CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

Consolidated Income Statement (*)

(THOUSAND EUORS)	NOTE	2022	2021
Revenues	5	1,891,114	1,483,803
Other income	6	19,452	17,631
Purchases	7	(27,328)	(21,500)
Personnel	8	(986,744)	(759,567)
Service costs	9	(606,853)	(462,779)
Amortization, depreciation and write-downs	10	(58,612)	(48,391)
Other operating and non-recurring (cost)/income	11	54,445	85
Operating income		**285,473**	**209,283**
(Loss)/gain on investments	12	(12,102)	8,164
Financial income/(expenses)	13	(4,676)	(4,168)
Income before taxes		**268,696**	**213,279**
Income taxes	14	(76,511)	(60,871)
Net income		**192,184**	**152,408**
Non-controlling interest		(1,168)	(1,735)
Net result of the Parent company		**191,016**	**150,672**
Basic and diluted earnings per share	*15*	*5.13*	*4.03*

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of income are reported in the Annexed tables herein and fully described in Note 38.

Consolidated Statement of Comprehensive Income

(THOUSAND EUROS)	NOTE	2022	2021
Profit of the period (A)		**192,184**	**152,408**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) from employee benefit plans		6,963	(763)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**28**	**6,963**	**(763)**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		3,632	407
Gains/(losses) on exchange differences on translating foreign operations		(627)	16,957
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**3,005**	**17,364**
Total other comprehensive income, net of tax		**9.968**	**16.601**
(B) = (B1) + (B2):	**28**	**9,968**	**16,601**
Total comprehensive income (A)+(B)		202,152	169,008
Total comprehensive income attributable to:			
Owners of the parent		200,984	167,273
Non-controlling interests		1,168	1,735

Consolidated Statement of Financial Position (*)

(THOUSAND EUROS)	NOTE	31/12/2022	31/12/2021 (**)
Tangible assets	17	98,069	80,919
Goodwill	18	630,255	445,345
Intangible assets	19	105,173	83,386
RoU Assets	20	112,341	119,549
Equity investments	21	51,049	66,361
Other financial assets	22	11,706	8,556
Deferred tax assets	23	61,979	68,889
Non-current assets		**1,070,572**	**873,006**
Inventories	24	83,880	86,787
Trade receivables	25	657,568	471,560
Other receivables and current assets	26	101,828	65,403
Financial assets	22	30,608	31,791
Cash and cash equivalents	22, 27	283,695	329,051
Current assets		**1,157,579**	**984,592**
TOTAL ASSETS		**2,228,150**	**1,857,597**
Share Capital		4,864	4,864
Other reserves		774,411	657,733
Net result of the period		191,016	150,673
Equity of the Parent company		**970,291**	**813,269**
Non-controlling interest	28	1,579	2,626
NET EQUITY	**28**	**971,870**	**815,895**
Due to minority shareholders and earn-out	29	112,828	107,493
Finacial liabilities	30	74,533	23,313
Financial liabilities from RoU	30	97,624	102,129
Employee benefits	31	42,831	48,601
Deferred tax liabilities	32	44,964	34,690
Provisions	33	15,242	16,925
Non-current liabilities		**388,021**	**333,150**
Due to minority shareholders and earn-out	29	28,675	22,066
Finacial liabilities	30	43,745	15,681
Financial liabilities from RoU	30	27,829	26,508
Trade payables	34	168,835	139,921
Other current liabilities	35	598,557	502,990
Provisions	33	619	1,387
Current liabilities		**868,260**	**708,552**
TOTAL LIABILITIES		**1,256,281**	**1,041,702**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,228,150**	**1,857,597**

(*)Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Statement of Financial Position are reported in the annexed Tables and further described in Note 38.

(*) As a result of the completion of the PPA process, the Group has restated the data as at 31 December 2021. For firther detail see Notes 18, 19 and 32.

Consolidated Statement of Changes In Equity

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/ (LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2021	**4,863**	**(25)**	**199,533**	**498,899**	**(1,440)**	**(19,989)**	**(6,803)**	**918**	**675,957**
Dividends distributed	-	-	-	(20,911)	-	-	-	(710)	(21,621)
Change in own shares	-	(7,195)	-	-	-	-	-	-	(7,195)
Increase for acquisition of treasury shares	-	-	100,000	(100,000)	-	-	-	-	-
Total profit (loss)	-	-	-	150,672	407	16,957	(763)	1,735	169,008
Other changes	-	-	-	(937)	-	-	-	682	(225)
On 31 December 2021	**4,863**	**(7.220)**	**299,533**	**527,724**	**(1,033)**	**(3,032)**	**(7,566)**	**2,625**	**815,595**

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/ (LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2022	**4,863**	**(7.220)**	**299,533**	**527,724**	**(1,033)**	**(3,032)**	**(7,566)**	**2,625**	**815,595**
Dividends distributed	-	-	-	(29,760)	-	-	-	(875)	(30,635)
Change in own shares	-	(9,902)	-	-	-	-	-	-	(9,902)
Increase for acquisition of treasury shares	-	-	-	-	-	-	-	-	-
Total profit (loss)	-	-	-	191,016	3,632	(627)	6,963	1,168	202,152
Other changes	-	-	-	(4,301)	-	-	-	(1,340)	(5,641)
On 31 December 2022	**4,863**	**(17,122)**	**299.533**	**684,679**	**2,599**	**(3,659)**	**(603)**	**1,579**	**971,869**

Consolidated Statement of Cash Flows

(THOUSAND EUROS)	2022	2021 (*)
Group net income	192,184	152,408
Income taxes	71,664	76,550
Amortization and depreciation	58,612	48,391
Other non-monetary expenses/(income)	(29,356)	6,089
Change in inventories	(8,280)	(26,694)
Change in trade receivables	(47,693)	(37,919)
Change in trade payables	1,654	25,772
Change in other assets and liabilities	9,282	15,875
Change in deferred tax liabilities	15,913	7,707
Change in employee benefits and provisions	(1,259)	8,662
Income tax paid	(76,550)	(68,532)
Interest paid	(1,797)	(791)
Interest collected	200	63
Net cash flows from operating activities (A)	**184,573**	**207,578**
Payments for tangible and intangible assets	(41,771)	(37,122)
Payments for financial assets	(2,562)	(29,812)
Payments for the acquisition of subsidiaries net of cash acquired	(190,018)	(93,157)
Net cash flows from investment activities (B)	**(234,350)**	**(160,092)**
Dividends paid	(30,635)	(21,621)
Payments for treasury shares	(9,902)	(7,195)
Financing granted	80,396	3,900
Reimbursement of lease liabilities	(30,343)	(29,970)
Repayment of loans	(11,166)	(10,419)
Net cash flows from financing activities (C)	**(1,651)**	**(65,305)**
Net cash flows (D) = (A+B+C)	**(51,428)**	**(17,819)**
Cash and cash equivalents at the beginning of period	314,680	332,500
Cash and cash equivalents at period end	263,252	314,680
Total change in cash and cash equivalents (D)	**(51,428)**	**(17,819)**

DETAIL OF CASH AND CASH EQUIVALENTS	2022	2021
(THOUSAND EUROS)		
Cash and cash equivalents at beginning of period:	**314,680**	**332,500**
Cash and cash equivalents	329,051	333,819
Bank overdrafts	(14,371)	(1,320)
Cash and cash equivalents at period end:	**263,252**	**314,680**
Cash and cash equivalents	283,695	329,051
Bank overdrafts	(20,443)	(14,371)

(*) For a better comprehensibility of the cash flow statement, it should be noted that some reclassifications of the values shown in the comparative figures have been made, which have not in any case changed the cash flows originally exposed.

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Note 1 - General information

Reply [EXM, STAR: REY] specialises in the design and implementation of solutions based on new communication channels and digital media. Reply is a network of highly specialised companies supporting key European industrial groups operating in the telecom and media, industry and services, banking, insurance and public administration sectors in the definition and development of business models enabled for the new paradigms of AI, cloud computing, digital media and the Internet of Things. Reply services include: Consulting, System Integration and Digital Services (www.reply.com).

Note 2 – Accounting principles and basis of consolidation

Compliance with international accounting principles
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union. The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC"). Following the coming into force of European Regulation No. 1606 of July 2002, starting from 1 January, 2005, the Reply Group adopted International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared in accordance with Consob regulations regarding the format of financial statements, in application of Art. 9 of Legislative Decree 38/2005 and other CONSOB regulations and instructions concerning financial statements.

General principles
The consolidated financial statement is prepared on the basis of the historic cost principle, modified as requested for the appraisal of some financial instruments for which the fair value criterion is adopted in accordance with IFRS 9.
The consolidated financial statements have been prepared on the going concern assumption. In this respect, despite operating in a difficult economic and financial environment, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist with regards its ability to continue as a going concern.
These consolidated financial statements are expressed in thousands of Euros and are compared to the consolidated financial statements of the previous year prepared in accordance with the same principles. Further indication related to the format of the financial statements respect to IAS 1 is disclosed here within as well as information related to significant accounting principles and evaluation criteria used in the preparation of the following consolidated report.

Financial statements
The consolidated financial statements include statement of income, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the explanatory notes.

The income statement format adopted by the Group classifies costs according to their nature, which is deemed to properly represent the Group's business.

The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method.
The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.
It should be noted that in order to comply with the indications contained in Consob Resolution no. 15519 of 27 July 2006 "as to the format of the financial statements", additional statements: income statement and statement of financial position have been added showing the amounts of related party transactions.

BASIS OF CONSOLIDATION

Subsidiaries
The financial statements of subsidiaries are included in the consolidated financial statements as at 31 December of each year and consolidated on a line-by-line basis.
The Consolidated Financial Statements comprise the financial statements of the parent Company Reply S.p.A. and those of its subsidiaries, being those entities over which the Company has control, either directly or indirectly, through exposure or rights to their variable returns and the ability to affect those returns through its power over the investees.
To have power over an investee, the investor must have existing rights that give it the current ability to direct the relevant activities of the investee, i.e. the activities that significantly affect the investee's returns.
Subsidiaries are consolidated, on the basis of consistent accounting policies, from the date on which control is obtained until the date that control ceases. Assets, liabilities, income and expenses of consolidated subsidiaries are fully recognized with those of the parent in the Consolidated Financial Statements; the parent's investment in each subsidiary is eliminated against the corresponding parent's portion of equity of each subsidiary.
All significant intercompany transactions and balances between group companies are eliminated on consolidation.
Non-controlling interest is stated separately with respect to the Group's net equity. Such Non-controlling interest is determined according to the percentage of the shares held of the fair values of the identifiable assets and liabilities of the company at the date of acquisition and post-acquisition adjustments. According to IAS 27, overall loss (including the profit/(loss)

for the year) is attributed to the owners of the Parent and minority interest also when net equity attributable to minority interests has a negative balance.
Difference arising from translation of equity at historical exchange rates and year-end exchange rates are recorded at an appropriate reserve of the consolidated shareholders' equity.

Transactions eliminated on consolidation
All significant intercompany balances and transactions and any unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the company's interest in those entities.

Business combinations
Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is the sum of the acquisition-date fair value of the assets transferred, the liabilities incurred and the equity interests issued by the acquirer. Acquisition-related costs are accounted for as expenses when incurred.
The acquirer shall measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values, unless another measurement basis is required by IFRSs. The excess of the consideration transferred over the Group's share of the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed is recognized, in the balance sheet, as goodwill; conversely, a gain on a bargain purchase is recognized in the profit and loss account.
Minority interest in the company acquired is initially measured to the extent of their shares in the fair value of the assets, liabilities and contingent liabilities recognized.
The accounting of the put and call options on the minority shareholdings of the subsidiary company are recorded according to IAS 32, taking into account therefore, depending on the case, the existence and the determinability of the consideration to the minority shareholders if the option was exercised.

Investments in associate companies

An associate is a company over which the Group is in a position to exercise significant influence, but not control, through the participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, with the exception of investments held for future disposal.

Where a group company transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealized losses provide evidence of an impairment of the asset transferred.

With regard to investments in associated companies held, either directly or indirectly through venture capital or similar entities, in order to realize capital gains, these are carried at fair value. This treatment is permitted by IAS 28 "Investments in Associates", which requires that these investments are excluded from its scope and are designated, from the time of initial recognition, at fair value through profit or loss and accounted for in accordance with IFRS 9 "Financial instruments: recognition and measurement "and any change therein is recognized in profit and loss.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Consolidation of foreign entities

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment. Average rates of exchange are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recorded in the relevant functional currency of the foreign entity and are translated using the period end exchange rate. In the context of IFRS First-time Adoption, the cumulative translation difference arising from the consolidation of foreign operations was set at nil, as permitted by IFRS 1; gains or losses on subsequent disposal of any foreign operation only include accumulated translation differences arising after 1 January 2004.

The following table summarizes the exchange rates used in translating the 2022 and 2021 financial statements of the foreign companies included in consolidation:

	AVERAGE 2022	ON 31 DECEMBER 2022	AVERAGE 2021	ON 31 DECEMBER 2021
GBP	0.85276	0.88693	0.8596	0.84028
Brazilian Real	5.4399	5.6386	6.3779	6.3101
Rumenian Leu	4.9313	4.9495	4.9215	4.949
Belorusian Ruble	-	-	3.0045	2.886
US Dollar	1.053	1.0666	1.1827	1.1326
Chinese Yuan	7.0788	7.3582	7.6282	7.1947
Polish Zloty	4.6861	4.6808	4.5652	4.5969
Kuna	7.5349	7.5345	7.5284	7.5156
Hong Kong Dollar	8.2451	8.3163	9.1932	8.8333
New Zealand Dollar	1.6582	1.6798	1.6724	1.6579
Singapore Dollar	1.4512	1.43	1.5891	1.5279
Malaysian Ringgit	4.6279	4.6984	-	-

Tangible assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.

Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	3% - 6%
Equipment	15% - 30%
Plants	20% - 40%
Hardware	40%
Furniture and fittings	12% - 24%

The recoverable value of such assets is determined through the principles set out in IAS 36 and outlined in the paragraph "Impairment" herein.

Ordinary maintenance costs are fully expensed as incurred. Incremental maintenance costs are allocated to the asset to which they refer and depreciated over their residual useful lives.

Improvement expenditures on rented property are allocated to the related assets and depreciated over the shorter between the duration of the rent contract or the residual useful lives of the relevant assets.

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are amortized over their estimated useful life or over the duration of the lease contract if lower.
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Goodwill
Goodwill is an intangible asset with an indefinite life, deriving from business combinations recognized using the purchase method, and is recorded to reflect the positive difference between purchase cost and the Group's interest at the time of acquisition, after having recognized all assets, liabilities and identifiable contingent liabilities attributable to both the Group and third parties at their fair value.
Goodwill is not amortized but is (tested for impairment) annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment losses are recognized immediately as expenses that cannot be recovered in the future.
On disposal of a subsidiary or associate, the attributable amount of unamortized goodwill is included in the determination of the profit or loss.

RoU assets
According to IFRS 16, the accounting representation of leases (which do not establish the provision of services) takes place through the inclusion in the financial position of a financial liability, represented by the present value of future rents, against the inclusion in the assets of the 'right of use of the leased asset'.
Leases that were previously accounted for under IAS 17 as financial leases, have not changed compared to the current accounting representation, in full continuity with the past.

Contracts that are within the scope of IFRS 16 relate mainly to:
- land and buildings for office use;
- long term car-rental.

With reference to the options and exemptions provided by IFRS 16, the Group has made the following choices:
- IFRS 16 is not generally applied to intangible assets, short-term contracts (i.e. less than 12 months) and low unit value;
- rights of use and financial liabilities relating to leasing contracts are classified under specific items in the financial position;
- any component relating to the services included in the leasing fees is generally excluded from IFRS 16.

Other intangible assets
Intangible fixed assets are those lacking an identifiable physical aspect, are controlled by the company and are capable of generating future economic benefits.
Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.
Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.
Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably.
In case of intangible fixed assets purchased for which availability for use and relevant payments are deferred beyond normal terms, the purchase value and the relevant liabilities are discounted by recording the implicit financial charges in their original price.
Expenditure on research activities is recognized as an expense in the period in which it is incurred.
Development costs can be capitalized on condition that they can be measured reliably and that evidence is provided that the asset will generate future economic benefits.
An internally-generated intangible asset arising from the Group's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met:
- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably.

These assets are amortized when launched or when available for use. Until then, and on condition that the above terms are respected, such assets are recognized as construction in progress. Amortization is determined on a straight line basis over the relevant useful lives on the following basis:

Development costs	33%
Software	33%
Customer list (PPA)	10%

When an internally-generated intangible asset cannot be recorded at balance sheet, development costs are recognized in the statement of income in the period in which they are incurred.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives consist principally of acquired trademarks which have no legal, contractual, competitive, economic, or other factors that limit their useful lives. Intangible assets with indefinite useful lives are not amortized; in accordance with IAS 36 criteria, are tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired. Any impairment losses are not subject to subsequent reversals.

Impairment
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.
The recoverable amount of an asset is the higher of fair value, less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Its value in use is determined net of tax in that this method produces values largely equivalent to those obtained by discounting cash flows net of tax at a pre-tax discount rate derived, through an iteration, from the result of the post-tax assessment. The assessment is carried out for the individual asset or for the smallest identifiable group of cash generating assets deriving from ongoing use, the so-called Cash generating unit.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than

its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where the value of the Cash generating unit, inclusive of goodwill, is higher than the recoverable value, the difference is subject to impairment and attributable firstly to goodwill; any exceeding difference is attributed on a pro-quota basis to the assets of the Cash generating unit.
Where an impairment loss subsequently reverses, the carrying amount of the asset, (or cash-generating unit), with the exception of goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in other companies
Investments in other companies that are available-for-sale financial assets are measured at fair value, when this can be reliably determined. Gains or Losses arising from change in fair value are recognized in Other comprehensive income/(losses) until the assets are sold or are impaired, at that time, the cumulative Other comprehensive income/(losses) are recognized in the Income Statement. Investments in other companies for which fair value is not available are stated at cost less any impairment losses.
Dividends received are included in Other income/(expenses) from investments.

In the event of write-down for impairment, the cost is recognized in the income statement; the original value is restored in subsequent years if the assumptions for the write-down no longer exist.

The risk resulting from possible losses beyond equity is entered in a specific provision for risks to the extent to which the Parent Company is committed to fulfil its legal or implicit obligations towards the associated company or to cover its losses.

Current and non-current financial assets
Financial assets are classified, on the basis of both contractual cash flow characteristics and the entity’s business model for managing them, in the following categories:

(i) financial assets measured at amortized cost;
(ii) financial assets measured at fair value through other comprehensive income (hereinafter also OCI);
(iii) financial assets measured at fair value through profit or loss.

At initial recognition, a financial asset is measured at its fair value; at initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price. After initial recognition, financial assets whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (the so-called hold to collect business model). For financial assets measured at amortized cost, interest income determined using the effective interest rate, foreign exchange differences and any impairment losses (see the accounting policy for "Impairment of financial assets") are recognized in the profit and loss account.
Conversely, financial assets that are debt instruments are measured at fair value through OCI (hereinafter also FVTOCI) if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the so-called hold to collect and sell business model).
In these cases:
(i) interest income determined using the effective interest rate, foreign exchange differences and any impairment losses (see the accounting policy for "Impairment of financial assets") are recognized in the profit and loss account;
(ii) changes in fair value of the instruments are recognized in equity, within other comprehensive income.
The accumulated changes in fair value, recognized in the equity reserve related to other comprehensive income, is reclassified to the profit and loss account when the financial asset is derecognized. A financial asset represented by a debt instrument that is neither measured at amortized cost nor at FVTOCI, is measured at fair value through profit or loss (hereinafter FVTPL); financial assets held for trading fall into this category. Interest income on assets held for trading contributes to the fair value measurement of the instrument and is recognized in "Finance income (expense)", within "Net finance income (expense) from financial assets held for trading".
When the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, the transaction is accounted for on the settlement date.

Transfer of financial assets
The Group removes financial assets from its balance sheet when, and only when, the contractual rights to the cash flows from the assets expire or the Group transfers the financial asset. In the case of transfer of the financial asset

- if the entity substantially transfers all the risks and rewards of ownership of the financial asset, the Group removes the asset from the balance sheet and recognizes separately as assets or liabilities any rights and obligations created or retained with the transfer;
- if the Group substantially retains all the risks and rewards of ownership of financial assets, it continues to recognize the financial asset;

- if the Group neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset, it determines whether or not it has retained control of the financial asset. In this case:
  - if the Group has not retained control, it removes the asset from its balance sheet and separately recognizes as assets or liabilities any rights and obligations created or retained in the transfer;
  - if the Group has retained control, it continues to recognize the financial asset to the extent of its residual involvement in the financial asset.

At the time of removal of financial assets from the balance sheet, the difference between the carrying value of assets and the fees received or receivable for the transfer of the assets is recognized in the income statement.

Work in progress

Work in progress mainly comprise construction contracts; when the result of a specific order can be reliably estimated, proceeds and costs referable to the related order are indicated as proceeds and costs respectively in relation to the state of progress of activities on the date of closure of the financial statement, based on the relationship between costs sustained for activities taking place up to the date of the financial statement and total costs estimated from the order, except for that which is not considered as representative of the state of progress of the order.
Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.
When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Any advance payments are subtracted from the value of work in progress within the limits of the contract revenues accrued; the exceeding amounts are accounted as liabilities.
Product inventories are stated at the lower of cost and net realizable value. Cost comprises direct material and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Trade payables and receivables and other current assets and liabilities
Trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
At initial recognition they are measured at fair value adjusted for transaction costs and subsequently measured at amortized cost determined using the effective interest rate, to account for foreign exchange differences and any impairment losses.
At each reporting date, all financial assets, with the exception of those measured at fair value through profit and loss, are analyzed for any impairment indicators.
Under IFRS 9, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it from the moment of its origination or acquisition.
Trade payables and other liabilities are measured at amortized cost.
Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

Cash
The item cash and cash equivalents includes cash, banks, reimbursable deposits on demand and other short term financial investments readily convertible in cash and are not subject to significant risks in terms of change in value.

Treasury shares
Treasury shares are presented as a deduction from equity. The original cost of treasury shares and proceeds of any subsequent sale are presented as movements in equity.

Financial liabilities and equity investments
Financial liabilities and equity instruments issued by the Group are presented according to their substance arising from their contractual obligations and in accordance with the definitions of financial liabilities and equity instruments. The latter are defined as those contractual obligations that give the right to benefit in the residual interests of the Group's assets after having deducted its liabilities.
Financial liabilities, other than derivative instruments, are presented initially at fair value of the sums collected, corrected to any transaction costs directly attributable, and subsequently valued at amortized cost using the effective interest criterion. For short-term liabilities, such as commercial debts, the amortized cost actually coincides with the nominal value.

The accounting standards adopted for specific financial liabilities or equity instruments are outlined below:
- Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and subsequently stated at its amortized cost, using the prevailing market interest rate method.
- Equity instruments

Equity instruments issued by the Group are stated at the proceeds received, net of direct issuance costs.
- Non-current financial liabilities.

Liabilities are stated according to the amortization cost.

Derivative financial instruments and other hedging transactions
In accordance with IFRS 9, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and sufficient documentation that the hedge is highly effective and that its effectiveness can be reliably measured. The hedge must be highly effective throughout the different financial reporting periods for which it was designated.
All derivative financial instruments are measured in accordance with IFRS 9 at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to the Group's contractual commitments and forecast transactions are recognized directly in Shareholders' equity, while any ineffective portion is recognized immediately in the Income Statement.
If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.
For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge

commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.
For effective hedging against a change in fair value, the hedged item is adjusted by the changes in fair value attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.
Changes in the fair value of derivative financial instruments that no longer qualify as hedge accounting are recognized in the Income Statement of the period in which they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction is no longer expected to occur; the net cumulative gain or loss recognized in equity is transferred to the net profit or loss for the period.
Implicit derivatives included in other financial instruments or in other contractual obligations are treated as separate derivatives, when their risks and characteristics are not strictly related to the underlying contractual obligation and the latter are not stated at fair value with recognition of gains and losses in the Income Statement.

Employee benefits
The scheme underlying the employee severance indemnity of the Italian Group companies (the TFR) was classified as a defined benefit plan up until 31 December 2006. The legislation regarding this scheme was amended by Law No. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the Consolidated financial statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.

For Italian companies with less than 50 employees, severance pay ("TFR") remains a "post-employment benefit", of the "defined benefit plan" type, who's already matured amount must be planned to estimate the amount to settle at the time of annulment of working relations and subsequently updated, using the "Projected unit credit method". Such actuarial methodology is based on an assumption of demographic and financial nature in order to carry out a reasonable estimate of the amount of benefits that each employee had already matured based on his employment performances.

Through actuarial valuation, current service costs are recognized as "personnel expenses" in the Income Statement and represent the amount of rights matured by employees at the reporting date, and the interest cost is recognized as "Financial gains or losses" and

represents the figurative expenditure the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities ("TFR").
Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders' equity without being ever included in the consolidated income statement.

Pension plans
According to local conditions and practices, some employees of the Group benefit from pension plans of defined benefits and/or a defined contribution.
In the presence of defined contribution plans, the annual cost is recorded at the income statement when the service cost is executed.
The Group's obligation to fund defined benefit pension plans and the annual cost recognized in the Income Statement is determined on an actuarial basis using the "ongoing single premiums" method. The portion of net cumulative actuarial gains and losses which exceeds the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the end of the previous year is amortized over the average remaining service lives of the employees.

The post-employment benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses, arising from the application of the corridor method and past service costs to be recognized in future years, reduced by the fair value of plan assets.

Share-based payment plans
The Group has applied the standard set out by IFRS 2 "Share-based payment". Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders' equity, on a straight-line basis over the "vesting period". The fair value of the option, measured at the granting date, is measured through actuarial calculations, taking into account the terms and conditions of the options granted. Following the exercise of the options assigned in previous years, the Group has no more stock option plans.
For cash-settled share-based payment transactions, the Group measures the goods and services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group is required to remeasure the fair value of the liability at each reporting date and at the date of settlement, with the changes in value recognized in profit or loss for the period.

Provisions and reserves for risks

Provisions for risks and liabilities are costs and liabilities having an established nature and the existence of which is certain or probable that at the reporting date the amount cannot be determined or the occurrence of which is uncertain. Such provisions are recognized when a commitment actually exists arising from past events of legal or contractual nature or arising from statements or company conduct that determine valid expectations from the persons involved (implicit obligations).

Provisions are recognized when the Group has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

Revenue recognition

Revenues represent the gross flows of economic benefits for the year deriving from the performance of the ordinary business.

Revenue from contracts with customers is recognized on the basis of the following steps pursuant to IFRS 15:

- identifying the contract with the customer: this happens when the parties approve the contract and identify their respective rights and obligations. In other words, the contract must be legally binding, the rights to receive goods and/or services and the terms of payment can be clearly identified and the company considers probably to receive the payment;
- identifying the performance obligations: the main performance obligation identified, or transfer goods and/or services to a customer;
- determining the transaction price: is the total amount established with the customer, related to the entire contract period;
- allocating the transaction price to each performance obligation;
- recognizing revenue when (or as) a performance obligation is satisfied.

A promised good or service is transferred when (or as) the customer obtains control of it. Control can be transferred over time or at a point in time.

Revenue is measured at the fair value of the consideration to which the Group expects to be entitled in exchange for transferring promised goods and/or services to a customer, excluding amounts collected on behalf of third parties. Therefore, revenue is recognized when control over the goods or services is transferred to the customer either a) "over time" or b) "at a point in time". Following are the major types of services and products that the Group provides.

Turnkey projects: The Group fulfils its obligations and recognizes revenue "over time", based on the percentage of the accrued costs or the progress of the services provided. The unconditional right to payment by the customer emerges as a result of the accrual of the costs or the underlying progress of each contract.

Other services: The Group fulfils its obligations and recognizes revenue "at a point in time" based on the underlying events of the supply of products and services. The unconditional right to receive payment from the customer emerges as a result of these events occurring.

In determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. The promised amount of consideration is not adjusted for the effect of the significant financing component if, at contract inception, it is expected that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
Revenue recognition can generate the accounting of an asset or liability deriving from contracts. More specifically:

- the activities deriving from the contract represent the right to a consideration in exchange for goods or services that have been transferred to the customer, when the right is subordinated to something other than the passage of time. These assets are recorded among the inventories;
- liabilities arising from the contract represent the obligation to transfer to the customer goods or services for which the Group has received (or for which it is due) a consideration from the customer. These liabilities are recorded among other current liabilities.

Financial income and expenses
Financial income and expenses are recognized and measured in the income statement on an accrual basis.

Government grants
Government grants are recognized in the financial statements when there is reasonable assurance that the company concerned will comply with the conditions for receiving such grants and that the grants themselves will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate.

Taxation
Income tax represents the sum of the tax currently payable and deferred tax.
The tax currently payable is based on taxable profit for the year. Taxable profit defers from the profit as reported in the income statement because it excludes items of income or

expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.
Current income tax is entered for each individual company based on an estimate of taxable income in compliance with existing legislation and tax rates or as substantially approved at the period closing date in each country, considering applicable exemptions and tax credit.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interests arising in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
In the event of changes to the accounting value of deferred tax assets and liabilities deriving from a change in the applicable tax rates and relevant legislation, the resulting deferred tax amount is entered in income statement, unless it refers to debited or credited amounts previously recognized to Shareholders' equity.

Dividends
Dividends are entered in the accounting period in which distribution is approved.

Earnings per share

Basic earnings per share is calculated with reference to the profit for the period of the Group and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation.

Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with diluting effect.

Changes in accounting policies

The accounting standards newly adopted by the Group and their effects are described in the following paragraph " "Newly issued accounting standards". There have been no further changes further to those described in the above paragraph.

Estimations changes and adjustments

At the reporting date there are no significant estimations related to uncertain future events and other causes of uncertainty that could cause significant adjustments to the values of assets and liabilities within the following year.

It should be noted that some amounts recorded in the financial statements published at 31 December 2021 have been restated as a result of the conclusion of the PPA process for the acquisition of Comwrap GmbH, Enowa LLC, The Spur Group and G-Force Demco Ltd, which led to the allocation to assets and liabilities and the residual recognition of a goodwill. As a result of this process, the data published at 31 December 2021 were restated.

For more details of the transaction and the consequent effects on the data restated at 31 December 2021, please refer to note 18 "Goodwill", note 19 "Other intangible assets" and note 32 "Deferred tax liabilities".

Use of estimations

The preparation of the Financial Statements and relative notes under IFRS requires that management makes estimates and assumptions based also on subjective judgments, past experiences and assumptions considered reasonable and realistic in relation to the information at the time of estimation. These estimates shall affect items reported in the consolidated financial balance sheet and income statement and the disclosure of contingent assets and liabilities. The results of the financial statements may differ, even significantly, from these estimates as a result of possible changes in the factors considered in the determination of these estimates. Estimates are periodically reviewed.

The estimates are mainly referred to:

Goodwill

Checking for the reduction in the value of goodwill is carried out by comparing the book value of the cash flow generating units and their recoverable value; the latter is represented by the greater of the fair value, minus the selling costs, and the value in use of the same unit. This complex valuation process involves, among other things, the use of methods such as discounted cash flow with the related assumptions on the estimation of cash flows and the determination of market multiples. The recoverable value depends on the discount rate used in the discounted cash flow model as well as the expected cash flows in the future and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable value for the different cash flow generating units, including a sensitivity analysis, are detailed in the Goodwill Note.

Equity investments

The fair value of investments in other non-controlling companies is, in line with the provisions of the International Private Equity and Venture Capital valuation guideline (IPEV), determined both by valuation models that also take into account subjective valuations such as, for example, those estimates of cash flows, and on the basis of external information such as multiples and quotes provided by new investment rounds.

Trade receivables and work in progress

The reduction in value of trade receivables and of work in progress is carried out through the simplified approach, which provides for the estimation of the expected loss over the entire life of the credit at the time of initial recognition and in subsequent evaluations. For each customer segment, the estimate is made mainly through the determination of the expected default, based on historical-statistical indicators, possibly adjusted using prospective elements. For some categories of loans characterized by specific risk elements, detailed assessments are carried out on the individual credit positions.

Business combinations and due to minority shareholders and earn-out

The recognition of business combinations entails the recognition of the assets and liabilities of the acquired company at their fair value on the date of acquisition of control as well as the possible recognition of goodwill. The determination of these values is carried out through a complex estimation process.

Due to minority shareholders and earn-out represents the valuation of the obligations assumed by the Reply Group as part of the acquisitions made. These liabilities are linked either to the commitments to purchase shares from minority shareholders or to the deferred component of the consideration to be paid to the sellers – Earn-out. These liabilities are remeasured at fair value at each balance sheet date and adjusted through the income statement. The fair value of the liabilities is determined on the basis of evaluation models based on the acquisition contracts and on the economic and financial parameters derived from the budgets of the acquired companies. These are therefore also based on subjective assessments such as, for example, estimates of future cash flows.

Lease liabilities and Right of use assets

The determination of the value of the lease liability and the corresponding right of use asset is carried out by calculating the present value of the lease payments, also considering the estimate on the reasonable certainty of the renewal of the lease contracts.

Provisions, contingent liabilities and employee provisions

The provisions related to litigation are the result of a complex estimation process that is also based on the probability of failure. The provisions related to personnel provisions, and in particular to the employee severance indemnity, are determined on the basis of actuarial assumptions; changes in these assumptions could have significant effects on those provisions.

Derivative instruments and equity instruments

The fair value of derivatives and equity instruments is determined through valuation models that also take into account subjective valuations such as, for example, cash flow estimates, expected price volatility, etc., and/or through market values or quotes provided by financial counterparties.

Pursuant to IAS 8 (Accounting Standards, changes in accounting estimates and errors) paragraph 10, in the absence of a principle or interpretation applicable specifically to a certain transaction, Management defines, through subjective assessments, the accounting methodologies to be adopted in order to provide a financial statements that faithfully represent the financial position, the economic result and the financial flows of the Group, reflects the economic substance of the operations, is neutral, drafted on a prudential basis and comprehensive in all relevant aspects.

Newly issued accounting standards

Accounting standards approved by the European Union but not yet mandatorily applicable

- With Regulation no. 2021/2036 issued by the European Commission on 19 November 2021, IFRS 17 "Insurance contracts" published by the IASB on 18 May 2017 and subsequent amendments published on 25 June 2020 were approved. The standard provides a comprehensive approach to the accounting of insurance contracts and applies to issued insurance contracts, reinsurance contracts issued or held and investment contracts with discretionary participation characteristics issued.
  The provisions of IFRS 17 and its subsequent amendments are effective from financial years beginning on or after 1 January 2023.
- With Regulation no. 2022/357 issued by the European Commission on 2 March 2022, the document "Amendments to IAS 8: Accounting standards, changes in accounting estimates and errors" was approved. The changes clarify how to distinguish changes in accounting policies from changes in accounting estimates. The distinction is relevant because changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events.
  Amendments are effective from financial years starting on or after 1 January 2023. Early application is allowed.
- With Regulation no. 2022/357 issued by the European Commission on 2 March 2022, the document "Amendments to IAS 1, Presentation of financial statements: disclosure on accounting standards. The aim of the amendments is to develop guidelines and examples to help entities apply a materiality judgment in accounting policy reporting.
  Amendments are effective from financial years starting on or after 1 January 2023. Early application is allowed.
- With Regulation no. 2022/1392 issued by the European Commission on 11 August 2022, the document "Amendments to IAS 12 Income taxes: deferred taxes relating to assets and liabilities deriving from a single transaction" was approved. The document addresses uncertainty in practice regarding the application of the exemption under paragraphs 15 and 24 of IAS 12 to transactions that give rise to both an asset and a liability at the time of initial recognition and may result in temporary tax differences of the same amount. Under the proposed amendments, the exemption from initial recognition under IAS 12 would not apply to transactions which, at the time of execution, give rise to equal and countervailable amounts of taxable and deductible temporary differences.
  Amendments are effective from financial years starting on or after 1 January 2023. Early application is allowed.
- With Regulation no. 2022/1491 issued by the European Commission on 8 September 2022, the document "Amendments to IFRS 17 Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information" was approved. The narrow-scope amendments

address an important issue related to accounting mismatches between insurance contract liabilities and financial assets arising from comparative information submitted with the initial application of IFRS 17 and IFRS 9.
Amendments are effective from financial years starting on or after 1 January 2023.

The Group has assessed that these changes will not have a significant impact on the consolidated financial statements.

Accounting standards not yet approved by the European Union

- On 23 January 2020, 15 July 2020 and 31 October 2022, the IASB issued respectively the documents "Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current", the document "Classification of Liabilities as Current or Non-current - Deferral of Effective Date" and the document "Non-current Liabilities with Covenants" to clarify the requirements for classifying liabilities as current or non-current. More precisely:
- the amendments specify that the conditions existing at the end of the reporting period are those that must be used to determine whether there is a right to defer settlement of a liability;
- management's expectations regarding events after the balance sheet date, for example in the event of a breach of a covenant or in the event of early settlement, are not material;
- The amendments clarify the situations that are considered liquidation of a liability.

Due to the COVID-19 pandemic, the IASB has proposed to postpone the effective date of the document to 1 January 2024, to give companies more time to implement any classification changes resulting from the changes.

- On 22 September 222, the IASB issued the document "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". This amendment specifies the criteria that the lessee must use to measure the lease liability arising from a leaseback transaction, in order to avoid recognition of gains or losses on the right of use recognised in the balance sheet.

Amendments are effective from financial years starting on or after 1 January 2023.

Note 3 - Risk management

The Group operates at a world-wide level and for this reason its activities are exposed to various types of financial risks: market risk (broken down in exchange risk, interest rate risk on financial flows and on "fair value", price risk), credit risk and liquidity risk.

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.

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 companies are monitored and centrally managed under the control of the Group Treasury. The aim is to guarantee the efficiency and effectiveness of the management of current and perspective capital resources (maintaining an adequate level of reserves of liquidity and availability of funds via a suitable amount of committed credit lines).
The difficult economic situation of the markets and of financial markets necessitates special attention being given to the management of the liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and 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 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.

Note 4 - Consolidation

Companies included in consolidation are consolidated on a line-by-line basis.
Change in consolidation compared to 31 December 2021 are related to:

- Bside S.r.l, a company established under Italian law, acquired in the month of May 2022, focused on the role of digital communication agency, of which Reply S.p.A. holds 100% of the share capital;
- Fincon Reply GmbH, a company established under German law, acquired in the month of July 2022, specializing in core processes and systems in the financial services sector, such as mobile banking, payments, banking CRM, internal control and compliance system, BIPRO and insurance systems, of which Reply Deutschland SE holds 100% of the share capital;
- Wemanity Group, a company established under French law, acquired in the month of October 2022, digital transformation leader in France and Benelux, of which Reply France Sas, subsidiary of Reply S.p.A., holds 100% of the share capital.

Change in the consolidation as at December 31, 2022 affected Group's revenues by 8.5% and profits before tax by 3.7%.

Furthermore, the list of the Reply Group companies, presented as an annex herein include the start-up companies, compared to 31 December 2021, Net Reply S.r.l., Nexi Digital S.r.l., Nexi Digital Polska Sp. z o.o., Next Reply S.r.l., Next Reply GmbH, Net Reply LLC, Ki Reply GmbH, Spike Digital Reply GmbH, Spike Reply Ltd.

Note 5 - Revenue

Revenues from sales and services, including changes in work in progress on contracts, amounted to 1,891,114 thousand Euros (1,483,803 thousand Euros in 2021).
This item includes consulting services, fixed price projects, assistance and maintenance services and other minor revenues.

The following table shows the percentage breakdown of revenues by geographic area. Moreover, the breakdown reflects the business management of the Group by Management and the allocation approximates the localization of services provided:

REGION (*)	2022	2021
Region 1	63.5%	64.0%
Region 2	19.2%	19.7%
Region 3	17.3%	16.3%
IoT Incubator	0.0%	0.0%
Total	**100.0%**	**100.0%**

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

Disclosure required by IFRS 8 ("Operating segment") and breakdown of revenues by type are provided in Note 36 herein.

Note 6 - Other revenues

Other revenues, amounted to 19,452 thousand Euros (17,631 thousand Euros in 2021), refer to miscellaneous income, non-recurring income and R&D contributions.

Note 7 - Purchases

Detail is as follows:

(THOUSAND EUROS)	2022	2021	CHANGE
Software licenses for resale	16,394	15,181	1,213
Hardware for resale	3,830	1,937	1,893
Other	7,104	4,381	2,723
Total	**27,328**	**21,500**	**5,828**

Purchases of Software licenses and Hardware licenses for resale are recognized net of any change in inventory.
The item Other includes the purchase of fuel for 4,748 thousand Euros, the purchase of tangible assets for 1,279 thousand Euros and the purchase of office stationery for 732 thousand Euros.

Note 8 - Personnel

Detail is as follows:

(THOUSAND EUROS)	2022	2021	CHANGE
Payroll employees	909,937	683,934	226,003
Executive Directors	76,807	75,633	1,175
Total	**986,744**	**759,567**	**227,177**

The increase in the cost of employees, amounting to 227,177 thousand Euros, is attributable to the increase in the number of employees due to an overall increase in the Group's business.

Detail of personnel by category is provided below:

(NUMBER)	2022	2021	CHANGE
Directors	418	364	54
Managers	1,438	1,288	150
Staff	11,611	8,927	2,684
Total	**13,467**	**10,579**	**2,888**

On 31 December 2022 the Group had 13,467 employees compared with 10,579 at the end of 2021.
Change in consolidation brought an increase of 958 employees.
The average number of employees in 2022 was 11,862 marking an increase with respect to 9,704 of the previous year.
Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

Note 9 - Services costs

Service costs comprised the following:

(THOUSAND EUROS)	2022	2021	CHANGE
Commercial and technical consulting	416,551	341,069	75,481
Travelling and professional training expenses	36,058	20,471	15,588
Other services costs	104,824	66,524	38,300
Office expenses	21,256	14,211	7,045
Lease and rentals	6,721	4,688	2,033
Other	21,444	15,816	5,629
Total	**606,853**	**462,779**	**144,074**

The change in Services and other costs, amounting to 144,074 Euros, is attributable to an overall increase in the Group's business.

The item Other services costs mainly include marketing services, software license fees, administrative and legal services, telephone and canteen; the increase is linked to the return to pre-pandemic levels.

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and provision of secretarial services for 767 thousand Euros and rent charged by third parties for 3,503 thousand Euros, utility costs for 11,863 thousand Euros, cleaning expenses for 2,463 thousand Euros and maintenance expenses for 1,505 thousand Euros.

Note 10 - Amortization, depreciation and write downs

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 31 December 2022 of 13,789 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the year ended 2022 amounted to an overall loss of 15,716 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization related to right of use assets arising from the adoption of IFRS 16 amounted to 29,107 thousand Euros.

Note 11 - Other operating and non-recurring income/(expenses)

Other operating and non-recurring net income are related to events and operations that because of their nature do not occur continuously in normal operations, at 31 December 2022 they amounted to 54,445 thousand Euros (85 thousand Euros in 2021) and refer to:

- Other operating non-recurring income/(expenses): 50,674 thousand Euros related to net positive changes in the provision for risks and charges for contractual, commercial and litigation risks and to provisions allocated to adjust assets. In particular, an extraordinary provision allocated to operating costs and impacting EBITDA was reversed in full to take into account the economic repercussions linked to Covid-19, the counterpart of which had adjusted some items in current assets;
- Other non-operating and non-recurring income/(expenses): 3,774 thousand Euros related to the fair value adjustment of the liability relating to the deferred consideration for the purchase of investments in subsidiaries (Business combinations) which, for their nature, did not impact EBITDA.

Note 12 - (Loss)/gain on investments

This item amounting to negative 12,202 thousand Euros is related to the fair value adjustments to equity investments in start-up companies made by the Investment company Breed Investments Ltd..

Note 13 - Financial income/(expenses)

Detail is as follows:

(THOUSAND EUROS)	2022	2021	CHANGE
Financial income	1,835	772	1,062
Interest expenses	(2,938)	(1,426)	(1,513)
Other	(3,572)	(3,514)	(57)
Total	**(4,676)**	**(4,168)**	**(508)**

Financial income mainly includes interest on financial investments amounting to 923 thousand Euros, interest income on tax refunds amounting to 426 thousand Euros, interest on convertible loans amounting to 217 thousand Euros and interest on bank accounts amounting to 200 thousand Euros.

Interest expenses mainly include expenses related to loans for M&A operations.
The item Other includes:

- the interest expenses arising from the adoption of the International Accounting Standard IFRS 16 for 3,000 thousand Euros (3,367 thousand Euros at 31 December 2021);
- the changes in fair value of financial liabilities pursuant to IFRS 9 resulting in a net gain of 785 thousand Euros (positive 173 thousand Euros at 31 December 2021);
- the exchange rate differences from the translation of balance sheet items not stated in Euros for a net gain of 1,542 thousand Euros (positive 447 thousand Euros at 31 December 2021);
- the net changes in fair value of Convertible Loans including capitalized interest amounting to positive 416 thousand Euros (negative 246 thousand Euros at 31 December 2021);
- the financial losses related to the fair value adjustments of the investments mainly held by Reply amounting to 3,311 thousand Euros (351 thousand Euros at 31 December 2021).

Note 14 - Income taxes

Income taxes for the financial year ended 2022 amounted to 76,511 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	2022	2021	CHANGE
IRES and other taxes	63,989	66,179	(2,190)
IRAP (Italy)	10,238	9,310	928
Current taxes	**74,227**	**75,489**	**(1,262)**
Deferred tax expenses	729	2,861	(2,131)
Deferred tax income	4,118	(18,540)	22,658
Deferred taxes	**4,848**	**(15,679)**	**20,527**
Corporate tax - previous years	(2,564)	1,061	(3,624)
Total income taxes	**76,511**	**60,871**	**15,640**

The tax burden on the result before taxes was equivalent to 28.5% (the same of 2021).

The reconciliation between the tax charges recorded in the consolidated financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rate in effect in Italy, is the following:

Profit/(loss) before taxes from continuing operations	**268,695**	
Theoretical income taxes	64,487	24.0%
Effect of fiscal permanent differences	(324)	
Effect of difference between foreign tax rates and the theoretical Italian tax rate	2,110	
Current and deferred income tax recognized in the financial statement excluding IRAP	**66,273**	**24.7%**
IRAP current and deferred	10,238	3.8%
Current and deferred income recognized in the financial statements	**76,511**	**28.5%**

In order to render the reconciliation between income taxes recognized in the financial statements and theoretical income taxes more meaningful, IRAP tax is not taken into consideration since it has a taxable basis that is different from the result before tax of continuing operations. Theoretical income taxes are therefore calculated by applying only the tax rate in effect in Italy ("IRES"), equal to 24.0%, on the result before tax of continuing operations.

Note 15 - Earnings per share

The basic and diluted earnings per share as at 31 December 2022 was calculated on the basis of the Group's net result amounting to 191,016 thousand Euros (150,672 thousand Euros as at 31 December 2021) divided by the weighted average number of shares, net of treasury shares, as at 31 December 2022 which amounted to 37,252,650 (37,356,344 as at 31 December 2021).

(EUROS)	2022	2021
Group net result	191,016,000	150,672,000
Average no. shares	37,252,650	37,356,344
Earnings per share	5.13	4.03

The basic earnings per share and diluted earnings per share are the same as there are no financial instruments potentially convertible in shares (stock options).

Note 16 - Other information

Pursuant to Article 1, paragraph 125 of Law 124/2017, the Group has received the following public contributions in 2022:

CLIENT	THOUSAND EUROS
SOGEI AND OTHE PUBLIC ENTITIES	18,995
AZIENDA REGIONALE PER L'INNOVAZIONE E GLI ACQUISTI SPA	14,847
AGENZIA DELLE ENTRATE-RISCOSSIONE	1,742
AZIENDA SOCIO SANITARIA TERRITORIALE	1,346
ENTE PUBBLICO NAZIONALE DI RICERCA	1,023
FOUNDATIONS	807
PREVIDENZA SOCIALE	629
AGENZIA DI TUTELA DELLA SALUTE REGIONALE	449
AZIENDA ZERO	437
MINISTRIES	374
BANKS	298
UNIVERSITIES	237
AZIENDA ULSS	158
SPORT E SALUTE SPA	156
ANAC	117
INNOVAPUGLIA S.P.A.	75
ARPA-AGENZIA REGIONALE PROTEZIONE AMBIENTE	69
ANAS S.P.A.	55
REGIONI E PROVINCE	54
INAIL	53
CONINET SPA	33
MIBACT GALLERIA NAZIONALE D'ARTE MODERNA E CONTEMPORANEA	22
LEONARDO LOGISTICS S.P.A.	20
TS - WAY S.R.L.	19
COMUNI	14
ENI	4
GARANTE PER LA PROTEZIONE DEI DATI PERSONALI - GP	1
ANPAL - AGENZIA NAZIONALE PER LE POLITICHE ATTIVE DEL LAVORO	1
AGENZIA REGIONALE PER LA PROTEZIONE DELL'AMBIENTE	1
CORTE COSTITUZIONALE	1
TOTAL	**42,038**

In accordance to the above mentioned regulation, the following table shows the public grants received by some group companies.

ENTITY	THOUSAND EUROS
COMMISSION EUROPEENNE	572
MINISTERO SVILUPPO ECONOMICO	408
EIT DIGITAL ITALY	77
REGIONE PIEMONTE	57
TOTAL	**1,113**

The beneficiary companies are: Reply S.p.A., Bside S.r.l., Consorzio Reply Public Sector, Santer Reply S.p.A., Eos Reply S.r.l., Storm Reply S.r.l., Xister S.r.l., Cluster Reply Roma S.r.l., Security Reply S.r.l., Forge Reply S.r.l., Tamtamy Reply S.r.l., Xenia Reply S.r.l. and Whitehall Reply S.r.l.. For further details, please refer to the individual company's 2022 annual report.

Note 17 - Tangible assets

Tangible assets as at 31 December 2022 amounted to 98,068 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Buildings	58,592	48,892	9,700
Plant and machinery	6,665	6,164	501
Hardware	12,102	8,810	3,292
Other	20,710	17,053	3,657
Total	**98,068**	**80,919**	**17,149**

Change in tangible assets during 2022 is summarized below:

(THOUSAND EUROS)	BUILDINGS	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical cost	52,333	18,013	51,528	46,236	168,110
Accumulated depreciation	(3,441)	(11,849)	(42,718)	(29,184)	(87,191)
31/12/2021	**48,892**	**6,164**	**8,810**	**17,053**	**80,919**
Historical costs					
Increases	10,804	2,586	9,939	10,869	34,198
Disposals	(6)	(1,566)	(8,521)	(2,797)	(12,890)
Change in consolidation	-	225	1,353	994	2,572
Other changes	(2)	598	299	(740)	156
Accumulated depreciations					
Increases	(1,075)	(1,830)	(6,012)	(4,872)	(13,789)
Disposals	-	1,197	7,424	1,710	10,331
Change in consolidation	-	(160)	(1,205)	(1,044)	(2,409)
Other changes	(22)	(550)	15	(462)	(1,020)
Historical cost	63,130	19,856	54,598	54,562	192,147
Accumulated depreciation	(4,538)	(13,191)	(42,496)	(33,852)	(94,078)
31/12/2022	**58,592**	**6,665**	**12,102**	**20,710**	**98,068**

During the financial year the Group carried out total investments for 34,198 thousand Euros (39,002 thousand Euros at 31 December 2021).
The item Buildings mainly includes:

- the net value of a building owned by the group amounting to 4,549 thousand Euros located in Guetersloh, Germany.
- the real estate complex located in Turin and called "ex Caserma De Sonnaz" in the amount of 27,488 thousand Euros, that after proper renovation will be used to host the offices of the Group.
- the real estate complex located in Turin – Via Nizza 250 – in the amount of 26,191 thousand Euros that hosts the offices of the Group.

Increases in the item Buildings refers to the restructuring costs of the buldings.

Increase in the item Plant and machinery mainly refers to purchases of general devices and to plant systems for the offices in which the Group operates.

Change in the item Hardware is due to investments made by companies included in Region 1 for 4,898 thousand Euros, 4,130 thousand Euros for purchases made by the companies included in Region 2 and 906 thousand Euros for purchases made by the companies included in Region 3.

The item Other as at 31 December 2022 mainly includes office furniture and leasehold improvements. The increase of 10,869 thousand Euros mainly refers to the purchase of office furniture for 2,812 thousand Euros, leasehold improvements for 6,263 thousand Euros and the purchase of other for 1,794 thousand Euros. The item Other is mainly related to mobile phones.

Other changes mainly refer to translation differences.

As at 31 December 2022 tangible assets were depreciated by 49.0% of their value, compared to 51.9% at the end of 2021.

Note 18 - Goodwill

This item includes goodwill arising from consolidation of subsidiaries purchased against payment made by some Group companies.
It should be noted that the goodwill values stated in the financial statements published at 31 December 2021 have been restated as a result of the conclusion of the PPA process for the acquisition of Comwrap GmbH, Enowa LLC, The Spur Group and G-Force Demco Ltd, which resulted in the allocation to assets and liabilities and the residual recognition of a goodwill for 109 million euros. As a result of this process, the data published at 31 December 2021 was restated.

The effects of changes on the value of goodwill, compared to the financial statements published at 31 December 2021, are detailed below:

(THOUSAND EUROS)	31/12/2021	PPA EFFECT	31/12/2021 RESTATED
Region 1	217,186	(21,197)	195,989
Region 2	135,239	(5,234)	130,005
Region 3	121,693	(2,344)	119,349
Total	**474,118**	**(28,775)**	**445,345**

Goodwill in 2022 developed as follows:

(THOUSAND EUROS)	
Beginning balance	**445,345**
Increases	179,910
Impairment	-
Total	**625,254**
Exchange rate differences	5,001
Ending balance	**630,255**

Increase in Goodwill compared to 31 December 2021 owes to:

- the acquisition of Fincon GmbH, a company established under German law, incorporated by Reply Deutschland SE, specialized in core processes and systems in the financial services sector;
- the acquisition of Wemanity Group, a company established under French law, incorporated by Reply France Sas, digital transformation leader in France and Benelux.

The following table summarizes the calculation of goodwill and the aggregate book value of the companies as at the acquisition date.

(THOUSAND EUROS)	FAIR VALUE (*)
Tangible and intangible assets	3,334
Trade receivables and other current assets	36,775
Financial assets	2,942
Cash and cash equivalents	14,275
Financial liabilities, net	(12,113)
Trade payables and other current liabilities	(27,273)
Deferred tax liabilities, net	(1,225)
Net assets acquired (A)	**16,714**
Transaction value including the deferred component (B)	219,801
Difference allocated to other intangible assets (C)	23,177
Goodwill (B-A+C)	**179,910**

(*) book value is equal to fair value

The above situation is to be considered definitive.

Goodwill was allocated to the cash generating units ("CGU"), identified in the Region in which the Group operates (Region 1 includes the CGU related to American companies). The breakdown reflects the business management of the Group by Top Management and is summarized as follows:

(THOUSAND EUROS)	AT 31/12/2021	INCREASES	TRANSLATION DIFFERENCES	AT 31/12/2022
Region 1	195,989	380	9,058	205,427
Region 2	130,005	103,048	-	233,053
Region 3	119,349	76,482	(4,057)	191,774
Total	**445,344**	**179,910**	**5,001**	**630,255**

Reply has adopted a structured and periodic planning and budgeting system aimed at defining objectives and business strategies in order to draft the annual budget.

The impairment model adopted by the Reply Group is based on future cash flows calculated using the Discounted cash flow analysis.
In applying this model, Management uses different assumptions, which are applied to the single CGU over two years of extrapolation subsequent to the annual budget, in order to estimate:

- increase in revenues,
- increase in operating costs,
- investments,
- change in net capital.

The recoverable value of the CGU, to which the single goodwill is referred, is determined as the highest between the fair value less any selling costs (net selling price) and the present value of the estimated future cash flows expected from the continuous use of the good (value in use). If the recoverable value is higher than the carrying amount of the CGU there is no impairment of the asset; in the contrary case, the model indicates a difference between the carrying amount and the recoverable value as the effect of impairment.

The following assumptions were used in calculating the recoverable value of the Cash Generating Units:

ASSUMPTION	REGION 1	REGION 2	REGION 3
Terminal value growth rates:	2%	2%	2%
Discount rate, net of taxes:	8.09%	6.38%	7.52%
Discount rate, before taxes:	10.99%	9.11%	10.02%
Multiple of EBIT	10.2	10.2	10.2

As to all CGUs subject to the impairment tests at 31 December 2022 no indications emerged that such businesses may have been subject to impairment.

On 31 December 2022 the difference between the headroom estimated and the book value of the net invested capital inclusive of the goodwill initially recognized, is equal to 351.5% for Region 1, 85.5% for Region 2 and 26.4% for Region 3.
Reply has also developed a sensitivity analysis of the estimated recoverable value. The Group considers that the growth rate of revenues and the discount rate are key indicators in estimating the fair value and has therefore determined that:

- a decrease of up to 30% of the revenue growth;
- an increase of 100 basis points in the discount rate.

This analysis would not lead to an excess of the carrying value of the CGU compared to its recoverable value, which tends to be always significantly high.
In addition to the above analyses, for Region 1, which includes US company goodwill for a total amount of €159 million, the company carried out a specific impairment test, which did not reveal any indication that such goodwill may have suffered a loss in value.

Please see below the main assumptions used:

ASSUMPTIONS	**REGION 1 – US**
Terminal value growth rates:	2%
Discount rate, net of taxes:	8.00%
Discount rate, before taxes:	10.95%
Multiple of EBIT	10.20

Finally, it is appropriate to note that the estimates and budget data to which the above mentioned parameters have been applied are those determined by management on the basis of past performance and expectations of developments in the markets in which the Group operates, also pursuant to CONSOB and ESMA recommendations, significant attention has been placed on the planning process to account for the possible impacts deriving from the current geo-political situation, and to the sensitivity analysis of the recoverable value, which is always significantly higher despite a 30% increase in key parameters (reduction of turnover and discount rate).
Moreover, estimating the recoverable amount of the Cash-Generating Units requires discretion and the use of estimates by Management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events which could potentially cause further impairment losses are constantly monitored by Reply management.

Note 19 - Other intangible assets

Net intangible assets as at 31 December 2022 amounted to 105,173 thousand Euros (83,386 thousand Euros on 31 December 2021).

It should be noted that the values of intangible assets stated in the financial statements published at 31 December 2021 have been restated as a result of the conclusion of the PPA process for the acquisition of Comwrap GmbH, Enowa LLC, The Spur Group and G-Force Demco Ltd, which resulted in the allocation to assets and liabilities and the recognition of Customer Lists for 39,350 thousand Euros. As a result of this process, the data published at 31 December 2021 was restated.
Other intangible assets are detailed as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021 RESTATED	CHANGE
Development costs	2,422	1,853	569
Software	4,892	5,272	(380)
Trademark	537	537	-
Other intangible assets	97,323	75,724	21,598
Total	**105,173**	**83,386**	**21,787**

in intangible assets during 2022 is summarized in the table below:

(THOUSAND EUROS)	DEVELOPMENT COSTS	SOFTWARE	TRADEMARK	OTHER INTANGIBLE ASSETS	TOTAL
Historical cost	31,768	31,002	537	86,403	149,710
Accumulated depreciation	(29,915)	(25,730)	-	(10,679)	(66,324)
31/12/2021	**1,853**	**5,272**	**537**	**75,724**	**83,386**
Historical costs					
Increases	1,918	2,592	-	32,714	37,224
Disposals	(100)	(2,157)	-	-	(2,257)
Change in consolidation	-	1,136	-	59	1,195
Other changes	(6)	(5,335)	-	976	(4,365)
Accumulated depreciations					
Increases	(1,354)	(2,333)	-	(12,029)	(15,716)
Disposals	100	2,151	-	-	2,252
Change in consolidation	-	(913)	-	(28)	(941)
Other changes	10	4,479	-	(93)	4,396
Historical cost	33,580	27,238	537	120,151	181,506
Accumulated depreciation	(31,158)	(22,346)	-	(22,829)	(76,333)
31/12/2022	**2,422**	**4,892**	**537**	**97,323**	**105,173**

Development costs refer to the development of software products and are accounted for in accordance with provisions of IAS 38.

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 1,498 thousand Euros related to software development for internal use in 2022.

The item Trademark mainly refers to the value of the "Reply" trademark granted on 9 June 2000 to the Parent Company Reply S.p.A. (at the time Reply Europe Sàrl), in connection with the share capital increase that was resolved and subscribed to by the Parent Company. Such amount is not subject to systematic amortization and the expected future cash flows are deemed adequate.

The change in the item Other intangible assets is related to the completion of the PPA procedure of Fincon GmbH and Wemanity Group, as described in note 18.

Note 20 - Right of use assets

The application of the IFRS 16 accounting standard, in use since 1 January 2019, resulted in the accounting of the book value of the right-of-use asset ("RoU Asset") that is equal to the book value of the liabilities for leasing on the date of first application, net of any accrued income/costs or deferred revenue/expenses related to the lease. The table below shows the RoU Assets divided by category:

(THOUSAND EUROS)	31/12/2021	NET CHANGES	AMORTIZATION	EXCHANGE DIFFERENCE	31/12/2022
Buildings	107,482	11,071	(22,171)	288	96,670
Vehicles	10,726	10,351	(6,544)	128	14,660
Office equipment	1,341	61	(391)	-	1,010
Total	**119,549**	**21,483**	**(29,107)**	**416**	**112,341**

The net changes mainly refer to the signing of new financial leasing agreements, resulting in an increase in the value of the right of use, the redetermination of certain liabilities, increases in rents and the renegotiation of existing contracts and to the change in consolidation due to Wemanity Group.

Note 21 - Equity investments

The item Equity investments amounts to 51,049 thousand Euros and includes for 50,823 thousand Euros investments in start-up companies principally in the IoT field made by the Investment company Breed Investments Ltd.
Note that the investments in equity investments mainly held through an Investment Entity are designated at fair value and accounted for in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement" Through Profit & Loss. The fair value is determined using the International Private Equity and Venture Capital valuation guideline (IPEV) and any change therein is recognized in profit (loss) in the period in which they occurred.

Detail is as follows:

(THOUSAND EUROS)	VALUE AT 31/12/2021	NET INCREASES/ DISPOSALS	NET FAIR VALUE ADJUSTMENTS	EXCHANGE DIFFERENCES	VALUE AT 31/12/2022
Investments	66,361	(1,221)	(12,102)	(2,215)	50,823

Net fair value adjustments
The net fair value adjustment amounting to 12,102 thousand Euros reflects the market values of the last rounds that took place in 2022 on investments already in portfolio.

All fair value assessments shall be part of the hierarchy level 3.

Note 22 - Financial assets

Current and non-current financial assets amounted to a total of 42,314 thousand Euros with compared to 40,347 thousand Euros as at 31 December 2021.

Detail is as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Short term securities	1,451	1,913	(462)
Financial investments	27,201	29,631	(2,430)
Loans to third parties	156	247	(91)
Receivables from factor	1,800	-	1,800
Total current financial assets	**30,608**	**31,791**	**(1,183)**
Receivables from insurance companies	3,250	3,186	64
Guarantee deposits	1,808	1,118	690
Other financial assets	358	328	30
Convertible loans	6,289	3,925	2,365
Total non-current financial assets	**11,706**	**8,556**	**3,149**
Total financial assets	**42,314**	**40,347**	**1,967**

Short term securities mainly refer to Time Deposit investments.

The item Financial investments refers to the bonds held by the parent company Reply S.p.A.. The valuation of short-term investments, based on fair value at 31 December 2022, showed a negative difference amounting to 3,311 thousand Euros compared to the purchase cost of the same.
Receivables from factor refer to the receivable related to the sale of non-recourse invoices for 2,700 thousand Euros, net of advances received of 900 thousand Euros.

The item Receivables from insurance companies mainly refers to the insurance premiums paid against pension plans of some German companies and to directors' severance indemnities.

Convertible loans relate to the option to convert into shares of the following start-up company in the field of IoT, detail is as follows:

(THOUSAND EUROS)	VALUE AT 31/12/2021	INCREASES/ DISPOSALS	CAPITALIZED INTERESTS	NET FAIR VALUE ADJUSTMENTS	EXCHANGE DIFFERENCES	VALUE AT 31/12/2022
Convertible loans	3,925	1,801	217	416	(70)	6,289

The change is referred to new investments in convertible loans during the year.

Note that the items Receivables from insurance companies, Convertible loans, Guarantee deposits and Other financial assets are not shown in Net financial position.

Cash and cash equivalents at 31 December 2022 is detailed as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Bank accounts	283,653	329,010	(45,357)
Cash	42	42	-
Total	**283,695**	**329,051**	**(45,357)**

Cash and cash equivalents is disclosed at Note 27.

Note 23 - Deferred tax assets

Deferred tax assets, amounting to 61,979 thousand Euros, of which 24,472 thousand Euros are current, as at 31 December 2022 (68,889 thousand Euros as at 31 December 2021), include the fiscal charge corresponding to the temporary differences originating among the pre-tax result and taxable income relating to entries with deferred deductibility.

Detail of Deferred tax assets is provided at the table below:

(THOUSAND EUROS)	31/12/2021	ACCRUALS	UTILIZATION	OTHER CHANGES	31/12/2022
Prepaid tax on costs that will become deductible in future years	10,147	3,963	(2,093)	-	12,017
Prepaid tax on greater provisions for doubtful accounts	27,254	6,540	(15,108)	-	18,687
Deferred fiscal deductibility of amortization	2,169	420	(301)	-	2,288
Consolidation adjustments and other items	29,320	12,292	(12,805)	181	28,988
Total	**68,889**	**23,215**	**(30,306)**	**181**	**61,979**

The decision to recognize deferred tax assets is taken by assessing critically whether the conditions exist for the future recoverability of such assets on the basis of expected future results.
There are no deferred tax assets on losses carried forward.

Note 24 - Work in progress

Contract work in progress, amounting to 83,880 thousand Euros, is recognized net of a provision amounting to 54,726 thousand euros (43,539 thousand euros at 31 December 2021) detailed as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Contract work in progress	161,262	131,681	29,581
Advance payments from customers	(77,382)	(44,894)	(32,488)
Total	**83,880**	**86,787**	**(2,907)**

Any advance payments from customers are deducted from the value of the inventories, within the limits of the accrued consideration, representing the assets deriving from the contracts; the exceeding amounts, as well as the advance payments related to work in progress not yet started, are accounted as liabilities.
Change in the provision is mainly due to the accrual made during the fiscal year amounting to 11,226 thousand euros.

Note 25 - Trade receivables

Trade receivables as at 31 December 2022 amounted to 657,568 thousand Euros with a net increase of 186,008 thousand Euros.

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Domestic client	528,069	322,742	205,326
Foreign trade receivables	143,329	157,368	(14,039)
Credit notes to be issued	(8,225)	(4,414)	(3,811)
Total	**663,173**	**475,696**	**187,477**
Allowance for doubtful accounts	(5,605)	(4,136)	(1,469)
Total trade receivables	**657,568**	**471,560**	**186,008**

Trade receivables are shown net of allowances for doubtful accounts, calculated by using the expected credit loss approach pursuant to IFRS 9, amounting to 5,605 thousand Euros on 31 December 2022 (4,136 thousand Euros at 31 December 2021).

The Allowance for doubtful accounts developed in 2022 as follows:

(THOUSAND EUROS)	31/12/2021	ACCRUALS	UTILIZATION	REVERSAL	OTHER CHANGES	31/12/2022
Allowance for doubtful accounts	4,136	1,134	(11)	(529)	875	5,605

The item Other changes mainly refer to the change in consolidation and in particular to Wemanity Group.
It should also be noted that the item includes write-downs for losses on working capital amounts.
Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 2021, are summarized in the tables below:

Aging at 31/12/2022

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	663,173	573,637	71,587	8,591	5,844	3,513	89,536
Allowance for doubtful accounts	(5,605)	(1,618)	(551)	(247)	(793)	(2,396)	(3,987)
Total trade receivables	**657,568**	**572,020**	**71,036**	**8,344**	**5,052**	**1,117**	**85,548**

Aging at 31/12/2021

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	475,696	401,825	57,653	8,863	4,345	3,011	73,871
Allowance for doubtful accounts	(4,136)	(721)	(363)	(176)	(707)	(2,169)	(3,415)
Total trade receivables	**471,560**	**401,104**	**57,289**	**8,687**	**3,638**	**842**	**70,456**

The carrying amount of trade receivables, that at initial recognition is equal to its fair value adjusted for attributable transaction costs, is subsequently valued at the amortised cost appropriately adjusted to take into account any write-downs.
Trade receivables are all collectible within one year.

Note 26 - Other receivables and current assets

Detail is as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Tax receivables	54,255	35,960	18,295
Advances to employees	-	168	(168)
Accrued income and prepaid expenses	30,780	20,155	10,625
Other receivables	16,793	9,119	7,674
OTHER RECEIVABLES AND CURRENT ASSETS	**101,828**	**65,402**	**36,425**

The item Tax receivables mainly includes:

- credits to the Treasury for VAT amounting to 35,034 thousand Euros (27,504 thousand Euros at 31 December 2021);
- income tax prepayments net of the allocated liability amounting to 9,792 thousand Euros (4,667 thousand Euros at 31 December 2021);
- receivables for withholding tax amounting to 1,535 thousand Euros (1,704 thousand Euros at 31 December 2021).

The item Other receivables mainly includes the contributions receivable in relation to research projects for 7,142 thousand Euros (5,198 thousand Euros at 31 December 2021) and receivables from foreign tax administrations for 5,455 thousand Euros.

Note 27 - Cash and cash equivalents

The balance of 283,695 thousand Euros, with a decrease of 45,357 thousand Euros compared to 31 December 2021, represents cash and cash equivalents as at the end of the year.

Changes in cash and cash equivalents are fully detailed in the Consolidated statement of cash flow.

Note 28 - Shareholders’ equity

Share Capital

On 31 December 2022 the share capital of Reply S.p.A, wholly undersigned and paid up, amounted to 4,863,486 Euros and is composed of n. 37,411,428 ordinary shares with nominal value of 0.13 Euros each.

The number of shares in circulation as at 31 December 2022 totaled 37,278,236 (37,340,600 as at 31 December 2021).

Treasury shares

The value of the Treasury shares, amounting to 17,123 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 31 December 2022 were equal to n. 133,192 (70,828 as at 31 December 2021).

During 2022 Reply S.p.A. acquired 140,800 treasury shares and sold 78,436 treasury shares. The change in treasury shares was entirely attributed to equity.

Capital reserves

On 31 December 2022 Capital reserves, amounting to 299,533 thousand Euros, were mainly comprised as follows:

- Treasury share reserve amounting to 17,122 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 282,878 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders’ Meeting of 22 April 2022 Reply S.p.A. re-authorized it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 300 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earning reserves

Earnings reserves amounted to 684,679 thousand Euros and were comprised as follows:

- Reply S.p.A.’s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 492,690 thousand Euros (retained earnings amounted to 376,078 thousand Euros as at 31 December 2021);
- Profits attributable to shareholders of the Parent Company amounted to 191,016 thousand Euros (150,672 thousand Euros as at 31 December 2021).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(THOUSANDS EUROS)	31/12/2022	31/12/2021
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	6,963	(763)
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**6,963**	**(763)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	3,632	407
Gains/(losses) from the translation of assets in foreign currencies	(627)	16,957
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**3,005**	**17,364**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**9,968**	**16,601**

Non-controlling interest

Non-controlling interest refer to the participation of non-controlling shareholders in the capital of companies included in consolidation and as at 31 December 2022 amounted to 1,579 thousand Euros (2,625 thousand Euros on 31 December 2021).

Note 29 - Due to minority shareholders and earn-out

Due to minority shareholders and Earn-out as at 31 December 2022 amounted to 141,502 thousand Euros (129,558 thousand Euros on 31 December 2021), of which 28,675 thousand Euros were current.

This item refers to the variable consideration defined in the business combination. The distinction between Due to Minority Shareholders and Earn-Out stems solely from whether or not there is any legal minority interest related to the initial transition.

Detail is as follows:

(THOUSAND EUROS)	31/12/2021	INCREASES	FAIR VALUE ADJUSTMENTS	PAYMENTS	EXCHANGE DIFFERENCES	31/12/2022
Payables to minority shareholders	17,959	-	(9,227)	-	807	9,539
Payables for earn-out	111,601	46,570	5,809	(33,078)	1,063	131,963
Total due to minority shareholders and Earn-out	**129,558**	**46,570**	**(3,419)**	**(33,078)**	**1,870**	**141,502**

The increase in this item amounting to 46,570 thousand Euros reflects the best estimate of future considerations for earn-outs in relation to the original contracts signed.
In particular:

- the acquisition of Fincon GmbH, a company established under German law, incorporated by Reply Deutschland SE, specialized in core processes and systems in the financial services sector;
- the acquisition of Wemanity Group, a company established under French law, incorporated by Reply France Sas, digital transformation leader in France and Benelux.

The item Fair value adjustments in 2022 amounted to 3,419 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.

Total payments made amounted to 33,078 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

Due to minority shareholders and Earn-out are included in the invested capital and in the net financial indebtedness.

Note 30 - Financial liabilities

Detail is as follows:

	31/12/2022			31/12/2021		
(THOUSAND EUROS)	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Bank overdrafts	20,443	-	20,443	14,371	-	14,371
Bank loans	22,643	74,533	97,175	406	23,313	23,718
Total due to banks	**43,086**	**74,533**	**117,618**	**14,776**	**23,313**	**38,089**
Other financial borrowings	660	-	660	904	-	904
IFRS 16 financial liabilities	27,829	97,624	125,453	26,508	102,129	128,637
Total financial liabilities	**71,574**	**172,157**	**243,731**	**42,188**	**125,442**	**167,630**

The following illustrates the distribution of financial liabilities by due date:

	31/12/2022				31/12/2021			
(THOUSAND EUROS)	DUE IN 12 MONTHS	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL	DUE IN 12 MONTHS	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL
Bank overdrafts	20,443	-	-	20,443	14,371	-	-	14,371
M&A loans	20,952	51,214	-	72,167	83	417	-	500
Mortgage loans	325	11,459	8,960	20,744	323	8,827	11,916	21,066
Bank loans	2,150	5,991	-	8,141	-	-	-	-
Other financial borrowings	660	-	-	660	904	-	-	904
IFRS 16 financial liabilities	27,829	79,053	18,571	125,453	26,508	78,833	23,296	128,637
Derivative financial instruments	(785)	(2,076)	(1,016)	(3,876)	-	430	1,722	2,152
Total	**71,574**	**145,642**	**26,515**	**243,731**	**42,188**	**88,508**	**36,934**	**167,630**

M&A financing refers to credit lines to be used for acquisition operations carried directly by Reply S.p.A. or via companies controlled directly or indirectly by the same.

Summarized below are the existing contracts entered into for such a purpose:

- On 8 May 2020 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 27 May 2022. As at 31 December 2022 this line had been used for 41,667 thousand Euros.
- On 8 November 2021 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 75,000 thousand Euros to be used by 31 March 2023. The loan will be reimbursed on a half year basis deferred to commence on 29 September 2023 and will expire on 30 September 2026. As at 31 December 2022 this line had been used for 30,000 thousand Euros.

- On 19 May 2022 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 29 May 2024. As at 31 December 2022 this line had been used for 500 thousand Euros.

Interest rates are also applied according to certain predetermined ratios (Covenants) of economic and financial nature calculated on the consolidated financial statements as at 31 December of each year and/or the consolidated interim report.

As contractually defined, such ratios are as follows:
- Net financial indebtedness/Equity
- Net financial indebtedness/EBITDA

At 31 December 2022 the Covenants under the various contracts were satisfied.

The item Mortgages refers to:
- financing granted to Tool Reply GmbH by Commerzbank for a total of 2,500 thousand Euros to be used by 30 June 2028. The loan is reimbursed on a quarter-year basis (at 0.99%). As at 31 December 2022 this line had been used for 1,448 thousand Euros.
- financing granted to Comwrap GmbH for a total of 350 thousand Euros to be used by 30 July 2024. The loan is reimbursed on a monthly basis (at 3.50%). As at 31 December 2022 this line had been used for 96 thousand Euros.

It should also be noted that on 24 May 2018 Reply S.p.A. undersigned with Unicredit S.p.A. a mortgage loan secured by guarantee for the purchase and renovation of the property De Sonnaz for a total amount of 40,000 thousand Euros. On November 15, 2021, an amendment was signed with the same institution, agreeing to extend the period of use from 36 to 66 months, without prejudice to the maximum total duration of 156 months (13 years). The mortgage is disbursed in relation to the progress of the work. Such credit line was used for 19,200 thousand Euros at 31 December 2022.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2022 related to the adoption of the Accounting Standard IFRS 16.

The item Derivative financial instruments refers to several loans established with Unicredit S.p.A. to hedge changes in floating interest rates on loans and/or mortgages; the total underlying notional amounts to 75,667 thousand Euros. The effective component of the instrument is stated in the Statement of changes in net equity whereas the ineffective portion of the Derivative instrument is recorded at the income statement.

The carrying amount of Financial liabilities is deemed to be in line with its fair value.

For further details related to the risk management policies please see Note 37.

Net financial indebtedness

The net financial indebtedness reported below was prepared according to CONSOB communication no. DEM / 6064293 of July 28, 2006, updated with the provisions of ESMA guideline 32-382-1138 of March 4, 2021 as implemented by the CONSOB warning no. 5/21 of 29 April 2021:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
A Cash	283,695	329,052	(45,357)
B Cash equivalents	-	-	-
C Current financial assets	30,608	31,791	(1,183)
D Cash (A+B+C)	**314,303**	**360,842**	**(46,539)**
E Current financial liabilities	48,147	41,783	6,364
F Short-term portion of long term financial liability	23,428	407	23,021
G Financial liabilities short-term (E+F)	**71,574**	**42,189**	**29,385**
H Net financial debt short-term (G-D)	**(242,729)**	**(318,653)**	**75,924**
I Financial liabilities long-term	175,251	123,289	51,962
J Financial instruments	(3,095)	2,152	(5,247)
K Other liabilities long-term	141,502	129,558	11,944
L Financial debt long-term (I+J+K)	**313,659**	**255,000**	**58,659**
Total financial debt	**70,930**	**(63,653)**	**134,584**

Net financial indebtedness includes IFRS 16 financial liabilities amounting to 125,453 thousand Euros, of which 97,264 thousand Euros were non-current and 27,829 were current. The item Commercial and other non-current liabilities is related to liabilities to minority shareholders and Earn-out assimilated to unpaid debts with a significant implicit financial component.

For further details with regards to the above table see Note 27 as well as Note 30. Pursuant to the aforementioned recommendations long term financial assets are not included in the net financial indebtedness.
As previous mentioned in Note 29, Due to minority shareholders and Earn-out are included in the invested capital and are not included in the net financial managerial position.

Change in financial liabilities during 2022 is summarized below:

(THOUSAND EUROS)	
Total financial liabilities 2021	**167,630**
Bank overdrafts	(14,371)
IRS	(2,152)
Non current financial liabilities 2021	**151,107**
IFRS 16 financial liabilities	(3,184)
Cash flows	69,230
Total non-current financial liabilities 2022	**217,153**
Bank overdrafts	20,443
Change in consolidation	10,011
IRS	(3,876)
Total financial liabilities 2022	**243,731**

Note 31 - Employee benefits

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Employee severeance indemnities	33,830	35,417	(1,588)
Employee pension funds	7,316	11,569	(4,254)
Directors severance indemnities	1,670	1,599	71
Other	16	16	-
Total	**42,831**	**48,601**	**(5,770)**

Employee severance indemnities

The Employee severance indemnity represents the obligation to employees under Italian law (amended by Law 296/06) that has accrued up to 31 December 2006 and that will be settled when the employee leaves the company. In certain circumstances, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.

The procedure for the determination of the Company's obligation with respect to employees was carried out by an independent actuary according to the following stages:

- Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;

- Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
- Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations. In order to allow for the changes introduced by Law 296/06, the re-proportioning was only carried out for employees of companies with fewer than 50 employees that do not pay Employee severance indemnities into supplementary pension schemes.

Reassessment of Employee severance indemnities in accordance with IAS 19 was carried out "ad personam" and on the existing employees, that is analytical calculations were made on each employee in force in the company at the assessment date without considering future work force.

The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation.

The assumptions adopted can be summarized as follows:

DEMOGRAPHIC ASSUMPTIONS	
Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2022: 2.50% frequency of turnover in 2022: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS	
Annual inflation rate	Average annual rate of 2.30%
Annual discount rate	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. An annual constant rate equal to 3.77% was used for the year 2022.
Annual growth rate of the Employee severance indemnities	Annual increase in the growth rate of the Employee severance indemnities equal to 3.23%
Annual increase in salaries	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

From a sensitivity analysis concerning the hypotheses related to the parameters involved in the calculation a:

- change in turnover rate by 1%;
- change in the annual rate of inflation by 1.25%;
- change in the annual discount rate by 1.25%

would not have determined a significant effect on the calculation of the liability.

In accordance with IAS 19, Employment severance indemnities at 31 December 2022 are summarized in the table below:

(THOUSAND EUROS)	
Balance at 31/12/2021	**35,417**
Change in consolidation	6,005
Cost relating to current (service cost) work	(4,090)
Actuarial gain/loss	679
Interest cost	(4,181)
Indemnities paid during the year	6,005
Balance at 31/12/2022	**33,830**

Employee pension funds

The Pension fund item mainly relates to liability as regards the defined benefit pensions of some German companies and is detailed as follows:

(THOUSAND EUROS)	
Present value at beginning of the year	**11,569**
Service cost	42
Interest cost	102
Actuarial gains/(losses)	(4,164)
Indemnities paid during the year	(385)
Present value at year end	**7,164**

The assumptions adopted were as follows:

Discount rate	3.6%
Rate of future compensation increases	2.6%
Rate of pension increases	1.0% - 2.6%

Directors severance indemnities
This amount is related to Directors severance indemnities paid during the year.
Change amounting to 71 thousand Euros refers to the resolution made by the Shareholders Meeting of several subsidiary companies to pay an additional indemnity to some Members of the Board in 2022.

Note 32 - Deferred tax liabilities

Deferred tax liabilities at 31 December 2022 amounted to 44,964 thousand Euros, of which 27,609 thousand Euros are current, and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

As a result of the conclusion of the PPA process for the acquisition of Comwrap GmbH, Enowa LLC, The Spur Group and G-Force Demco Ltd, the item Deferred tax liabilities was restated in the figures published at 31 December 2021 for 10,577 thousand Euros.

(THOUSAND EUROS)	31/12/2022	31/12/2021 RESTATED
Deductible items off the books	7,321	4,098
Deferred tax on PPA	25,219	18,307
Other	12,424	12,285
Total	**44,964**	**34,690**

The item Other mainly includes the measurement of contract work in progress, employee benefits, capitalization of development costs and reversal of amortization of intangible assets.

Deferred tax liabilities have not been recognized on retained earnings of the subsidiary companies as the Group is able to control the timing of distribution of said earnings and in the near future does not seem likely.

Note 33 - Provisions

Provisions amounted to 15,860 thousand Euros (of which 15,242 thousand Euros are non-current).

Change in 2022 is summarized in the table below:

(THOUSAND EUROS)	BALANCE AT 31/12/2021	ACCRUALS	UTILIZATION	REVERSALS	OTHER CHANGES	BALANCE AT 31/12/2022
Fidelity fund	752	249	(50)	(137)	-	814
Provision for risks	17,651	1,674	(1,147)	(3,073)	32	15,046
Total	**18,312**	**1,922**	**(1,197)**	**(3,210)**	**32**	**15,860**

Employee fidelity provisions refer mainly to provisions made for the employees of some German companies in relation to anniversary bonuses. The liability is determined through actuarial calculations applying a 5.5% rate.
The Provision for risks is related to the accrual of the year referred to the update of this estimate and to new legal ongoing controversies, lawsuits with former employees and other liabilities in Italy and abroad.
Other changes mainly refer to translation differences.

Note 34 - Trade payables

Trade payables at 31 December 2022 amounted to 168,835 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Domestic suppliers	147,271	111,671	35,601
Foreign suppliers	22,436	29,130	(6,694)
Advances to suppliers	(871)	(879)	8
Total	**168,835**	**139,921**	**28,914**

Trade payables are initially recognised at fair value, adjusted for any transaction costs directly attributable to and are subsequently valued at amortised cost. The amortised cost of current trade payables corresponds to the nominal value.

Note 35 - Other current liabilities

Other current liabilities at 31 December 2022 amounted to 598,557 thousand Euros with an increase of 95,567 thousand Euros with respect to the previous financial year.
Detail is as follows:

(THOUSAND EUROS)	31/12/2022	31/12/2021	CHANGE
Income tax payable	17,515	11,533	5,982
VAT payable	31,870	36,039	(4,169)
Withholding tax and other	6,962	9,579	(2,618)
Total due to tax authorities	**56,346**	**57,151**	**(805)**
National social insurance payable	69,306	41,050	28,256
Other	7,276	3,923	3,352
Total due to social securities	**76,582**	**44,973**	**31,608**
Employee accruals	115,484	108,898	6,587
Other payables	290,623	241,711	48,912
Accrued expenses and deferred income	59,523	50,257	9,266
Total other payables	**465,629**	**400,865**	**64,764**
Other current liabilities	**598,557**	**502,990**	**95,567**

Due to tax authorities amounting to 56,346 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

Due to social security authorities amounting to 76,582 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 31 December 2022 amount to 465,629 thousand Euros and mainly include:
- amounts due to employees that at the balance sheet date had not yet been paid;
- remuneration of directors recognised as participation in the profits of the subsidiary companies;
- advances received from customers exceeding the value of the work in progress amounting to 203,511 thousand Euros (157,841 thousand Euros as at 31 December 2021).

Accrued Expenses and Deferred Income, that increase in 2022 by 9,266 thousand Euros, mainly relate to advance invoicing in relation to T&M consultancy activities to be delivered in the subsequent financial year.
Other current payables and liabilities are initially recognised at fair value, adjusted for any transaction costs directly attributable to and are subsequently valued at amortised cost. The amortised cost of these liabilities corresponds to the nominal value.

Note 36 - Segment reporting

Segment reporting has been prepared in accordance with IFRS 8, determined as the area in which the services are executed.

(THOUSAND EUROS)	REGION 1	%	REGION 2	%	REGION 3	%	IOT INCUBATOR	%	INTERSEGMENT	2022	%
Revenues	**1,223,567**	**100**	**370,040**	**100**	**334,040**	**100**	**29**	**100**	**(36,561)**	**1,891,114**	**100**
Operating costs	(975,815)	(79.8)	(309,520)	(83.6)	(300,489)	(90,0)	(1,540)	(5,380.7)	36,561	(1,550,802)	(82.0)
Gross operating income	**247,752**	**20.2**	**60,520**	**16.4**	**33,551**	**10,0**	**(1,511)**	**(5,280.7)**	**-**	**340,312**	**18.0**
Amortization, depreciation and write-downs	(31,919)	(2.6)	(16,288)	(4.4)	(10,396)	(3,1)	(10)	(34.2)		(58,612)	(3.1)
Other non-recurring (costs)/income	4,546	-	(314)	(0.1)	(459)	(0,1)	-	-		3,774	-
Operating income	**220,379**	**18,0**	**43,918**	**11.9**	**22,697**	**6,8**	**(1,521)**	**(5,314.9)**		**285,473**	**15.1**
Gain/(loss) on investments	-	-	-	-	-	-	(12,102)	(42,295.2)		(12,102)	(0.6)
Financial income/(loss)	1,660	-	(4,636)	(1.3)	(1,442)	(0,4)	(258)	(902.9)		(4,676)	(0.2)
Income before taxes	**222,039**	**18.1**	**39,282**	**10.6**	**21,255**	**6,4**	**(13,881)**	**(48,513.0)**		**268,695**	**14.2**

(THOUSAND EUROS)	REGION 1	%	REGION 2	%	REGION 3	%	IOT INCUBATOR	%	INTERSEGMENT	2021	%
Revenues	**967,148**	**100**	**298,269**	**100**	**246,541**	**100**	**118**	**100**	**(28,273)**	**1,483,803**	**100**
Operating costs	(793,596)	(82.1)	(240,544)	(80.6)	(213,317)	(86.5)	(1,835)	(1,559.7)	28,273	(1,221,018)	(82.3)
Gross operating income	**173,552**	**17.9**	**57,725**	**19.4**	**33,224**	**13.5**	**(1,717)**	**(1,459.7)**	**-**	**262,784**	**17.7**
Amortization, depreciation and write-downs	(27,398)	(2.8)	(12,189)	(4.1)	(8,796)	(3.6)	(8)	(6.9)		(48,391)	(3.3)
Other non-recurring (costs)/income	(95)	-	(698)	(0.2)	(4,318)	(1.8)	-	-		(5,110)	(0.3)
Operating income	**146,059**	**15.1**	**44,838**	**15.0**	**20,111**	**8.2**	**(1,725)**	**(1,466.7)**		**209,283**	**14.1**
Gain/(loss) on investments	-	-	-	-	-	-	8,164	6,940		8,164	0.6
Financial income/(loss)	4,648	0.5	(2,779)	(0.9)	(3,959)	(1.6)	(2,078)	(1,766.3)		(4,168)	(0.3)
Income before taxes	**150,708**	**15.6**	**42,059**	**14.1**	**16,152**	**6.6**	**4,360**	**3,706.7**		**213,279**	**14.4**

Breakdown of revenues by type is as follows:

	REGION 1		REGION 2		REGION 3		IOT INCUBATOR	
BUSINESS LINE	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
T&M	18.2%	17.9%	56.4%	49.5%	52.3%	57.2%	-	-
FIXED PRICE PROJECTS	81.8%	82.1%	43.6%	50.5%	47.7%	42.8%	-	-
OTHER BUSINESS	-	-	-	-	-	-	100.0%	100.0%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

The following table provides a breakdown of net invested capital by Region:

(THOUSAND EUROS)	REGION 1	REGION 2	REGION 3	IOT INCUBATOR	INTERSEG.	31/12/2022
Current operating assets	657,942	135,430	115,496	942	(66,534)	843,276
Current operating liabilities	(591,634)	(116,629)	(136,529)	(18,426)	66,534	(796,686)
Net working capital (A)	**66,307**	**18,801**	**(21,033)**	**(17,485)**	**-**	**46,590**
Non current assets	420,089	340,389	250,562	59,531		1,070,572
Non financial liabilities long term	(109,781)	(59,850)	(46,460)	227		(215,864)
Fixed capital (B)	**310,308**	**280,539**	**204,102**	**59,758**	**-**	**854,708**
Net invested capital (A+B)	**376,615**	**299,340**	**183,069**	**42,274**	**-**	**901,298**

(THOUSAND EUROS)	REGION 1	REGION 2	REGION 3	IOT INCUBATOR	INTERSEG.	31/12/2021
Current operating assets	483,229	103,028	76,849	191	(39,547)	623,749
Current operating liabilities	(514,692)	(108,203)	(65,569)	(17,446)	39,547	(666,363)
Net working capital (A)	**(31,464)**	**(5,175)**	**11,280**	**(17,255)**	**-**	**(42,614)**
Non current assets	414,673	213,204	174,814	70,315		873,006
Non financial liabilities long term	(131,740)	(32,794)	(43,175)	-		(207,709)
Fixed capital (B)	**282,932**	**180,410**	**131,639**	**70,315**	**-**	**665,297**
Net invested capital (A+B)	**251,468**	**175,235**	**142,919**	**53,060**	**-**	**622,683**

Breakdown of employees by Region is as follows:

REGION	2022	2021	CHANGE
Region 1	8,612	7,376	1,236
Region 2	2,834	1,952	882
Region 3	2,016	1,246	770
IoT Incubator	5	5	-
Total	**13,467**	**10,579**	**2,888**

Note 37 - Additional disclosures to financial instruments and risk management policies

Types of financial risks and corresponding hedging activities

Reply S.p.A. has determined the guide lines in managing financial risks. In order to maximize costs and the resources Reply S.p.A. has centralized all of the groups risk management. Reply S.p.A. has the task of gathering all information concerning possible risk situations and define the corresponding hedge.

As described in the section “Risk management”, Reply S.p.A. constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the company.

The quantitative data reported in the following do not have any value of a prospective nature, in particular the sensitivity analysis on market risks, is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

Credit risk

The maximum credit risk to which the company is theoretically exposed at 31 December 2022 is represented by the carrying amounts stated for financial assets in the balance sheet.

Balances which are objectively uncollectible either in part or for the whole amount are written down on a specific basis if they are individually significant. The amount of the write-down takes into account an estimate of the recoverable cash flows and the date of receipt, the costs of recovery and the fair value of any guarantees received. General provisions are made for receivables which are not written down on a specific basis, determined on the basis of historical experience.

Refer to the note on trade receivables for a quantitate analysis.

Liquidity risk
Reply S.p.A. is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The two main factors that determine the company's liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.
As described in the Risk management section, Reply S.p.A has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

- centralizing the management of receipts and payments, where it may be economical in the context of the local civil, currency and fiscal regulations of the countries in which the company is present;
- maintaining an adequate level of available liquidity;
- monitoring future liquidity on the basis of business planning.

Management believes that the funds and credit lines currently available, in addition to those funds that will be generated from operating and funding activities, will enable the Group to satisfy its requirements resulting from its investing activities and its working capital needs and to fulfil its obligations to repay its debts at their natural due date.

Currency risk
Reply S.p.A. has a limited exposure to exchange rate risk, therefore the company does not deem necessary hedging exchange rates.

Interest rate risk
Reply S.p.A. makes use of external funds obtained in the form of financing and invest in monetary and financial market instruments. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the company. To mitigate such risks, the Group, when necessary, has used derivative financial instruments designated as "cash flow hedges".

Sensitivity analysis
In assessing the potential impact of changes in interest rates, the company separates fixed rate financial instruments (for which the impact is assessed in terms of fair value)) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

Floating rate financial instruments include principally cash and cash equivalents and part of debt.

A hypothetical, unfavorable and instantaneous change of 100 basis points in short-term interest rates at 31 December 2022 applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 772 thousand Euros.

This analysis is based on the assumption that there is a general and instantaneous change of 100 basis points in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Fair value assessment hierarchy levels

The IFRS 13 establishes a fair value hierarchy which classifies the input of evaluation techniques on three levels adopted for the measurement of fair value. Fair value hierarchy attributes maximum priority to prices quoted (not rectified) in active markets for identical assets and liabilities (Level 1 data) and the non-observable minimum input priority (Level 3 data). In some cases, the data used to assess the fair value of assets or liabilities could be classified on three different levels of the fair value hierarchy. In such cases, the evaluation of fair value is wholly classified on the same level of the hierarchy in which input on the lowest level is classified, taking account its importance for the assessment.

The levels used in the hierarchy are:

- Level 1 inputs are prices quoted (not rectified) in markets active for identical assets and liabilities which the entity can access on the date of assessment;
- Level 2 inputs are variable and different from the prices quoted included in Level 1 observable directly or indirectly for assets or liabilities;
- Level 3 inputs are variable and not observable for assets or liabilities.

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2022, according to the fair value hierarchical assessment level.

(THOUSAND EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Investments	21	-	-	51,049
Convertible loans	22	-	-	6,289
Financial securities	22	28,652	-	-
Total financial assets		**28,652**	**-**	**57,338**
Derivative financial liabilities (IRS)	30		(3,876)	
Liabilities to minority shareholders and earn out	29	-	-	141,502
Total finacial liabilities		**-**	**(3,876)**	**141,502**

The valuation of investments in start-up within the Internet of Things (IoT) business, through the acquisition of equity investments and through the issuance of convertible loans, is based on data not directly observable on active stock markets, and therefore falls under the fair value hierarchical Level 3.

The item Financial securities is related to securities listed on the active stock markets and therefore falls under the fair value hierarchical level 1.

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The latter, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently, for the purposes of IFRS 7 the fair value used by the Group for the exploitation of hedging derivatives contracts in existence as at 31 December 2022 enters under the hierarchy profile in level 2.

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in level 3.

As at 31 December 2022, there have not been any transfers within the hierarchy levels.

Note 38 - Transactions with related parties

In accordance with IAS 24 Related parties are Group companies and persons that are able to exercise control, joint control or have significant influence on the Group and on its subsidiaries.
Transactions carried out by the group companies with related parties that as of the reporting date are considered ordinary business and are carried out at normal market conditions.

The main economic and financial transactions with related parties is summarized below.

(THOUSAND EUROS)			
Financial transactions	**31/12/2022**	**31/12/2021**	**Nature of transaction**
Trade receivables	-	4	Receivables from professional services
Trade payables and other	326	128	Payables for professional services and official rentals offices
Other payables	13,626	11,692	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**2022**	**2021**	**Nature of transaction**
Revenues from professional services	19	19	Receivables from professional services
Services from Parent company and related parties	1,312	1,304	Service contracts relating to office rental, and office administration
Personnel	13,354	13,790	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	148	148	Emoluments to Statutory Auditors

With reference to the Cash flows statement, the above mentioned transactions impact the change in working capital by 2,133 thousand Euros.

Reply group main economic and financial transactions
In accordance with IAS 24, emoluments to Directors, Statutory Auditors and Key Management are also included in transactions with related parties (please see the Annual Report on remuneration).

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006 the financial statements present the Consolidated Income statement and Balance Sheet showing transactions with related parties separately, together with the percentage incidence with respect to each account caption.
Pursuant to Art. 150, paragraph 1 of the Italian Legislative Decree n. 58 of 24 February 1998, no transactions have been carried out by the members of the Board of Directors that might be in potential conflict of interests with the Company.

Note 39 - Emoluments to directors, statutory auditors and key management

The fees of the Directors and statutory Auditors of Reply S.p.A. for carrying out their respective function, including those in other subsidiary companies, are as follows:

(THOUSAND EUROS)	2022	2021
Executive Directors	7,677	8,268
Statutory auditors	148	148
Total	**7,825**	**8,416**

Emoluments to Key management amounted to approximately 5,677 thousand Euros (5,522 thousand Euros at 31 December 2021).

Note 40 - Guarantees, commitments and contingent liabilities

Guarantees
Guarantees and commitments where existing, have been disclosed at the item to which they refer.

Commitments
Note that:

- the Domination Agreement contract undersigned in 2010 between Reply Deutschland AG, dominated company, and Reply S.p.A, dominating company, ceased to exist from the date of legal efficacy of the merger for incorporation of Reply Deutschland SE in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euros). On June 2018, the German court took note of the agreement reached between the parties also affected by the agreement related to the merger of the following point. With regard to shareholders who did not join the settlement agreement, in February 2019, the German Court issued a judgment that provides for an increase of 1.81 euros in the price paid per share and an increase of 0.07 euros gross of the dividends paid in 2010-2013. The financial effects on the Group are covered by specific provisions.
- with regards the merger operation for the incorporation of Reply Deutschland SE in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122j of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash. Within three months from the registration of the merger in the Turin Companies Register, each

minority shareholder was able to present a petition for the purpose of commencing, in compliance with German law, before a Judge qualified in Germany – who shall have exclusive jurisdiction – the assessment inherent in the Share Swap ratio and the corresponding amount in cash. Some minority shareholders have commenced the aforementioned procedures and, following exchanges with the minority shareholders and their appointed representative, the Company has reached a settlement agreement where the payment of an additional amount. The expenses arising from this agreement amounting to approximately 5 million Euros is covered by specific provisions (please see Note 33). In relation to the above accruals, as a result of the utilizations, the provision for risks has a residual amount of 87 thousand Euros at 31 December 2022.

Contingent liabilities
As an international company, the Group is exposed to numerous legal risks, particularly in the area of product liability, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Group financial position and results.

Instead, when it is probable that an overflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Group recognises specific provision for this purpose.

Note 41 - Events subsequent to 31 December 2022

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.

Note 42 - Approval of the consolidated financial statements and authorization to publish

The Consolidated financial statements at 31 December 2022 were approved by the Board of Directors on March 14, 2023 which authorized the publication within the terms of law.

Annexed tables

Consolidated income statement prepared pursuant to Consob resolution no. 15519 of 27 July 2006

(THOUSAND EUROS)	2022	OF WHICH WITH RELATED PARTIES	%	2021	OF WHICH WITH RELATED PARTIES	%
Revenues	**1,891,114**	**19**	**0%**	**1,483,803**	**19**	**0%**
Other income	19,452	-	-	17,631	-	-
Purchases	(27,328)	-	-	(21,500)	-	-
Personnel	(986,744)	(13,354)	1.4%	(759,567)	(13,790)	1.8%
Services costs	(606,853)	(1,460)	0.2%	(462,779)	(1,452)	0.3%
Amortization, depreciation and write-downs	(58,612)	-	-	(48,391)	-	-
Other operating and non-recurring (cost)/income	54,445	-	-	85	-	-
Operating income	**285,473**	**-**	**-**	**209,283**	**-**	**-**
(Loss)/gain on investments	(12,102)	-	-	8,164	-	-
Financial income/(expenses)	(4,676)	-	-	(4,168)	-	-
Income before taxes	**268,696**	**-**	**-**	**213,279**	**-**	**-**
Income taxes	(76,511)	-	-	(60,871)	-	-
Net income	**192,184**	**-**	**-**	**152,408**	**-**	**-**
Non-controlling interest	(1,168)	-	-	(1,735)	-	-
Net result of the Parent company	**191,016**	**-**	**-**	**150,672**	**-**	**-**

Consolidated statement of financial position prepared pursuant to Consob resolution no. 15519 of 27 July 2006

(THOUSAND EUROS)	31/12/2022	OF WHICH WITH RELATED PARTIES	%	31/12/2021	OF WHICH WITH RELATED PARTIES	%
Tangible assets	98,069	-	-	80,919	-	-
Goodwill	630,255	-	-	445,345	-	-
Intangible assets	105,173	-	-	83,386	-	-
RoU Assets	112,341	-	-	119,549	-	-
Equity investments	51,049	-	-	66,361	-	-
Other financial assets	11,706	-	-	8,556	-	-
Deferred tax assets	61,979	-	-	68,889	-	-
Non-current assets	**1,070,572**	**-**	**-**	**873,006**	**-**	**-**
Inventories	83,880	-	-	86,787	-	-
Trade receivables	657,568		-	471,560	-	-
Other receivables and current assets	101,828	-	-	65,403	-	-
Financial assets	30,608	-	-	31,791	-	-
Cash and cash equivalents	283,695	-	-	329,051	-	-
Current assets	**1,157,579**	**-**	**-**	**984,592**	**-**	**-**
TOTAL ASSETS	**2,228,150**	**-**	**-**	**1,857,597**	**-**	**-**
Share Capital	4,864	-	-	4,864	-	-
Other reserves	774,411	-	-	657,733	-	-
Net result of the period	191,016	-	-	150,673	-	-
Equity of the Parent company	**970,291**	**-**	**-**	**813,269**	**-**	**-**
Non-controlling interest	1,579	-	-	2,626	-	-
NET EQUITY	**971,870**	**-**	**-**	**815,895**	**-**	**-**
Due to minority shareholders and earn-out	112,828	-	-	107,493	-	-
Finacial liabilities	74,533	-	-	23,313	-	-
Financial liabilities from RoU	97,624			102,129		
Employee benefits	42,831	-	-	48,601	-	-
Deferred tax liabilities	44,964	-	-	34,690	-	-
Provisions	15,242	-	-	16,925	-	-
Non-current liabilities	**388,021**	**-**	**-**	**333,150**	**-**	**-**
Due to minority shareholders and earn-out	28,675	-	-	22,066	-	-
Finacial liabilities	43,745	-	-	15,681	-	-
Financial liabilities from RoU	27,829	-	-	26,508	-	-
Trade payables	168,835	326	0.2%	139,921	128	0.1%
Other current liabilities	598,557	13,626	2.3%	502,990	11,692	2.3%
Provisions	619	-	-	1,387	-	-
Current liabilities	**868,260**	**-**	**-**	**708,552**	**-**	**-**
TOTAL LIABILITIES	**1,256,281**	**-**	**-**	**1.041.702**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,228,150**	**-**	**-**	**1,857,597**	**-**	**-**

List of companies at 31 December 2022

COMPANY NAME	HEADQUARTERS	GROUP INTEREST
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS		
4brands Reply GmbH & CO. KG. (**)	Minden, Germany	51.00%
Air Reply S.r.l. (*)	Turin, Italy	85.00%
Airwalk Holding Ltd.	Kent, United Kingdom	100.00%
Airwalk Consulting Ltd.	Edinburgh, Scotland	100.00%
Airwalk Consulting Ltd. (Hong Kong)	Shueng Wan, Hong Kong	100.00%
AWC Partners Ltd.	London, United Kingdom	100.00%
Alpha Reply GmbH	Guetersloh, Germany	100.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Arlanis Reply Ltd (formerly Forcology Ltd)	London, United Kingdom	100.00%
Aktive Reply S.r.l.	Turin, Italy	100.00%
Atlas Reply S.r.l.	Turin, Italy	100.00%
Autonomous Reply GmbH	Guetersloh, Germany	100.00%
Auxulus Reply GmbH (formerly Industrie Reply GmbH)	Munich, Germany	100.00%
Atomic Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sprl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd.	London, United Kingdom	100.00%
Avvio Reply S.r.l.	Turin. Italy	100.00%
Blowfish Digital Holdings Ltd.	London, United Kingdom	100.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Blue Reply GmbH	Guetersloh, Germany	100.00%
Bridge Reply S.r.l.	Turin, Italy	100.00%
Business Elements Group BV	Belgium	100.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd.	London, United Kingdom	100.00%
Breed Reply Investment Ltd.	London, United Kingdom	100.00%
Bside S.r.l.	Rome, Italy	100.00%
Canvas Reply GmbH (formerly Neveling.net GmbH)	Hamburg, Germany	100.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply Dynamics GmbH	Guetersloh, Germany	100.00%
Cluster Reply Informatica LTDA.	San Paolo, Brazil	100.00%
Cluster Reply Roma S.r.l.	Turin, Italy	100.00%
Comwrap Reply GmbH	Frankfurt, Germany	100.00%
Comsysto D.O.O.	Zagreb, Croatia	100.00%
ComSysto Reply GmbH	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	100.00%
Concept Reply LLC	Michigan, USA	100.00%

Consorzio Reply Public Sector	Turin, Italy	100.00%
Core Reply S.r.l.	Turin, Italy	100.00%
Data Reply S.r.l.	Turin, Italy	100.00%
Data Reply GmbH	Munich, Germany	100.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%
e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
Elbkind Reply GmbH	Hamburg, Germany	100.00%
Enowa LLC	Philadelphia, USA	100.00%
Eos Reply S.r.l.	Turin, Italy	100.00%
Fincon Reply GmbH	Hamburg, Germany	100.00%
Forge Reply S.r.l.	Turin, Italy	100.00%
France Reply Ltd.	London, United Kingdom	100.00%
G-Force Demco Ltd.	London, United Kingdom	100.00%
Go Reply S.r.l.	Turin, Italy	100.00%
Go Reply GmbH	Guetersloh, Germany	100.00%
Gray Matter Ltd	London, United Kingdom	100.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Consulting (Nanjing) Co. Ltd.	China	100.00%
Industrie Reply LLC	Michigan, USA	100.00%
Infinity Reply GmbH	Düsseldorf, Germany	100.00%
IrisCube Reply S.r.l.	Turin, Italy	100.00%
Ki Reply GmbH	Guetersloh, Germania	100,00%
Laife Reply GmbH	Munich, Germany	100.00%
Leadvise Reply GmbH	Darmstadt, Germany	100.00%
Lid Reply GmbH	Guetersloh, Germany	100.00%
Like Reply GmbH	Guetersloh, Germany	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Liquid Reply GmbH	Guetersloh, Germany	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Logistics Reply S.r.l.	Turin, Italy	100.00%
Logistics Reply GmbH	Munich, Germany	100.00%
Lynx Recruiting Ltd.	London, United Kingdom	100.00%
Machine Learning GmbH	Guetersloh, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Mansion House Consulting Ltd	London, United Kingdom	100.00%
Mansion House Consulting PTE Limited	Singapore	100.00%
MHC Holding Us Ltd.	London, United Kingdom	100.00%
Mansion House Consulting Inc.	Wilmington, USA	100.00%
MCG Systems AG	Colony, Germany	100.00%
Modcomp GmbH	Colony, Germany	100.00%
Net Reply LLC	Michigan, USA	100.00%
Net Reply S.r.l.	Turin, Italy	100.00%
Nexi Digital S.r.l.	Turin, Italy	51.00%
Nexi Digital Polska Sp. z o.o.	Warsaw, Poland	51.00%
Next Reply S.r.l.	Turin, Italy	100.00%
Next Reply GmbH	Guetersloh, Germany	100.00%

Open Reply GmbH	Guetersloh, Germany	100.00%
Open Reply S.r.l.	Turin, Italy	100.00%
Pay Reply S.r.l.	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l.	Turin, Italy	100.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG. (**)	Munich, Germany	100.00%
Protocube Reply S.r.l.	Turin, Italy	70.00%
Red Reply GmbH	Frankfurt, Germany	100.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply Deutschland SE	Guetersloh, Germany	100.00%
Reply GmbH	Zurich, Switzerland	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium Sprl	Mont Saint Guibert, Netherland	100.00%
Reply Digital Experience S.r.l.	Turin, Italy	100.00%
Reply France Sarl	Paris, France	100.00%
Reply NL Ltd.	London, United Kingdom	100.00%
Reply Sarl	Luxembourg	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Reply Polska Sp. z o.o. (formerly Hermes Reply Polska Sp. z o.o.)	Katowice, Poland	
Retail Reply S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Roboverse Reply GmbH	Guetersloh, Germany	100.00%
Sagepath LLC (*)	Atlanta, USA	70.00%
Santer Reply S.p.A.	Milan, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Sense Reply S.r.l.	Turin, Italy	100.00%
Sensor Reply S.r.l. (formerly Envision)	Turin, Italy	100.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Spark Reply S.r.l.	Turin, Italy	100.00%
Spark Reply GmbH	Germany	100.00%
Spike Reply GmbH	Colony, Germany	100.00%
Spike Digital Reply GmbH	Guetersloh, Germany	100.00%
Sprint Reply SA (formerly Brightknight SA)	Belgium	100.00%
Sprint Reply S.r.l.	Turin, Italy	100.00%
Sprint Reply GmbH	Munich, Germany	100.00%
Spot Digital Ltd.	London, United Kingdom	100,00%
Storm Reply S.r.l.	Turin, Italy	100.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan LLC (formerly Enowa LLC)	Philadelphia, USA	100.00%
Syskoplan IE Reply GmbH	Guetersloh, Germany	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%

Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
Target Reply GmbH	Guetersloh, Germany	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply Roma S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Bucharest, Romania	100.00%
TD Reply GmbH	Berlin, Germany	100.00%
TD Marketing Consultants, Beijing Co. Ltd.	China	100.00%
Threepipe Reply Ltd.	London, United Kingdom	100,00%
The Spur Group LLC	Seattle, USA	100.00%
Tool Reply GmbH	Guetersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germany	100.00%
Up Reply GmbH (formerly Portaltech Reply Süd GmbH)	Munich, Germany	100.00%
Valorem LLC	Kansas City, USA	100.00%
Valorem Private Ltd	India	99.99%
Valorem GmbH	Zurich, Switzerland	100.00%
Vanilla Reply GmbH (formerly Portaltech Reply GmbH)	Guetersloh, Germany	100.00%
Vivametric Reply GmbH	Guetersloh, Germany	100.00%
Wemanity Group SAS	Paris, France	100.00%
WM Reply Inc.	Illinois, USA	80.00%
WM Reply Ltd	Auckland, NZ	80.00%
WM Reply LLC	Minsk, Belarus	100.00%
WM Reply Ltd	London, United Kingdom	100.00%
WM Reply Malaysia Ltd	Malaysia	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xenia Reply S.r.l.	Turin, Italy	100.00%
Xister Reply S.r.l.	Turin, Italy	100.00%

(*) For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting reflects Management's best estimate as at the closing date of the 2022 Annual Financial Report.

(**) These companies are exempt from filing statutory financial statements in Germany under the German law § 264b HGB.

COMPANIES CARRIED AT FAIR VALUE		
BlueGrove AS (formerly CageEye AS)	Norway	11.60%
Callsign Inc.	England	3.61%
Canard Drones Ltd	Spain	35.41%
Connecterra BV	Belgium	16.00%
Dcbrain SAS	Frances	8.46%
FoodMarble Digestive Health Ltd	England	18.50%
Gymacraft Ltd.	England	0.02%
iNova Design Ltd	England	27.25%
Iotic Labs Ltd	England	16.28%
Kokoon Technology Ltd	England	26.22%
Metron Sas	France	8.32%
RazorSecure Ltd	England	30.73%
Sensoria Inc.	USA	24.00%
TAG Sensors AS	Norway	19.67%
Ubirch GmbH	Germany	18.51%
We Predict Ltd	England	16.64%
Zeetta Networks Ltd	England	24.00%

Information in accordance with article 149-duodecies issued by Consob

The following table, prepared in accordance with Art. 149-duodeciesof Consob's Regulations for Issuers reports the amount of fees charged in 2022 for the audit and audit related services provided by the Independent Auditors and by entities that are part of the Independent Auditors' network.

(THOUSAND EUROS)	SERVICE PROVIDER	GROUP ENTITY	FEE 2022
Audit	PwC S.p.A.	Parent company - Reply S.p.A.	56
	PwC S.p.A.	Subsidiaries	554
	PwC GmbH	Subsidiaries	239
	Total		**849**
	PwC S.p.A.	Parent company - Reply S.p.A.(1)	28
Audit related services	PwC S.p.A.	Parent company - Reply S.p.A.(2)	43
	PwC S.p.A.	Subsidiaries(1)	57
	Total		**128**
Total			**977**

(1) Signed tax forms (Modello Unico, IRAP and Form 770)
(2) DNF

Attestation of the consolidated financial statements in accordance with article 154-bis of legislative decree 58/98

The undersigned, Mario Rizzante, in his capacity as Chairman and Chief Executive Officer, and Giuseppe Veneziano, Director responsible for drawing up Reply S.p.A.'s financial statements, hereby attest, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- suitability with respect to the Company's structure and
- the effective application

of the administration and accounting procedures applied in the preparation of the Consolidated financial statements for the year ended 2022.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2022 was carried out on the basis of regulations and methodologies defined by Reply prevalently coherent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, an internationally-accepted reference framework.

The undersigned also certify that:

1 the Consolidated Financial Statements

- have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, dated 19 July 2002 as well as the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
- correspond to the amounts shown in the Company's accounts, books and records; and
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Turin, 14 March 2023

/s/ Mario Rizzante
Chairman and Chief Executive Officer
Mario Rizzante

/s/ Giuseppe Veneziano
Director responsible of drawing up the accounting documents
Giuseppe Veneziano

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

REPLY GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Reply SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Reply Group (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Reply SpA (the "Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the recoverability of goodwill *Note 18 to the consolidated financial statements "Goodwill"* The goodwill as of 31 December 2022 is equal to Euro 630 million, related to the Region 1's group of cash generating units ("CGU") for Euro 205 million, to the Region 2's CGU for Euro 233 million and to Region 3's CGU for Euro 192 million. Goodwill represents approximately 26 percent of total assets, therefore is a significant line item of the consolidated financial statements. Group's management tests the impairment of each identified CGU's goodwill, by comparing the carrying amount with the recoverable amount in accordance with IAS 36 (impairment test), annually or when there is any indication of impairment based on which the value of the goodwill is expected to be recovered with difficulty. Group management with the support of external experts, performed the annual impairment test as at 31 December 2022 for all the CGU identified. Based on the impairment test performed as at 31 December 2022 the recoverable amounts of all the CGU identified resulted higher than the carrying values. The impairment test involved the usage of complex estimates for instance those related to future cash flows and related normalization, discount rates and growth rate used to estimate the terminal value beyond the projections of the explicit cash flows. This was an area of particular audit focus because of the CGU's goodwill materiality and the complexity of the assumptions used to determine the value in use.	The audit procedures performed included the analysis of the consistency between the impairment test procedures approved by the board of directors, the requirements of the International Accounting Standard 36 and the impairment test procedure effectively in place. We analysed the key assumptions utilized to determine the net present value of the prospective cash flows. These activities have been performed through discussion held with Group's management, comparing discount rate and growth rate with market benchmark, with indications provided by Directors' external experts and with corresponding assumptions and parameters used in the context of impairment test performed for the previous annual financial report. Additionally, with the support of PwC experts, we evaluated i) the consistency between the expected cash flows used for the impairment test and the economic and financial projections approved by the Board of Directors, and ii) the mathematical accuracy of underlying calculations, iii) Group's management sensitivity analyses, iv) risk factors and parameters used in the impairment test like discount rate and growth rate. Lastly, we verified the adequacy of the financial disclosure based on international financial reporting standards requirements, also considering information and data obtained during our audit, with a particular focus on the description of the impairment test process, disclosure of main assumptions, quantitative results of the impairment test and sensitivity analysis.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Reply SpA or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 19 April 2019, the shareholders of Reply SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Reply SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Reply SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Reply Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Reply Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Reply Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Reply SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Turin, 30 March 2023

PricewaterhouseCoopers SpA

Signed by

Monica Maggio
(Partner)

This independent auditor's report has been translated into English from the Italian original solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.