REPORT ON OPERATIONS

Main risks and uncertainties to which Reply S.p.A and the Group are exposed

The Reply Group adopts specific procedures in managing risk factors that can have an influence on company results. Such procedures are a result of an enterprise management that has always aimed at maximizing value for its stakeholders putting into place all necessary measures to prevent risks related to the Group activities.
Reply S.p.A., as Parent Company, is exposed to the same risks and uncertainties as those to which the Group is exposed, and which are listed below.
The risk factors described in the paragraphs below must be jointly read with the other information disclosed in the Annual Report.

External risks

Risks associated with general economic conditions
The informatics consultancy market is strictly related to the economic trend of industrialized countries where the demand for highly innovative products is greater. An unfavourable economic trend at a national and/or international level or high inflation could alter or reduce the growth of demand and consequently could have negative effects on the Group's activities and on the Group's economic, financial and earnings position.
It should also be noted that Russia's recent invasion of Ukraine creates uncertainties and tensions particularly within the Eurozone. Although the relative evolutions and impacts are still uncertain and difficult to assess, the intensification of war hostilities, ongoing geopolitical tensions and trade war, including the imposition of international economic sanctions against companies, banks and Russians, could have significant negative repercussions on the global, international and Italian economy, on the performance of the financial markets and on the energy sector.

Risks related to the evolution of ict-related services
The ICT consulting services sector in which the Group operates is characterised by rapid and profound technological changes and by a constant evolution of the mix of professional skills and expertise to be pooled in the provision of the services themselves, with the need for continuous development and updating of new products and services, and a prompt go to market. Therefore, the future development of the Group's activities will also depend on its ability to foresee technological developments and the content of its services, also through significant investments in research and development activities, or through effective and efficient extraordinary operations.

Risks associated with competition
The ICT market is highly competitive. Competitors could expand their market share squeezing out and consequently reduce the Group's market share. Moreover the intensification of the level of competition is also linked with possible entry of new entities endowed with human resources and financial and technological capacities in the Group's reference sectors, offering largely competitive prices which could condition the Group's activities and the possibility of consolidating or amplifying its own competitive position in the reference sectors, with consequent repercussions on business and on the Group's economic, earnings and financial situation.

Risks associated with changes in client needs
The Group's solutions are subject to rapid technological changes which, together with the growing or changing needs of customers and their own need for digitalisation, could translate into requests for the development of increasingly complex activities that sometimes require excessive commitments that are not economically proportionate, or could result in the cancellation, modification or postponement of existing contracts. This could, in some cases, have repercussions on the Group's business and on its economic and financial situation.

Risks associated with segment regulations
The Group is subject to the laws and regulations applicable in the countries in which it operates, such as, among the main ones, regulations on the protection of occupational health and safety, the environment and the protection of intellectual property rights, tax regulations, regulations on the protection of privacy, the administrative liability of entities pursuant to Legislative Decree No. 231/01 and responsibilities under Law 262/05.
The Group operates in accordance with applicable legal requirements and has established processes to ensure that it is aware of the specific local regulations in the areas in which it operates and of regulatory changes as they occur.
Violations of these regulations could result in civil, tax, administrative and criminal sanctions, as well as the obligation to carry out regularisation activities, the costs and responsibilities of which could adversely affect the Group's business and its results.

Climate risks

Reply's business model considers its employees as the maximum expression of its resources, as the Group specialises in consulting, system integration and digital services, and is dedicated to the conception, design and development of solutions based on new communication channels and digital media.

However, the risks associated with:

- climate, both chronic and acute with reference to temperature, wind, water and soil and therefore to possible extreme events, such as fires, floods, hurricanes
- other phenomena, such as earthquakes
- uncertainties arising from armed conflicts or terrorist attacks

may have a direct impact on the Group and its supply chain.

With reference to the main climatic risks for the company, any significant damage to the Group's offices could have an impact on critical processes, such as the e-mail service, however these impacts are subject to analysis of the aspects of business continuity and are safeguarded by appropriate security and organizational measures to preserve the business from disruptions. The occurrence of a serious accident would hardly have a significant negative impact on the Group's activities.

Extreme weather events that have occurred in the last decade have caused minor impacts for business activities based on digital and cloud services, for which the home-based working approach is widespread and well established and constitutes a good strategy to mitigate the unavailability of locations, for example in the event of an extreme climatic event. It is important to remember that the majority of the services provided by the Group are based on systems and data centres of Customers or Third Parties, outside the direct responsibility of Reply, which does not manage any data centre of significant size.

Diversely, the risk of generating negative impacts on the climate by the Group is mainly linked to the ability to adopt effective measures to reduce emissions that partly depend also on the energy that the company buys to manage its activities and that can be produced from fossil fuels or renewable sources. In this case, the Russian invasion of Ukraine generates negative impacts on security of supply and, while making clear the need for an energy transition, causes the use of fossil fuels in the short term. This context could make it more difficult to achieve the defined environmental targets.

This could be compounded by reputational risk, such as the difficulty of attracting and retaining customers, employees, business partners and investors if Reply fails to meet its climate protection targets.

The measures taken to prevent and mitigate environmental risks are the ISO14001 certified environmental management system and all initiatives to reduce greenhouse gas emissions related to the Group's operations (mainly due to locations and business travel), which can lead in the short term to an increase in capital expenditures before obtaining financial benefits in the long term and the use of renewable energy. In most cases, however, the Group does not own all the buildings where the offices are located: this condition could hinder in terms of feasibility, time and costs the implementation of energy efficiency

measures that should generate an improvement in environmental performance.
The ESG Team, with the support of the local Operations functions, collects and analyses environmental data, periodically monitors indicators and helps to create awareness and train employees on these issues thanks to events and internal communication initiatives, coordinated by the Social Network function.

Our most relevant suppliers share a similar exposure as Reply.

Internal risks

Risks associated with key management and loss of know-how
The Group's success is largely due to certain key figures who have contributed in a decisive way to its development, such as the Chairman, the Chief Executive Officer and the executive directors of the Parent Company Reply S.p.A.. Reply also has a management team with many years of experience in the sector, which plays a decisive role in the management of the Group's activities. The loss of the services of one of the aforementioned key figures without adequate replacement, as well as the inability to attract and retain new and qualified personnel, could have a negative impact on the Group's prospects, maintenance of critical know-how, activities and economic and financial results. The Management believes, in any event, that the Company has an operational and managerial structure capable of ensuring continuity in the management of corporate affairs.

Risks associated with relationship with client
The Group offers consulting services mainly to medium and large size companies operating in different market segments (Telco, Manufacturing, Finance, etc.).
A significant part of the Group's revenues, although in a decreasing fashion in the past years, is concentrated on a relatively limited number of clients. If such clients were lost this could have an adverse effect on the Group's activities and on the Group's economic, financial and earnings position.

Risks associated with internationalization
The Group, with an internationalization strategy, could be exposed to typical risks deriving from the execution of its activities on an international level, such as changes in the political, macro-economic, fiscal and/or normative field, along with fluctuations in exchange rates. These could negatively influence the Group's growth expectations abroad.

Risks related to group development

The constant growth in the size of the Group presents new management and organisational challenges.

The Group constantly focuses its efforts on training employees and maintaining internal controls to prevent possible misconduct (such as misuse or non-compliance with laws or regulations on the protection of sensitive or confidential information and/or inappropriate use of social networking sites that could lead to breaches of confidentiality, unauthorised disclosure of confidential company information or damage to reputation).

If the Group does not continue to make the appropriate changes to its operating model as needs and size change, if it does not successfully implement the changes, and if it does not continue to develop and implement the right processes and tools to manage the business and instil its culture and core values in its employees, the ability to compete successfully and achieve its business goals could be compromised.

Risks related to acquisitions and other extraordinary operations

The Group plans to continue to pursue strategic acquisitions and investments to improve and add new expertise, service offerings and solutions, and to enable expansion into certain geographic areas and other markets.

Any investment made as part of strategic acquisitions and any other future investment in Italian or international companies may involve an increase in complexity in the Group's operations and there is no guarantee that such investments will generate the expected return on the acquisition or investment decision and that they will be properly integrated in terms of quality standards, policies and procedures in a manner consistent with the rest of the Group's operations. The integration process may require additional costs and investments. Inadequate management or supervision of the investment made may adversely affect the business, operating results and financial matters.

Risks related to non-fulfilment of contractual commitments

The Group develops high-tech, high-value solutions; the underlying contracts, which may involve both internal staff and external contractors, may provide for the application of penalties for failure to meet agreed deadlines and quality standards. The application of such penalties could have negative effects on the Group's economic and financial results and reputation. However, the Group has taken out insurance policies, deemed adequate, to protect itself against risks arising from professional liability for an aggregate annual maximum amount deemed adequate in relation to the underlying risk. However, if the insurance coverage is inadequate and the Group is required to pay damages in excess of the maximum amount provided, the Group's financial position, results of operations and cash flows could be materially adversely affected.

Risks related to key partnerships

In order to offer the most suitable solutions to differing customer needs, the Group has established important partnerships with leading global vendors.

The business that the Group conducts through these partnerships may decline or not grow for a number of reasons, as the priorities and objectives of technology partners may differ from those of the Group and they are not prohibited from competing with the Group or entering into closer agreements with its competitors. Decisions the Group makes with respect to a technology partner may affect the ongoing relationship. In addition, technology partners may experience reduced demand for their technology or software, which could decrease the related demand for the Group's services and solutions.

The risk of failing to adequately manage and successfully develop relationships with key partners, or of failing to foresee and establish effective alliances in relation to new technologies, could adversely affect the ability to differentiate services, offer cutting-edge solutions to customers or compete effectively in the market, with possible consequent repercussions on the business and on the economic and financial situation.

Risks related to the protection of intellectual property rights

The Group's success depends, in part, on its ability to obtain intellectual property protection for its proprietary platforms, methodologies, processes, software and other solutions.

The Group relies on a combination of confidentiality, non-disclosure and other contractual agreements, and patent, trade secret, copyright and trademark laws and procedures to protect its intellectual property rights. Even where we obtain intellectual property protection, the Group's intellectual property rights cannot prevent or discourage competitors, former employees or other third parties from reverse engineering their own solutions or proprietary methodologies and processes or independently developing similar or duplicate services or solutions.

In addition, the Group may unwittingly infringe the rights of others and be liable for damages as a result. Any claims or litigation in this area could cost time and money and lead to damage the Group's reputation and/or require it to incur additional costs to obtain the right to continue offering a service or solution to its customers.

The occurrence of such risks could adversely affect the Group's competitive advantage and market positioning, its economic, financial and capital position, as well as its reputation and prospects for future business development.

Cyber security, data management and dissemination risks

The Group's business relies on IT networks and systems to process, transmit and store electronic information securely and to communicate with its employees, customers, technology partners and suppliers. As the scale and complexity of this infrastructure continues to grow, not least due to the increasing reliance on and use of mobile technologies, social media and cloud-based services, and as increasingly more of our employees are working remotely during the coronavirus pandemic, the risk of security incidents and cyber-attacks increases. Such breaches could result in the shutdown or disruption of the Group's systems and those of our customers, technology partners and suppliers, and the potential unauthorised disclosure of sensitive or confidential information, including personal data.

In the event of such actions, the Group could be exposed to potential liability, litigation and regulatory or other actions, as well as loss of existing or potential customers, damage to brand and reputation, and other financial losses. In addition, the costs and operational consequences of responding to violations and implementing corrective measures could be significant.

To date, there hasn't been a cybersecurity attack that has had a material effect on the Group, although there is no guarantee that there won't be a material impact in the future. As the business and cyber security landscape evolves, the Group may also find it necessary to make significant additional investments to protect data and infrastructure.

However, if the insurance coverage, which includes IT insurance, is inadequate and the Group is required to pay damages in excess of the maximum amount provided, the Group's financial position, results of operations and cash flows could be materially adversely affected.

Risks in terms of social and environmental responsibility and business ethics

In recent years, the growing community focus on social, environmental and business ethics issues, as well as the evolution of national and international regulations, have given impetus to the disclosure and measurement of non-financial performance, which is now fully included among the qualifying factors of corporate management and competitive capacity of a company.

In this regard, socio-environmental issues and business ethics are increasingly integrated into the strategic choices of companies and are increasingly attracting the attention of various stakeholders concerned with sustainability issues.

The Group is committed to managing its business activities with a particular focus on respect for the environment, social issues, labour relations, the promotion of human rights and the fight against corruption, contributing to the spread of a culture of sustainability in respect of future generations.

Failure to adequately address these issues could subject the Group to risks of sanctions as well as reputational risks.

For a more specific discussion of sustainability/ESG risks, please refer to the Disclosure of Non-Financial Information (NFI), published on the Reply website in the Investor Corporate Governance section.

Financial risks

Credit risk

For business purposes, specific policies are adopted to assure its clients' solvency.
With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

The Group's exposure to credit risk is the potential losses that could result from non-fulfilment of the obligations assumed by both commercial and financial counterparties.
In order to measure this risk over time, as part of the impairment of its financial assets (including trade receivables), the Group has applied a model based on expected credit losses pursuant to IFRS.
This exposure is mainly due to general economic and financial items, the possibility of specific insolvency situations of some debtor counterparties and more strictly technical-commercial or administrative elements.
The maximum theoretical exposure to credit risk for the Group is the book value of financial assets and trade receivables. The risk related to trade receivables is managed through the application of specific policies aimed to ensure the solvency of customers.
Provisions to the allowance for doubtful accounts are made specifically on creditor positions with specific risk elements. On creditor positions which do not have such characteristics, provisions are made on the basis of the average default estimated on the basis of statistical indicators.

Liquidity risk

The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of the Group's companies are monitored or centrally managed under the control of the Group Treasury, with the objective of guaranteeing effective and efficient management of capital resources (maintaining an adequate level of liquid assets and funds obtainable via an appropriate committed credit line amount).
The difficult economic and financial context of the markets requires specific attention as regards the management of liquidity risk and in such a way that particular attention is given to shares tending to generate financial resources with operational management and to maintaining an adequate level of liquid assets. The Group therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

Exchange rate and interest rate risk

The Group entered into most of its financial instruments in Euros, which is its functional and presentation currency. Although it operates in an international environment, it has a limited exposure to fluctuations in the exchange rates.
The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Group is exposed mainly derives from bank loans; to mitigate such risks, the Group, when necessary, has used derivative financial instruments designated as "cash flow hedges".
The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

Tax risk

The risk of any changes in tax law and its application or interpretation could have a negative or positive impact on the Group's results of operations, affecting the effective tax rate.
The Company adheres to the National Tax Consolidation scheme pursuant to articles 117/129 of the Consolidated Income Tax Act (TUIR). Reply S.p.A., the Parent Company, acts as consolidating company and determines a single taxable income for the Group of companies participating in the Tax Consolidation, benefiting from the possibility of offsetting taxable income with tax losses in a single declaration. The tax risk limitation measures put in place by Management, in terms of verifying the adequacy and correctness of tax compliance, obviously cannot completely exclude the risk of tax audits.

Review of the group's economic and financial position

Foreword

The financial statements commented on and illustrated in the following pages have been prepared on the basis of the Consolidated financial statements as at 31 December 2022 to which reference should be made, prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, as well as with the provisions implementing Article 9 of Legislative Decree No. 38/2005.

Trend of the period

The Group closed 2022 with a consolidated turnover of €1,891.1 million, an increase of 27.5% compared to €1,483.8 million in 2021.

All indicators are positive for the period. Consolidated EBITDA was €340.3 million, an increase of 29.5% compared to €262.8 million recorded in 2021.

EBIT, from January to December, was at €285.5 million, which is an increase of 36.4% compared to €209.3 million in 2021.

The Group net profit was at €192.2 million, an increase of 26.1% compared to the €150.7 million recorded in 2021.

As at 31 December 2022, the Group's net financial managerial position was positive, at €70.6 million. As at 31 December 2021, the net financial managerial position was positive, at €193.2 million.

2022 was a very positive year for Reply, both in terms of turnover growth and margins. In the past few months, Reply has continued to invest and has acquired additional market shares in Europe, the UK and North America. Reply has also upgraded its core offerings in artificial intelligence, robotics and connected vehicles with new components.

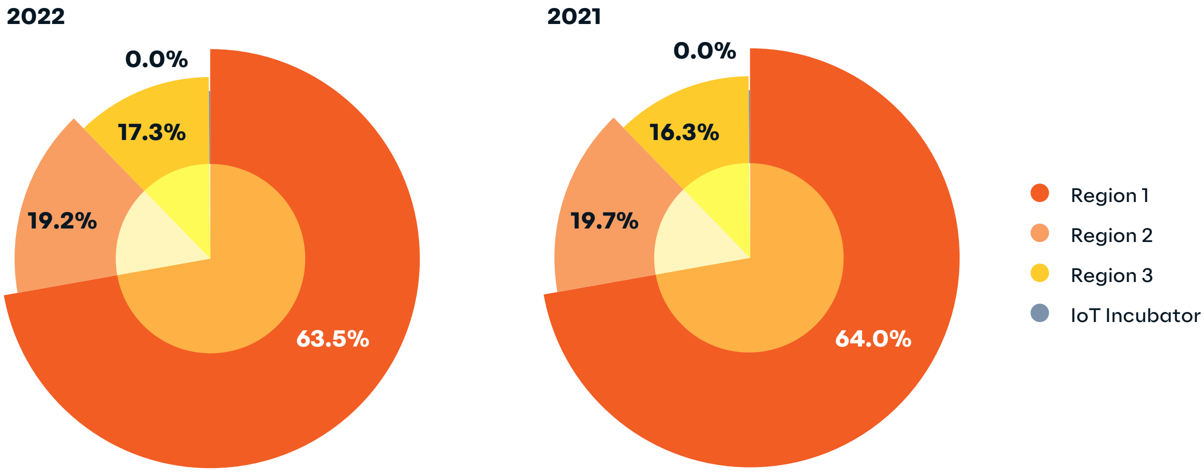
Today Reply is known for its ability to interpret digital innovation and make it work in the interests of companies seeking transformation. In particular, in 2022 Reply has seen strong growth in demand in the areas of Cloud, IoT, data platforms and digital experiences. Furthermore, the use of artificial intelligence is becoming increasingly widespread. Reply has a leading position in this market thanks to the investments made over the last two years. In the near future we will see the rise of a fusion of automation, artificial intelligence, digital interfaces and connected objects, but it will require a great deal of work to make it possible and useful to enterprises. In this scenario, Reply stands as a niche player with a very high technological expertise capable of supporting its clients in the creation of the new digital economy.

Reclassified consolidated income statement

Reply's performance is shown in the following reclassified consolidated statement of income and is compared to corresponding figures of the previous year:

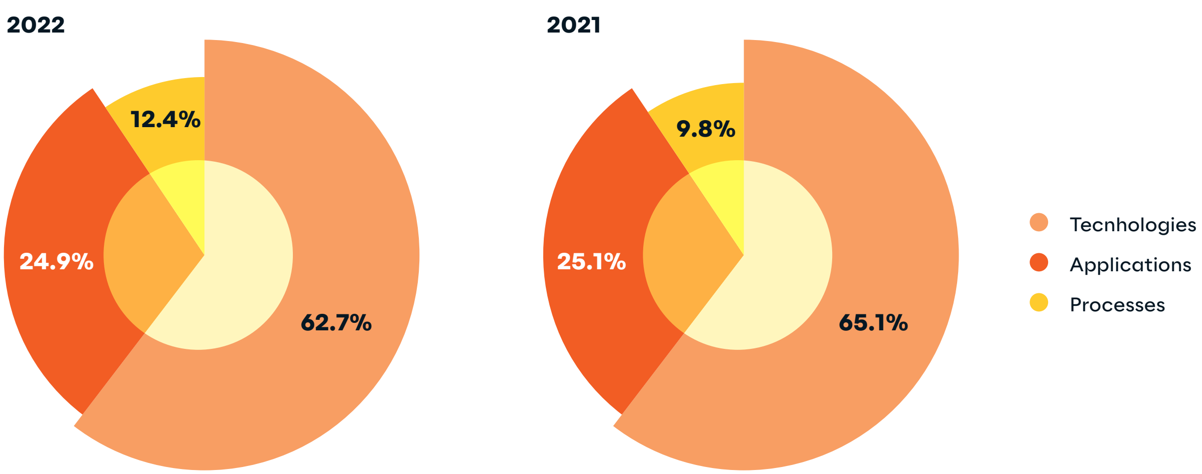
(THOUSAND EUROS)	2022	%	2021	%
Revenues	**1,891,114**	**100.0**	**1,483,803**	**100.0**
Purchases	(27,328)	(1.4)	(21,500)	(1.4)
Personnel	(986,744)	(52.2)	(759,567)	(51.2)
Services and other costs	(587,402)	(31.1)	(445,147)	(30.0)
Other operating (costs)/income	50,671	2.7	5,195	0.4
Operating costs	**(1,550,802)**	**(82.0)**	**(1,221,018)**	**(82.3)**
Gross operating income (EBITDA)	**340,312**	**18.0**	**262,784**	**17.7**
Amortization, depreciation and write-downs	(58,612)	(3.1)	(48,391)	(3.3)
Other non/recurring (costs)/income	3,774	0.2	(5,110)	(0.3)
Operating income (EBIT)	**285,473**	**15.1**	**209,283**	**14.1**
(Loss)/gain on investments	(12,102)	(0.6)	8,164	0.6
Financial income/(expenses)	(4,676)	(0.2)	(4,168)	(0.3)
Income before taxes	**268,695**	**14.2**	**213,279**	**14.4**
Income taxes	(76,511)	(4.0)	(60,871)	(4.1)
Net income	**192,184**	**10.2**	**152,408**	**10.3**
Non/controlling interests	(1,168)	(0.1)	(1,735)	(0.1)
Net income of the Parent company	**191,016**	**10.1**	**150,672**	**10.2**

REVENUES BY REGION (*)

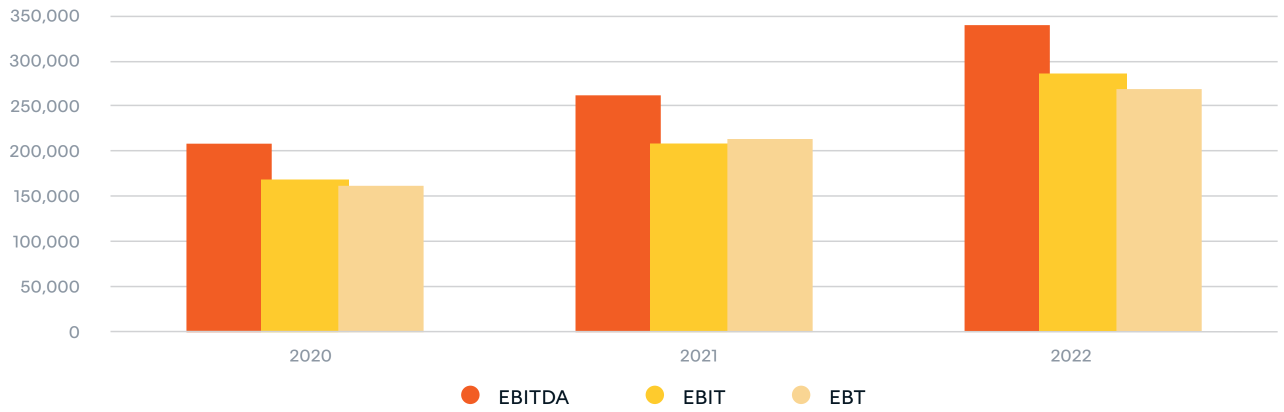


(*)
Region 1: ITA, USA, BRA, POL, ROU, CHN (Nanjing), NZL
Region 2: DEU, CHE, CHN (Bejing), HRV
Region 3: GBR, LUX, BEL, NLD, FRA, BLR, SGP, HKG, MYS

REVENUES BY BUSINESS LINES



TREND IN KEY ECONOMIC INDICATORS



Analysis of the financial structure

The Group's financial structure is set forth below as at 31 December 2022, compared to 31 December 2021:

(THOUSAND EUROS)	31/12/2022	%	31/12/2021	%	CHANGE
Current assets	843,276		623,749		219,526
Current liabilities	(796,686)		(666,363)		(130,323)
Working capital, net (A)	**46,590**		**(42,614)**		**89,204**
Non-current assets	1,070,572		873,006		197,566
Non-current liabilities	(215,864)		(207,709)		(8,155)
Fixed capital (B)	**854,708**		**665,297**		**189,411**
Invested capital, net (A+B)	**901,298**	**100.0**	**622,683**	**100.0**	**278,614**
Shareholders' equity (C)	971,869	107.8	815,895	131.0	155,974
NET FINANCIAL MANAGERIAL POSITION (A+B-C)	**(70,572)**	**(7.8)**	**(193,212)**	**(31.0)**	**122,640**

Net invested capital on 31 December 2022, amounting to 901,298 thousand Euros, was funded by Shareholders' equity for 971,869 thousand Euros and by available overall funds of 70,572 thousand Euros.

It is to be noted that net invested capital includes Due to minority shareholders and Earn-out for a total of 141,502 thousand Euros (129,558 thousand Euros at 31 December 2021); this item is not included in the net financial managerial position. For the ESMA net financial indebtedness see note 30.

The following table provides a breakdown of net working capital:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Work in progress	83,880	86,787	(2,907)
Trade receivables	657,568	471,560	186,008
Other assests	101,828	65,403	36,425
Current operating assets (A)	**843,276**	**623,749**	**219,526**
Trade payables	168,835	139,921	28,914
Other liabilities	627,850	526,442	101,408
Current operating liabilities (B)	**796,686**	**666,363**	**130,323**
Working capital, net (A-B)	**46,590**	**(42,614)**	**89,204**
% return on investments	*2.5%*	*-2.9%*	

Net financial managerial position and cash flows statement

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Cash and cash equivalents, net	263,252	314,681	(51,429)
Current financial assets	30,608	31,791	(1,183)
Due to banks	(22,643)	(406)	(22,237)
Due to other providers of finance	(660)	(904)	245
Financial liabilities IFRS 16	(27,829)	(26,508)	(1,320)
Short-term financial position	**242,729**	**318,653**	**(75,924)**
Due to banks	(74,533)	(23,313)	(51,220)
Financial liabilities IFRS 16	(97,624)	(102,129)	4,504
M/L term financial position	**(172,157)**	**(125,442)**	**(46,715)**
Total net financial managerial position	**70,572**	**193,212**	**(122,640)**

Change in the item cash and cash equivalents is summarized in the table below:

(THOUSAND EUROS)	2022
Cash flows from operating activities (A)	184,573
Cash flows from investment activities (B)	(234,350)
Cash flows from financial activities (C)	(1,651)
Change in cash and cash equivalents (D) = (A+B+C)	**(51,429)**
Cash and cash equivalents at beginning of period (*)	314,680
Cash and cash equivalents at year end (*)	263,252
Total change in cash and cash equivalents (D)	**(51,429)**

(*) Liquid assets and cash equivalents net are net of current account overdrafts

The complete consolidated cash flow statement and the details of cash and other cash equivalents net are set forth below in the financial statements.

Alternative performance indicators

In addition to conventional financial indicators required by IFRS, presented herein are some alternative performance measures, in order to allow a better understanding of the trend of economic and financial management.

These indicators, that are also presented in the periodical Interim management reports must not, however, be considered as replacements to the conventional indicators required by IFRS.

Set forth below are the alternative performance indicators used by the Group with relevant definition and basis of calculation:

- **EBIT**: corresponds to the "Operating margin"
- **EBITDA**: Earnings before interest, taxes, depreciation and amortization and is calculated by adding to the Operating margin the following captions:
  - Amortization and depreciation
  - Write-downs
  - Other costs/(income)
- **EBT**: corresponds to the Income before taxes
- **Net financial managerial position**: represents the financial structure indicator and is calculated by adding the following balance sheet captions:
  - Cash and cash equivalents
  - Financial assets (short-term)
  - Financial liabilities (long-term)
  - Financial liabilities (short-term)

Significant operations in 2022

Acquisition of Fincon Unternehmensberatung GmbH

In the month of July 2022 Reply S.p.A. acquired 100% of the share capital of Fincon Unternehmensberatung GmbH (www.fincon.eu) - a German consulting company leader in digital transformation projects for the banking and the insurance industry – for an initial consideration amounting to 119 million Euros.
FINCON, headquartered in Hamburg, is a pure consulting company specialized on the core processes and systems for the financial services industry such as, mobile banking, payments, core banking, internal control system and regulatory compliance, BIPRO and insurance systems. Among the customers of FINCON there are the main German banking and insurance institutions and many of the German Sparkasse.
The investment in FINCON is part of Reply's international growth strategy, particularly in Germany, where Reply is already a leading player in consulting, system integration and digital services.
Fincon mixes a great expertise on banking and insurance processes with a constant attention to technological innovation. With Fincon the goal is to expand Reply footprint into the German banking and insurance sector.
The closing of the transaction, which obtained the authorization from the German Federal Competition Office in June, took place on July 1st.

Acquisition of Wemanity Group

In the month of October 2022 Reply S.p.A. acquired 100% of the share capital of Weamanity Group, a leader in France and Benelux in agile & digital transformations, for an initial consideration amounting to 55 million Euros.
Founded in 2013 in Paris, and having expanded its activities to Lille, Brussels, Antwerp, The Hague, Luxembourg, and Casablanca, Wemanity's purpose is to reinvent the future of work thanks to Agile, innovation, and cooperation, combining skills range from new management methods to the design and delivery of digital products.
Wemanity's clients include the largest French and European groups in all industry sectors, with a predominance in the financial, luxury, retail, media and energy sectors.
The investment in Wemanity is part of Reply's international growth strategy, in particular in France.

Wemanity is characterised by a strong entrepreneurial drive and a constant focus on management and technological innovation. With Wemanity, the goal is to expand the Reply footprint into the French and Benelux markets with a focus on digital transformation projects, an area where all the main industry players are concentrating most of their investments.
Wemanity, that had already created an ecosystem of startups in the fields of AI, Design, training, cyber security and digital delivery, today, by joining Reply, enters a new dimension and gives itself the means to stay ahead of the market and to offer its customers ever more innovative, global and transformative solutions

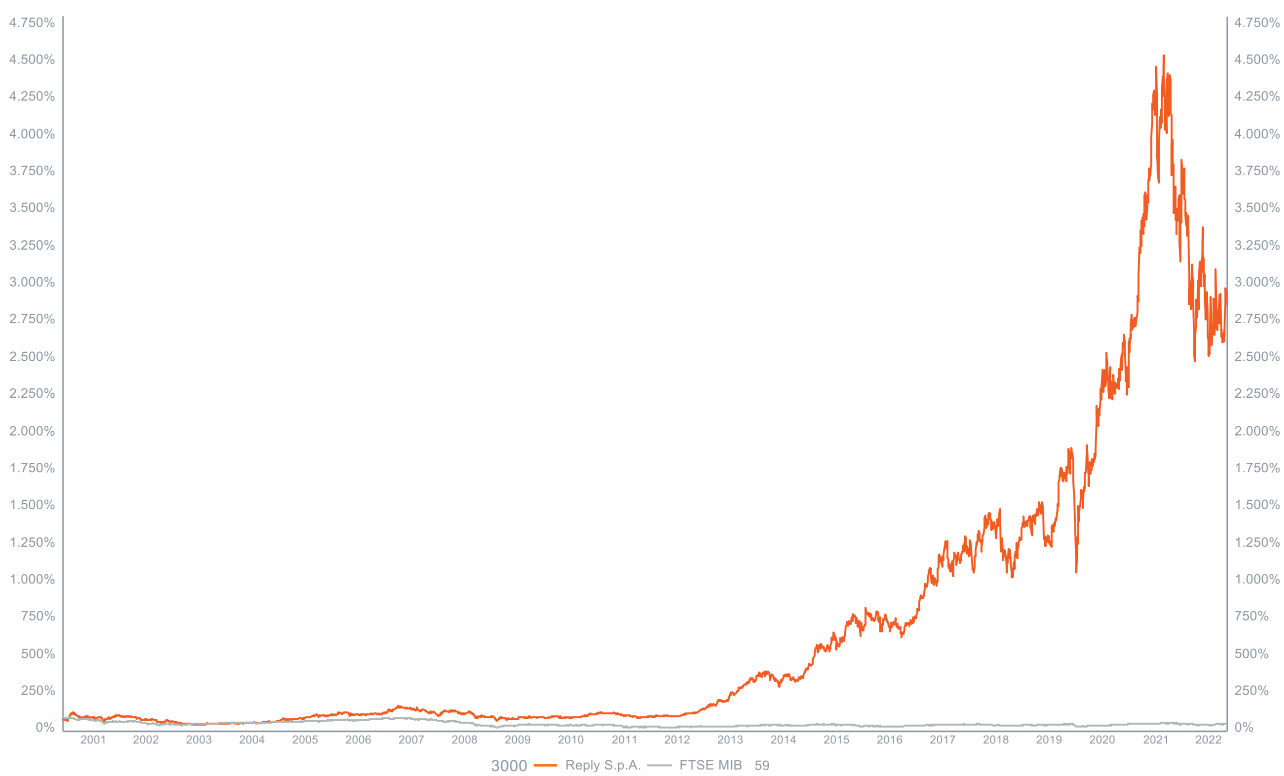
Reply on the stock market

Reply share performance

For investors, 2022 has been a year of firsts and worsts. Few could have predicted the scale of the economic, political and social problems of recent months. Multiple crises, closely intertwined and mutually reinforcing, have had a profound impact on everyone's lives. This environment - in particular persistently high inflation and aggressive central bank tightening - also left its mark on financial markets, which were extremely volatile throughout the year. The total return on global equities was -22%. Global government bonds and credit also performed poorly, with total returns even worse. Fears of economic overheating weighed on equity markets at the beginning of the year, as economic data were already strong. Inflation figures had risen sharply on the back of strong demand for raw materials and labour. This triggered fears of interest rate hikes by central banks, which led to significant corrections in equity markets, particularly in technology and growth stocks. The situation changed dramatically again at the end of February with the outbreak of war in Europe and its impact on commodity prices, especially energy prices. Stock markets reacted accordingly, especially as US investors appeared to be withdrawing funds from Europe. In October and November we saw a marked recovery. However, many growth stocks and, in particular, small caps benefited only to a lesser extent.

In this context, the evolution of Reply's business and the evolution of the capital markets were completely decoupled. In 2022 Reply lost a significant part of its capital market performance, the share price and the market capitalisation fell back to the levels of May 2021. The announcement of the results for the 2021 financial year and the first and second quarters of the 2022 financial year led to an improvement in the share price performance, but this was short-lived and the share price then fell back into line with the general state of the markets. Right from the start, the share entered a downward corridor, with the share price falling to EUR 129 on 8 March 2022. On 16 June 2022 the share reached its low for the year at EUR 101. The Reply share closed the year at EUR 107. The share closed the year down 40%. Reply's market capitalisation returned to EUR 4.0 billion. In January 2023, the Reply share partially recovered. At the time of writing this chapter, the Reply share was trading at EUR 121, with a market capitalisation of EUR 4.5 billion. The relative performance of the Reply share was also affected in 2022. As one of the more highly valued companies, Reply, like other peers focused on digital innovation, was hit harder than various country indices (MIB: -13%, FTSE Italy STAR: -28%, FTSE Italia Mid Cap: -21%), sector indices (EuroSTOXX Technology: -27%, S&P 500/IT: -29%) or peers also involved in traditional services such as outsourcing.

Taking December 6, 2000, the date of the Reply IPO, as a reference, the Italian main index MIB lost 13% in 2022 and stood at 52% of its starting value. In the same period Reply increased its IPO value by 2,575%. The outperformance of the Reply share versus the MIB reduced in 2022 but is still significant with more than 2,600%.



Share liquidity

Following the weak share price performance in 2022, the trading activity of the Reply share also decreased. The trading volume decreased by 28% to EUR 1.3 billion. The impact of the lower share price exacerbated the reduction in the number of shares traded, which decreased by 22%. In 2022, 10.2 million shares were traded compared to 13.0 million shares in 2021.
Despite the downward trend, the Reply share continued to trade at a valuation premium compared to its peers, considering profitability measures. The enterprise value to EBITDA ratio and the enterprise value to EBIT ratio at the end of 2022 were 30% higher than the average of the peer group companies. In terms of enterprise value to revenue, Reply was 23% higher than the peer group average at the end of 2022.

Dividend

Performance-related remuneration is an essential pillar of Reply's partnership-based business model. Like employees, Reply's shareholders should participate in the Group's sustainable operational performance in the form of dividends. Every year this principle is balanced with the need for internal financing to finance Reply's investments (in new start-up companies, new technologies and potential acquisitions to further elaborate Reply's offering portfolio in Germany, UK, US, France as Reply's strategic regions). In 2022 Reply achieved earnings per share of EUR 5.17, an increase of 27.3% compared to 2021. For the financial year 2022 the corporate bodies of Reply propose to the shareholders' meeting to approve the payment of a dividend of EUR 1.00 (dividend 2021: EUR 0.80). Referred to the share price of Reply at the end of 2022 this corresponds to a dividend yield of 0.93%. Assuming the approval of the shareholders' meeting, Reply will pay to its share-holders a dividend amount of EUR 37.3 million. For financial year 2021 EUR 29.9 million were distributed. In total this equates to a pay-out ratio of 20% of the net profit of the year.

The subsequent table gives an overview on the main parameters of the Reply share and their substantial developments during the last 5 years.

		2022	2021	2020	2019	2018
Share price						
Year-end	Euro	107.00	178.70	95.30	69.45	44.08
High for the year	Euro	178.70	185.50	105.50	74.80	61.30
Low for the year	Euro	101.60	92.50	43.30	42.20	42.00
Trading						
Number of shares traded (year)	# thousand	10,164.3	13,005.5	15,669.5	11,360.1	12,587.7
Number of shares traded (day)	# thousand	39.7	50.4	59.9	44.9	48.2
Trading volume (year)	Euro million	1,313.9	1,834.2	1,203.4	668.9	591.0
Trading volume (day)	Euro million	5.156	7.109	4.611	2.623	2.548
Capital structure						
Number of shares	# thousand	37,411.4	37,411.4	37,411.4	37,411.4	37,411.4
Share capital	Euro million	4.864	4.864	4.864	4.864	4.864
Free Float	%	53.4	53.4	53.4	53.4	53.4
Market capitalization	Euro million	3,980.4	6,660.1	3,565.3	2,598.2	1,650.0
Allocation of net income						
Earnings per share	Euro	5.13	4.03	3.30	3.04	2.38
Dividend[1]	Euro	1.00	0.80	0.56	0.52	0.40
Dividend payment	Euro million	31.278	29.872	20.911	19.454	16.835
Dividend yield[2]	%	0.93	0.45	0.59	0.75	1.00

(1) Amount proposed for shareholder approval for 2022
(2)Related to year-end closing price

The shareholders base

At the end of 2022, 43% of Reply's shares were owned by Reply's founders. Institutional shareholders owned 41% of the shares at the end of 2022, while retail shareholders owned 16% of the shares. Reply's institutional shareholder base has undergone some significant changes. US investors, the main investor country in Reply, slightly increased their ownership in Reply to 31% of the institutional shareholding compared to 26% in the previous year. Italian investors continued to increase their positions and are now the second largest investors, holding approximately 22% (2021: 20%). UK investors halved their position to 10%

of institutional holdings. French investors also significantly reduced their position to 10.1% of the shares, down from 18.9% in 2021.

According to the Shareholders' Ledger, on the date of this report the shareholders that directly or indirectly, also through an intermediary person, trust companies and subsidiaries, hold stakes greater than 3% of the share capital having the right to vote are the following:

SHAREHOLDER	OWNERSHIP % OVER SHARE CAPITAL	OWNERSHIP % OVER VOTING CAPITAL
Rizzante Mario through Iceberg S.r.l. and Alika S.r.l.	39.754%	56,891%

Analysts

In 2022, the number of analysts regularly covering the Reply share remained unchanged at 8. In line with the market and the evolution of the Reply share valuation, the analysts covering the share became more optimistic. 5 ratings remained "outperform" while 3 analysts took a "neutral" stance on the share. The average price target for Reply shares by analysts in January 2023 was 135 euros.

Dialog with the capital markets

An active and open communication policy, which ensures the timely and continuous dissemination of information, is an essential part of Reply's IR strategy. In 2022 Reply maintained its high level of activity with the capital markets. During 14 conferences and 6 road shows, Reply actively explained its equity story. The number of virtual meetings with investors stood at 214, while Reply increased the number of physical investor meetings to 143. The majority of communication contacts were with French, Italian and UK investors. The number of brokers involved in Reply's IR activities remained unchanged at 11. In the 2022 Institutional Investor Survey, Reply won the award for the most improved IR among Italian mid-cap issuers.

The Parent Company Reply S.p.A.

Introduction

The tables presented and disclosed below were prepared on the basis of the financial statements as at 31 December 2022 to which reference should be made, prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the regulations implementing Article 9 of Legislative Decree No. 38/2005.

Reclassified income statement

The Parent Company Reply S.p.A. mainly carries out the operational co-ordination and the technical and quality management services for the Group companies as well as the administration, finance and marketing activities.
As at 31 December 2022 the Parent Company had 109 employees (95 employees in 2021).
Reply S.p.A. also carries out commercial fronting activities (pass-through revenues) for some major customers, whereas delivery is carried out by the operational companies. The economic results achieved by the Company are therefore not representative of the Group's overall economic trend and the performances of the markets in which it operates. Such activity is instead reflected in the item Pass-through revenues of the Income Statement set forth below.

The Parent Company's income statement is summarized as follows:

(THOUSAND EUROS)	2022	2021	CHANGE
Revenues from operating activities	135,767	105,500	30,267
Pass-through revenues	599,230	514,599	84,632
Purchases, services and other expenses	(692,207)	(582,455)	(109,752)
Personnel and related expenses	(26,536)	(27,693)	1,157
Other unusual operating (expenses)/income	2,855	2,367	489
Amortization, depreciation and write-downs	(3,881)	(3,037)	(843)
Operating income	**15,229**	**9,280**	**5,948**
Financial income/(expenses)	12,648	23,485	(10,837)
Gain on equity investments	92,266	87,689	4,577
Loss on equity investments	(18,852)	(322)	(18,530)
Income before taxes	**101,291**	**120,132**	**(18,842)**
Income taxes	(7,149)	(8,888)	1,740
NET INCOME	**94,142**	**111,244**	**(17,102)**

Revenues from operating activities mainly refer to:

- royalties on the Reply trademark for 53,611 thousand Euros (44,180 thousand Euros in the financial year 2021);
- shared service activities in favor of its subsidiaries for 57,110 thousand Euros (40,881 thousand Euros in the financial year 2021);
- management services for 14,585 thousand Euros (13,323 thousand Euros in the financial year 2021).

Operating income 2022 marked a positive result of 15,229 thousand Euros after having deducted amortization expenses of 3,881 thousand Euros (of which 230 thousand Euros referred to tangible assets, 3,067 thousand Euros to intangible assets and 583 thousand Euros related to RoU assets arising from the adoption of IFRS 16).
Financial income amounted to 12,648 thousand Euros and included interest income on bank accounts for 14,802 thousand Euros, interest expenses for 1,956 thousand Euros mainly relating to financing for the M&A operations and the non-effective portion of the IRS for positive 2,396 thousand Euros. Such result also includes net positive exchange rate differences amounting to 1,283 thousand Euros.
Income from equity investments which amounted to 92,266 thousand Euros refers to dividends received from subsidiary companies in 2022.
Losses on equity investments refer to write-downs and losses reported in the year by some subsidiary companies that were considered to be unrecoverable.
Net income for the year ended 2022, amounted to 94,142 thousand Euros after income taxes of 7,149 thousand Euros.

Financial structure

Reply S.p.A.'s financial structure as at 31 December 2022, compared to that as at 31 December 2021, is provided below:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Tangible assets	534	311	224
Intangible assets	7,622	7,690	(68)
RoU assets	938	616	322
Equity investments	177,989	140,758	37,231
Other fixed assets	7,316	6,723	592
Non/current liabilities	(7,735)	(8,513)	778
Fixed capital	**186,663**	**147,585**	**39,078**
Net working capital	**72,557**	**28,278**	**44,280**
INVESTED CAPITAL	**259,220**	**175,862**	**83,358**
Shareholders' equity	608,298	551,043	57,256
Net financial managerial position	**(349,078)**	**(375,181)**	**26,102**
TOTAL SOURCES	**259,220**	**175,862**	**83,358**

The net invested capital on 31 December 2022, amounting to 259,220 thousand Euros, was funded by Shareholders' equity in the amount of 608,298 thousand Euros and by available overall funds of 349,078 thousand Euros.
Changes in balance sheet items are fully analyzed and detailed in the explanatory notes to the financial statements.

Net financial managerial position

The Parent Company's net financial managerial position as at 31 December 2022, compared to 31 December 2021, is detailed as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Cash and cash equivalents, net	61,663	172,541	(110.,78)
Financial loans to subsidiaries	66,596	52,797	13,799
Financial investments	27,201	29,631	(2,430)
Loans to third party	116	231	(115)
Due to banks	(20,168)	(82)	(20,085)
Due to subsidiaries	(226,238)	(192,868)	(33,370)
Financial liabilities IFRS 16	(515)	(325)	(190)
Net financial position short term	**(91,343)**	**61,926**	**(153,269)**
Long term financial assets	508,173	335,317	172,856
Due to banks	(67,320)	(21,769)	(45,551)
Financial liabilities IFRS 16	(432)	(294)	(138)
Net financial position long term	**440,421**	**313,255**	**127,167**
Total net financial managerial position	**349,078**	**375,181**	**(26,102)**

Change in the net financial managerial position is analyzed and illustrated in the explanatory notes to the financial position.

Reconciliation of equity and profit for the year of the parent company

In accordance with Consob Communication no. DEM/6064293 dated 28 July 2006, Shareholders' equity and the Parent Company's result are reconciled below with the related consolidated amounts.

	31/12/2022		31/12/2021	
(THOUSAND EUROS)	**NET EQUITY**	**NET INCOME**	**NET EQUITY**	**NET INCOME**
Reply S.p.A.'s separate financial statements	**608,298**	**94,142**	**551,043**	**111,244**
Results of the subsidiary companies, net of minority interest	561,938	197,883	438,844	195,570
Cancellation of the carrying value of investments in consolidated companies net of any write-offs	(182,031)	-	(142,100)	-
Cancellation of dividends from subsidiary companies	-	(92,265)	-	(97,835)
Consolidated adjustments included those to accounting principles and elimination of unrealized intercompany gains and losses, net of related tax effect	(14,759)	(7,576)	(29,267)	(56,571)
Non-controlling interests	(1,579)	(1,168)	(2,625)	(1,735)
Net Group consolidated financial statement	**971,869**	**191,016**	**815,895**	**150,672**

Corporate Governance

The Corporate Governance system adopted by Reply – issuer listed at Euronext Star Milan - adheres to the new Corporate Governance Code for Italian Listed Companies issued by Borsa Italiana S.p.A..

In compliance with regulatory obligations the annually drafted "Report on Corporate Governance and Ownership Structures" contains a general description of the corporate governance system adopted by the Group, reporting information on ownership structures and compliance with the Code, including the main governance practices applied and the characteristics of the risk management and internal control system also with respect to the financial reporting process.
The aforementioned Report, related to 2022, is available on the website www.reply.com.
The Corporate Governance Code is available on the website of Borsa Italiana S.p.A. https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf.

Declaration of non-financial data

The company, in accordance with the provisions of article 5 (3) (b) of Legislative Decree No 254/2016, has prepared the consolidated declaration of a non-financial nature which constitutes a separate report. The consolidated declaration of non-financial data 2022, drafted in accordance with the "GRI Standards" reporting standard, is available on the Group website www.reply.com.

Other information

Research and development activities

Reply offers high technology services and solutions in a market where innovation is of primary importance.

Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.
Reply dedicates resources to Research and Development activities in order to project and define highly innovative products and services as well as possible applications of evolving technologies. In this context, Reply has developed of its own platforms.
Reply has important partnerships with major global vendors so as to offer the most suitable solutions to different company needs. Specifically, Reply boasts the highest level of certification amongst the technology leaders in the Enterprise sector.

Human resources

Human resources constitute a primary asset for Reply which bases its strategy on the quality of products and services and places continuous attention on the growth of personnel and in-depth examination of professional necessities with consequent definitions of needs and training courses.
The Reply Group is comprised of professionals originating from the best universities and polytechnics. The Group intends to continue investing in human resources by bonding special relations and collaboration with major universities with the scope of attracting highly qualified personnel.
The people who work at Reply are characterized by enthusiasm, expertise, methodology, team spirit, initiative, the capability of understanding the context they work in and of clearly communicating the solutions proposed. The capability of imagining, experimenting and studying new solutions enables more rapid and efficient innovation.
The group intends to maintain these distinctive features by increasing investments in training and collaboration with universities.
At the end of 2022 the Group had 13,467 employees compared to 10,579 in 2021.

General Data Protection Regulation (GDPR)

The governance model of the Group privacy policy reflects what is required by the existing code for the protection of personal data and the European Regulation 679/16 (GDPR). Privacy fulfilments are managed uniformly at the Reply Group level in order to maintain adequate levels of internal coherence and to facilitate external relations, in particular with authorities, customers and suppliers.
To ensure compliance the Group has adopted a GDPR program which provides several activities including:

- updating the Group privacy organizational model;
- designation for each Region of a Data Protection Officer;
- reorganization of the central Privacy & Security Team;
- preparation of contact link with the DPO and the Privacy & Security Team through a central ticketing system;
- updating of e-learning and induction material related to data protection content;
- mandatory GDPR and ICT Security training at all business levels;
- assessment of privacy and security of IT central services;
- drafting of Records of the treatment activities;
- development and dissemination of new fundamental processes for GDPR, updating of existing data protection policies, development and dissemination of guidelines and contractual templates for GDPR;
- periodic internal audits on the Companies for the correct application of the GDPR requirements in the work for Customers and in the engagements of Suppliers.

Transactions with related parties and group companies

During the period, there were no transactions with related parties, including intergroup transactions, which qualified as unusual or atypical. Any related party transactions formed part of the normal business activities of companies in the Group. Such transactions are concluded at standard market terms for the nature of goods and/or services offered, these transactions took place in accordance with the internal procedures containing the rules aimed at ensuring transparency and fairness, under Consob Regulation 17221/2010.

The company in the notes to the financial statements and consolidated financial statements provides the information required pursuant to Art. 154-ter of the TUF [Consolidated Financial Act] as indicated by Consob Reg. no. 17221 of 12 March 2010 and subsequent Consob Resolution no. 17389 of June 23, 2010, indicating that there were no significant transactions concluded during the period as defined by Art. 4, paragraph 1, let a) of the aforementioned regulation that have significantly affected the Group's financial or economic position. The information pursuant to Consob communication of 28 July 2006 are presented in the annexed tables herein.

Treasury shares

At the balance sheet date, the Parent Company holds 133,192 treasury shares amounting to 17,122,489 Euros, nominal value equal to 17,315 Euros; at the balance sheet item net equity, the company has posted an unavailable reserve for the same amount.
At the balance sheet date the Company does not hold shares of other holding companies.

Financial instruments

In relation to the use of financial instruments, the company has adopted a policy for risk management through the use of financial derivatives, with the scope of reducing the exposure to interest rate risks on financial loans.
Such financial instruments are considered as hedging instruments as they can be traced to the object being hedged (in terms of amount and expiry date).

In the notes to the financial statements more detail is provided to the above operations.

Events subsequent to 31 december 2022

No significant events have occurred since year ended December 31, 2022.

Outlook on operations

The strong social and economic consequences linked to the two years of pandemic, combined with the incidence of war on European borders, are certainly the most striking indicators, but not the only ones, of a profound transformation taking place in our society. Despite the complexity of the current situation, since the beginning of the year Reply has further consolidated its leadership in new technologies and digital transformation, investing in new skills and extending its geographical presence.

The evolution in the introduction of technology is now defined and touches all sectors, with artificial intelligence, AR / VR, cloud robotics and cybersecurity that are revolutionizing not only products, but also the way they are conceived, manufactured and sold, significantly changing factories, production processes and entire value-chains.

Sustainability is another area that has affected all sectors, becoming in recent months even more predominant in the choices of companies. As Reply, we feel a strong responsibility towards future generations and we are committed to reducing our emissions in the coming years and offering consulting and technological services to support companies in the transition to net-zero.

The future still remains, in part, conditioned by the evolution of the Russian-Ukrainian war that increases tension on the main markets. In any case, the transformation process towards the new digital economy, which began in 2020, is now unstoppable and opens up opportunities for growth and development for companies like ours. In particular, we expect an increasingly pervasive diffusion of artificial intelligence on board products, processes and services and it is here that we intend to position ourselves as niche players, with very high technological content.

Motion for the approval of the financial statement and allocation of the result for the financial year

The financial statements at year end 2022 of Reply S.p.A. prepared in accordance with International Financial Reporting Standards (IFRS), recorded a net income amounting to 94,141,693 Euros and net shareholders' equity on 31 December 2022 amounted to 608,298,477 Euros thus formed:

(IN EUROS)	31/12/2022
Share Capital	4,863,486
Legal reserve	972,697
Reserve for treasury shares on hand	17,122,489
Other reserves	491,198,112
Total share capital and reserves	**514,156,784**
Net income	94,141,693
Total	**608,298,477**

The Board of Directors in submitting to the Shareholders the approval of the financial statements (Separate Statements) as at 31 December 2022 showing a net result of 94,141,693 Euros, proposes that the shareholders resolve:

- to approve the financial statement (Separate Statements) of Reply S.p.A. which records net profit for the financial year of 94,141,693 Euros;
- to approve the motion to allocate the net result of 94,141,693 as follows:
  - a unit dividend to shareholders amounting to 1.00 Euros for each ordinary share with a right, therefore excluding treasury shares, with payment date fixed on 24 May 2023, coupon cutoff date 22 May 2023 and record date, determined in accordance with Article 83-terdecies of Legislative Decree no. 58/1998 set on 23 May 2023;
  - having the Legal reserve reached the limit of one fifth of the share capital pursuant to article 2430 of the Italian Civil Code, the residual amount to be allocated to the Retained earnings reserve;
- to approve, pursuant to Article 22 of the Articles of association, the proposal of the Remuneration Committee to distribute to Directors entrusted with operational powers, a shareholding of the profits of the Parent Company, to be established in the amount of 3,200,000 Euros.

Turin, 14 March 2023
/s/ Mario Rizzante
For the Board of Directors
The Chairman
Mario Rizzante