDA pre Stock Grant indicates the company's Gross operating profit (EBITDA) without considering the costs accrued for stock grants.

(4) The number of shares and the relevant 2014 prices were restated following the free share capital increase dated 20 May 2015, with the issue of one new share for every 10 shares issued, so as to allow comparison with 2015. Outstanding shares are equal to the shares issued less treasury shares.

Notes on Alternative Performance Measures

Pursuant to the CESR Recommendation on alternative performance measures (CESR/05-178b), it should be noted that the reclassified statements included in this Directors' Report on Operations show a number of differences from the official statements shown in the accounting tables set out in the following pages and in the Notes with regard to the terminology and the level of detail.

Specifically, the reclassified consolidated Income Statement introduces the following terms:
• **EBITDA**, which in the official consolidated Income Statement means "Total revenues" net of total operating costs;
• **EBIT**, which in the official consolidated Income Statement means "Total revenues" net of total operating costs, depreciation and amortisation, and impairment of fixed assets.

The reclassified consolidated Balance Sheet was prepared based on the items recognised as assets or liabilities in the official consolidated Balance Sheet, and it introduces the following terms:
• **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' report on operations for the year 2015

Dear Shareholders,

In 2015, the Group underwent significant growth in revenues in both divisions and from R&D and commercial investments in North America and Europe to develop the Luxury and Fashion market for the TXT Perform software dealing with end-to-end solutions - from the collection to the shelf and to e-commerce as well - for leading international customers.

The results for 2014 included € 1.5 million in non-recurring income received as compensation from two of Maple Lake shares' sellers and non-recurring direct costs of € 0.4 million relating to two projects for customers. To permit a comparison of performance of operations for 2015 and 2014, the results for 2014 are provided as well, on an adjusted "Normalised" basis, excluding non-recurring income and charges.

Performance for 2015 compared to 2014 was as follows:

- Revenues for 2015 amounted to € 61.5 million (€ 55.9 million in 2014, which also included € 1.5 million in non-recurring income). Compared to the "Normalised" 2014 (€ 54.4 million), growth was +13.1%. Revenues from licences and maintenance amounted to € 16.0 million, equal to 26% of total revenues and up 26.4% compared to 2014.

- TXT Perform Division's revenues (60% of the Group's revenues) amounted to € 36.7 million (€ 34.1 million in 2014). Growth on the "Normalised" 2014 (€ 32.6 million) came to +12.4%. Revenues of the TXT Next division (40% of the Group's revenues) amounted to € 24.9 million, up +14.2% over the previous year.

- International revenues amounted to € 33.9 million. These revenues accounted for 55% of the total and were essentially attributable to the TXT Perform Division.

- The Gross Margin, net of direct costs, amounted to € 32.4 million (€ 29.4 million in 2014, which also included € 1.1 million in net non-recurring income). Growth on the "Normalised" 2014 (€ 28.4 million) came to 14.1%, with a margin of 52.6%, an improvement over the 52.1% of "Normalised" 2014, due to the positive contribution of revenues from the highly profitable TXT Perform software.

- EBITDA pre Stock Grant, prior to costs for the Stock Grants vested during the year, grew by 16.2% from € 5.7 million ("Normalised" 2014) to € 6.7 million, following significant investments in Research and Development (+8.9%) and commercial and general expenditure (+14.7%) to develop the business. As a percentage of revenues, it amounted to 10.8%. EBITDA for 2014, amounting to € 6.8 million, included € 1.1 million in non-recurring income and charges.

- EBITDA was € 5.9 million (€ 6.8 million in 2014). Compared to the "Normalised" 2014 (€ 5.7 million), growth was +3.3%.

- Earnings before taxes came to € 4.6 million (€ 5.2 million in 2014). Compared to the

"Normalised" 2014 (€ 4.2 million), growth was +11.7%. In 2015, Stock Grants vested with a cost of € 0.7 million, while amortisations cost decreased from € 1.3 million to € 1.1 million.

- Net profit was € 3.9 million (€ 4.2 million in 2014, which included non-recurring income of € 0.9 million). Growth compared to the "Normalised" 2014 (€ 3.3 million) was +17.4%, higher than the growth in revenues (+13.1%). Tax charges of € 0.8 million amount to 16% of the earnings before taxes.

- The Net Financial Position as at 31 December 2015 was positive at € 8.3 million (€ 8.5 million as at 31 December 2014). In 2015, dividends were paid for € 2.7 million, bonuses to personnel for € 2.5 million, treasury shares purchased on the market for € 1.0 million and a block of treasury shares sold to the US fund Kabouter for € 3.2 million.

- Shareholders' Equity as at 31 December 2015 amounted to € 33.6 million, up € 4.6 million compared to the € 29.0 million as at 31 December 2014, mainly due to the net profit in 2015 (€ 3.9 million) and to the accounting of stock grant costs (+ € 0.7 million).

TXT's results for 2015, compared with the previous year's figures, are presented below:

(€ thousand)	2015	%	2014 (1)	2014 non-recurring events	2014 Normalised (2)	%	Change % vs 2014	Change % vs 2014 Normalised
REVENUES	**61,540**	**100.0**	**55,878**	**(1,468)**	**54,410**	**100.0**	**10.1**	**13.1**
Direct costs	29,189	47.4	26,455	(407)	26,048	47.9	10.3	12.1
GROSS MARGIN	**32,351**	**52.6**	**29,423**	**(1,061)**	**28,362**	**52.1**	**10.0**	**14.1**
Research and development costs	5,118	8.3	4,698		4,698	8.6	8.9	8.9
Commercial costs	12,681	20.6	11,094		11,094	20.4	14.3	14.3
General and administrative costs	7,893	12.8	6,839		6,839	12.6	15.4	15.4
EBITDA pre Stock Grant	**6,659**	**10.8**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(2.0)**	**16.2**
Stock Grant	740	1.2						
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**5,919**	**9.6**	**6,792**	**(1,061)**	**5,731**	**10.5**	**(12.9)**	**3.3**
Depreciation, amortisation and impairment	1,124	1.8	1,325		1,325	2.4	(15.2)	(15.2)
OPERATING PROFIT (LOSS) [EBIT]	**4,795**	**7.8**	**5,467**	**(1,061)**	**4,406**	**8.1**	**(12.3)**	**8.8**
Financial income (charges)	(151)	(0.2)	(249)		(249)	(0.5)	(39.4)	(39.4)
EARNINGS BEFORE TAXES (EBT)	**4,644**	**7.5**	**5,218**	**(1,061)**	**4,157**	**7.6**	**(11.0)**	**11.7**
Taxes	(762)	(1.2)	(1,046)	197	(849)	(1.6)	(27.2)	(10.2)
NET PROFIT (LOSS) FOR THE PERIOD	**3,882**	**6.3**	**4,172**	**(864)**	**3,308**	**6.1**	**(7.0)**	**17.4**

(1) Official Finance Reporting.

(2) The 2014 Income Statement includes non-recurring income of 1,468k€ and non-recurring costs of 407k€. In order to compare performance w ith the current year, the 2014 financial results have been "Normalised", excluding non-recurring Revenues and Costs. Taxes have been calculated pro-rata.

REVENUES AND GROSS MARGINS

The table below highlights the TXT Group's results reclassified by business unit down to gross margin:

(€ thousand)	2015	%	2014 (1)	2014 non-recurring events	2014 "Normalised"(2)	%	Change % vs 2014	Change % vs 2014 "Normalised"
				TXT PERFORM				
REVENUES	**36,673**	**100.0**	**34,101**	**(1,468)**	**32,633**	**100.0**	**7.5**	**12.4**
Licences & maintenance	15,854	43.2	12,537		12,537	36.8	26.5	26.5
Projects and other income	20,819	56.8	21,564	(1,468)	20,096	63.2	(3.5)	3.6
DIRECT COSTS	13,002	35.5	12,946	(407)	12,539	38.0	0.4	3.7
GROSS MARGIN	**23,671**	**64.5**	**21,155**	**(1,061)**	**20,094**	**62.0**	**11.9**	**17.8**
				TXT NEXT				
REVENUES	**24,867**	**100.0**	**21,777**		**21,777**	**100.0**	**14.2**	**14.2**
Licences & maintenance	122	0.5	101		101	0.5	20.8	20.8
Projects and other income	24,745	99.5	21,676		21,676	99.5	14.2	14.2
DIRECT COSTS	16,187	65.1	13,509		13,509	62.0	19.8	19.8
GROSS MARGIN	**8,680**	**34.9**	**8,268**		**8,268**	**38.0**	**5.0**	**5.0**
				TOTAL TXT				
REVENUES	**61,540**	**100.0**	**55,878**	**(1,468)**	**54,410**	**100.0**	**10.1**	**13.1**
Licences & maintenance	15,976	26.0	12,638		12,638	22.6	26.4	26.4
Projects and other income	45,564	74.0	43,240	(1,468)	41,772	77.4	5.4	9.1
DIRECT COSTS	29,189	47.4	26,455	(407)	26,048	47.3	10.3	12.1
GROSS MARGIN	**32,351**	**52.6**	**29,423**	**(1,061)**	**28,362**	**52.7**	**10.0**	**14.1**

(1) Official Finance Reporting.

(2) The 2014 Income Statement includes non-recurring income of 1,468k€ and non-recurring costs of 407k€. In order to compare performance with current year, the 2014 financial results have been "Normalised", excluding non-recurring Revenues and Costs, which fully regard the TXT Perform Division.

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 - for business planning, sales budgeting, and effectively implementing business plans.

The TXT Perform Division recorded revenues of € 36.7 million in 2015 (€ 34.1 million in 2014, which included € 1.5 million in non-recurring income as compensation from two of Maple Lake's sellers). Growth compared to the "Normalised" 2014 (€ 32.6 million) was +12.4%, mainly due to good performance of licence sales.

The division's international revenues amounted to € 31.5 million, equal to 86% of the total.

Revenues from licences and maintenance amounted to € 15.9 million, up 26.5% compared to € 12.5 million in 2014. Revenues from licences and maintenance rose from 36.8% to 43.2% as a percentage of the Division's total revenues.

The Division's gross margin, net of direct costs, amounted to € 23.7 million (€ 21.2 million in 2014, which also included € 1.1 million in net non-recurring income). Compared to the “Normalised” 2014 (€ 20.1 million), growth was 17.8%, with a margin on revenues improving from 62.0% to 64.5%, due to the contribution of revenues from software (licences and maintenance).

In 2015, contracts for the TXT Perform software were signed with numerous customers throughout the world, including DFS (HK), Hanna Anderson (USA), Columbia Sportswear (USA), Roots Canada (CAN), Delta Galil (ISR), Swatch (CH), Gazal (AUS) Sass & bide (AUS), Sonae (P), Safilo (I), Furla (I), Moncler (I), Carpisa (I), Takko (D), Otto (D), Charles Voegele (D), Adidas (D), Pandora (DK), White Stuff (UK), Findus (UK), Louis Vuitton (F), Longchamp (F), Christian Dior (F), Sephora (F and USA), Monoprix (F), Alinea (F), Kenzo (F), Orange (F) and Ubisoft (F).

In 2015, implementation of the End-to-End Retail solutions continued, via AgileFit, exclusive, innovative and proprietary TXT solution. These now constitute the heart of commercial offers and are at the basis of all customer projects. AgileFit speeds up installation and return on investments for TXT customers. About 50 customers, including Thirty-One Gifts (USA), Damartex (F), Lacoste (F), Fat Face (UK), Hamm Reno (D), Apollo Optik (D), Yamamay (I), Lavazza (I), Peek & Cloppenburg (D), La Halle (F) and Urban Outfitters (USA) implemented new TXT solutions. Furthermore, numerous projects were launched for Louis Vuitton (F), with extensions in Europe, America and Asia for Burberry's (UK).

Customers of the Luxury, Fashion, and Retail sectors contributing to revenues in 2015 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 of Europe and North America includes approximately 1,500 large Retailers.

On 14 May 2015, associate TXT Retail AsiaPacific Ltd was established in Hong Kong, in order to develop and provide direct support to international customers in the Asia Pacific area. The new Hong Kong company, wholly-owned by TXT e-solutions, will lead TXT's growth in the large, dynamic Asia Pacific market, with local business managers, directly connected to the TXT Solution Center in Milan and TXT's international organisation in Europe, North America and Australia. A first licence contract was signed in the Asia Pacific area for more than € 1 million, to manage the over forty DFS “Duty Free & Galleries” in the main airport and tourist hubs around the world.

On 18 August 2015, associate TXT Singapore Pte Ltd was established in Singapore, to work alongside the Hong Kong-based associate on the development of business opportunities in the Asia Pacific area.

A commercial and operational partnership was launched with Ebp Management Consulting, global company with ample experience in the retail sector; this agreement is aimed at supporting TXT's growth in Asia. Ebp Management Consulting will provide consulting and support to the TXT team in the sale and implementation of TXT Retail end-to-end planning solutions.

In 2015, TXT organised several Thinking Retail events, notably in New York and Paris, with numerous retailers, including Adidas, Pandora, Sephora, Levi’s, Tod’s, Desigual, Coast Guard Exchange, Modell’s Sporting Goods, and Roots as testimonials of ideas and experiences in end-to-end planning, with over 150 leaders in international retail and planning professionals present. The following key points emerged on these occasions:

- End-to-end planning of assortment, as defined by TXT, is destined to become the reference model: from the collection to the shop, from the physical channels to online, supported by simulation tools and just a click away.

1. Rapid adoption, with "AgileFit" methods, enables quicker results than with traditional methods: less than 8 weeks to make a complex project of collections planning operational. Speed is essential in multi-channel retail.

The Thinking Retail Summits of TXT establish new standards for retailers, increasingly seeking to discuss their views on key processes and technologies: a drive that arises from the development of e-commerce and the multi-channel system, which is now the "new norm", and from the constantly evolving demand for value by consumers. These are the challenges faced by retailers of all kinds, throughout the world.

Planning must be end-to-end, integrative, collaborative and fast. The capacity to stock and quickly restock products and manage stock during the season in a reactive manner is a must in order to stay competitive and maintain the right margins through geography, sales channels and supply models.

TXT Next Division

Revenues for the TXT Next Division in 2015 amounted to € 24.9 million, up 14.2% compared to € 21.8 million in 2014, due to good sales results across all sectors in which the Division operates. The Division's revenues accounted for 40% of the Group's revenues.

The Division's gross margin, net of direct costs, increased from € 8.3 million to € 8.7 million. The impact of gross margin over revenues went from 38.0% to 34.9%, due to the increase in direct costs, pressures on the margins of a number of orders and the costs to train new teams in order to support the high growth rates during the period.

TXT Next offers a specialised and innovative portfolio of engineering and software services to leading European companies, particularly in the following sectors:
- Aerospace, Automotive & Rail;
- High Tech Manufacturing;
- Banking & Finance.

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

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 substantial operating experience acquired 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 in 2015 amounted to € 5.1 million, up 8.9% compared to € 4.7 million in 2014, due to work on the new AgileFit, Cloud and Omnichannel solutions. As a percentage of revenues, they amounted to 8.3%, compared to 8.6% in 2014. These costs were sustained to ensure constant updating of existing software products.

Commercial costs amounted to € 12.7 million, increasing by +14.3% compared to 2014 and aimed at bolstering of the commercial network in North America and in Europe, 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 Paris and New York. As a percentage of revenues, commercial costs amounted to 20.6%, compared to 19.9% in 2014.

General and administrative costs amounted to € 7.9 million, up 15.4% compared to € 6.8 million in 2014, due to investment in a new Group ERP management system, legal fees and due diligence for the Pace acquisition (discussed in the "Subsequent events" paragraph of this report), and opening of the new branches in Hong Kong and Singapore. Their impact on revenues was 12.8%, compared to 12.6% in 2014.

Operating profit (EBITDA) before the Stock Grant costs was € 6.7 million, up by 16.2% on the "Normalised" 2014 (€ 5.7 million). As a percentage of revenues, it stood at 10.8%. EBITDA for 2014, amounting to € 6.8 million, included € 1.1 million in non-recurring income and charges.

Stock Grant costs of € 0.7 million refer to the 2015 vesting of 102,519 stock grants for management, following the achievement of predetermined earnings before taxes objectives. The fair value of the stock grants is € 7.22 each, calculated based on the price of TXT shares on the day in which Board of Directors set the 2015 objectives (11 December 2014).

EBITDA was € 5.9 million (€ 6.8 million in 2014). Compared to the "Normalised" 2014 (€ 5.7 million), growth was +3.3%.

Operating profit (EBIT) amounted to € 4.8 million (€ 5.5 in 2014, which also included non-recurring income of € 1.1 million). Compared to the "Normalised" 2014 (€ 4.4 million), growth was +8.8%, also due to the decrease in amortisation, particularly with regard to the research and development costs capitalised in prior years. EBIT as a percentage of revenues came to 7.8%, compared to the 8.1% of the "Normalised" 2014.

Earnings before taxes were € 4.6 million, equal to 7.5% of revenues (€ 5.2 million in 2014, which also included non-recurring income and charges of € 1.1 million). Compared to the "Normalised" 2014 (€ 4.2 million), growth was +11.7%.

Net profit, after tax charges of € 0.8 million (16% of the earnings before taxes) was € 3.9 million (€ 4.2 million in 2014, which included net non-recurring income of € 0.9 million). Compared to the "Normalised" 2014 (€ 3.3 million), growth was 17.4%, with a margin on revenues improving from 6.1% to 6.3%.

CAPITAL EMPLOYED

At 31 December 2015, Capital Employed totalled € 25.4 million, compared to € 20.5 million as at 31 December 2014, mainly due to the increase in net working capital (+€ 4.7 million).

The table below shows the details:

(€ thousand)	31 Dec. 2015	31 Dec. 2014	Change
Intangible assets	14,692	15,079	(387)
Net property, plant and equipment	1,361	1,249	112
Other fixed assets	2,079	1,692	387
Fixed assets	**18,132**	**18,020**	**112**
Inventories	2,075	1,821	254
Trade receivables	25,032	18,571	6,461
Sundry receivables and other short-term assets	2,759	2,197	562
Trade payables	(1,422)	(1,540)	118
Tax payables	(1,291)	(1,117)	(174)
Sundry payables and other short-term liabilities	(16,090)	(13,606)	(2,484)
Net working capital	**11,063**	**6,326**	**4,737**
Post-employment benefits and other non-current liabilities	**(3,830)**	**(3,841)**	**11**
Capital employed	**25,365**	**20,505**	**4,860**
Group shareholders' equity	33,624	28,970	4,654
Net financial position (Cash)	(8,259)	(8,465)	206
Capital employed	**25,365**	**20,505**	**4,860**

Intangible assets fell by € 0.4 million compared to 31 December 2014 as a result of amortisation of research and development costs, intellectual property rights to software and the customer portfolio. These assets include goodwill allocated to the subsidiaries and regarding the Maple Lake acquisition.

Property, plant and equipment amounted to € 1.4 million, up € 0.1 million compared to year-end 2014, due to investments made in servers and computers.

Other assets amounted to € 2.1 million, essentially comprising deferred tax assets which increased by € 0.4 million compared to the end of 2014, upon recognition of deferred tax assets on prior tax losses.

Net working capital increased by € 4.8 million to € 11.1 million, essentially due to growth in trade receivables (€ 6.5 million), only partially offset by growth in Sundry payables and other liabilities (€ 2.5 million).

Inventories for customer orders completed and not yet invoiced grew from € 1.8 million to € 2.1 million, up 14%, in line with the growth in revenues (+13%).

Trade receivables increased from € 18.6 million as at 31 December 2014 to € 25.0 million as at 31 December 2015. The increase of € 6.5 million comprises € 3.0 million in receivables not yet due, following the increase in business volume and concentration of invoicing in the last part of the year. The remainder of the change (€ 3.5 million) is mainly due to growth in receivables due within the range of 0-90 days, particularly for customers in the aeronautics and banking sector in Italy and fashion sector in France. A significant portion of receivables past due were collected in the first few weeks of 2016.

Sundry receivables and other short-term assets increased from € 2.2 million to € 2.8 million, due to growth in activity.

Tax payables increased by € 0.2 million, due to the tax burden for the period.

Sundry payables and other short-term liabilities increased by € 2.5 million (from € 13.6 million to € 16.1 million as at 31 December 2015) and mainly regard provisions for personnel costs, up significantly (+103 individuals) and advance payments received from customers for orders currently being processed.

Liabilities arising from post-employment benefits of Italian employees and other non-current liabilities remained substantially unchanged at € 3.8 million.

Consolidated shareholders' equity amounted to € 33.6 million, up € 4.6 million compared to € 29.0 million as at 31 December 2014, mainly due to the net profit in 2015 (€ 3.9 million) and to the accounting of stock grant costs (+ € 0.7 million). In 2015, a block of treasury shares was sold to the US fund Kabouter (€ 3.2 million), dividends of were paid (€ 2.7 million) and treasury shares were purchased on the market (€ 1.0 million).

The consolidated Net Financial Position as at 31 December 2015 was positive at € 8.3 million, compared to € 8.5 million as at 31 December 2014, due to the positive cash flow generated during the year, net of the increase in net working capital.

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 2015 is as follows:

(€ thousand)	**31 Dec. 2015**	**31 Dec. 2014**	**Change**
Cash and bank assets	9,080	12,304	(3,224)
Short-term financial payables	(821)	(2,154)	1,333
Short-term financial resources	**8,259**	**10,150**	**(1,891)**
Payables due to banks with maturity beyond 12 months	-	(1,685)	1,685
Net Available Financial Resources	**8,259**	**8,465**	**(206)**

The Net Financial Position as at 31 December 2015 is detailed as follows:

- Cash and bank assets of € 9.1 million: the group's cash and bank assets were largely invested in euro-denominated short-term bank deposits, with the rest being held as cash for operating activities. This item also includes grants for research projects (€ 0.8 million) received by TXT as coordinator and lead manager; these amounts will be subsequently distributed to the other participating companies and the amounts were therefore recognised under short-term financial payables. The overall effect of these advances on net financial position is therefore zero.

- The € 0.8 million in short-term financial payables essentially consist of the financial payable for grants to be paid to research project partners.

Payables due to banks with maturity beyond 12 months were eliminated due to early repayment of a medium-term loan stipulated at the end of 2012, the terms of which were no longer competitive in the new scenario of interest rate reduction.

Q4 2015 ANALYSIS

An analysis of the fourth quarter of 2015 is provided in the table below:

(€ thousand)	Q4 2015	%	Q4 2014	%	Change % vs 2014
REVENUES	**16,137**	**100.0**	**14,196**	**100.0**	**13.7**
Direct costs	7,530	46.7	7,004	49.3	7.5
GROSS MARGIN	**8,607**	**53.3**	**7,192**	**50.7**	**19.7**
Research and development costs	1,280	7.9	1,310	9.2	(2.3)
Commercial costs	3,362	20.8	2,901	20.4	15.9
General and administrative costs	2,310	14.3	1,776	12.5	30.1
EBITDA pre Stock Grant	**1,655**	**10.3**	**1,205**	**8.5**	**37.3**
Stock Grant	740	4.6			
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**915**	**5.7**	**1,205**	**8.5**	**(24.1)**
Depreciation, amortisation and impairment	298	1.8	345	2.4	(13.6)
OPERATING PROFIT (LOSS) [EBIT]	**617**	**3.8**	**860**	**6.1**	**(28.3)**
Financial income (charges)	(23)	(0.1)	(57)	(0.4)	(59.6)
EARNINGS BEFORE TAXES (EBT)	**594**	**3.7**	**803**	**5.7**	**(26.0)**
Taxes	(147)	(0.9)	(239)	(1.7)	(38.5)
NET PROFIT (LOSS)	**447**	**2.8**	**564**	**4.0**	**(20.7)**

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

- Revenues amounted to € 16.1 million, up 13.7% compared to fourth quarter 2014 (€ 14.2 million). Revenues of the TXT Perform division were € 9.4 million, up 13.7%, while those of the TXT Next division were € 6.7 million, up 13.6% compared to fourth quarter 2014. Revenues from software (licences and maintenance) were € 3.9 million, up 18.1% compared to fourth quarter 2014, while revenues from services were € 12.2 million, up 12.3%.
- The gross margin for fourth quarter 2015 amounted to € 8.6 million, up 19.7% over fourth quarter 2014. As a percentage of revenues, it was 53.3%, compared to 50.7% in fourth quarter 2014 due to the mix, with a higher component of revenues from the TXT Perform software.
- Operating profit (EBITDA) before Stock Grant costs for fourth quarter 2015 amounted to € 1.7 million, up 37.3% compared to fourth quarter 2014, following significant commercial investments (+15.9%) and general investments (+30.1%), particularly for the costs of the new company ERP and in connection with the Pace acquisition. Gross profit amounted to 10.3% as a percentage of revenues, compared to 8.5% in fourth quarter 2014.
- Operating profit (EBIT) was € 0.6 million, compared to € 0.9 million in fourth quarter 2014, essentially due to the allocation of Stock Grant costs (€ 0.7 million) accrued upon achievement of the 2015 profit objectives. Amortisation of € 0.3 million was essentially in line with the prior year and refers to depreciation of property, plant and equipment, R&D costs capitalised in previous years and intellectual property rights to software and the

customer portfolio deriving from the Maple Lake acquisition.

- Net profit amounted to € 0.4 million, compared to € 0.6 million in fourth quarter 2014, net of tax charges of € 0.2 million (25% of the earnings before taxes).

EMPLOYEES

At 31 December 2015, the Group had 672 employees, compared to 569 at 31 December 2014, for an increase of 103 employees essentially in the TXT Next division, given the growth in business volume and the hiring of young graduates, following the contractual incentives introduced in Italy by the Jobs Act. Personnel costs in 2015 amounted to € 41.8 million, compared to € 34.1 million in 2014, mainly due to growth in staff.

TXT SHARE PERFORMANCE AND TREASURY SHARES

On 20 May 2015, one new share was granted for every 10 shares held. In accordance with the adjustment made by Borsa Italiana, an adjustment factor of 0.9091x was applied to the 2014 and 2015 prices, to align them to current prices that reflect the higher number of shares.

In 2015, the share price of TXT e-solutions reached a high of € 9.36 (adjusted) on 27 March 2015 and a low of € 6.76 (adjusted) on 6 January 2015. As at 31 December 2015, the share price was € 8.13.

Trade volumes in 2015 had a daily average of 29,324 shares traded.

At 31 December 2015, treasury shares amounted to 1,345,700 (1,570,635 at 31 December 2014), accounting for 10.35% of shares outstanding, and were purchased at an average price of € 2.42 per share.

In 2015, the Company purchased 125,965 treasury shares at an average price of € 7.56 and on 25 March 2015 it sold 319,000 shares outside of the open markets (block trade) for a total of € 3.2 million. These were purchased by Kabouter Management LLC, an institutional investor based in Chicago (USA), specialised in small to mid-cap international companies, already shareholder of TXT with approximately 5% of share capital.

A dividend of € 0.25 per share was paid on 20 May 2015 (unchanged compared to the prior year). Total dividends amounted to € 2.7 million, paid in relation to 10.7 million shares (excluding treasury shares held at that date). The Shareholders' Meeting also approved a free share capital increase through the issue of one new share for every 10 shares held (assigned on 20 May 2015, using € 0.6 million in reserves).

On 5 May 2015, the Board of Directors unanimously co-opted Fabienne Anne Dejean Schwalbe as independent director of the Company, replacing Franco Cattaneo, who resigned. Ms. Fabienne Dejean Schwalbe graduated in 1985 with a Master's Degree from HEC Paris, with subsequent specialisations at the IMD Business School in Lausanne (2003) and Harvard Business School (2012). She acquired significant experience in the Media & Digital sectors, beginning in the United States, with growing responsibility in the Bertelsmann Group in Paris, subsequently holding the position of CEO in the Bertelsmann Gruner+Jahr/Mondadori Joint Venture in Italy. She provides consulting on digital transformation in Media and Fashion companies in France and Italy.

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

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES AND RISK MANAGEMENT

Transactions by TXT e-solutions S.p.A. with related parties, as identified by IAS 24, essentially refer to the provision of services and the funding and lending activities with the Group's subsidiaries. All transactions fall within the course of ordinary activities and are conducted at arm's length, i.e. under the conditions that would apply between two independent parties, and are carried out in the interest of the Group companies.

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

Amounts of transactions with related parties for trading, financial or other purposes are highlighted in Note 5 of the "Notes to the consolidated financial statements". Identification, approval and execution of transactions with related parties by TXT are governed by the "Procedure governing transactions with related parties" approved on 8 November 2010 and published on the web site: www.txtgroup.com/it/governance.
With regard to the description of risks, reference should be made to the relevant "Financial Risk Management" section of the Notes.

CORPORATE GOVERNANCE 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.

EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

On 29 February 2016, the signing of an agreement to purchase PACE Aerospace Engineering and Information Technology GmbH, with headquarters in Berlin, was announced. In 2015, PACE earned revenues of approximately € 7.3 million (+20.4% compared to 2014) - of which 57% for licences, maintenance and other recurring fees - and EBITDA of € 0.8 million, after research and development costs of € 1.7 million.

The consideration for the transaction, in which TXT will initially acquire 79% of the shares of PACE from its financial investors eCAPITAL AG, Strategic European Technologies NV and IBB Beteiligungsgesellschaft mbH, will be € 5.6 million, paid in cash upon closing by using the available liquidity of TXT. Signing of the definitive agreement (closing), which is conditional on completion of the regular corporate provisions, is envisaged for 1 April 2016, or in the immediately following days. PACE's Net Financial Position upon closing is expected to be positive for approximately € 1.7 million. The consideration will be increased by additional cash payments in 2016 and 2017, estimated at approximately € 1.9 million, based on the financial and economic results of PACE's business. The financial statements of PACE and TXT will be consolidated starting from second quarter 2016.

The three founders and directors of PACE, Michael Kokorniak, Oliver Kranz and Alexander Schneegans, shall continue as shareholders for the remaining 21%. A put-call option for their shares will be exercisable in the period 2020-2021, at a price based on the future results of PACE, with multiples essentially in line with those of the initial transaction.

Following acquisition, the company will keep the name PACE and the three founders will continue to work in their current roles to promote future growth of the company. PACE currently employs 70 professionals, mainly in the headquarters of Berlin, with activities in the aerospace hubs of Toulouse (F) and Seattle (USA).

Established in 1995, PACE serves a growing number of aerospace companies and airline operators throughout the world, providing them with software and innovative services to design, configure and operate their airlines and fleets in an economically optimal manner. The main application areas are the preliminary design of airplanes, the architecture of technical and cabin systems, configuration of airplanes and cabins, economic management of airlines and fleets, analysis of flying routes and innovative instruments - such as “Electronic Flight Bags” - to improve operating efficiency.

PACE's customers currently comprise about 50 major companies, including leading manufacturers of aircraft and engines, airlines, civil and defence operators, and MRO - Maintenance, Repair & Overhaul companies, such as Airbus (D and F), Boeing (USA), Safran Group (F), GE Aviation (USA), COMAC (China), Sukhoi (Russia), Embraer (Brazil), Rolls-Royce (UK), AirFrance & KLM Engineering (F), Lufthansa (D) and Delta AirLines (USA).

The combined activities of TXT Next + PACE have a potential market of over 300 major customers worldwide. They boast a select and expert team of 350 specialists, offering innovative and proprietary expertise and products that are difficult to find on the market and covering the entire life cycle of equipment and activities within the aeronautics industry, along its entire supply chains and across all segments: fixed wing, helicopters, civil transport, special missions, defence. The expertise of the Next Division fully complements PACE's offer of products and services.

The market difficulties and uncertainties, including the Luxury and Fashion market, in 2016 will lead to an expected slowdown for TXT Retail in the first quarter of the new year, also due to the high rate of conversion into contracts of the commercial pipeline in fourth quarter 2015, but the overall prospects for 2016 do not change.

In 2016, the Company will continue to invest in research and development and in strengthening the international sales structure. The portfolio of negotiations for new licences and contracts for the second quarter is good, but it is subject to uncertainties on the outcome of negotiations and decision times.

The Company's Net Financial Position has improved significantly from € 8.3 million as at 31 December 2015 to € 14.0 million as at 29 February 2016.

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

Milan, 8 March 2016

TXT e-solutions S.p.A.

2015 REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE

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

Contents

GLOSSARY

2014 Corporate Governance Code: the Corporate Governance Code of listed companies approved in July 2014 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 organisational structure and relations with stakeholders – in particular with shareholders – that comply with the most advanced Corporate Governance standards. The Corporate Governance system adopted by the Board is in line with the principles stated in the Code aimed at ensuring proper and transparent corporate information and creating value for shareholders through an effective management of the Company.

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 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 the 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 audits 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 annual report is available at the Company's registered office and on the website www.txtgroup.com under the "Company/Investor Relations/Corporate Governance" section.

2. INFORMATION ON THE SHAREHOLDING STRUCTURE (Article 123-bis, paragraph 1 of the Consolidated Law on Finance) at 31 December 2014

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 of ordinary shares. At 31 December 2015, the subscribed and paid-in share capital was equal to € 6,503,125.00, broken down into 13,006,250 shares with a par value of € 0.50 each.

In addition, the Shareholders' Meeting of 23 April 2012 approved a stock grant plan providing for the allocation of a maximum of 1,122,000 shares (originally 510,000, adjusted due to the free share capital increases of 2013 and 2015) 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 of 17 December 2013 passed a resolution approving a free share capital increase involving the issue of 1 share with a par value of € 0.5, cum dividend, for every share held, by using the share premium reserve. Shares have been cum dividend since 1 January 2013. The new shares issued became effective on the Stock Market on 3 February 2014, increasing from 5,911,932 to 11,823,864 shares.

The Shareholders' Meeting of 22 April 2015 passed a resolution approving a free share capital increase involving the issue of 1 share with a par value of € 0.5, cum dividend, for every 10 shares held, by using the share premium reserve. Shares have been cum dividend since 1 January 2015. The new shares issued became effective on the Stock Market on 18 May 2015, increasing from 11,823,864 to 13,006,250 shares.

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)

As far as significant shareholdings in TXT are concerned (shareholders owning over 2% of the share capital), see Table 1 attached to this Report.

This information is based on the information contained in the Shareholders' Register and in communications by shareholders pursuant to Article 120 of the Consolidated Law on Finance, as at 31 December 2015.

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)

The By-Laws do not envisage any provisions on the exercise of voting rights by employee shareholders.

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

There are no restrictions on 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 any 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 2015, no such agreement was entered into.

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

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

At 31 December 2015, 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 authorisation to purchase treasury shares (Article 123-bis, paragraph 1, letter m), of the Consolidated Law on Finance)

On 22 April 2015, the Shareholders' Meeting passed a resolution approving a free share capital increase of € 591,193, involving the issue of one new ordinary share with a par value of € 0.5, cum dividend as from 1 January 2015, for every 10 shares held, by using the share premium reserve, and providing the Board of Directors with powers for implementation. The issue was subscribed on 18 May 2015.

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 1,122,000 shares (originally 510,000, adjusted due to the free share capital increases of 2013 and 2015), to be carried out by granting treasury shares.

On 22 April 2015, 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 authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, to transfer – also through delegated parties, at any time, in whole or in part, in one or more tranches and even before the purchases have been completed - the treasury shares purchased, assigning the Board the power to establish, on a case-by-case basis and in compliance with the legal and regulatory provisions, the suitable deadlines, means and conditions, without prejudice to the fact that disposal of the shares may take place for a minimum amount that is not lower than the par value of such shares. The purposes for which the purchase and disposal of treasury shares was authorised are those permitted by the applicable regulations in effect, and include:

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

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

At the end of the reporting period, 1,345,700 treasury shares are recognised in the Company's financial statements (1,570,635 at 31 December 2014, adjusted following the free share capital increase of 20 May 2015), equal to 10.35% of the share capital, for a total par value of € 3,253,840 and a market value of € 10,940,541 (share price of € 8.13 at 31 December 2015). This purchase is possible by using the share premium reserve for an amount equal to the value of the treasury shares purchased. In 2015, the Company purchased 124,755 treasury shares on the market, and sold over 300,000 shares outside of the open markets (block trade) to the Kabouter Management LLC fund, an institutional investor based in Chicago (USA).

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 to vote may vote for just one list.

The appointment of Directors is as follows:

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

a) four fifths of Board members are selected from the list that received the highest number of votes, based on the list's progressive order and rounding to the lower unit, in case of decimals;

b) the other Board members are selected from the list ranking second, based on the list's 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;

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

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

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

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

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

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

The Board of Directors has not established, within the Board, any Nomination Committee, since that function is directly performed by the Board owing to the Company's 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 14 members, pursuant to the resolution passed by the Ordinary Shareholders' Meeting upon appointment.

Board members' term of office lasts for three financial years; afterwards they may be re-elected. The current Board includes 7 members, 4 of whom are executive directors and 3 are non-executive 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 16 April 2014 and shall remain in office up until approval of the Financial Statements at 31 December 2016.

On 29 April 2015, the Company received the resignation of Director Franco Cattaneo, elected in the aforementioned meeting from the majority list (Independent Director). Mr Franco Cattaneo was a member of the Risks and Internal Controls Committee, Chairman of the Remuneration Committee and Lead Independent Director. At the time of his resignation, Mr Cattaneo owned 20,000 TXT shares. His justification for resignation included differences of opinion with regard to the composition and role of the Board, communication and the company's future stock option plan, still under discussion.

The independent directors met without the other directors, discussing and assessing the reasons behind the resignation of director Franco Cattaneo. They concluded that the composition and role of the Board are consistent with the provisions of the Corporate Governance Code both in substance and form of operation, that the communication procedures are compliant with the internal regulations and with the regulatory provisions, and that the drafting of a new stock option plan is still in a preliminary phase, not yet disclosed to the Remuneration Committee or to the Board.

At its meeting of 5 May 2015, the Board of Directors co-opted Ms Fabienne Dejean Schwalbe, in the absence of other candidates in the majority list submitted to the Shareholders' Meeting of 16 April 2014 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. Ms Schwalbe shall remain in office until the next Shareholders' Meeting.

Ms Fabienne Dejean Schwalbe declared to possess the independence requirements pursuant to Article 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance) and the Corporate Governance Code of Borsa Italiana. Based on information available to the Company, the new director does not possess any TXT shares as at the appointment date. On the basis on her declarations and the assessment made by the Board of Directors during the co-opting stage, she possesses the requirements of integrity, professionalism and independence provided for by the law, by the By-Laws and by the Corporate Governance Code.

During the Shareholders' Meeting held on 16 April 2014, two lists were submitted. The majority list was submitted by E-business consulting SA with the names of Franco Cattaneo (independent board member) and Teresa Cristiana Naddeo (independent board member) (both elected). The minority list was submitted by Alvise Braga Illa, with the following names: Alvise Braga Illa, Paolo Enrico Colombo, Marco Edoardo Guida, Stefania Saviolo (independent board member) and

Andrea Cencini (all elected). The shareholders declared that there are no connections between the lists The majority list received 54.42% of votes; the minority list 45.58%.

On 8 May 2014, 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, Franco Cattaneo, Paolo Enrico Colombo, Andrea Cencini and Teresa Cristiana Naddeo, elected by the Shareholders' Meeting held on 16 April 2014, had already been serving as Directors.

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

Alvise Braga Illa

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.

Marco Guida

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 in January 2009 he was appointed as CEO of the TXT Group.

Franco Cattaneo (in office until 29 April 2015)

Born in Trieste on 11 July 1939.

Degree in Mechanical Engineering. PMD at Harvard Business School (USA).

Professional background: Chief Executive Officer of Jucker (Italy), Chief Executive Officer and General Manager of Pomini S.p.A. (leading engineering company). Chairman of Ing. Leone Tagliaferri & C. S.p.A. (oven manufacturing company); in 1993 Chief Executive Officer of Jucker; 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.; from 1999 to 2004 Senior Executive Director of Caretti & Associati S.p.A. Chief Executive Officer of Aprilia S.p.A. in 2004. Until 2014, independent director and member of the Remuneration, Control and Risk Committee of Interpump Group S.p.a.

Andrea Cencini

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. He is currently Manager of the TXT Perform division.

Paolo Enrico Colombo

Born in Milan on 29 February 1956.

After graduating with an Electronic Engineering degree from Politecnico di Milano in 1980, Mr Colombo was a Researcher for several years at Olivetti in Ivrea, CNR and major Software companies. In the TXT group since 1984, he personally headed the launch and development of various business sectors for the company, covering a number of managerial roles. He has been a member of the Board of Directors of TXT e-solutions since its inception, Executive Vice President and currently Managing Director of the TXT NEXT Division.

Teresa Cristiana Naddeo

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. She is director at Zenit SGR and since 2014 has been standing auditor at Salini Impregilo SpA.

Stefania Saviolo

Born in Milan on 14 March 1965.

Ms Saviolo graduated with a degree in Business Economics from Milan's Bocconi University, where she also earned her Ph.D in International Business. She achieved her Chartered Accountant qualification in Milan in 1994.

In 1992-1993, she was Visiting Scholar at the Stern School of Business - New York University, where she also followed the International Teacher Program. She has been contract Professor at the Political Economics Department of Bocconi University. Since 1994, she has been a Lecturer of Fashion and Luxury Management at Bocconi University and Senior Professor at SDA Bocconi School of Management, where she teaches undergraduate, graduate and executive courses. At SDA Bocconi, she was the founder and director the Master's Degree in Fashion, Experience & Design Management. Since 2013, she has held the role of Manager at SDA Bocconi's Luxury &

Fashion Knowledge Center. Ms Saviolo also provides management consulting services for leading companies in the fashion and luxury sector, in the areas of brand management, product marketing and globalisation strategies, and has published a number of papers in the area of strategy and brand management for fashion, luxury and lifestyle companies.

Fabienne Dejean Schwalbe (in office since 5 May 2015)

Born in Dakar (Senegal) on 5 May 1964.

Ms. Schwalbe graduated in 1985 with a Master's Degree from HEC Paris, with subsequent specialisations at the IMD Business School in Lausanne (2003) and at the Harvard Business School (2012). She gained key experience in the Media & Digital sectors in the United States, with growing responsibilities in the Bertelsmann Group in Paris. In Italy, she has held the position of CEO in the Bertelsmann Gruner+Jahr/Mondadori joint venture and provides consulting on digital transformation in France and Italy.

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

Maximum number of positions held in other companies

The Board has not set any specific criteria regarding the maximum number of management and control positions that can be held with other companies (*Criterion 1.C.3*.), also given the composition of the Board, whose members regularly and effectively participate in carrying out the role of director.

Induction Programme

Subsequent to their appointment and during their term of office, the Chairman has made it possible for directors to participate in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, as well as the relevant regulatory framework of reference (*Criterion 2.C.2.*). Application of this principle is fulfilled for the independent directors (3 individuals) through discussions and meetings with management and participation in operational events and initiatives. In fact, during 2015, two independent directors participated in meetings at a specialised fair in New York for the TXT Perform division, and a visit by directors and auditors at the headquarters of a major client of the TXT Next division was organised as well. The other directors (4 individuals) are directors and managers of the company.

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 relationship with the financial market. All the directors devote the necessary time to the diligent performance of their duties, being aware of the responsibilities pertaining to their office.

The Company did not set up an Executive Committee or a Nomination Committee. The members of the Remuneration and Control Committee are all independent Directors.

No other change has occurred since the end of the 2015 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's management, charged with strategic functions and organisational coordination. The board is also responsible for verifying that a suitable audit system needed to monitor the performance of the Company is in place.

The Board (*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 2015 financial year, the Board of Directors held 8 meetings with an average duration of 2 hours and 50 minutes. Directors had an average attendance of 100%, while that of the Statutory Auditors was 96%.

A total of 5 meetings have been scheduled for 2016, none of which were held prior to the date of this report. As envisaged by the regulatory provisions in effect, the Company has disclosed, in its press release issued on 17 December 2015, the following dates of the Board of Directors' meetings scheduled for 2016, for examination of the financial data:

- 8 March 2016: draft financial statements for the year ending 31/12/2015
- 27 April 2016: meeting for the 2015 financial statements (single call)
- 13 May 2016: interim report on operations as at 31/03/2016
- 10 August 2016: half-yearly report as at 30/06/2016
- 8 November 2016: interim report on operations as at 30/09/2016

The Chairman organises all the Board activities, ensuring that Directors are promptly provided with all documentation and information necessary to make any decision. In order to ensure that all the Directors make informed decisions and that a proper and complete assessment of the agenda items is performed, all documentation and information – and in particular draft interim reports – shall be made available to the Board members an average of 7 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 type of decisions to be made, on confidentiality requirements or on critical timing, some restrictions to prior disclosure could apply.

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

Company managers, 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.*). In 2015, Mr Paolo Matarazzo, Chief Financial Officer, regularly attended meetings of the Board and was called upon to act as secretary. Based on the items on the agenda, Mr Simone Pozzi, manager of the TXT Retail business unit, attended two meetings. Regular updates were provided by the two executive directors, Mr Andrea Cencini and Mr Paolo Colombo, respectively directors of the TXT Perform and TXT Next divisions.

The Board assessed the suitability of the organisational, 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., letters 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 any transactions of the Company and its subsidiaries in which one or more directors have an interest both in favour of themselves or on behalf of third parties (*Criterion 1.C.1., letter f*).

On 12 May 2015, the Board assessed the size, composition and functioning of the board itself and of its committees (*Criterion 1.C.1., letter g*).

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

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

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

With the intention of ensuring 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*), effective from 1 April 2016.

4.4. Delegated bodies

Chief Executive Officer

At the Board of Directors' meeting of 8 May 2014, Mr Marco Edoardo Guida was confirmed as Chief Executive Officer, a position which he has held since 1 January 2009. During this meeting the powers already conferred during the Board of Directors' meeting of 20 April 2011 were also confirmed. He is entitled to exercise, with sole signature, the following powers as part of 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 in order to provide 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 amount 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 conduct 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, and 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, and consortia for participating in tenders promoted by both private and public bodies;
9. appoint attorneys-in-fact and representatives to whom to transfer, in whole or in part, said functions;
10. sign on behalf of the Company, by virtue of his signatory powers, all deeds concerning the 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 entrusted with special tasks on corporate strategy and communication and 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 is not the controlling shareholder of the Issuer.

At the meeting of the Board of Directors of 8 May 2014 the following powers were conferred on the Chairman, Mr Braga Illa, which had already been conferred at the Board of Directors' meeting of 20 April 2011:

1. to 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. to release grants, securities and guarantees in general, in the name of the Company;
3. to 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; acting as a principal or agent in agency or sub-agency agreements and appoint agents;
4. to participate in bids, tenders, public and private auctions to the end of providing works and services of all types;
5. to open and close bank accounts, apply for loans and credit lines with ordinary credit institutions of any amount and nature, on a medium-to-long term basis, and sign all the documents requested by the aforementioned credit institutions for completing said applications; to accept the related contract clauses;
6. to 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; to issue receipts and discharges; to 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; to perform any transaction concerning the use of loans provided by banks and in particular arranging for any commercial bills to be discounted and collected and use the relevant proceeds; to take any action or conduct 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, to implement any formality and conduct transactions, including those with Issuing and Credit Institutions, by authorising investment and divestment;
7. to represent the Company before any ordinary, special, national, regional and administrative Authority; to sign and submit petitions, appeals, minutes concerning any issue, filing administrative and court cases; to take part in creditors' agreements and bankruptcy procedures; to appoint lawyers and enter into any retainer agreements, in relation to any court proceedings, including with enforcing powers, in any stage and instance; to 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*; to appoint arbitrators; to sign tax declarations and certifications;
8. to represent the Company in any import or export transaction, customs formality, before the Bank of Italy or the Ministry of Foreign Trade;
9. to appoint, employ, promote, suspend and dismiss staff of any level;
10. to sign contracts aimed at forming Associations, temporary business associations, and consortia for participating in tenders promoted by both private and public bodies; to subscribe or purchase stocks or shares of companies of any nature;
11. to appoint attorneys-in-fact and representatives to whom to transfer, in whole or in part, said functions;
12. to apply for patents for inventions or trademarks; to sign the relevant licence contracts, waiving or withdrawing patent applications;
13. to sign interest-bearing or non-interest-bearing financing contracts with subsidiaries or associated companies; to represent the Company during both ordinary and extraordinary shareholders' meetings;
14. to sign on behalf of the Company all deeds concerning the above-mentioned issues, and all the ordinary and extraordinary deeds, for which a non-exhaustive list has been compiled for

example purposes, by adding the corporate name before the signature.

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.

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

4.5. Other executive directors

The Board of Directors comprises two additional members (Mr Andrea Cencini, Manager of the TXT Perform Division and, in particular, of the activities for Consumer Packaged Goods and Manufacturing customers, 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.

As of 31 December 2015, the three non-executive directors were qualified as independent: Teresa Cristiana Naddeo, Stefania Saviolo and Fabienne Dejean Schwalbe.

On 29 April 2015, the Company received the resignation of independent director Franco Cattaneo, and in its session of 5 May 2015, the Board of Directors co-opted Ms Fabienne Dejean Schwalbe, independent director.

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 do they participate in shareholders' agreements to control the Company;
iii) are not family members of executive directors of the Company or of persons mentioned in points i) and ii) above.

The Board of Directors verified compliance with the independence requirements provided for by the Code with respect to each 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 Ms Teresa Cristiana Naddeo, Ms Stefania Saviolo and Ms Fabienne Dejean Schwalbe as independent directors.

During 2015, Ms Schwalbe was assigned a professional consulting instruction with regard to digital transformation and omnichannel distribution for the Retail sector. Given the occasional nature of the instruction and the limited compensation (€ 16.5 thousand), in its meeting of 10 December 2015, the Board confirmed her status as independent director.

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

The independent directors met without the other directors on 16 July 2015, in order to discuss and assess the reasons behind the resignation of director Franco Cattaneo (*Criterion 3.C.6*). The independent directors have regular occasions to meet during meetings of the Remuneration Committee and of the Risks and Internal Controls Committee, of which they are exclusive members.

4.7. Lead independent director

The role of Chairman of the Board of Directors is separate from the role of Chief Executive Officer, and the Chairman is not the individual who controls the company; nevertheless, a Lead

Independent Director was appointed, with this role was taken on by Ms Teresa Cristiana Naddeo on 31 December 2015 (*Criterion 2.C.3.*).

The Board of Directors appointed Ms Teresa Cristina Naddeo as Lead Independent Director on 10 December 2015, to replace Mr Franco Cattaneo, who resigned during 2015.

The Lead Independent Director (*Criterion 2.C.4*.):

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

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

The powers of the Lead Independent Director include the power to convene, autonomously or upon request by the other directors, specific reunions of only independent directors in order to discuss issues deemed of interest for functioning of the Board of Directors or management of the company.

5. PROCESSING COMPANY INFORMATION

According to the company's best practices on confidential information, press releases on resolutions regarding the approval of financial statements, half-yearly and quarterly reports, extraordinary decisions and transactions are approved by the Board, without prejudice to the power assigned to the 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.

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

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. Starting from 1 April 2006, the Company adopted a code of conduct on Internal Dealing, concerning the transactions performed by "relevant persons" in relation to its listed financial instruments. This procedure includes the regulations on the evaluation of confidential and price sensitive information, the selective disclosure conditions for confidential information, and the methods and internal disclosure processes (*Criterion 1.C.1, letter j*).

The Board has established, pursuant to Article 115-bis of Legislative Decree 58/98, the register of persons with access to price sensitive information, known as the Register of Insiders. The methods of compiling and updating the Register of Insiders envisage inclusion in this register either on a permanent or occasional basis.

According to the Code of Conduct provisions, the Company shall notify the market of the transactions performed by each relevant person whose global amount is equal to or higher than € 5,000 per person. 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 shareholding 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 of three independent non-executive directors (Stefania Saviolo, Teresa Cristiana Naddeo and Fabienne Dejean Schwalbe) (*Criterion 4.C.1., letter a*) (*Principle 6.P.3.*). Ms Stefania Saviolo is the Committee Chair.

Following the 29 April 2015 resignation of Director Franco Cattaneo, who was also chairman of the Remuneration Committee, on 12 May 2015 the Board appointed independent director Fabienne Dejean Schwalbe as member of the committee and Ms Stefania Saviolo as chair of the committee.

In 2015, the Committee held four meetings (26 February, 12 May, 4 August and 10 December), with an average duration of one hour. The members of the Board of Statutory Auditors are also required to take part in the Committee's meetings. The directors participated in all committee meetings held during their effective term of office. The Statutory Auditors had an average attendance of 92%. Each director's participation is shown in Table 2 attached to this Report. Three meetings have been scheduled for 2016. The first meeting of the Remuneration Committee for 2016 was held on 2 March 2016.

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*). In 2015, Mr Paolo Matarazzo, Chief Financial Officer, regularly attended the committee meetings and was called upon to act as secretary. Based on the items on the agenda, Mr Francesco Cusaro, human resources director, also attended, in addition to the CEO, Mr Marco Guida.

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

Functions of the Remuneration Committee

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

The Remuneration Committee submits to the Board its proposals for definition of the general remuneration policy for executive directors, other directors who cover particular offices and managers with strategic responsibilities (Principle 6.P.4). 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 company management, or for managers with strategic responsibilities, a large part of their remuneration is connected to the achievement of specific performance benchmarks, which may also be of a non-economic nature. These objectives have been determined and indicated beforehand in compliance with the general policy guidelines of the Corporate Governance Code.

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

Pursuant to the Corporate Governance Code of Listed Companies, the Committee 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 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 the Remuneration Committee meetings have been duly taken (*Criterion 4.C.1., letter d*) and the Chairman of the committee has informed and updated the Board on the activities carried out and decisions made during the next relevant meetings. The members of the Committee participated in all committee meetings held during their effective term of office. During the said meetings, the Committee:

- submitted proposals to the Board with regard to the remuneration of executive directors and managers with strategic responsibilities, with respect to both the fixed and variable portion of remuneration;
- examined information on the Group's remuneration policy, including it in the remuneration report;
- assessed the short-term incentive (bonus) criteria linked to objectives (MBO);
- verified the stock grant vesting conditions;
- examined the remuneration policies for managers;

- examined the personnel policy, the management of key people and the mapping of responsibilities;
- evaluated the guidelines for a new 2016-2020 Stock Option plan.

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

As part of its mandate, the Remuneration Committee has access to company information and offices in order to perform its functions, within the limits set by the Board (*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 has 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. contractual agreements are in place whereby the company may request the restitution, in whole or in part, of variable portions of the remuneration paid (or withhold amounts that have been deferred), determined based on data that subsequently proved to be clearly inaccurate;
g. no compensation is provided following directors' early end of term of office or for failure to be reappointed.

Share-based compensation plans

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 authorised bodies determined the remuneration of managers with strategic responsibilities the above criteria were applied in matters of remuneration policy and compensation plans based on shares relative to the remuneration of executive directors or directors vested with particular tasks *(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 Manager responsible for preparing corporate accounting documents

The incentive plans for the Manager responsible for internal audit and the Manager responsible for preparing corporate accounting documents are consistent with their duties (*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 22 April 2015 approved the Directors' Remuneration Report prepared by the Board of Directors.

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

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

An end-of-term severance package equal to 25% of the fee for particular offices resolved upon and accrued each year was confirmed by the Shareholders' Meeting held on 16 April 2014 in favour of the Chairman of the Board of Directors. It shall be paid when the 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.

The company discloses, in the event of withdrawal from office and/or termination of the employment relationship with an executive director or general manager, following the internal processes to determine the assignment or recognition of a severance package and/or other benefits, detailed information in this regard, through a press release (Principle 6.P.5).

The market disclosure pursuant to principle 6.P.5 includes (*Criterion 6.C.8.*):

a) adequate information on the severance package and/or other benefits, including the relative amount, timing of the disbursement - distinguishing the part disbursed immediately from the part subject to deferral, as well as the components assigned for the role of director from those regarding any employment relationships - and any restitution clauses, with particular regard to:
   1) severance package for end of term of office or employment termination, specifying the case in which said amounts accrue (for example, expiry of office, dismissal from office or compromise agreement);
   2) maintenance of the rights connected to any monetary incentive plans or incentive plans based on financial instruments;
   3) monetary or non-monetary benefits subsequent to withdrawal from office;
   4) non-compete agreements, describing the main contents;
   5) any other compensation assigned for any reason and in any form;

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

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

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

10. RISKS AND INTERNAL CONTROLS COMMITTEE

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

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

The Risks and Internal Controls Committee comprises three independent non-executive Directors (Teresa Cristiana Naddeo, Stefania Saviolo and Fabienne Dejean Schwalbe) *(Principle 7.P.4.)* (*Criterion 4.C.1., letter a*). Ms Teresa Cristiana Naddeo is the Chair of the Committee.

Following the 29 April 2015 resignation of Director Franco Cattaneo, who was also chairman of the Risks and Internal Controls Committee, the Board appointed independent director Fabienne Dejean Schwalbe as member of the Committee on 12 May 2015.

During the year 2015, the Committee held three meetings, coordinated by the Chairman, on 26 February, 30 July and 10 December. 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.*). The directors participated in all committee meetings held during their effective term of office. At least three meetings have been scheduled for 2016. The first 2016 meeting was held on 2 March 2016.

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.*), namely Ms Teresa Cristiana Naddeo, chartered accountant and auditor.

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*). The Statutory Auditors had an average attendance of 89%.

Under invitation by the Committee, non-members have taken part in the Risks and Internal Controls Committee's Meetings (*Criterion 4.C.1., letter f*). In 2015, Mr Paolo Matarazzo, Chief Financial Officer and Manager responsible for preparing corporate accounting documents, regularly attended meetings of the committee and was called upon to act as secretary. Marco Guida, CEO and executive director in charge of overseeing the internal control and risk management system, and Luigi Piccinno, Internal Auditor, also attended. Based on the items on the agenda, Mr Marco Masante, Chairman of the Supervisory Body, and the partner and senior manager of the auditing firm Reconta Ernst & Young, attended two meetings.

Functions of the Risks and Internal Controls Committee

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

a) 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 Manager 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) examine periodic reports on assessment of the internal control and risk management system and specific reports by internal audit (*Criterion 7.C.2, letter c*);
e) monitor the autonomy, adequacy, effectiveness, and efficiency of the internal audit function (*Criterion 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;
j) support, with adequate information-gathering activity, the assessments and decisions of the Board of Directors with regard to the management of risks arising from prejudicial facts of which the Board of Directors has become aware (*Criterion 7.C.2., letter g*).

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

Minutes of the Risks and Internal Controls Committee meetings have been duly taken (*Criterion 4.C.1., letter d*) and the Chairman of the committee has informed and updated the Board on the activities carried out and decisions made during the next relevant meetings. The directors participated in all committee meetings held during their effective term of office.

During said meetings, the Committee also examined:

- the 2014 consolidated financial statements, the 2015 half-yearly report and the results on the auditing process, as well as the interim reports;
- assessments of the impairment test;

- assessments of the adequacy of the accounting standards used and their consistency;
- transactions with related parties;
- reports by the Supervisory Board on Law 231 and updates of the Organisation Model;
- the report on Corporate Governance and shareholding structure;
- the Audit Plan, the audit activities carried out, the activities relative to the Group's Risk Assessment, the progress of the Audit Plan and relative results, and the structure and role of the Internal Audit Department;
- updates on the certifications and operation of the Quality System and Security System.

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 involves:

i) the Board of Directors that sets the system guidelines and assesses its adequacy and effective operations, through the appointment of the Risks and Internal Controls Committee and its regular reporting activities;
ii) the 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 organisational entities, processes and related accounting entries and the specific activities that could generate any significant errors. According to the methodology adopted by the Company, risks and related controls are associated to accounts and business processes generating accounting items.

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

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

- controls at Group or subsidiary level for assignment of responsibilities, powers and delegation, 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. They are then reported to top management and to the Risks and Internal Controls Committee, which in turn reports to the Parent Company's Board of Directors and Board of Statutory Auditors.

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

On 8 March 2010 the Board of Directors appointed 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 the appointment of 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., part two).*

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. 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. 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*);
e. 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*);
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. Organisation model pursuant to Legislative Decree no. 231/2001

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

To define the organisation, 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 it possible to promptly update rules and methods to be communicated within the Company, subject to future fine-tuning; iii) makes it possible to manage all corporate operating rules in the same way, including those pertaining to “sensitive issues”.

The TXT model is composed of:

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

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

The analysis focused on the planning methods, principles and measures used to identify corporate risks and to subsequently assess regulations and procedures of operating activities, the general features of controls, protocols and procedures to monitor those fields potentially at risk. It also included tasks, powers, ineligibility and incompatibility reasons that would result in the Supervisory 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, along with the Code of Ethics, the Supervisory Board's regulations and the "Organisation and Management Model 231", and it confirmed 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 Organisation 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 organisation and updating requirements, as requested by the various relevant bodies and by the Supervisory Board as well.

The Organisation Model was updated on 30 July 2015, particularly following the reform on corporate crime, the new crime of money laundering, the reform on corruption and the new environmental crimes.

On 12 May 2015, 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 (Internal Audit). The Supervisory Board is responsible for overseeing functioning and compliance of the Model, as well as handling its update, submitting proposals to the Board for any updates and amendments to the Model adopted. The Supervisory Board reports to the Board of Directors on a half-yearly basis with regard to the Model's application and effectiveness.

On 1 October 2014, the company adopted a Policy for the prevention of corruption (available online at http://www.txtgroup.com/it/governance/Pagine/codeofethics.aspx) and disseminated a specific procedure to all employees of Group companies.

The Organisation Model is available on the Company's website at the following address: 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, limited auditing of the half-yearly reports, as well as monitoring activities under Article 155 of the Consolidated Law on Finance.

11.5. Manager responsible for preparing corporate accounting documents

On 14 February 2008, the Board of Directors, with a favourable opinion of the Board of Statutory Auditors, appointed Mr Paolo Matarazzo as Manager responsible for preparing corporate accounting documents. Mr Paolo Matarazzo is also the Group's Chief Financial Officer (*Principle 7.P.3., letter c*).

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

The Board of Directors oversees that the Manager responsible for preparing corporate accounting documents 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 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 Manager responsible for preparing corporate accounting documents and other company roles and functions with specific duties of internal control and risk management, and the board of statutory auditors) shall coordinate their own activities and exchange relevant information during periodic meetings and, if necessary, during specially convened meetings (*Principle 7.P.3.*). In particular, during 2015, the parties involved in the internal control system met and exchanged information in two meetings: 26 February and 30 July.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

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

On 8 November 2010, the Board of Directors approved a new implementation procedure, pursuant to Article 2391-bis of the Italian Civil Code, the Corporate Governance Code of Listed Companies, and the Consob Regulation on related parties, approved by Resolution no. 17221 of 12 March 2010 (the "Consob Regulation"). This new procedure identifies the rules governing the determination, approval and execution of transactions with related parties of TXT e-solutions S.p.A., either directly or through subsidiary companies. The purpose of this procedure is to ensure the formal and material transparency of said transactions.

“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 capitalisation 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. Where possible, similar data should be used for determining the total assets of the entity involved in the transaction.

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

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

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

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

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

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

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

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

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

iii) and 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 decisions regarding Transactions with Related Parties, and the Significant Transactions with Related Parties (hereinafter the “Transactions”). In order to make 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 for the Transactions, their profitability, and that the transaction conditions are materially correct. In particular, should the Transaction conditions be equivalent to market or standard conditions, detailed supporting documentation shall be provided.

The Board of Directors decides on the Transactions after justified, non-binding advice of a committee solely composed of non-related non-executive Directors, with the majority of them being independent (the “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 Directors' 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 authorised 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's 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 the associated companies do not have any significant interests of other Company's related parties.

Ordinary transactions that are performed at market or standard conditions are completely excluded from this procedure.

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

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

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

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

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

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

If the 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, letter 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 16 April 2014, and it shall hold office until approval of the financial statements for the year ending 31 December 2016. On 21 March 2014, two lists of candidates for appointment to the company's Board of Statutory Auditors were deposited at the registered office. The majority list was submitted by E-business consulting SA and included Fabio Maria Palmieri, Luisa Cameretti, Pietro Antonio Grignani and Laura Grimi (two standing auditors and two alternate auditors, as respectively appointed). The minority list was submitted by Alvise Braga Illa and included Raffaele Valletta, Angelo Faccioli and Patrizia Rossi (from which the Chairman of the Board of Statutory Auditors and one alternate auditor were elected). The shareholders declared that there are no connections between the lists The majority list received 54.42% of votes; the minority list 45.58%.

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

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

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

Raffaele Valletta

Born in Milan on 10 October 1939.

Graduated in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1963. Enrolled in the register of Chartered Accountants since 1964 and in the Register of Statutory Auditors since 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.

Fabio Maria Palmieri

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.

Luisa Cameretti

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

Graduated in Economics and Commerce from Università Cattolica di S. Cuore in Milan in 1990. Enrolled in the register of Chartered Accountants of Milan since 1996 and in the Register of Statutory Auditors under number 91224. Associated with the firms "Studio Tributario e Societario Borioli e Colombo" and "Studio Sciumé e Associati". She founded the firm Zazzeron e Cameretti Associati Studio Tributario e Societario, which works in corporate and tax consulting for companies, cooperatives, associations and foundations.

During the 2015 financial year, the Board of Statutory Auditors held 8 meetings, with an average duration of 2 hours and 50 minutes. A total of 5 meetings have been scheduled for 2016, none of which were held prior to the date of this report.

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 manages this service internally.

Furthermore, communications are provided to shareholders through the Company's website (www.txtgroup.com), where income and financial information (i.e. annual, half-yearly and quarterly reports), price sensitive and other press releases issued by the Company in the last 3 years are available, along with the list of corporate events and meetings on the group's operational, financial and corporate development.

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 the year, the Company took part in the "Star Conference" event organised by Borsa Italiana in Milan, on 24 and 25 March 2015, as well as in London on 6 October 2015. The company also organised a presentation for investors and analysts during the Shareholders' Meeting of 22 April 2015, as well as various meetings with investors in Milan, Lyon, Paris, London, Frankfurt, Zurich and Geneva.

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 in a national newspaper and on the Company's website within the deadlines and by the means provided for by the law; the notice indicates the date, time and place of the meeting and the agenda. The Shareholders' Meeting cannot pass resolutions on issues which are not on the agenda. As an exception to Article 135-undecies, paragraph 1 of the Consolidated Law on Finance (Italian Legislative Decree no. 58/1998), the Company did 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, Investor Relations, Corporate Governance, Shareholders' Meeting document section). The proxy may be sent electronically to deleghetxt@txtgroup.com. The early notification of proxies does still require the person entrusted with it to submit a true copy and certify the identity of the delegating person, in order to take part in the Shareholders' Meeting.

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 deposited in a timely manner at the registered office, so that it can be made available to the other Shareholders at least 10 days before the Shareholders' Meeting on first call. This 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 by email to infofinance@txtgroup.com. Questions that are received prior to the Shareholders' Meeting shall be answered at the latest during the meeting itself. The Company reserves the right to give a single answer should there be numerous questions on the same topic. The request must include the necessary certification issued by the intermediaries proving the shareholders' voting right or the communication approving participation in the Shareholders' Meeting and the voting rights.

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

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

The Extraordinary Shareholders' Meeting votes on issues involving changes in the Company's 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. All directors and standing auditors attended the Shareholders' Meeting of 22 April 2015. During the course of the Meeting, the Board of Directors, through the Chairman and CEO, reported on the activities carried out and planned, providing shareholders with adequate information in order to make informed decisions pertaining to the Shareholders’ Meeting, as well as the documentation prepared with regard to the individual topics on the agenda. In order to encourage maximum attendance by shareholders, it has become common practice over the last few years to convene the Shareholders' Meeting at the Borsa Italiana headquarters in Milan and, subsequently, to organise a presentation meeting for shareholders and investors (*Criterion 9.C.3.*).

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

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

At 31 December 2015, the Company’s market capitalisation was € 94.8 million, compared to € 81.1 million at 31 December 2014. The shareholding structure was essentially unchanged. In this respect, 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 and in said case report on the results of said amendments (*Criterion 9.C.4.*).

During 2015, one ordinary and extraordinary Shareholders' Meeting was convened.

The Ordinary Shareholders’ Meeting of 22 April 2015 approved the 2014 financial statements, the dividend distribution, the Remuneration Report, and renewal of the treasury share purchase plan. The extraordinary session approved the free share capital increase, in the amount of 1 new share for every 10 owned.

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 22 April 2015 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 ordinary capital	As a % of voting capital
4CV PTE Ltd (via E-Business Consulting S.A.)	NO	3,327,012	25.58	28.53
Alvise Braga Illa	YES	1,790,055	13.76	15.35
Kabouter Management LLC	YES	932,667	7.17	8.00
Marco Edoardo Guida	YES	277,200	2.13	2.38
Treasury shares (with suspended voting right)	YES	1,345,700	10.35	-
Outstanding shares	YES	5,333,616	41.01	45.74
Total shares		13,006,250	100.00	100.00

TABLE 2: Composition of the Board of Directors and Committees

Board of Directors													Risks and Internal Controls Committee		Remuneration Committee	
Office	Name	Year of birth	Date of first appointment	In office since	In office until	List	Exec.	Non-exec.	Indep. pursuant to code	Indep. pursuant to Consolidated Law on Finance	No. of other offices (1)	Investment (3)	Office	Investment (3)	Office	Investment (3)
Chairman	Alvise Braga Illa	1939	03.07.1989	01.01.2015	31.12.2015	Minority	x				-	8/8				
CEO	Marco Edoardo Guida	1961	23.04.2008	01.01.2015	31.12.2015	Minority	x				-	8/8				
Director	Andrea Cencini	1963	20.04.2011	01.01.2015	31.12.2015	Minority	x				-	8/8				
Director	Paolo Enrico Colombo	1956	28.06.1999	01.01.2015	31.12.2015	Minority	x				-	8/8				
Director	Teresa Cristiana Naddeo	1958	10.05.2012	01.01.2015	31.12.2015	Majority		x	x	x	2	8/8	Chairman	3/3	x	4/4
Director	Stefania Saviolo	1965	17.04.2014	01.01.2015	31.12.2015	Minority		x	x	x	-	8/8	x	3/3	Chairman	4/4
Director	Fabienne Dejean Schwalbe (2)	1964	05.05.2015	05.05.2015	31.12.2015	-		x	x	x	-	6/6	x	2/2	x	2/2
WITHDRAWING DIRECTORS DURING THE YEAR IN QUESTION																
Director	Franco Cattaneo	1939	23.04.2008	01.01.2015	29.4.2015	Majority		x	x	x		2/2	x	1/1	Chairman	1/1
No. of meetings held during 2015:				BoD: 8	ICC: 3	RC: 4										
Quorum required to submit lists by minorities to elect one or more members (pursuant to Art. 147-ter of the Consolidated Law on Finance): 4,5%																

(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.

(2) Director co-opted by the Board on 05/05/2015.

(3) This column indicates attendance by directors in the meetings of the Board of Directors and committees (no. of presences/no. of meetings held during the interested party's effective term of office).

TABLE 3: Composition of the Board of Statutory Auditors

Office	Name	Year of birth	Date of first appointment	In office since	In office until	List	Indep. pursuant to code	Investment (3)	No. of other offices (1)
Chairman	Raffaele Valletta	1939	03.07.1989	01.01.2015	31.12.2015	Minority	x	6/6	-
Standing Auditor	Fabio Maria Palmieri	1962	28.06.1999	01.01.2015	31.12.2015	Majority	x	5/6	-
Standing Auditor	Luisa Cameretti	1965	17.04.2014	01.01.2015	31.12.2015	Majority	x	6/6	-
Alternate auditor	Pietro Antonio Grignani	1964	29.04.2002	01.01.2015	31.12.2015	Majority			
Alternate auditor	Laura Grimi	1975	17.04.2014	01.01.2015	31.12.2015	Majority			
Alternate auditor	Angelo Faccioli	1949	23.04.2008	01.01.2015	31.12.2015	Minority			
WITHDRAWING AUDITORS DURING THE YEAR IN QUESTION									
-	-	-	-	-	-	-	-	-	-
No. of meetings held during 2015: 6									
Quorum required to submit lists by minorities to elect one or more members (pursuant to Art. 148-ter of the Consolidated Law on Finance): 2%									

(1) This column shows if Board members serve as a Director or Statutory Auditor in other companies listed on Italian regulated markets.
Such 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.

(2) This column indicates attendance by Statutory Auditors in meetings of the Board of Statutory Auditors (no. of presences/no. of meetings carried out in the year).

TXT e-solutions S.p.A.

REMUNERATION REPORT

2015

Milan, 8 March 2016
Available on the website: 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 8 March 2016, the Company's Board of Directors, at the instruction of the Remuneration Committee, adopted the "2015 Remuneration Policy", to be subject to a non-binding vote by the Shareholders' Meeting of 27 April 2016.

The remuneration report is divided into two sections:

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

2. The "Remuneration Report for the Financial Year 2015", illustrating the policy implemented by the TXT e-solutions Group during the 2015 financial year and providing a summary of compensation based on the different types of beneficiaries.

PART 1 – GENERAL REMUNERATION POLICY

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

1. Principles

The Company defines and implements a General Remuneration Policy intended to attract, motivate and retain resources with the professional skills required to successfully pursue the Group's objectives (Principle 7.P.4).
The Policy is defined in a way which aligns the interests of Management with those of shareholders, pursuing the priority objective of creating sustainable value in the medium-to-long term by rigorously tying compensation to individual and Group performance.

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

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

Any deviations from the criteria for determining the remuneration:
- of directors who cover particular offices, 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 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: Ms Stefania Saviolo, Ms Teresa Cristiana Naddeo and Ms Fabienne Dejean Schwalbe. Ms Stefania Saviolo is the Chairman of the Committee. On 29 April 2016, Mr Franco Cattaneo, independent director and Chairman of the Remuneration Committee submitted his resignation to the Company. On 5 May 2016, the Board co-opted independent director Ms Fabienne Dejean Schwalbe. In the meeting of 12 May 2015, the Board appointed Ms Schwalbe as member of the Remuneration Committee and Ms Stefania Saviolo as Chairman of the Committee.

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

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

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

For a more detailed description of how the Remuneration Committee operates and the activities it carried out during the 2015 financial year, please refer to the 2015 Report on Corporate Governance and Shareholding Structure.

3. Procedure for defining and approving the policy

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

The 2014 Remuneration Policy was approved by the Shareholders' Meeting of 22 April 2015. The 2015 Remuneration Policy was approved by the Remuneration Committee in its meeting of 2 March 2016 and by the Board of Directors' meeting of 8 March 2016, and it will be submitted to the scrutiny of and a non-binding vote by the Shareholders' Meeting on 22 April 2016.

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 2015, the two groups were composed as follows:

- Executive directors:
  - Alvise Braga Illa (Chairman)
  - Marco Edoardo Guida (Chief Executive Officer)
  - Paolo Enrico Colombo
  - Andrea Cencini
- Non-executive and independent directors:
  - Teresa Cristiana Naddeo
  - Stefania Saviolo
  - Fabienne Anne Dejean Schwalbe

The TXT Shareholders' Meeting of 22 April 2015 set the annual compensation of each director at € 15,000, plus an additional annual compensation of € 5,000 for the participation of each director in the Risks and Internal Controls Committee and another € 5,000 for the participation of each director in the Remuneration Committee. The total maximum fixed and variable compensation amounts assignable to Directors who cover particular offices was set at € 600,000 for 2015, including any benefits following the end of term of office, in addition to the contributions and legally-required withholdings borne by the company, and authorisation was granted to the Board for determination of the compensation for particular offices, within the aforementioned limits.

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 in place, 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 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 if the target objectives are achieved; (iii) annualisation of the variable medium/long-term component which the beneficiary would receive if the medium/long-term target objectives are achieved;
b. the (annual) MBO incentive for each beneficiary is capped at a maximum amount per person, and is actually paid out in proportion to the achievement of specific objectives and considering the company's incentive policy. It may represent 10% to 40% of total remuneration;
c. the annualised target variable medium/long-term component may represent 40% to 50% 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 generally paid 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.

If Managers with strategic responsibilities have sales objectives, part of the variable compensation amount may be based on the quarterly sales of software licences.

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 that assess the complexity of roles from an organisational point of view, the specific duties delegated and the individual's impact on the final business results.

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

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

6. Managers and senior managers

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

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

a. the fixed component generally represents 40% to 100% 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 0% to 30% of total remuneration;
c. in some cases, a variable medium/long-term component representing 0% to 40% 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 also include such persons in incentive schemes by granting them financial instruments or options on financial instruments adopted by the Group, if any.

7. MBO and long-term incentive plan

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

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

MBOs for managers and senior managers are defined by their immediate supervisor in agreement with the CEO and 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.

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 2015 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 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. shares.

Pursuant to the Plan, the Beneficiaries may be awarded up to 1,122,000 Shares (corresponding to 255,000 original Shares, adjusted following the three free share capital increases resolved by the Shareholders' Meetings of 28/05/2012, 17/12/2013 and 22/04/2015), 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), Earnings before taxes, 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 Net Financial Position, as the Board of Directors shall decide upon implementation of the Plan, following the proposal of the Remuneration Committee.

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

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

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

The 2012 stock grant plan ended on 31 December 2015.

The Remuneration Committee, in its meeting of 2 March 2016, and the Board of Directors, in its meeting of 8 March 2016, approved the proposal for a new Stock Options plan for the period 2016-2020, submitted to a vote by the Shareholders' Meeting on 22 April 2016. Please refer to the Information Document drawn up pursuant to Article 84-bis for the relative description and details.

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

It is TXT Group's policy not to enter into agreements with directors and managers governing, on an ex-ante basis, the financial aspects relating to early termination of the relationship by the Company or the individual (known as "parachutes"). At 31 December 2015, 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 16 April 2014. 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 to end the relationship in an amicable manner, to the extent possible. Without prejudice, in any case, to legal and/or contractual obligations, employment termination agreements 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 at the time the agreement is finalised and may extend to all the Countries in which the Group operates.

PART 2 – 2015 REMUNERATION REPORT

Compensation paid to directors and auditors

Emoluments paid during 2015 are reported in the annexed Table 1:

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

Name	Office	Term in office	In office until	Fixed compensation	Compensation for attendance at committee meetings	Variable compensation (Bonuses and other incentives)	Non-monetary benefits	Other compensation	Total	Fair value of equity-based compensation	Severance package for end of term of office or employment termination
Directors											
Alvise Braga Illa	Chairman	01.01-31.12	04.2017*	260,000	-	65,000	3,507	-	328,507	-	77,500
Marco Edoardo Guida	CEO	01.01-31.12	04.2017*	232,230	-	75,000	3,122	-	310,352	115,108	18,684
Andrea Cencini	Director	01.01-31.12	04.2017*	166,808	-	25,000	2,933	-	194,741	115,108	13,097
Paolo Enrico Colombo	Director	01.01-31.12	04.2017*	160,000	-	45,000	2,765	-	207,765	83,861	14,074
Franco Cattaneo	Ind. Director	01.01-29.4	-	5,000	3,333	-	-	-	8,333	-	-
Teresa Cristiana Naddeo	Ind. Director	01.01-31.12	04.2017*	15,000	10,000	-	-	-	25,000	-	-
Stefania Saviolo	Ind. Director	17.4-31.12	04.2017*	15,000	10,000	-	-	-	25,000	-	-
Fabienne Dejean Schwalbe	Ind. Director	05.05-31.12	04.2016**	10,000	6,667	-	-	16,500	33,167	-	-
Managers with strategic responsibilities		-	-	300,000	-	231,021	6,012	-	537,033	226,109	39,335
Board of Statutory Auditors											
Raffaele Valletta	Chairman	01.01-31.12	04.2017*	26,000	-	-	-	-	26,000	-	-
Fabio Maria Palmieri	Standing auditor	01.01-31.12	04.2017*	21,000	-	-	-	-	21,000	-	-
Luisa Cameretti	Standing auditor	01.01-31.12	04.2017*	21,000	-	-	-	-	21,000	-	-
Angelo Faccioli	Alternate auditor	01.01-31.12	04.2017*	-	-	-	-	-	-	-	-
Pietro Antonio Grignani	Alternate auditor	01.01-31.12	04.2017*	-	-	-	-	-	-	-	-
Laura Grimi	Alternate auditor	01.01-31.12	04.2017*	-	-	-	-	-	-	-	-
TOTAL				1,232,038	30,000	441,021	18,339	16,500	1,737,898	540,186	162,690

* The term of office expires with the Shareholders' Meeting that approves the Financial Statements as at 31 December 2016.

** Fabienne Dejean Schwalbe was co-opted by the Board of Directors on 5 May 2015 and shall remain in office until the next Shareholders' Meeting.

The emoluments paid refer 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 by the Shareholders' Meeting, even though not yet paid, compensation received for covering particular offices, pursuant to Article 2389, paragraph 3 of the Italian Civil Code, and the fixed salary gross of social security contributions and taxes paid by the employee, excluding the mandatory collective social security contributions paid by the company and the provision for post-employment benefits.

Fixed compensation is detailed as follows:

Name	Emoluments as resolved by the Shareholders' Meeting	Compensation for the office	Fixed salary	Fixed compensation
Directors				
Alvise Braga Illa	15,000	245,000	-	260,000
Marco Edoardo Guida	15,000	40,000	177,230	232,230
Andrea Cencini	15,000	-	151,808	166,808
Paolo Enrico Colombo	15,000	-	145,000	160,000
Franco Cattaneo	5,000	-	-	5,000
Teresa Cristiana Naddeo	15,000	-	-	15,000
Stefania Saviolo	15,000	-	-	15,000
Fabienne Dejean Schwalbe	10,000	-	-	10,000
Managers with strategic responsibilities	-	-	300,000	300,000

On the basis of the organisational structure of the TXT Group in 2015, Mr Marco Guida is the Chief Executive Officer, Mr Andrea Cencini is the TXT Perform Division Manager and Mr Paolo Colombo is the TXT Next Division Manager, and all three of them are also directors. The Managers with strategic responsibilities are Paolo Matarazzo, Chief Financial Officer and Manager responsible for preparing corporate accounting documents, and Simone Pozzi, Manager of the TXT Retail business unit.

The Shareholders' Meeting of 22 April 2015 resolved to set the compensation of each director at € 15,000 for the financial year 2015.

The column "Compensation for attendance at committee meetings" shows the compensation received by Mr Franco Cattaneo (for the fraction of year in office), Ms Teresa Cristina Naddeo, Ms Stefania Saviolo and Ms Fabienne Dejean Schwalbe (for the fraction of year in office) for attending meetings of the Risks and Internal Controls Committee and of the Remuneration Committee. The Shareholders' Meeting of 22 April 2015 resolved an additional annual compensation amount of € 5,000 for each director for attending the Risks and Internal Controls Committee and an additional € 5,000 for each director for attending the Remuneration Committee.

The column "Bonuses and other incentives" includes portions of compensation vested and not yet paid, according to the corporate Management by Objectives - MBO plan for the financial year 2015, and the variable quarterly compensation based on licence sales for Mr Simone Pozzi. TXT has no "Profit-sharing" plans in place. The listed bonuses relate to the 2015 financial year, vested following the achievement of performance targets during the financial year, and are fully payable because they are not subject to any further conditions. No part of the bonus is deferred.

The column "Non-monetary benefits" shows the value of fringe benefits (on an income tax basis) with regard to company cars, in line with TXT's human resource policies and market practices.

The column "Other compensation" includes the amount paid to Ms Fabienne Dejean Schwalbe for consulting on digital transformation and omnichannel distribution for TXT Retail for € 16,500.

The column "Fair value of equity-based compensation" shows the fair value of the compensation for the year at grant date as part of the incentive plans based on financial instruments, estimated according to

international accounting standards.
Stock grants assigned for 2015 partially vested based on the level of achievement of the Consolidated pre-tax profit. The fair value of each stock grant is € 7.22, equal to the market price on the day in which the Board set the 2015 objectives (11 December 2014), adjusted to take into account the free share capital increase of May 2015. In 2015, a total of 102,519 stock grants vested, of which 74,837 in favour of directors and managers with strategic responsibilities, for a total cost of € 740,000, of which € 540,186 in favour of directors and managers with strategic responsibilities.

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 compensation paid, as resolved by the Shareholders' Meeting of 16 April 2014. 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.

The Shareholders' Meeting of 22 April 2015 resolved the maximum fixed and variable compensation amounts assigned to Directors who cover particular offices for the year 2015 at € 600,000, including any benefits following the end of term of office. These amounts do not include the fixed compensation for the office of director and the compensation for attendance at committees, resolved directly by the Shareholders' Meeting.

The fixed and variable compensation for 2015 amounted to € 427,500 as detailed in the table below.

Name	Office	Fixed compensation for offices	Variable compensation for offices	Severance package	Total
Alvise Braga Illa	Chairman	245,000	65,000	77,500	387,500
Marco Edoardo Guida	CEO	40,000	-	-	40,000
TOTAL		285,000	65,000	77,500	427,500
Max. compensation for 2015 authorised by Shareholders' Meeting of 22 April 2015:					600,000

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.

The Stock Option plan resolved in 2008 has ended, with all stock options exercised and no residual options remaining.

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 relative prices in the following tables were adjusted subsequent to the three free share capital increases resolved upon by the Shareholders' Meetings of 28 May 2012, 17 December 2013 and 22 April 2015 (the first two free share capital increases entailed the issue of one new share for every share held and the last one involved one new share for every 10 held). The number of shares indicated is therefore consistent with the number of currently outstanding shares.

Subsequent to approval of the "Stock Grant Plan" by the Shareholders' Meeting of 23 April 2012, the Board of Directors, on 10 May 2012 and 13 December 2012, awarded 704,000 stock grants (adjusted to account for the free capital increases), based on results. Of these stock grants, 471,302 were assigned to directors and managers with strategic responsibilities.

Pursuant to the plan, the termination date for awarding of the stock grants expired on 30 June 2014 and the plan ended on 31 December 2015.

The Stock Grant Plan resolved by the Shareholders' Meeting of 23 April 2012 for a total of 1,122,000 shares (adjusted as a result of the free share capital increases) 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	75,174	42,390
Stock Grants awarded, vested, allocated, not yet exercised	102,519	74,837
Stock Grants awarded, vested, however not allocated due to non-fulfilment of the conditions	526,307	354,075
Stock Grants awarded, not yet vested during 2015	-	-
Stock Grants not awarded	418,000	
Total Plan approved by the Shareholders' Meeting	1,122,000	471,302

For the sake of clarity, the number of shares in the table was adjusted subsequent to the three free share capital increases resolved upon by the Shareholders' Meetings of 28 May 2012, 17 December 2013 and 22 April 2015 (the first two free share capital increases entailed the issue of one new share for every share held and the last one involved one new share for every 10 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

Full name	Office	Plan	Financial instruments awarded in previous years not vested during 2015		Financial instruments awarded during 2015					Financial instruments vested in 2015 and not awarded	Financial instruments vested in 2015 and awardable		Financial instruments expensed in 2015
			Number of instruments	Vesting period	Number of instruments	Fair value at grant date	Vesting period	Grant date	Market value value date	Number of instruments	Number of instruments	Value at Grant date	Fair Value (€)
												8.13	7.22
Directors													
Marco Guida	CEO	23.4.2012 Stock Grant	-		-	-	-	-	-	14,853	15,947	129,649	115,108
Andrea Cencini	Director	23.4.2012 Stock Grant	-		-	-	-	-	-	14,853	15,947	129,649	115,108
Paolo Colombo	Director	23.4.2012 Stock Grant	-		-	-	-	-	-	10,822	11,618	94,454	83,861
Managers with strategic responsibilities		23.4.2012 Stock Grant	-		-	-	-	-	-	29,175	31,325	254,672	226,110
TOTAL			-		-	-	-	-	-	69,703	74,837	608,425	540,187

For the sake of clarity, the number of shares and relative prices in the table were adjusted subsequent to the three free share capital increases resolved upon by the Shareholders' Meetings of 28 May 2012, 17 December 2013 and 22 April 2015 (the first two free share capital increases entailed the issue of one new share for every share held and the last one involved one new share for every 10 held). The number of shares indicated is therefore consistent with the number of currently outstanding shares.

There are no residual stock grants assigned in prior years and not yet vested in 2015.
During 2015, no other stock grants were awarded.

Part of the stock grants (69,703) vested in 2015 were not awarded due to non-achievement of the performance objectives.

Part (74,837 grants) of the stock grants vested in 2015 may be awarded, since the performance objectives were reached, but were not yet awarded as of 8 March 2016. The value indicated is based on the market price of TXT stock (€ 8.22) as at the vesting date of 31 December 2015.

Financial instruments expensed in 2015 refer to values stated in the 2015 financial statements based on the fair value of the stock grants on the day in which the Board defined the vesting conditions (11 December 2014, equal to € 7.22 per share).

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

Pursuant to Article 79 of the Consob Regulation approved by resolution no. 11971 of 14 May 1999, here below is a list of the holdings in the company TXT e-solutions S.p.A. by directors and managers with strategic responsibilities, as well as by their spouses who are not legally separated or their minor children, directly or through subsidiaries, trust companies or a third party, resulting as at 31 December 2015 from the shareholders' register, communications received and other information acquired.

For the sake of clarity, the number of shares in the table below was adjusted subsequent to the free share capital increase resolved upon by the Shareholders' Meeting of 22 April 2015 (one new free share for every 10 shares held). The number of shares indicated is therefore consistent with the number of currently outstanding shares.

The table does not include Mr Franco Cattaneo, who resigned as Director on 29 April 2015. As of his resignation date, Mr Franco Cattaneo had 20,000 shares, unchanged compared to 31 December 2014.

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 31.12.2014	NO. OF SHARES PURCHASED/SUBSCRIBED	NO. OF SHARES SOLD	NO. OF SHARES HELD AT 31.12.2015
Directors						
Alvise Braga Illa	Chairman	TXT	1,790,055	11,899	-	1,801,954
Marco Edoardo Guida	CEO	TXT	277,200	-	-	277,200
Paolo Colombo	Director	TXT	161,040	-	-	161,040
Andrea Cencini	Director	TXT	89,021	-	26,233	62,788
Stefania Saviolo	Indep. Dir.	TXT	825	-	-	825
Managers with strategic responsibilities			82,448	-	-	82,448
TOTAL			2,400,589	11,899	26,233	2,386,255

For the sake of clarity, the number of shares in the table below was adjusted subsequent to the free share capital increase resolved upon by the Shareholders' Meeting of 22 April 2015 (one new free share for every 10 shares held). The number of shares indicated is therefore consistent with the number of currently outstanding shares.

TXT e-solutions Group

Consolidated financial statements

as at 31 December 2015

TXT e-solutions S.p.A.

Registered office, management, and administration:

Via Frigia, 27 – 20126 Milan - Italy

Share capital:

€ 6,503,125 fully paid-in

Tax code and Milan Business Register number: 09768170152

Corporate bodies

BOARD OF DIRECTORS

Members' term of office expires upon approval of the financial statements for the year ending 31 December 2016:

Alvise Braga Illa	Chairman	(1)
Marco Edoardo Guida	Chief Executive Officer	(2)
Fabienne Anne Dejean Schwalbe	Independent Director	(3)
Andrea Cencini	Director	(2)
Paolo Enrico Colombo	Director	(2)
Teresa Cristiana Naddeo	Independent Director	(3)
Stefania Saviolo	Independent Director	(3)

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

(2) Powers assigned: ordinary administration.

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

BOARD OF STATUTORY AUDITORS

Members' term of office expires upon approval of the financial statements for the year ending 31 December 2016:

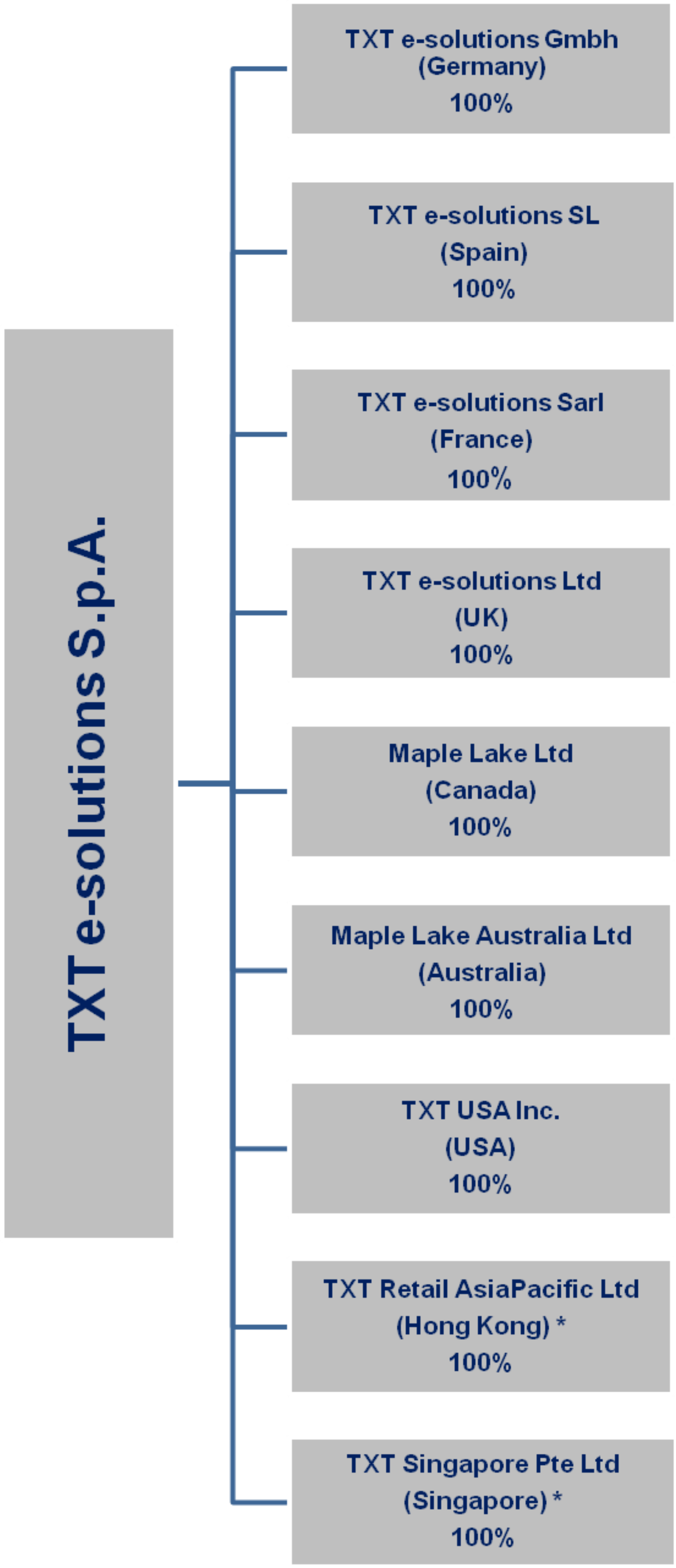
Raffaele Valletta	Chairman
Luisa Cameretti	Standing Auditor
Fabio Maria Palmieri	Standing Auditor
Angelo Faccioli	Alternate Auditor
Pietro Antonio Grignani	Alternate Auditor
Laura Grimi	Alternate Auditor

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



* Companies formed in 2015

Contents

Consolidated financial statements as at 31 December 2015

Consolidated Balance Sheet

ASSETS	Notes	31 Dec. 2015	Of which due to related parties	31 Dec. 2014	Of which due to related parties
NON-CURRENT ASSETS					
Goodwill	6.1	13,160,091		12,993,445	
Intangible assets with a finite useful life	6.2	1,531,601		2,085,369	
Intangible assets		**14,691,692**	**-**	**15,078,814**	**-**
Property, plant and equipment	6.3	1,361,299		1,248,845	
Property, plant and equipment		**1,361,299**	**-**	**1,248,845**	**-**
Sundry receivables and other non-current assets	6.4	141,671		136,068	
Deferred tax assets	6.5	1,936,976		1,556,303	
Other non-current assets		**2,078,647**	**-**	**1,692,371**	**-**
TOTAL NON-CURRENT ASSETS		**18,131,638**	**-**	**18,020,030**	**-**
CURRENT ASSETS					
Period-end inventories	6.6	2,074,935		1,820,672	
Trade receivables	6.7	25,031,799		18,570,928	
Sundry receivables and other current assets	6.8	2,759,371		2,196,824	
Cash and cash equivalents	6.9	9,079,975		12,304,130	
TOTAL CURRENT ASSETS		**38,946,080**	**-**	**34,892,554**	**-**
TOTAL ASSETS		**57,077,718**	**-**	**52,912,584**	**-**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2015	Of which due to related parties	31 Dec. 2014	Of which due to related parties
SHAREHOLDERS' EQUITY					
Share capital		6,503,125		5,911,932	
Reserves		15,826,568		12,867,534	
Retained earnings (accumulated losses)		7,412,155		6,018,431	
Profit (loss) for the period		3,882,489		4,172,380	
TOTAL SHAREHOLDERS' EQUITY	**6.10**	**33,624,337**	**-**	**28,970,277**	**-**
NON-CURRENT LIABILITIES					
Non-current financial liabilities	6.11	-		1,684,734	
Employee benefits expense	6.12	3,830,292		3,841,200	
Deferred tax provision	6.5	1,274,631		965,428	
TOTAL NON-CURRENT LIABILITIES		**5,104,923**	**-**	**6,491,362**	**-**
CURRENT LIABILITIES					
Current financial liabilities	6.13	820,586		2,153,926	
Trade payables	6.14	1,422,360		1,540,108	
Tax payables	6.15	15,544		150,971	
Sundry payables and other current liabilities	6.16	16,089,968	1,634,979	13,605,940	1,350,908
TOTAL CURRENT LIABILITIES		**18,348,458**	**1,634,979**	**17,450,945**	**1,350,908**
TOTAL LIABILITIES		**23,453,381**	**1,634,979**	**23,942,307**	**1,350,908**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**57,077,718**	**1,634,979**	**52,912,584**	**1,350,908**

Consolidated Income Statement

	Notes	2015	Of which due to related parties	2014	Of which due to related parties
Revenues and other income		61,539,525		55,878,267	
TOTAL REVENUES AND OTHER INCOME	**7.1**	**61,539,525**		**55,878,267**	
Purchase of materials and external services	**7.2**	(11,775,716)	(612,925)	(12,493,564)	(578,340)
Personnel costs	**7.3**	(41,844,280)	(1,137,559)	(34,083,703)	(852,453)
Other operating costs	**7.4**	(2,000,305)		(2,508,985)	
Depreciation and amortisation/Impairment	**7.5**	(1,124,000)		(1,325,395)	
OPERATING PROFIT (LOSS)		**4,795,224**	**(1,750,484)**	**5,466,620**	**(1,430,793)**
Financial income	**7.6**	2,718,819		1,298,742	
Financial charges	**7.6**	(2,869,870)		(1,547,260)	
EARNINGS BEFORE TAXES		**4,644,173**	**(1,750,484)**	**5,218,102**	**(1,430,793)**
Income taxes	**7.7**	(761,684)		(1,045,722)	
NET PROFIT (LOSS) FOR THE PERIOD		**3,882,489**	**(1,750,484)**	**4,172,380**	**(1,430,793)**
EARNINGS PER SHARE	**8**	0.33		0.40	
DILUTED EARNINGS PER SHARE	**8**	0.33		0.39	

Consolidated Statement of Comprehensive Income

	2015	2014
NET PROFIT (LOSS) FOR THE PERIOD	**3,882,489**	**4,172,380**
Foreign currency translation differences - foreign operations	41,156	58,080
Net change in fair value of assets held for sale	-	-
Total items of other comprehensive income that will be subsequently reclassified to profit /(loss) for the period net of taxes	**41,156**	**58,080**
Defined benefit plans actuarial gains (losses)	109,366	(346,940)
Total items of other comprehensive income that will not be subsequently reclassified to profit /(loss) for the period net of taxes	**109,366**	**(346,940)**
Total profit/ (loss) of Comprehensive income net of taxes	**150,522**	**(288,860)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4,033,011**	**3,883,520**

Consolidated Statement of Cash Flows

	2015	2014
Net profit (loss) for the period	**3,882,489**	**4,172,380**
Non-monetary costs	878,394	-
Current tax	(627,870)	(170,787)
Change in deferred tax	(71,470)	(127,079)
Depreciation and amortisation, impairment and provisions	1,124,000	1,325,395
Cash flows from (used in) operating activities (before change in working capital)	**5,185,543**	**5,199,909**
(Increases)/decreases in trade receivables	(6,518,776)	(1,768,109)
(Increases)/decreases in inventories	(254,263)	(369,282)
Increases/(decreases) in trade payables	(117,747)	35,585
increases/(decreases) in post-employment benefits	98,458	195,212
Increases/(decreases) in other assets and liabilities	2,408,320	518,468
Change in operating assets and liabilities	(4,384,008)	(1,388,126)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**801,535**	**3,811,783**
Increases in property, plant and equipment	(734,138)	(591,358)
Increases in intangible assets	(29,037)	(23,671)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(763,175)**	**(615,029)**
Increases/(decreases) in financial payables	(3,018,074)	(2,409,333)
Distribution of dividends	(2,678,079)	(2,614,596)
Purchase/Sale of treasury shares	2,215,431	(490,455)
Stock options exercise	-	(105,407)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(3,480,722)**	**(5,619,791)**
INCREASES/(DECREASES) IN CASH AND CASH EQUIVALENTS	**(3,442,362)**	**(2,423,037)**
Effect of exchange rate changes on cash flows	218,207	(93,860)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**12,304,130**	**14,821,027**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9,079,975**	**12,304,130**

Consolidated Statement of Changes in Equity as at 31 December 2015

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
Balances at 31 December 2014	5,911,932	519,422	10,999,923	1,911,444	140,667	181,297	(1,014,033)	128,815	6,018,431	4,172,379	28,970,277
Profit (loss) at 31 December 2014		100,578							4,071,803	(4,172,381)	-
Allocation to stock grant plan						740,000					740,000
Distribution of dividends									(2,678,079)		(2,678,079)
Free share capital increase	591,193		(591,193)								-
Purchase / Sale of treasury shares			2,215,431								2,215,431
Post-employment benefits discounting											-
Exchange differences								343,697			343,697
Post-employment benefits discounting							109,366				109,366
Exchange differences								41,156			41,156
Profit (loss) at 31 December 2015										3,882,489	3,882,489
Total profit at 31 December 2015	-	-	-	-	-	-	109,366	41,156	-	3,882,489	4,033,011
Balances at 31 December 2015	6,503,125	620,000	12,624,161	1,911,444	140,667	921,297	(904,667)	513,668	7,412,155	3,882,487	33,624,337

	Share capital	Legal reserve	Share premium reserve	Merger surplus	First time adoption	Stock options	Actuarial differences on post-employment benefits	Translation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total equity
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
Profit (loss) at 31 December 2013		76,422							4,565,622	(4,642,044)	-
Distribution of dividends									(2,614,596)		(2,614,596)
Subscription of Stock options/Grants			(105,406)			(560,508)			560,508		(105,406)
Purchase of treasury shares			(490,455)								(490,455)
Exchange differences								360,459			360,459
Profit at 31 December 2014										4,172,380	4,172,380
Post-employment benefits discounting							(346,940)				(346,940)
Exchange differences								58,080			58,080
Total profit at 31 December 2014	-	-	-	-	-	-	(346,940)	58,080	-	4,172,380	3,883,520
Balances at 31 December 2014	5,911,932	519,422	10,999,922	1,911,444	140,667	181,297	(1,014,033)	128,815	6,018,431	4,172,379	28,970,277

NOTES TO THE FINANCIAL STATEMENTS

1. Group's structure and scope of consolidation

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

The table below shows the companies included in the scope of consolidation under the line-by-line method as at 31 December 2015:

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%	2,200,801
Maple Australia Lake Pty Ltd	AUD	100%	112
TXT USA Inc.	USD	100%	1,000
TXT Retail AsiaPacific Ltd	HKD	100%	100,000
TXT Singapore Pte Ltd	SGD	100%	10,000

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 Australia Pty Ltd, TXT USA Inc., TXT Retail AsiaPacific Ltd and TXT Singapore Pte Ltd into Euro:

- Income statement (average exchange rate)

Currency	2015	2014
British Pound Sterling (GBP)	0.7260	0.8064
Canadian Dollar (CAD)	1.4110	1.4669
Australian Dollar (AUD)	1.4743	1.4724
US Dollar (USD)	1.1116	1.3288
Hong Kong Dollar (HKD)	8.6179	10.3052
Singapore Dollar (SGD)	1.5244	1.6830

- Balance sheet (exchange rate at 31 December 2015 and 31 December 2014)

Currency	31 Dec. 2015	31 Dec. 2014
British Pound Sterling (GBP)	0.7340	0.7789
Canadian Dollar (CAD)	1.5116	1.4063
Australian Dollar (AUD)	1.4897	1.4829
US Dollar (USD)	1.0887	1.2141
Hong Kong Dollar (HKD)	8.4376	9.4170
Singapore Dollar (SGD)	1.5417	1.6058

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 2015 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.

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 8 March 2016.

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 2015.

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 company loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary;
- derecognises the carrying amounts of any non-controlling interests in the former subsidiary;
- 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 company. 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 reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts which are required to be recognised at the acquisition date. If that excess remains after applying the new measurement, the resulting gain is recognised in 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 assets 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 is 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 licences

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

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 rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If it is not possible to determine such transactions, an appropriate measurement model is used. These calculations are corroborated by the appropriate valuation multipliers, quoted share prices of investee companies whose securities are publicly traded, and other available indicators of fair value.

The Group bases its impairment test on detailed budgets and forecasts prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts generally cover a period of five years. For longer periods, a long-term growth rate used to extrapolate cash flow projections beyond the fifth year is calculated.

Impairment losses on operating assets, including losses on inventories, are recognised in 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 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.

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 2015 and 2014.

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, default or delinquency in interest or principal payments, that borrowers, or a group of borrowers, are incurring; the probability 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 assets 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). The present value of cash flows is 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 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 in relation to the stage of completion determined using the cost-to-cost method. Advance payments received from customers are deducted from inventories, to the extent that they do not exceed the consideration accrued; the remaining part is recognised as a liability.

Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits comprise cash on hand and demand and short-term deposits with maturity of up to three months.

Treasury shares

Treasury shares are measured at cost and deducted from equity. No gain or loss is recognised in 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. 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) if the employee exercised the specific option. Therefore, the Group's defined benefit obligation to employees exclusively regards the provisions made up to 31 December 2006.

The accounting treatment adopted by TXT since 1 January 2007 reflects the prevailing interpretation of the new law and is consistent with the accounting approach defined by the relevant professional bodies. In particular:

- Post-employment benefits earned since 1 January 2007 are considered elements of a Defined Contribution Plan even if the employee exercised the option to allocate them to the Treasury Fund at INPS. These benefits, determined based on statutory provisions and not subject to any actuarial valuation, therefore represent negative income components recognised as labour costs.
- Post-employment benefits earned as at 31 December 2006 continue instead to represent the liability for the company's obligation under a Defined Benefit Plan. This liability will not be increased further in the future with additional provisions; therefore, unlike in the past, the

component relating to future increases in salaries was excluded from the actuarial calculation made to determine the balance as at 31 December 2012.

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 is possible, this fact is reported in the notes to the financial statements.

Dividends distributed

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

Intragroup and transactions with related parties

Related parties are:

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

- Control TXT e-solutions S.p.A.
- Are subsidiaries of TXT e-solutions S.p.A.
- Are subject to joint control with TXT e-solutions S.p.A.
- Have an interest in TXT e-solutions S.p.A. such as to exercise a significant influence.

b) 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.

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

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

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

Government grants

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

When the TXT e-solutions Group receives a non-monetary grant, the asset and the grant are recognised at their nominal amount in 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 year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to calculate the amount are those that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised outside 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. Management periodically assesses the tax position taken in the tax return with respect to situations in which tax laws are subject to interpretation and makes provisions where appropriate.

Deferred tax

Deferred tax is calculated using the so-called "liability method" on the temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that it arises from:

- the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures that may be controlled and is unlikely to occur in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences as well as the unused tax losses and unused tax credits can be utilised, unless:

- the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- the deferred tax asset for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures is recognised only 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 13 requires that fair value measurements be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are as follows:

- Level 1: quoted prices in an active market for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted prices included within level 1 that are observable in the market, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- Level 3: inputs that are not based on observable market data.

No transfers between hierarchical levels occurred during the financial year 2015.

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

Amounts in Euro	31 Dec. 2015	Level 1	Level 2	Level 3
Financial assets at fair value				
- other non-current financial assets	-	-	-	-
- other current financial assets	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**
Financial liabilities at fair value				
- other non-current financial liabilities	-	-	-	-
- other current financial liabilities	813,737	-	794,459	-
Total financial liabilities	**813,737**	**-**	**794,459**	**-**

Amounts in Euro	31 Dec. 2014	Level 1	Level 2	Level 3
Financial assets at fair value				
- other non-current financial assets	-	-	-	-
- other current financial assets	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**
Financial liabilities at fair value				
- other non-current financial liabilities	1,684,734	-	1,684,734	-
- other current financial liabilities	2,339,822	-	2,319,913	-
Total financial liabilities	**4,024,556**	**-**	**4,004,647**	**-**

Current financial liabilities approximate market value.

Non-current financial liabilities referred to loans signed by the group and fully repaid in the year 2015.

Guarantees issued, obligations and other contingent liabilities

At 31 December 2015, 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 flow projections are based on the plan for the next five years and include neither restructurings for which the Group does not have a present obligation, nor significant future investments that will increase the return on the assets of the cash-generating unit subject to measurement. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model, as well as on the expected future cash inflows and the growth rate used to extrapolate.

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 2015 are consistent with those used in preparing the Group financial statements as at 31 December 2014, except for the adoption of the new standards, amendments and interpretations effective since 1 January 2015.
Several new standards and amendments became effective as of 2015. 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:

Annual Improvements to IFRS - 2011-2013 Cycle

These improvements took effect from 1 July 2014 and the Group applied them for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment applies prospectively and, for the purposes of exclusion from the scope of IFRS 3, clarifies that:

- Both joint ventures and joint arrangements fall outside the scope of IFRS 3.
- This exclusion from the scope applies only in the balance sheet records of the joint arrangement.

TXT e-solutions S.p.A. is not a joint arrangement; therefore, this amendment is not relevant for the Group or its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment applies prospectively and clarifies that the portfolio exception envisaged by IFRS 13 may be applied not only to financial assets and liabilities, but also to other contracts under the scope of IAS 39. The Group does not apply the portfolio exception envisaged by IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (for example: property, plant and machinery). The amendment applies prospectively and clarifies that in defining whether a transaction constitutes the purchase of an asset or a business combination, IFRS 3 must be used instead of the description of ancillary services in IAS 40. In previous periods, the Group used IFRS 3 and not IAS 40 in defining whether a transaction constituted the purchase of an asset or a business combination. Therefore, this amendment had no impact on the Group's accounting policies.

Moreover, in accordance with paragraph 30 of IAS 8, the following information is provided.

Amendments to IAS 19 Defined benefit plans: employee contributions

Mandatory for companies starting from the start date of their first financial year, beginning on or after 1 February 2015.

IAS 19 requires an entity to include, in its accounting for defined benefit plans, contributions by employees or by third parties. If the contributions are linked to service rendered, they should be attributed to the periods of service as a negative benefit. This amendment clarifies that if the amount of contributions is independent of the number of years of service, contributions may be recognised as a reduction in the service cost during the period in which the service is rendered, rather than allocating them to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant for the Group, as none of the entities within the Group have plans that envisage contributions by employees or third parties.

Annual Improvements to IFRS - 2010-2012 Cycle

Mandatory for companies starting from the start date of their first financial year, beginning on or after 1 February 2015.

IFRS 2 Share-based Payment

This amendment applies prospectively and clarifies a number of points regarding definition of the performance condition and service condition which are part of the vesting conditions. The clarifications are consistent with the methods used by the Group, in prior periods, to identify the performance and service conditions which are part of the vesting conditions. Moreover, the deadline for awarding of the stock grants envisaged by the plan approved by the shareholders' meeting of 23 April 2012 expired on 30 June 2014, and 2015 is the last year for possible vesting of these rights for beneficiaries of the plan. Consequently, these amendments did not have any impact on the Group's financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment applies prospectively and clarifies that all agreements with regard to contingent consideration classified as a liability (or asset) arising from a business combination must be subsequently measured at fair value, with offsetting entry in the income statement, whether or not it falls under the scope of IAS 39. This amendment had no impact on the Group's accounting policies.

IFRS 8 Operating segments

The amendment applies retrospectively and clarifies that:

- An entity must disclose the assessments made by management in applying the aggregation criteria pursuant to paragraph 12 of IFRS 8, including a brief description of the operating segments that were aggregated and the economic characteristics (for e.g., sales, gross margin) used to determine the segments are "similar";
- A reconciliation of the segment's assets with total assets must be presented only if the reconciliation is presented at the highest decision-making level, as is required for liabilities of the segment.

The Group has not applied the aggregation criteria envisaged by IFRS 8.12. In prior periods, the Group presented the reconciliation of segment assets with total assets and continues to do so, as the reconciliation is provided to the highest decision-making level.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets

The amendment applies retrospectively and clarifies that in IAS 16 and IAS 38, as asset may be revalued based on observable data by adjusting the gross carrying amount of the asset to market value, as well as by determining the market value of the carrying amount and adjusting the gross carrying amount in proportionally, so that the resulting carrying amount is equal to market value. Furthermore, the accumulated amortisation is the difference between the asset's gross carrying amount and the carrying amount. This amendment did not have any impact on the Group's financial statements or accounting policies.

IAS 24 Related party disclosures

The amendment applies retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to disclosure on transactions with related parties. Moreover, an entity that uses a management entity must disclose the expenses sustained for the management services. This amendment is not relevant for the Group, as it does not receive management services from other entities.

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 € 9,079,975, and a positive Net Financial Position of € 8,259,389, the TXT e-solutions Group does not deem to be exposed to significant liquidity risks at present.

Currency risk

The Group's exposure to currency risk derives from the different geographical distribution of the Group's production operations and commercial activities.. This exposure is mainly the result of sales in currencies other than the functional currency (in 2015, 58% of the Group's revenues were earned outside Italy).

As at 31 December 2015, approximately 20% of the Group's sales revenues and operating costs were 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 of the Canadian Dollar and US Dollar), the Parent Company has entered into forward sale contracts to mitigate the impact of exchange rate volatility on the income statement. Currency forward sales and purchases are not specific for each transaction but are carried out based on the overall balance by currency and typically have a quarterly duration.

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 (11% of consolidated revenues at 31 December 2015), the Canadian Dollar (8% of consolidated revenues at 31 December 2015), the Australian Dollar (1% of consolidated revenues at 31 December 2015).

The impact of the six subsidiaries outside of the Euro zone and 100% owned by the Parent Company (TXT UK Ltd, Maple Lake Ltd, Maple Lake Australia Pty Ltd, TXT USA Inc., TXT Retail AsiaPacific Ltd and TXT Singapore Pte Ltd) on profit (loss) 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 profit (loss)
2015	+5%	(58,385)
	-5%	64,530

Australian Dollar	Increase/Decrease	Effect on profit (loss)
2015	+5%	(9,123)
	-5%	10,084

US Dollar	Increase/Decrease	Effect on profit (loss)
2015	+5%	42,172
	-5%	(46,611)

British Pound Sterling	Increase/Decrease	Effect on net profit (loss)
2015	+5%	(37,677)
	-5%	41,642

Singapore Dollar	Increase/Decrease	Effect on profit (loss)
2015	+5%	2,013
	-5%	(2,225)

Hong Kong Dollar	Increase/Decrease	Effect on profit (loss)
2015	+5%	253
	-5%	(280)

Interest rate risk

The Group's net financial exposure is subject to 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 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. 2015	Interest rate change	Financial income / charges
Net financial position	8,259,389		
Fixed rate payables	-		
Financial exposure (floating rate)	8,259,389	+1%	82,594
		-1%	(82,594)

Credit risk

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

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

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

	Amount in Euro	Concentration %
Total receivables due from customers	25,031,799	-
Receivables due from customers (Top 5)	10,703,431	42.76%
Receivables due from customers (Top 10)	14,303,395	57.14%

In general, trade receivables are mainly concentrated in Italy and in the European Union.

Receivables from an important Italian customer operating in the Aerospace & High Tech business account for 25.94% of the Group's total trade receivables. The first five and ten customers respectively account for 42.76% and 57.14% of the total trade receivables collectible.

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 at 31 December 2015.

5. Transactions with related parties

On 8 November 2010, the Board of Directors 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. The procedure is available on the Company's website at 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 2015	Receivables	Payables	Costs	Revenues
TXT e-solutions Sarl (France)	772,401	195,706	121,047	2,944,463
TXT e-solutions Gmbh (Germany)	-	40,429	536,722	1,234,179
TXT e-solutions SL (Spain)	-	36,193	114,878	146,490
TXT e-solutions Ltd (United Kingdom)	322,217	653,845	1,635,365	1,949,081
Maple Lake Australia Pty Ltd (Australia)	10,084	-	-	35,000
Maple Lake Ltd (Canada)	761,638	36,922	8,116	1,208,049
TXT USA Inc.	2,117	-	-	-
TXT Singapore Pte Ltd	198	17,380	17,494	-
Directors and key management personnel	-	1,634,979	2,290,671	-
Total at 31 December 2015	**1,868,655**	**2,615,453**	**4,724,294**	**7,517,262**

At 31 December 2014	Receivables	Payables	Costs	Revenues
TXT e-solutions Sarl (France)	116,520	134,803	125,398	3,003,610
TXT e-solutions Gmbh (Germany)	-	40,424	147,725	775,536
TXT e-solutions SL (Spain)	-	24,602	48,582	221,367
TXT e-solutions Ltd (United Kingdom)	349,762	461,296	1,026,686	1,790,498
Maple Lake Australia Pty Ltd (Australia)	21,645	-	-	47,000
Maple Lake Ltd (Canada)	899,127	139,190	2,914	1,064,124
TXT USA Inc.	624	-	-	-
Directors and key management personnel	-	1,350,908	1,430,793	-
Total at 31 December 2014	**1,387,678**	**2,151,222**	**2,782,099**	**6,902,135**

Financial transactions

At 31 December 2015	Receivables	Payables	Charges	Income
TXT e-solutions Sarl (France)	-	2,377,989	32,269	1,500,000
TXT e-solutions Gmbh (Germany)	-	2,524,877	30,664	-
TXT e-solutions SL (Spain)	-	1,138,074	13,503	-
TXT e-solutions Ltd (United Kingdom)	-	408,747	4,091	-
Maple Lake Australia Pty Ltd (Australia)	-	-	-	1,115
Maple Lake Ltd (Canada)	2,976,156	-	-	75,303
TXT USA Inc.	257,188	-	-	3,256
TXT Retail AsiaPacific Ltd	17,719	-	-	-
TXT Singapore Pte Ltd	68,959	-	-	198
Total at 31 December 2015	**3,320,022**	**6,449,687**	**80,527**	**1,579,872**

At 31 December 2014	Receivables	Payables	Charges	Income
TXT e-solutions Sarl (France)	-	2,733,207	37,901	-
TXT e-solutions Gmbh (Germany)	-	1,639,713	29,690	-
TXT e-solutions SL (Spain)	-	897,118	11,461	-
TXT e-solutions Ltd (United Kingdom)	10	128,386	289	7,781
Maple Lake Australia Pty Ltd (Australia)	128,127	-	-	3,281
Maple Lake Ltd (Canada)	2,911,973	-	-	65,189
TXT USA Inc.	107,075	-	-	612
Total at 31 December 2014	**3,147,186**	**5,398,425**	**79,340**	**76,863**

Transactions with directors and key management personnel refer to the fixed and variable components of their remuneration (composed of salaries as Company managers and compensation for offices held), and to costs allocated during the year for rights vested for Stock Grants. The Remuneration Report details the amounts paid to each beneficiary and the underlying policy.

The main changes refer to the inclusion of other key management personnel and to the Stock Grant rights vested in 2015. For the other changes in transactions with group companies, see the comments under the specific items of the financial statements.

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT AS AT 31 DECEMBER 2015

6. Balance sheet

6.1. Goodwill

Goodwill, referring entirely to the TXT Perform Cash Generating Unit (CGU), amounted to € 13,160,091 at 31 December 2015, up € 166,646 compared to the previous year.

A breakdown of the item at 31 December 2015 and the comparison with 31 December 2014 are shown below:

Goodwill	Amount at 31 December 2015	Amount at 31 December 2014
Program Acquisition	800,000	800,000
MSO Concept Acquisition	2,326,982	2,326,982
BGM Acquisition	1,870,589	1,762,638
Maple Lake Acquisition	8,162,520	8,103,825
TOTAL GOODWILL	**13,160,091**	**12,993,445**

The difference in the gross amount at 31 December 2015 compared to the end of 2014 can be attributed entirely to exchange differences on goodwill in functional foreign currencies other than the Euro.

Impairment test

Pursuant to IAS 36, goodwill is not subject to amortisation, but is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired. For the purposes of this test, goodwill is allocated to the cash-generating units or groups of cash generating units, in compliance with the highest aggregation which shall not be larger than an operating segment as defined by IFRS 8.

The impairment test consists of measuring the recoverable value of each Cash Generating Unit (CGU) and comparing the latter with the net carrying amount 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 2016-2018 period and approved by the Board of Directors on 10 December 2015.

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, is calculated assuming the investment produces a constant cash flow starting from that moment. The approach used consisted of the present value of a perpetuity growing at a constant rate g.

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

The rate g used was 1.50%, based on a more prudent approach than the one used by the Group's analysts, which fluctuates between 2.00% and 2.50%.

Discount rate

The discount rate used in discounting cash flows represents the estimated rate of return expected for each Cash Generating Unit on the market.

The discount rate used to discount cash flows is 6.87%, 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, characterised by high dispersion of returns of European government bonds, the lower rate is that of the 10-year German Bund (0.60% at 31 December 2015). 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. Therefore, the Countries are: Germany (EUR), France (EUR), Canada (CAD$), Spain (EUR), UK (Pound), Italy (EUR), and Australia (AUD$). The United States (USD$), Hong Kong (HKD$) and Singapore (SDG$) were not considered, as these countries did not generate revenues in 2015. The calculated average rate is 1.37%, including 77 basis points of "systemic" risk compared to the German rate (0.60%), considering the average risk of the countries in which the TXT Group operates.
- The risk premium relative to the market was estimated at 5.50%.
- Beta was estimated at 1.00, in line with the previous year.

The cost of own capital is therefore: 1.37% + 5.50%*1.00 = 6.87%;

Since at 31 December 2015 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 6.87% (therefore in the ranges 4.87%-5.87%-6.87%-7.87%-8.87%).
- Revenue growth rate: for the years beyond the analytical forecast for the 2016 Budget, and therefore for the 2017-2018-2019-2020 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 (1.00%-1.50%-2.00%).

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 the CGU is higher than the CGU's carrying amount, even simulating an increase in the discount rate up to a WACC of 33.80%.
- 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 -54% of the estimated EBITDA.

Conclusions

Based on the analyses conducted, the Company's Directors deemed the carrying amount of goodwill in the consolidated financial statements at 31 December 2015 to be recoverable.

6.2. Intangible assets with a finite useful life

Net of amortisation, intangible assets with a finite useful life amounted to € 1,531,601 at 31 December 2015. The changes that occurred during the year are detailed below:

Intangible assets	Software licences	Research and development	Intellectual Property	Customer Relationship	Other intangible assets	TOTAL
Balances at 31 December 2014	**18,624**	**268,130**	**655,756**	**1,142,584**	**275**	**2,085,369**
Acquisitions	29,037	-	-	-	-	29,037
Disposals	-	-	-	-	-	-
Amortisation	(29,097)	(268,130)	(138,052)	(147,428)	(98)	(582,805)
Impairment	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
Balances at 31 December 2015	**18,564**	**-**	**517,704**	**995,156**	**177**	**1,531,601**

Balances at 31 December 2014						
Historical cost	1,288,184	2,579,685	966,375	1,474,298	485	6,309,027
Accumulated amortisation and impairment	(1,269,560)	(2,311,555)	(310,619)	(331,714)	(210)	(4,223,658)
Net value	**18,624**	**268,130**	**655,756**	**1,142,584**	**275**	**2,085,369**

Balances at 31 December 2015						
Historical cost	1,468,522	1,340,648	966,375	1,474,298	484	5,250,327
Accumulated amortisation and impairment	(1,449,958)	(1,340,648)	(448,671)	(479,142)	(307)	(3,718,726)
Net value	**18,564**	**-**	**517,704**	**995,156**	**177**	**1,531,601**

The item is detailed as follows:

- Software licences: these included software licences acquired mainly by the Parent Company for operating in-house instruments and implementing TXT Perform's products. Investments in the period of € 29,037 referred to renewal of software licences.
- Research and development costs: these 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 and will certainly be offset with the revenues to be derived from such products in the future. The amortisation period for the research and development costs of the products in question ended during the year.
- 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. The Maple Lake group companies’ Customer Relationship was also considered in the allocation of the premium paid.

The negative change (€ 553,768) compared to the previous year was almost entirely attributable to the amortisation for the period.

6.3. Property, plant and equipment

Net of depreciation, property, plant and equipment amounted to € 1,361,299 at 31 December 2015 up € 112,454 compared with 31 December 2014. The changes that 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 2014	**7,223**	**243,331**	**166,358**	**644,850**	**187,083**	**1,248,845**
Acquisitions	-	202,987	81,168	365,917	84,066	734,138
Disposals	-	(86,242)	(27,825)	(16,294)	(8,033)	(138,394)
Depreciation	(1,827)	(75,680)	(52,463)	(270,416)	(82,904)	(483,290)
Impairment	-	-	-	-		-
Revaluations	-	-	-	-		-
Balances at 31 December 2015	**5,396**	**284,396**	**167,238**	**724,057**	**180,212**	**1,361,299**

Balances at 31 December 2014						
Historical cost	877,202	393,578	767,009	1,332,647	794,693	4,165,129
Accumulated depreciation and impairment	(869,979)	(150,247)	(600,651)	(687,797)	(607,610)	(2,916,284)
Net value	**7,223**	**243,331**	**166,358**	**644,850**	**187,083**	**1,248,845**

Balances at 31 December 2015						
Historical cost	875,038	472,029	791,040	1,664,705	867,822	4,670,634
Accumulated depreciation and impairment	(869,642)	(187,633)	(623,802)	(940,648)	(687,610)	(3,309,335)
Net value	**5,396**	**284,396**	**167,238**	**724,057**	**180,212**	**1,361,299**

Investments in the category “motor vehicles” refer to the purchase of automobiles by the German subsidiary for its operational sales personnel.

Investments in the “furniture and fixtures” category mainly refer to expansion of the German subsidiary's offices.

Investments in the “electronic machinery” category mainly refer to the purchase of computer systems and hardware to bolster productive capacity.

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

6.4. Sundry receivables and other non-current assets

Sundry receivables and other non-current assets amounted to € 141,671 at 31 December 2015, compared with € 136,068 at 31 December 2014. The item included security deposits paid by the Group companies as part of their operations and relating to motor vehicle rentals and bids in public tenders. The increase over the prior year is mainly attributable to security deposits for the registered offices of the new companies TXT Retail AsiaPacific Ltd and TXT Singapore Pte Ltd.

Other Companies

The only investment in associates is represented by “Innovazione Più SC”; the relevant disclosure is provided below:

Company name	City or foreign country	Share capital	Shareholders' equity	Profit / Loss	% ownership	Carrying amount	pursuant to Article 2426, para. 4, of Italian Civil Code
Innovazione Più SC	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 has ceased operations.

The Company expects no cost to arise from the conclusion of the liquidation process.

6.5. Deferred tax assets / liabilities

The breakdown of deferred tax assets and liabilities at 31 December 2015, compared with the end of 2014, is shown below:

	Balance at 31 December 2015	Balance at 31 December 2014	Change
Deferred tax assets	1,936,976	1,556,303	380,673
Deferred tax provision	(1,274,631)	(965,428)	(309,203)
Total	**662,345**	**590,875**	**71,470**

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) on 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 2014 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 List and Intellectual Property) and to the mismatch between tax value and carrying amount of certain goodwill amounts that arose following the prior acquisitions. The last item was reclassified during the year, following a change in the estimate of the future period of reversal of the temporary differences.

The temporary differences of deferred tax assets and liabilities are shown by type in the tables below and compared with the previous year's figures:

	31 December 2014		Change	31 December 2015	
Deferred tax assets	**Temporary differences**	**Tax effect**	**Temporary differences**	**Temporary differences**	**Tax effect**
Prepaid taxes for recoverable losses	3,920,798	1,146,176	3,127,045	7,047,843	1,650,120
Provisions	662,185	182,101	-557,185	105,000	28,875
Provision for bad debts	293,918	80,827	-1,000	292,918	80,552
Write-down on treasury shares	244,664	67,283	0	244,664	67,283
Provision for TXT e-solutions Sarl pension fund	33,023	11,007	16,530	49,553	16,516
Provision for TXT e-solutions Gmbh pension fund	35,154	7,031	15,603	50,757	15,227
Costs allocated on accrual basis and deductible on a cash basis	122,815	33,774	162,286	285,101	78,403
Maple Lake UK Acquisition	112,204	28,105	-112,204	-	-
Total	**5,424,761**	**1,556,303**	**2,651,075**	**8,075,836**	**1,936,976**

		31 December 2014		Change	31 December 2015	
Deferred tax liabilities		**Temporary differences**	**Tax effect**	**Temporary differences**	**Temporary differences**	**Tax effect**
Goodwill ITA	Goodwill mismatch	555,553	167,943	55,555	611,108	185,391
Goodwill UK BMG+PPA Maple	Goodwill mismatch	895,129	179,026	1,860,153	2,755,282	551,056
PPA Maple	IP & CP tax values	1,798,337	564,678	-285,483	1,512,854	475,036
Other minor		192.343	53,781	34,483	226,826	63,148
Total		**3,441,362**	**965,428**	**1,664,708**	**5,106,070**	**1,274,631**

Furthermore, it should be noted that the Group's overall tax losses at 31 December 2015 amounted to € 13.6 million, mainly relating to the Parent Company, for which no deferred tax assets were recorded for € 5.9 million.

6.6. Period-end inventories

Period-end inventories amounted to € 2,074,935 at 31 December 2015, up € 254,263 compared to the end of 2014.

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

Company	31 December 2015	31 December 2014	Change
TXT e-solutions S.p.A.	2,007,871	1,628,920	378,951
TXT e-solutions S.a.r.l.	67,064	191,752	(124,688)
TOTAL	**2,074,935**	**1,820,672**	**254,263**

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.

The increase compared to the prior year is due to the increase in turnover.

6.7. Trade receivables

Trade receivables at 31 December 2015, net of the provisions for bad debts, amounted to € 25,031,799, up € 6,460,871 compared to the end of 2014, due to receivables not yet due following the increase in business volume and concentration of invoicing in the last part of the year. (€ 3 million). The remainder (€ 3.5 million) is due to growth in receivables due within the range of 0-90 days, particularly for customers in the aeronautics and banking sector in Italy and fashion sector in France. A significant portion of receivables past due were collected in the first few weeks of 2016. The item is detailed in the table below:

Trade receivables	31 December 2015	31 December 2014	Change
Gross value	25,801,550	19,301,946	6,499,604
Provision for bad debts	(769,751)	(731,018)	(38,733)
Net value	**25,031,799**	**18,570,928**	**6,460,871**

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

Provision for bad debts	31 December 2015
Opening amount	**(731,018)**
Allocation	(42,965)
Use	4,232
Closing amount	**(769,751)**

The breakdown of trade receivables into coming due and past due at 31 December 2015, compared with 31 December 2014, is shown below:

Due date	Total	Coming due	Past due	
			0 - 90 days	More than 90 days
31 December 2015	**25,031,799**	14,959,185	8,296,198	1,776,416
31 December 2014	**18,570,928**	11,964,808	5,637,422	968,697

6.8. Sundry receivables and other current assets

The item “Sundry receivables and other current assets”, which included receivables for research grants, tax and other receivables, as well as accrued income and prepaid expenses, amounted to € 2,759,371 at 31 December 2015, compared to € 2,196,824 at 31 December 2014. The breakdown is shown below:

Sundry receivables and other current assets	31 December 2015	31 December 2014	Change
Receivables due from EU	1,036,359	1,048,505	(12,145)
Tax receivables	895,385	402,942	492,443
Other receivables	135,386	82,847	52,539
Accrued income and prepaid expenses	692,240	662,530	29,710
Total	**2,759,371**	**2,196,824**	**562,547**

The item “receivables due from EU” includes receivables for research grants from the European Union 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 balance is essentially in line with the previous year.

Tax receivables of € 895,385 represent the receivables due from taxation authorities. The increase compared to the prior year refers to the Parent Company's IRES (Corporate Income Tax) and IRAP (Regional Tax on Productive Activities) advances paid in excess with respect to the amounts owing for the year.

Other receivables amount to € 135,386 and include receivables due from employees for travel advances and meal vouchers (€ 90,200) and other trade receivables.

Accrued income and prepaid expenses, amounting to € 692,240, consist of reversals of prepaid expenses that did not relate to the period.

6.9. Cash and cash equivalents

The Group's cash and cash equivalents amount to € 9,079,975, down € 3,224,155 compared with 31 December 2014. Please refer to the statement of cash flows for details about cash flow generation.

Cash and cash equivalents refer to ordinary current accounts held with Italian banks, amounting to € 7,317,967, as well as with foreign banks, totalling € 1,762,008.

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.

6.10. Shareholders' equity

The Company's share capital at 31 December 2015 consisted of 13,006,250 ordinary shares with a par value of € 0.5, totalling € 6,503,125 (in 2014, it comprised 11,823,864 ordinary shares with a par value of € 0.5, totalling € 5,911,932).

The extraordinary Shareholders’ Meeting of TXT e-solutions Spa held on 22 April 2015 approved a resolution concerning a free share capital increase from € 5,911,932 to € 6,503,125, involving the issue of one share with a par value of € 0.5, cum dividend, for every ten shares held, by partially using the share premium reserve. The new shares have become cum dividend since 1 January 2015 and have become effective on the Stock Market since 18 May 2015.

The reserves and retained earnings included the legal reserve (€ 620,000), the share premium reserve (€ 12,624,161), the merger surplus reserve (€ 1,911,444), the first-time adoption reserve (€ 140,667) the stock option/stock grant reserve (€ 921,297), the reserve for actuarial differences on post-employment benefits and other pension funds (€ -904,667), the translation reserve (€ 513,668) and the reserve for retained earnings (€ 7,412,155).

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 remuneration. This reserve amounts to € 921,297 (€ 181,297 at 31 December 2014) and refers to the 2012 stock grant plan.

The change compared to the previous year is due to the allocation of € 740,000 upon partial achievement of the vesting conditions under the plan. The amount was calculated by multiplying the number of shares with respect to the rights vested in 2015 (102,519) by a unit value of € 7.22. For additional details on the calculation methods for the unit value, see the paragraph "Employee benefits expense".

The disclosures required by IFRS 2 on the 2012 stock grant plan are reported below:

2012-2016 STOCK GRANT PLAN					
	No. of shares	**2012**	**2013**	**2014**	**2015**
(I)	Outstanding at the beginning of the period	0	280,000	458,340	198,000
(II)	Granted during the period	280,000	378,000	0	0
(III)	Forfeited during the period	0	(143,660)	(248,000)	(95,481)
(IV)	Exercised during the period	0	(56,000)	(12,340)	0
(V)	Expired during the period	0	0	0	0
(VI)	Outstanding at the end of the period	280,000	458,340	198,000	102,519
(VII)	Exercisable at the end of period	0	12,340	198,000	102,519

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	Foreign	TOTAL
Share premium reserve	12,452,369	171,792	-	-	12,624,161	-	12,624,161
Legal reserve	-	620,000	-	-	620,000	-	620,000
Stock option reserve	-	-	-	921,297	921,297	-	921,297
Merger surplus	1,911,444	-	-	-	1,911,444	-	1,911,444
Reserve for retained earnings	-	-	-	473,095	473,095	7,120,883	7,552,822
Translation reserve	-	-	-	-	-	472,512	513,668
Reserve for actuarial differences on post-employment benefits	-	-	-	(910,984)	(910,984)	6,317	(904,667)
Total	**14,363,814**	**791,792**	**-**	**483,408**	**15,639,013**	**7,599,711**	**23,238,725**

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 stock market indices, and the Net Financial Position, as the Board of Directors shall decide upon each grant. 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.

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.

Pursuant to the plan, the termination date for awarding of the stock grants expired on 30 June 2014.

The cost accrued in 2015 for the stock grants awarded is € 740,000, following partial achievement of the plan's vesting conditions.

Treasury shares

At 31 December 2015, the Company held 1,345,700 treasury shares (1,427,850 at 31 December 2014), equal to 10.35% of shares outstanding, amounting to € 3,253,840 (€ 4,058,666 at 31 December 2014), for a total par value of € 672,850 (€ 713,925 at 31 December 2014) and a market value of € 10,940,541. The price of TXT stock as at 31 December 2015 was € 8.13 (€ 11,151,509 at 31 December 2014, stock price € 7.81). Shares outstanding (issued) at 31 December 2015 numbered 13,006,250.

On 22 April 2015, the Shareholders' Meeting approved a free share capital increase with assignment of one new share for every 10 shares held; this transaction was executed on 20 May 2015 with ex-dividend date of 18 May 2015. On 20 May 2015, the company collected 111,155 free shares following the free share capital increase.

During 2015, the Company purchased 125,965 treasury shares at an average price per share of € 7.56, for a total amount of € 952,238 (in 2014, the Company purchased 59,730 treasury shares at an average price per share of € 8.21, for a total value of € 490,454).

On 25 March 2015, the Company sold 319,000 shares at an average price per share of € 9.93 for a total amount of € 3,167,670. These were purchased by Kabouter Management LLC, an institutional investor based in Chicago (USA), specialised in small to mid-cap international companies, already shareholder of TXT with approximately 5% of share capital. The shares sold had an average carrying amount (using the LIFO calculation method) of € 1,757,065.

The purchase of shares was authorised again by the Shareholders' Meeting of 22 April 2015. The plan provides for a maximum number of shares so as not to exceed the legal maximum number at the maximum price not exceeding the average of the official stock market prices in the three sessions prior to the purchase transaction, plus 10%, and in any case not more than € 25.00.

In order to maintain the necessary operational flexibility over a suitable time horizon, and considering that said authorisation expired on 21 October 2015, the Shareholders' Meeting renewed for an additional 18 months the authorisation to purchase and dispose of treasury shares through subsidiaries as well, simultaneously revoking the analogous authorisation of 22 April 2014 for the portion not yet executed.

6.11. Non-current financial liabilities

Non-current financial liabilities amount to € 0 (€ 1,684,734 at 31 December 2014), as the Parent Company paid off its financial debts with maturity beyond 12 months.

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

	31 December 2015	31 December 2014	Change
1 and 2 years	-	915,586	(915,586)
2 and 5 years	-	769,148	(769,148)
Total	**-**	**1,684,734**	**(1,684,734)**

The reduction on the previous year is the result of the re-payments of portions made in the year, specifically:

- a loan amounting to € 115,586 for research and development, 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%);

- € 1,600,000, net of transaction costs of € 30,853, linked to reimbursement of the amount stated in the prior year as the non-current portion of the residual loan of € 2,400,000 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. At 31 December 2014, this loan was restated under non-current liabilities for € 1,600,000 and short-term loans for € 800,000.

The early repayment of the loan involved the payment of residual interest accrued up to that point, equal to € 13,809.

6.12. Employee benefits expense

The item “Employee benefits expense” at 31 December 2015 amounted to € 3,830,292, of which € 3,508,150 relating to obligations to the employees of the Parent Company, and € 322,142 relating to the pension funds for management of the German and French subsidiaries. The breakdown of, and changes in, this item over the period are presented below:

Employee benefits expense	31 December 2014	Provisions	Uses/Payments	Actuarial gains/losses and other	Financial income/charges	31 December 2015
Post-employment benefits	2,675,165	1,316,522	(1,398,120)	(74,994)	39,860	2,558,433
Provision for severance for end of term of office	872,217	77,500	-	-	-	949,717
Pension fund for management	293,818	56,822	-	(34,372)	5,874	322,142
Total non-current provisions relating to employees	**3,841,200**	**1,450,844**	**(1,398,120)**	**(109,366)**	**45,734**	**3,830,292**

To calculate the present value of post-employment benefits, the following assumptions regarding the future trends in the variables included in the algorithm have been used:

- The probability of death was estimated based on the census of the Italian population by age and gender taken in 2000 by ISTAT [Italy's National Institute for Statistics], reducing it by 20%.
- The probability of removal due to total and permanent disability of the employee, such as becoming disabled and leaving the company, was estimated based on disability tables currently used in the reinsurance sector, differentiated by age and gender.
- The retirement age of a generic worker was estimated assuming that the first retirement requirement for the purpose of obtaining the Mandatory General Insurance was satisfied and that the employees started paying into INPS [Italy's Social Security Institute] no later than 28 years of age. This measurement accounts for the changes to the retirement age introduced by the Monti reform in late 2011.
- As for the probability of termination of employment due to resignations and dismissals, as at the measurement date an annual 4% 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 1.50% per year.

The discount rate used for measurement purposes was 1.43% per year, i.e. the rate on Bonds issued by AA-rated European Companies at 31 December 2015 with maturities of between 7 and 10 years.

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 2015	% Change in liabilities (DBO)			
Type of change for the specific assumption	**Decrease**	**Increase**	**Decrease**	**Increase**
Decrease or increase of 50% of company's staff turnover	0.63%	-0.34%	2,574,551	2,549,734
Decrease or increase of 50% in frequency of advanced payments	0.16%	-0.15%	2,562,527	2,554,595
Decrease or increase of inflation by one percentage point	-8.58%	9.63%	2,338,919	2,804,810
Decrease or increase of discount rate by one percentage point	13.11%	-11.32%	2,893,844	2,268,818

6.13. Current financial liabilities

The item "current financial liabilities" amounted to € 820,586 (€ 2,153,926 at 31 December 2014) and includes:

- The payable regarding advances on research projects funded by the European Union received by TXT e-solutions S.p.A. as lead manager and to be reimbursed to the project partners, amounting to € 794,459 (€ 874,306 at 31 December 2014). This payable will be paid off during 2016.
- € 19,288 for the forward sale of CAD 4,500,000 (negative fair value of € 16,417) and USD 500,000 (negative fair value of € 2,861), all contracts stipulated on 29 December 2015.
- A short-term loan obtained by the German branch for € 6,839.

On 11 January 2015, one of the 3 loans granted by the Ministry of Education (€ 434,182 at 31 December 2014) was extinguished early, while the other two loans were extinguished upon reaching their natural expiry. Even the loan disbursed in 2012 by BNL for the Maple Lake acquisition was extinguished early, on 31 March 2015, for the entire residual amount of € 2,400,000 (of which, at 31 December 2014, € 800,000 classified under current financial liabilities and the remainder under non-current ones).

6.14. Trade payables

Trade payables amounted to € 1,422,360 at 31 December 2015, down € 117,748 compared with 31 December 2014. Payables due to suppliers are non-interest bearing, refer to trade transactions, and are due within twelve months.

6.15. Tax payables

Tax payables at 31 December 2015 totalled € 15,544 and refer to income taxes of the foreign subsidiaries. The reduction compared to the end of the prior year is mainly due to income taxes of the French subsidiary TXT e-solutions Sarl, which amounted to € 138,344 last year.

6.16. Sundry payables and other current liabilities

Sundry payables and other current liabilities amounted to € 16,089,968 at 31 December 2015, compared with € 13,605,940 at 31 December 2014, as detailed in the table below:

Sundry payables and other current liabilities	31 December 2015	31 December 2014	Change
Other payables	2,323,217	2,231,883	91,334
Accrued expenses and deferred income	5,215,106	4,513,392	701,714
Advance payments for multi-year orders	2,059,782	1,117,762	942,020
Payables due to social security institutions	1,180,324	1,500,278	(319,954)
Payables due to employees and external staff	5,311,539	4,242,625	1,068,914
Sundry payables and other current liabilities	**16,089,968**	**13,605,940**	**2,484,028**

The item “Payables due to employees and external staff” included payables due to employees for bonuses and unused annual leave.

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

The item “Accrued expenses and deferred income” mainly referred to deferred income from maintenance services and consulting services for the period.

“Other payables” mainly included the payables due to taxation authorities for withholding taxes on salaries of employees and external staff (€ 1,551,521), grants received from the European Union to be redistributed (€ 605,287) and other payables (€ 103,409).

7. Income Statement

7.1. Total revenues and other income

Consolidated revenues and other income amounted to € 61,539,525, up 10% compared with the previous year, as detailed below:

	31 December 2015	31 December 2014	Change	% change
Revenues	60,731,115	51,857,835	8,873,280	17%
Other income	808,409	4,020,432	(3,212,023)	-80%
Total	**61,539,525**	**55,878,267**	**5,661,258**	**10%**

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

Note that other income in 2014 included income of € 1,541,276 received from two sellers of Maple Lake, acquired in September 2012, and who have ended their collaboration with the TXT Group companies, paying TXT e-solutions S.p.A. the contractually envisaged compensation.

For additional information on the analysis of revenues and other income, see the Director's report on operations.

7.2. Purchase of materials and external services

Purchases of materials and external services amounted to € 11,775,716, down from 2014, when they totalled € 12,493,564.

The item is detailed below:

	31 December 2015	31 December 2014	Change
Consumables and resale items	372,204	379,012	(6,808)
Technical consulting	3,009,672	4,663,803	(1,654,131)
Travel expenses	1,961,003	1,796,800	164,203
Utilities	638,184	607,966	30,218
Media & marketing services	975,425	972,445	2,980
Maintenance and repair	650,104	520,829	129,275
Canteen services and meal vouchers	554,318	452,492	101,826
Administrative and legal services	485,911	336,799	149,112
Directors' fees	604,930	582,430	22,500
Subcontractors	419,045	236,507	182,538
Others	2,104,920	1,944,481	160,439
Total	**11,775,716**	**12,493,564**	**(717,848)**

As a percentage of consolidated revenues, costs for purchasing materials and services were lower than in 2014, dropping from 22.36% to 19.14%.

Technical consulting fell by € 1,654,131 compared with the end of 2014, due to the fact that certain processes, previously provided by outside consultants, were brought in-house.

Travel expenses, canteen services and meal vouchers and subcontractors respectively fell by € 164,203, € 101,826 and € 182,538 compared to the end of 2014, following the increase in business volume, which required additional internal and external resources dedicated to the new projects.

Other costs mainly comprise reimbursement of expense reports (€ 1,004,750, up by € 116,654 compared to the end of the prior year), in addition to insurance and training costs (respectively € 157,932, + 10,724 compared to the end of 2014, and € 129,100, + 38,707).

7.3. Personnel costs

Personnel costs for 2015 amounted to € 41,844,280, growing by € 7,760,577 (22.77%) compared to 31 December 2014.

This increase was mainly due to the expansion of the workforce due to business development and the hiring of personnel for services and activities which were purchased outside the company in the previous year.

As at 31 December 2015, the TXT e-solutions Group had 672 employees, net of directors and external contractors (569 as at 31 December 2014), for an increase of 103 employees essentially in the TXT Next division, given the growth in business volume and the hiring of recent graduates, subsidised by the changes in contract types introduced in Italy by the Jobs Act. The table below shows the breakdown of personnel costs:

	31 December 2015	31 December 2014	Change
Wages and salaries	33,215,400	26,954,877	6,260,523
Social security costs	5,858,690	5,434,563	424,127
Provision for post-employment benefits and other pension funds	1,547,697	1,194,352	353,345
Other personnel costs	1,222,493	499,911	722,582
Total	**41,844,280**	**34,083,703**	**7,760,577**

The item "Other personnel costs" mainly includes costs sustained for the stock grant plan (€ 740,000) and the amounts paid to employees following out-of-court settlements.

The employees of the TXT e-solutions Group numbered 672 at 31 December 2015 (569 at 31 December 2014), broken down as follows:

	White-collar staff	Middle managers	Executives and managers	Total
31 December 2014	491	56	22	569
31 December 2015	594	54	24	672

7.4. Other operating costs

The item "other operating costs" at the end of 2015 amounted to € 2,000,305, down by € 508,681 from the previous year.

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

	31 December 2015	31 December 2014	Change
Rental expense for offices	1,091,777	1,060,802	30,975
Other expenses and extraordinary income adjustments	45,822	613,582	(567,760)
Rental expense for motor vehicles	504,809	503,686	1,123
Rental expense for servers	85,684	87,450	(1,766)
Other tax (other than income tax)	89,925	87,118	2,807
Royalties	82,870	77,378	5,492
Contingent liabilities	57,156	48,074	9,082
Other rental expense	18,650	15,443	3,207
Fines and penalties	8,474	7,997	477
Magazine and subscription expenses	14,985	7,297	7,688
Charity	154	158	(5)
Total	**2,000,305**	**2,508,985**	**(508,681)**

The decrease in "other operating costs" compared to the end of the prior year is mainly due to the 2014 recognition under "other expenses and extraordinary income adjustments" of the costs relative to contractual termination of a project with a customer of the TXT Perform division.

7.5. Depreciation, amortisation and impairment

Depreciation, amortisation and impairment amounted to € 1,124,000 at 31 December 2015, down slightly compared to the end of 2014.

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.

7.6. Financial income (charges)

At 31 December 2015, the company recognised financial charges of € 151,051, compared to € 248,517 in financial charges at the end of 2014.

Financial income (charges) at 31 December 2015 is broken down as follows:

	31 December 2015	31 December 2014	Change
Bank interest income	49,790	126,104	(76,314)
Total financial income	**49,790**	**126,104**	**(76,314)**
Bank interest expense	68,336	135,197	(66,862)
Balance of unrealised exchange rate gains/losses	1,238	88,575	(87,338)
Other financial charges	131,267	150,849	(19,582)
Total financial charges	**200,841**	**374,621**	**(173,781)**
Total	**(151,051)**	**(248,517)**	**97,466**

Interest income decreased mainly as a result of the general reduction in short-term interest rates.

Exchange rate gains and losses occurred mainly as a result of forward sales on foreign currency loans granted by the Parent Company to foreign subsidiaries.

7.7. Income taxes

Income taxes at 31 December 2015 amounted to € 761,684, and are detailed as follows:

	31 December 2015	31 December 2014	Change
Total current tax	833,154	1,172,801	278,759
Total prepaid taxes	(380,673)	(322,989)	57,684
Total deferred taxes	309,203	195,910	(505,113)
Total taxes	**761,684**	**1,045,722**	**(284,038)**

Current tax consists of IRAP for an amount of Euro 252,083 attributable to the Parent Company and the difference to income taxes for the period.

Theoretical IRES tax expense reconciliation:

Description	Amount	Tax
Earnings before taxes	**4,644,173**	
Theoretical tax expense		**1,272,097**
Differences that will not be carried forward in future years:	(88,960)	(24,464)
Taxes expensed in the year		**1,247,633**
Temporary differences taxable in future years:	229,470	74,238
Temporary differences deductible in future years:	134,580	37,010
Reversal of temporary differences from previous years	(695,865)	(191,363)
Tax base for the year	**4,223,398**	
Current theoretical taxes for the year		**1,167,518**
Use of previous years' losses	(2,102,024)	
Current effective taxes for the year		**581,071**

Theoretical IRAP tax expense reconciliation:

Description	Amount	Tax
Difference between production value and costs	3,314,865	
Non-significant costs for IRAP purposes:	3,492,846	
Theoretical tax expense (3.90%)	**6,807,711**	**265,501**
Differences that will not be carried forward in future years:	107,690	4,200
Tax expensed in the year		**276,734**
Temporary differences from previous years:	(396,185)	
Temporary differences taxable in future years:	(55,555)	
IRAP tax base for the year	**6,463,661**	
Current IRAP for the year		**252,083**

8. Net earnings per share

Basic net earnings per share

The basic net earnings per share for 2015 is calculated by dividing net profit of € 3,882,489 (€ 4,172,380 at 31 December 2014) by the weighted average number of ordinary shares outstanding in 2015, equal to 11,670,387 and amounts to € 0.33.

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 2015, the weighted average number of ordinary shares outstanding in 2015 was 11,868,387 and the diluted earnings per share amounted to € 0.33.

9. Segment disclosures

For operating purposes, the Group is organised into two Business Units based on the end-use of the products and services provided; the 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 2015

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
Intangible assets	14,684	8	0	14,692
Property, plant and equipment	811	550	0	1,361
Other fixed assets	1,239	840		2,079
FIXED ASSETS	**16,734**	**1,398**	**0**	**18,132**
Inventories	95	1,980	0	2,075
Trade receivables	11,838	13,194	0	25,032
Sundry receivables and other short-term assets	1,644	1,115	0	2,759
Trade payables	(830)	(592)	0	(1,422)
Tax payables	(884)	(407)	0	(1,291)
Sundry payables and other short-term liabilities	(9,394)	(6,696)	0	(16,090)
NET WORKING CAPITAL	**2,469**	**8,594**	**0**	**11,063**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,236)**	**(1,594)**	**0**	**(3,830)**
CAPITAL EMPLOYED	**16,967**	**8,398**	**0**	**25,365**
Shareholders' equity			33,624	33,624
Net financial debt			(8,259)	(8,259)
CAPITAL EMPLOYED			**25,365**	**25,365**

BALANCE SHEET BY BUSINESS UNIT AS AT 31 DECEMBER 2014

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
Intangible assets	15,072	7	0	15,079
Property, plant and equipment	762	487	0	1,249
Other fixed assets	1,033	659		1,692
FIXED ASSETS	**16,866**	**1,154**	**0**	**18,020**
Inventories	(68)	1,889	0	1,821
Trade receivables	9,166	9,405	0	18,571
Sundry receivables and other short-term assets	1,341	856	0	2,197
Trade payables	(911)	(629)	0	(1,540)
Tax payables	(800)	(317)	0	(1,117)
Sundry payables and other short-term liabilities	(8,049)	(5,557)	0	(13,606)
NET WORKING CAPITAL	**678**	**5,648**	**0**	**6,326**
POST-EMPLOYMENT BENEFITS AND OTHER NON-CURRENT LIABILITIES	**(2,272)**	**(1,569)**	**0**	**(3,841)**
CAPITAL EMPLOYED	**15,272**	**5,233**	**0**	**20,505**
Shareholders' equity			28,970	28,970
Net financial position			(8,465)	(8,465)
CAPITAL EMPLOYED			**20,505**	**20,505**

INCOME STATEMENT BY BUSINESS UNIT AS AT 31 DECEMBER 2015

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
REVENUES	**36,673**	**24,867**	**0**	**61,540**
Licences & maintenance	15,854	122	0	15,976
Services and other revenues	20,819	24,745	0	45,564
OPERATING COSTS:				
Direct costs	13,002	16,187	0	29,189
Research and development costs	3,944	1,174	0	5,118
Commercial costs	10,393	2,288	0	12,681
General and administrative costs	4,704	3,189	0	7,893
TOTAL OPERATING COSTS	**32,043**	**22,838**	**0**	**54,881**
EBITDA pre Stock Grant	**4,630**	**2,029**	**0**	**6,659**
Stock Grant	482	258		740
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**4,148**	**1,771**	**0**	**5,919**
Amortisation	483	0	0	483
Depreciation and impairment	382	259	0	641
OPERATING PROFIT (LOSS) [EBIT]	**3,283**	**1,512**	**0**	**4,795**
Financial income (charges)	(103)	(48)	0	(151)
EARNINGS BEFORE TAXES	**3,180**	**1,464**	**0**	**4,644**
Taxes	**(522)**	**(240)**	**0**	(762)
NET PROFIT (LOSS) FOR THE PERIOD	**2,658**	**1,224**	**0**	**3,882**

INCOME STATEMENT BY BUSINESS UNIT AS AT 31 DECEMBER 2014

(€ thousand)	TXT Perform	TXT Next	Unallocated	TOTAL TXT
REVENUES	**34,101**	**21,777**	**0**	**55,878**
Licences & maintenance	12,537	102	0	12,639
Services and other revenues	21,564	21,675	0	43,239
OPERATING COSTS:				
Direct costs	12,946	13,509	0	26,455
Research and development costs	3,002	1,696	0	4,698
Commercial costs	8,918	2,176	0	11,094
General and administrative costs	4,174	2,665	0	6,839
TOTAL OPERATING COSTS	**29,039**	**20,046**	**0**	**49,086**
GROSS OPERATING PROFIT (LOSS) [EBITDA]	**5,062**	**1,731**	**0**	**6,792**
Amortisation	864	0	0	864
Depreciation	281	180	0	461
OPERATING PROFIT (LOSS) [EBIT]	**3,916**	**1,551**	**0**	**5,467**
Financial income (charges)	(179)	(71)	0	(250)
EARNINGS BEFORE TAXES	**3,737**	**1,480**	**0**	**5,217**
Tax	**(749)**	**(297)**	**0**	(1,046)
NET PROFIT (LOSS) FOR THE PERIOD	**2,988**	**1,183**	**0**	**4,171**

10. 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 2015 is as follows:

(€ thousand)	31 Dec. 2015	31 Dec. 2014	Change
Cash and bank assets	9,080	12,304	(3,224)
Short-term financial payables	(821)	(2,154)	1,333
Short-term financial resources	**8,259**	**10,150**	**(1,891)**
Payables due to banks with maturity beyond 12 months	-	(1,685)	1,685
Net Available Financial Resources	**8,259**	**8,465**	**(206)**

11. Subsequent events

On 29 February 2016, the Company signed an agreement to purchase PACE Aerospace Engineering and Information Technology Gmbh, with headquarters in Berlin. The consideration for the transaction, in which TXT will initially acquire 79% of the shares of PACE from its financial investors eCAPITAL AG, Strategic European Technologies NV and IBB Beteiligungsgesellschaft mbh, will be € 5.6 million, paid in cash upon closing by using the available liquidity of TXT. Signing of the definitive agreement, which is conditional on completion of the regular corporate provisions, is envisaged for 1 April 2016. The Net Financial Position of PACE at closing is expected to be positive for approximately € 1.7 million. The consideration will be increased by additional cash payments in 2016 and 2017, estimated at approximately € 1.9 million, based on the financial and economic results of PACE's business. The financial statements of PACE and TXT will be consolidated starting from second quarter 2016.

In 2015, PACE earned revenues of approximately € 7.3 million - of which 57% for licences, maintenance and other recurring fees - and EBITDA of € 0.8 million, after research and development costs of € 1.7 million.

The three founders and directors of PACE, Michael Kokorniak, Oliver Kranz and Alexander Schneegans, shall continue as shareholders for the remaining 21%. A put-call option for their shares will be exercisable in the period 2020-2021, at a price based on the future results of PACE, with multiples essentially in line with those of the initial transaction.

12. 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.

13. 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.

14. 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 2015 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	Ernst & Young	Subsidiary TXT e-solutions Gmbh	13
Auditing	Ernst & Young	Subsidiary TXT e-solutions SL	2
Auditing	Network Ernst & Young	Subsidiary TXT e-solutions Sarl	13.5
Auditing	Network Ernst & Young	Subsidiary TXT e-solutions Ltd	8
Auditing	Ernst & Young	Subsidiary Maple Lake Ltd	12

15. Certification of the consolidated financial statements

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

The undersigned 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 2015.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements as at 31 December 2015 is based on a process defined by TXT in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission which represents a reference framework that is generally accepted at an international level.

We also certify that the consolidated financial statements as at 31 December 2015:

- 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 accounting documents

Paolo Matarazzo

Chairman of the Board of Directors corporate

Alvise Braga Illa

Milan, 8 March 2016