ANNUAL FINANCIAL REPORT 2022

REPLY

This report has been translated into English
from the original Italian version,
in case of doubt the Italian version shall prevail.
PDF courtesy copy. This version has been prepared
for convenience of use and does not contain the ESEF information
as specified in the ESEF regulatory technical standards
(Delegated Regulation (EU) 2019/815).

Contents

Board of Directors and Controlling Bodies

Chairman and Chief Executive Officer
Mario Rizzante

Chief Executive Officer
Tatiana Rizzante

Executive Directors
Filippo Rizzante
Daniele Angelucci
Marco Cusinato
Elena Maria Previtera
Patrizia Polliotto (1) (2) (3)
Secondina Giulia Ravera (1) (2)
Francesco Umile Chiappetta (1) (2)

Board of Statutory Auditors

President
Ciro Di Carluccio

Statutory Auditors
Piergiorgio Re
Ada Alessandra Garzino Demo

Auditing firm
PwC S.p.A.

(1) Directors not invested with operational proxies
(2) Independent Directors according to the Corporate Governance code drawn up by the Committee for Corporate Governance
(3) Lead Independent Director

The Group's financial highlights

ECONOMIC FIGURES (THSD EUROS)	2022	%	2021	%	2020	%
Revenue	1,891,114	100.0	1,483,803	100.0	1,250,191	100.0
Gross operating income	340,312	18.0	262,784	17.7	207,936	16.6
Operating income	285,473	15.1	209,283	14.1	169,531	13.6
Income before taxes	268,695	14.2	213,279	14.4	162,054	13.0
Group net income	191,016	10.1	150,673	10.2	123,598	9.9

FINANCIAL FIGURES (THSD EUROS)	2022	2021	2020
Group equity	970,291	813,269	675,039
Non-controlling interest	1,579	2,625	918
Total assets	2,228,150	1,857,597	1,506,568
Net working capital	46,590	(42,614)	(21,565)
Net invested capital	901,298	622,683	517,296
Operating cashflow	184,573	207,578	229,028
Net financial managerial position (*)	70,572	193,212	158,661

DATA PER SHARE (EUROS)	2022	2021	2020
Number of shares	37,411,428	37,411,428	37,411,428
Operating income per share	7.63	5.59	4.53
Net income per share	5.13	4.03	3.30
Cash flow per share	4.93	5.55	6.12
Shareholders' equity per share	25.94	21.74	18.04

OTHER INFORMATION	2022	2021	2020
Number of employees	13,467	10,579	9,059

(*) for ESMA net financial indebtedness see Note 30

Letter to shareholders

Dear Shareholders,

2022 was very positive for Reply, both in terms of turnover growth and margins. These results were possible thanks to our exclusive focus on new niches of technological specialisation and the resilience of our network model which allowed us to react, adapting almost instantly, to an epochal transformation.

The last two years, in their complexity and difficulty, have given rise to an incredible acceleration in the introduction of innovation in all sectors. Even the more traditional and conservative sectors have reacted to the pandemic, investing in technology and digitising processes and services. This new way of living and working is irreversible and, although dramatic for some, it opens up new opportunities for growth and development for companies like ours.

In the near future, industries such as Automotive will continue to evolve towards connected systems, self-driving vehicles, and widespread electrical distribution networks. The Banking and Insurance sector will also have to evolve its consolidated models based on the digitisation of assets and the ever-increasing centrality of the customer, investing in technologies such as the cloud and AI. Advanced sectors in the use of digital technologies, such as Retail, will further invest in data-based behavioural analysis, customer relationship platforms, and the design of new interfaces based on AR/VR.

High-speed communication software infrastructures, electronic commerce, new digital experiences, and a strong push towards artificial intelligence will represent the founding elements of the economy in the coming years. Automation, robotics, and the Internet of Things will change not only products, but also the way they are conceived and manufactured, significantly modifying factories and production, distribution, and after-sales processes.

Sustainability will be another area that affects all sectors, becoming increasingly predominant in the choices of companies. At Reply, we feel a strong responsibility towards future generations and are committed to reducing our emissions in the coming years as well as offering consultancy and technological services to support companies in the transition towards net-zero.

The future remains still uncertain, with the war on the eastern borders of Europe increasing the tension in the main markets.

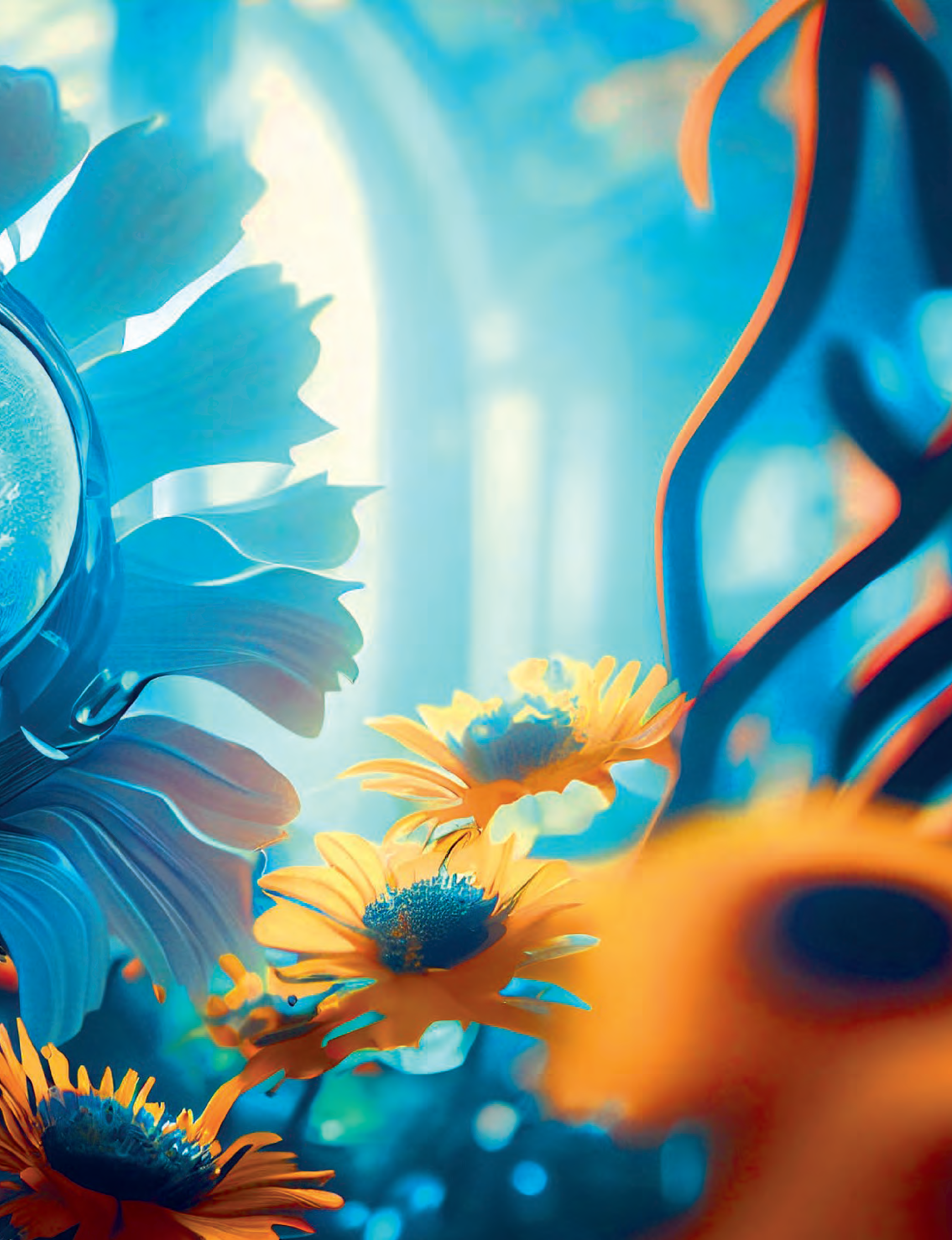
The coming months will be crucial for the recovery of the economy and our commitment will be total in supporting our customers in using new technologies to emerge from the crisis more quickly and seize the new business opportunities offered by an increasingly digital, connected, and automated world.

Today more than ever, agility and speed are key variables for the success of any company. Our ability to be competitive will be closely linked to the ability to experiment and innovate, learn quickly from our experiences, and then bring new offers to the market just as quickly.

The results obtained until now combined with the financial solidity of our group allow us, in any case, to face the challenges that the market will pose with serenity.

Mario Rizzante


REPLY



Reply is a group specialised in consulting, system integration and digital services, dedicated to creating innovative solutions based on new communication channels and digital media.

With its network of companies, Reply supports large industrial groups in defining business models enabled by new technological and digital communication paradigms, such as Artificial Intelligence, Cloud Computing and the Internet of Things (IoT). With distinguished technological and market skills, Reply is able to conceive, design and develop unique solutions to innovate its customers' processes, services and products.

Reply is characterised by:

- a **culture** oriented towards technological innovation;
- a flexible **structure**, capable of anticipating market evolutions and interpreting new technological drivers;
- a delivery **methodology of** proven success and scalability;
- a **network** of companies specialised in areas of expertise;
- a **team** composed of specialists from the best universities;
- highly experienced **management**;
- continuous **investment** in research and development;
- a network of long-term **relationships** with its customers.

The organisational model

With over 13,000 employees (December 31, 2022), Reply operates with a network structure made up of companies specialised in the field of processes, applications and technologies, constituting excellence in their respective fields of expertise.

Processes
For Reply, understanding and using technology means introducing a new enabling factor to processes, thanks to an in-depth knowledge of the market and specific industrial implementation contexts.

Applications
Reply designs and creates software solutions aimed at responding to the needs of the company's core business, in several industrial sectors.

Technologies
Reply optimises the use of innovative technologies, creating solutions capable of guaranteeing customers maximum efficiency and operational flexibility.

Reply services

Strategy, creativity and consulting are three elements that feed each other and shape each other in each Reply project, providing concrete and effective solutions to the challenges of each sector.

Reply's services include:

Strategic consulting, communication, design, process, and technology consulting;

System Integration to make the most of the potential of technology, combining business consulting with innovative technological solutions with high-added value;

Digital Services based on new communication channels and digital trends.

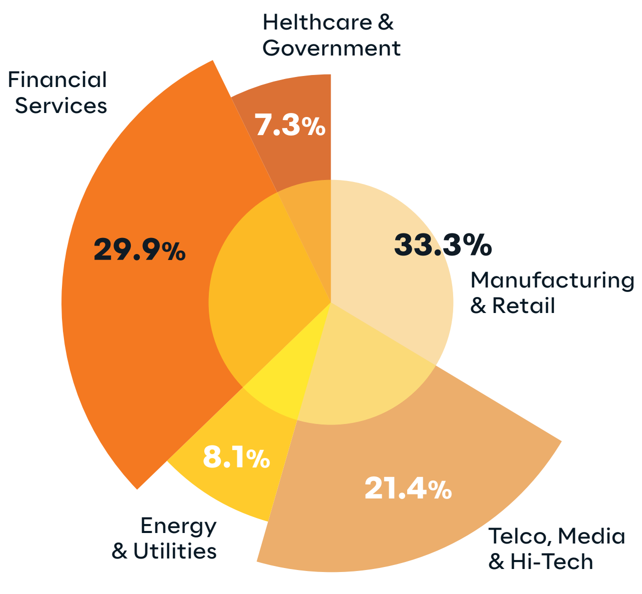
Reply


MAKE INNOVATION HAPPENS

> At Reply we combine a strategic and creative approach with the opportunities offered by the most advanced technologies, to obtain concrete results from day one.

INDUSTRY FOCUS

Thanks to its network model, Reply combines a deep knowledge of industrial sectors with the ability to support customers' technological evolution.



Automotive

In 2022, Reply solidified its role as a partner of the main automotive groups in the evolution of production and logistics activities, as well as in the development of services onboard the vehicle through the design of advanced connectivity systems. In a highly competitive context due to the entry into the market of new players, the Group is supporting the main car manufacturers with integrated projects covering all phases of the supply chain

Reply's support ranges from the management of raw materials to the programming of production, from logistics to distribution and after-sales phases. Taking advantage of the proprietary platforms (Lea Reply for logistics and Brick Reply as a Manufacturing Execution System) and its strong skills in the cloud computing field, the Group is contributing to the transformation of the entire supply chain with a holistic vision and personalised solutions.

The pervasiveness of the ACES paradigm (Autonomous, Connected, Electric, Shared) is increasingly conditioning the automotive sector, pushing it towards greater sustainability of industrial activity and vehicles themselves. An important development area concerns the design of autonomous and semi-autonomous driving systems, where Reply sits alongside the manufacturers in designing architecture and application solutions.

Reply is also active in the development of V2i connectivity platforms (Vehicle to Infrastructure) that exploit innovative end-to-end architectures for the management of the next generation of integrated services with traffic and electric charging infrastructures. With its cross-industry skills, the Group supports the dialogue between car manufacturers, utilities and third-party players in the creation of advanced mobility ecosystems.

Integrating data-driven marketing solutions, augmented/virtual reality and 3D systems, Reply is supporting the sector in the digitisation of pre-sales and sales processes. Virtual showrooms, e-commerce, and open finance solutions guide the potential buyer in relation to the configuration of the model, the subscription of value-added services, and requesting instant credit.

Energy & Utilities

Reply has consolidated experience in the energy & utility sector, with its knowledge of the main market dynamics and the ability to design, implement and manage solutions for some of the main operators in the sector. This ranges from energy & demand management to the management of new mobility services and charging of electric

vehicles, up to smart grid solutions, asset management, forecasting and generation from renewables.

In 2022, the trend towards a global energy crisis that began to emerge during the pandemic, has accelerated the transition by energy producers and distributors towards a more sustainable and secure energy system, Driven by global carbon neutrality objectives, the main operators are investing in technological innovation projects, to become increasingly resilient.

Leveraging skills and solutions based on the cloud, IoT, big data, advanced analytics and artificial intelligence, Reply is supporting operators in developing new tools to evolve energy component forecasting and monitoring processes, optimise operations, and activate new services and interaction patterns with consumer and enterprise customers.

Financial Institutions

Reply supports the main European players in the banking and insurance sector, combining a distinctive specialisation in the most relevant technologies, with significant knowledge of the regulatory framework, market dynamics and the evolving needs of operating and business models. In 2022, its leadership has been consolidated in European markets, by expanding its presence in Germany and France.

In addition to regulatory developments, technology has been the main driver of change in recent years, obtaining benefits in terms of the income statement and the balance sheet. In fact, financial institutions are increasingly becoming “tech companies” and to be successful they must innovate the entire value chain they manage (sales/distribution, operations, procurement).

Artificial intelligence, digital assets, and re-platforming of legacy infrastructures are key themes in the investment plans of banks, insurance companies, asset managers and other financial operators. Cloud computing plays the role of supporting innovation projects. This ranges from payments to wealth management, from customer onboarding to process optimisation and efficiency.

Government & Healthcare

Reply’s activity in the government context is strongly oriented towards the design and implementation of an interoperable public administration, with the integration of big data and open data, artificial intelligence and deep learning, cloud and new architectures. The technologies are applied to improve the relationship with users and govern internal business processes.

In the healthcare and pharmaceutical fields, Reply has developed a suite of services based on territory-based healthcare, combining traditional skills in healthcare services (cost optimisation, process digitisation, electronic health records, management of healthcare materials and logistics), with skills in life science innovation, and solutions based on artificial intelligence at the service of new areas of bioinformatics (genomics, radiomics, predictive and precision medicine, digital pathology). It has also strengthened its offering to hospitals and telemedicine services and products, implementing its vision on the patient journey and health population management, improving the efficiency of monitoring and treatment processes from a connected care perspective and through promoting the "One-Health" model. The model aims to enhancing the possibilities of treatment and prevention deriving from the connection between data, technologies and applications of the health sector with those of the pharmaceutical, environmental, food and welfare industries.

Logistics

In 2022, Reply developed solutions aimed at the logistics processes of various industries, including fashion, retail, automotive, healthcare and food & beverage. These solutions specialised in the management of flows of raw materials, finished products, fleets and automated warehouses. Reply's logistics expertise is recognised by several analysts, including Gartner, which included the LEA Reply platform in the "Magic Quadrant for Warehouse Management Systems 2022".

Reply is supporting customers in the design and rollout of new distribution methods for e-commerce and quick-commerce, thanks to the implementation of micro-fulfilment centres and "just in time" processes. This support also includes the adoption of electric vehicles, robots and drones in intra-logistics contexts, enabled by the Internet of Things.

In 2022, the areas of intervention have been further extended to sustainability and de-carbonisation of the supply chain, omnichannel models, and the adoption of flexible working models in the logistics and transport fields. Thanks to partnerships with leading industrial and logistics companies, experiments in the field of computer vision, autonomous goods delivery and wearables have also been strengthened.

Manufacturing

The digitisation of industrial procurement, production and maintenance processes is increasingly transforming production plants into open and flexible ecosystems, capable of improving management communication flows and supply chains, obtaining benefits of cost reduction and maximising results.

Following this trend, in 2022 Reply supported numerous European industrial groups in the process of adopting specific cloud-native Digital Manufacturing Platforms. Reply has supported customers in a number of other relevant areas in relation to this complex transformational process: Procurement; control and planning systems based on the new cloud-native generations of ERP, MOM and MES; production planning and control; and in the integration with supply logistics networks.

Reply's skills extend from planning and control to product lifecycle management, with significant experience in implementing solutions from partner vendors such as Microsoft, Oracle and SAP, and from its own portfolio of platforms and accelerators, such as Brick Reply (MES) and Axulus Reply (Industrial Internet of Things). Particular attention is dedicated to the development of Industrial IoT solutions, as well as underlying new generations of connected products and services.

Retail

In 2022, retailers invested significantly in evolving business models, driven by pressure on margins due to rising costs (energy, transport and human resources). Customers have been price-sensitive but at the same time have shown a need for personalised experiences, high-quality services and fast delivery.

Reply has been involved in several initiatives to address these challenges by creating consistent and personalised omnichannel experiences and supporting relevant brands in the implementation, launch and management of engagement and sales platforms.

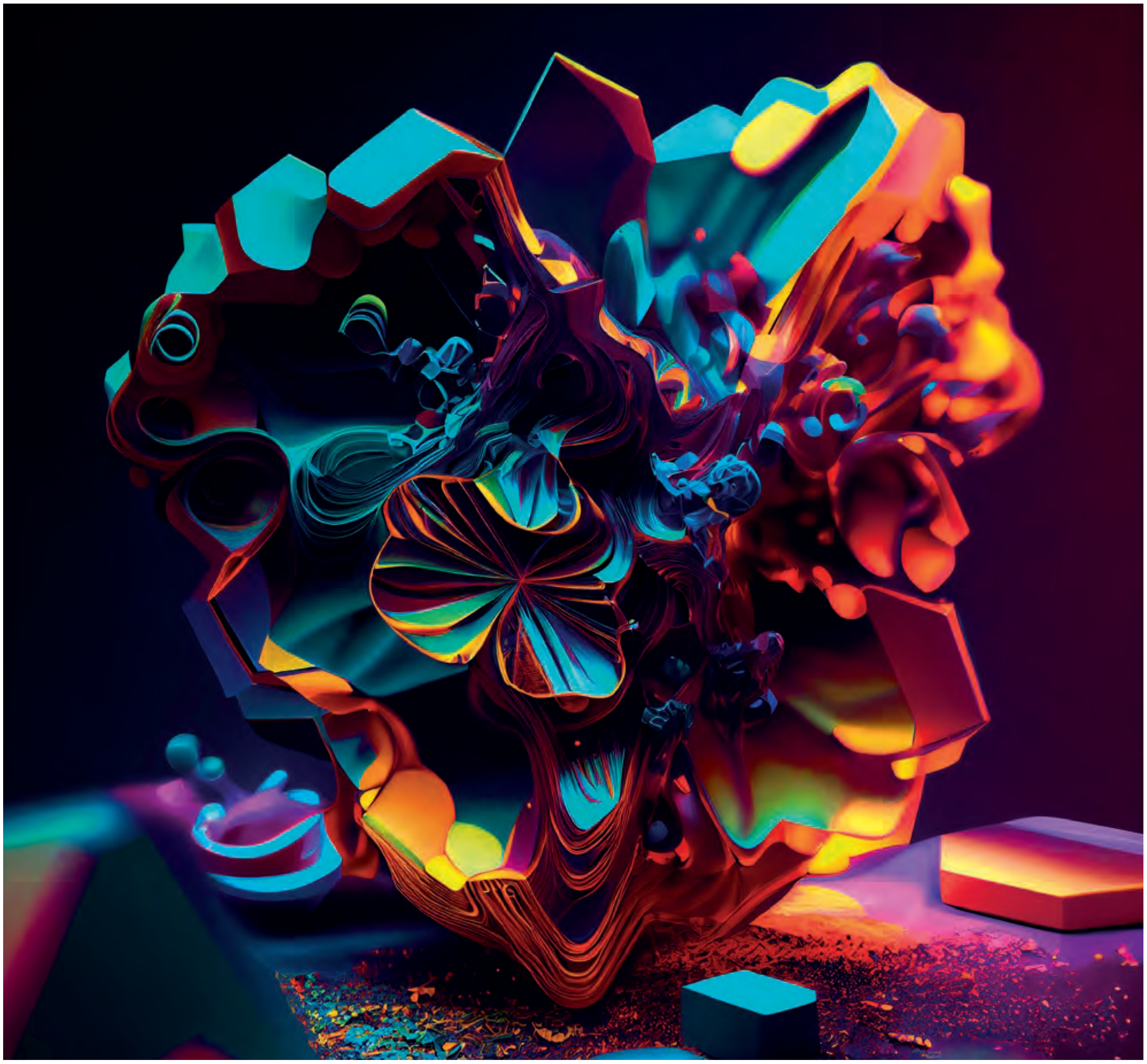
Reply is also supporting operators in this sector to understand the potential of the new Web3 models. Leveraging its technical capabilities and industry knowledge, Reply has developed several accelerators, including a virtual point of sale solution in the metaverse connected as a new channel to customer engagement platforms. This "showcase" in the metaverse is allowing retailers to gain a better understanding of the future dynamics in their industry.

Telco & Media

In recent years, as hyperscalers were progressively expanding their presence in the traditional telco space with business models based on innovative technological capabilities, players in the industry have made massive investments in conventional assets, without redefining the underlying technologies. To overcome this trend, Reply is now supporting telcos in their transformation to software-based operators, starting with the redefinition of their technological foundations and creating cloud platforms capable of managing the entire technological stack, from network access to front-end channels, and in the definition of new business models enabled by composable architectures.

The evolution of the Telco market requires not only the massive adoption of technologies such as Artificial Intelligence, Cloud and Edge Computing and the Internet of Things, but also the renewal of Business Support Systems (BSS), so that they can be integrated into a technological context oriented towards value-added services where Telco operators become increasingly Service Providers. Reply has significant specialist experience in these areas and has also built a strong positioning not only on BSSs but also in infrastructure areas, specializing in Network Engineering, Network Operations and Network Testing & Validation.

In the Media sector, publishers are reacting to the profound crisis of traditional channels, which is leading to a search for innovative digital solutions and new products that can satisfy customer preferences. Reply is supporting relevant European players in the process of converging offers, contributing to the design and implementation of new bundles made up of fixed/mobile broadband connectivity, value-added services and premium editorial or TV content.



TECH PILLARS

Over the years, Reply consolidated its leadership in different markets by combining a constant vocation for innovation with an offer structured on the main pillars of digital evolution.

Artificial Intelligence & Automation

Artificial Intelligence is the technological area that saw the greatest acceleration in 2022. The market's attention on the results of generative AI systems, such as Dall-e and ChatGPT, and the search for efficiency has prompted companies to deepen their knowledge and adopt systems for the automatic creation of images, texts, and videos. Reply capitalised on the work done in the last two years on leading platforms such as GPT-3, offering customers the possibility of using artificial intelligence as an accelerator of both business processes and operations.

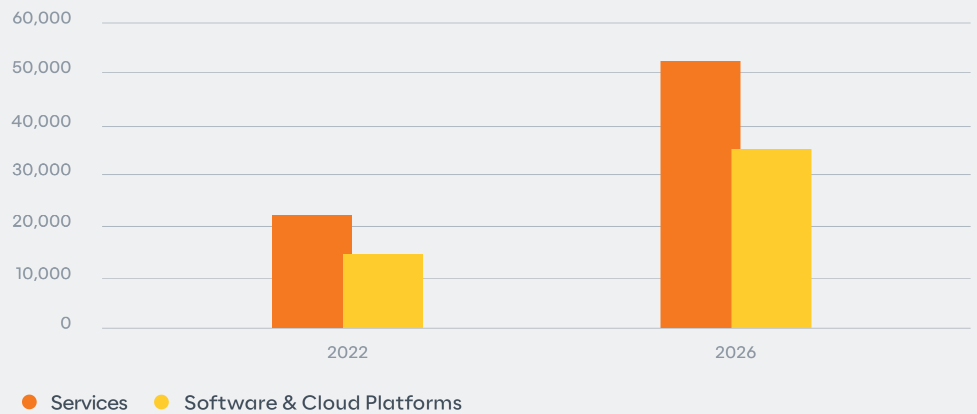
Reply has also consolidated its experience in the field of artificial intelligence applied to industrial contexts with specific projects related to quality control, predictiveness, cybersecurity, and automation of operational tasks. This is supporting the introduction of efficient and flexible business processes, in a concept of "hybrid work".

Projects combining machine learning and natural language processing have been developed in the field of financial services, e.g. in the field of fraud detection and for real-time credit score/rating calculation. In the healthcare sector Reply has developed specific applications based on AI models aimed at the analysis of radiological images, drug research, and personalised treatment plans.

In the field of customer interaction, AI technologies have been used to analyse data or customer sentiment, but above all, to create the intelligence component linked to digital humans. In 2022, the development of digital human beings guided by artificial intelligence has enriched a catalogue of solutions aimed, in particular, at customer relationship management.

Growth of the Artificial Intelligence market, 2022-2026

Data in millions of Euros



Scope: Italy, Germany, UK, USA, Brazil, France, Belgium, China, India, Netherlands

Reply research "Generative AI", in collaboration with PAC (Teknowlogy Group)

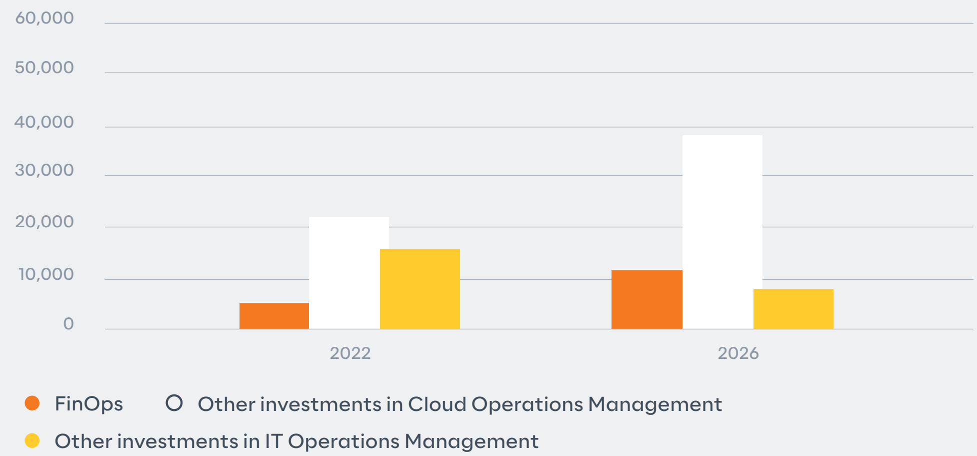
The development of edge AI solutions, which involve running artificial intelligence algorithms directly on edge devices instead of sending data to the cloud for processing, has also seen a significant increase in 2022. In recent months, Reply has participated in the development of edge AI solutions for the manufacturing and energy/utilities sectors.

A particular field of artificial intelligence is the automation applied to business processes. The insurance sector has been among the most active in this regard, particularly in the automation of back offices and document management services. Thanks to a large ecosystem of partnerships with vendors and start-ups, the creation of accelerators allowed Reply to support customers in areas where automation makes it possible to deal with enormous amounts of data. This includes extracting key information and reacting quickly, even in an automated manner, such as in procurement, supply chain, and risk management.

The push towards hyperautomation has also seen the enhancement of AI-powered software engineering. Developers are benefiting from greater efficiency and reliability of the code, which is completed, evaluated, and made secure in near-real time by automatic systems. Therefore, artificial intelligence is increasingly intervening in the development, testing, and deployment phases of software solutions, improving the efficiency of teams.

IT & Cloud Operations Market Growth, 2022-2026

Data in millions of Euros



Scope: Italy, Germany, UK, USA, Brazil, France, Belgium, China, India, Netherlands

Source: Reply research "Cloud Governance: Focus on FinOps", in collaboration with PAC (Teknowlogy Group)

Cloud computing

Cloud computing is the architectural reference in all the solutions developed by Reply for its customers. With significant experience in the design and deployment of complex multi-cloud and hybrid architectures, Reply supports companies operating in several industries like manufacturing, financial services, automotive, utilities, and retail in the migration from legacy systems to the cloud and launch of innovative cloud-native projects.

Global strategic partnerships with AWS, Microsoft, Google and Oracle support Reply's ability to maintain and evolve solutions and services in the Infrastructure-as-a-Service, Platform-as-a-Service and Function-as-a-Service models. Reply's proven ability to work with multi-platform architectures allows companies to easily integrate proprietary cloud-native platforms and Software-as-a-Service offered by global partners such as Adobe, Salesforce, and SAP.

As part of its commitment to sustainable technology, Reply is investing in GreenOps methodology and technologies like edge computing, which brings computation and data storage closer to the user, resulting in reduced data transfer and lower energy consumption. This move towards edge computing has opened up new opportunities for the development of innovative applications and services, with faster response times and improved user experiences.

In 2022, Reply consolidated its expertise in fields like observability and site reliability engineering (SRE) and of the CAFFE (Cloud

Adoption Framework for Enterprise) structured cloud adoption methodology. In addition, Reply strengthened its ability to design, implement and evolve cloud governance and FinOps solutions, helping optimise investments and recurring infrastructure costs for customers.

Cybersecurity

In the last two years, to deal with a continuous increase in cybercrime and geopolitical tensions, Reply has responded with a significant expansion in its ability to assist its customers in the protection, security, and compliance of applications, infrastructures, data, and IoT devices.

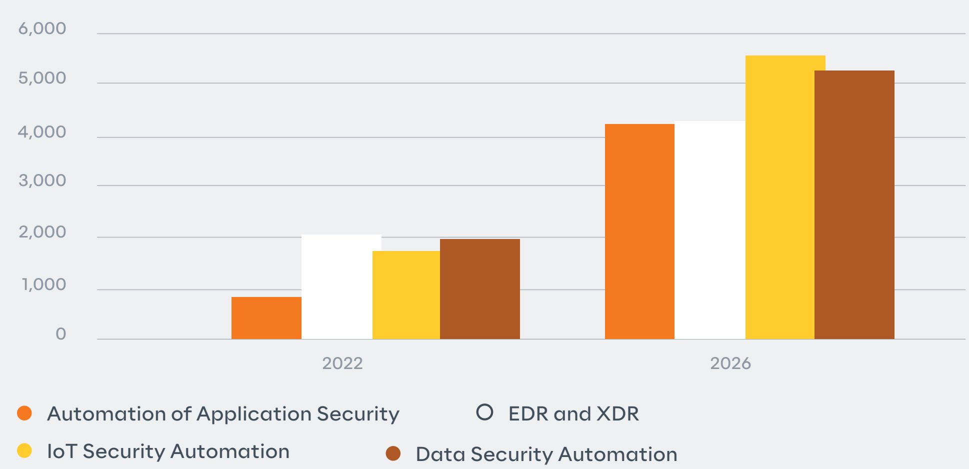
In the area of detection and response to cyber threats, Reply has developed significant experience in setting up systems such as Endpoint Detection and Response (EDR) and Extended Detection and Response (XDR), providing customers with high reaction speed and risk containment.

With the adoption of the DevSecOps paradigm, the joint Reply-customer development teams instil the culture of IT security in the application design and development cycle. Furthermore, the automation of test activities supported by artificial intelligence strengthens the reliability of the code.

In 2022, in addition to the technical skills of information risk management, Reply consolidated a strong knowledge of the legal and regulatory context. In the enterprise and consumer sectors, particular attention was paid to the world of data

Cybersecurity Automation Market Growth, 2022-2026

Data in millions of Euros



Scope: Italy, Germany, UK, USA, Brazil, France, Belgium, China, India, Netherlands
Reply research "Cybersecurity Automation", in collaboration with PAC (Teknowlogy Group)

protection and privacy, as well as data from IoT devices.

Digital Experience & Customer Interaction

Through its global network of communications agencies and specialised technological companies, Reply offers a range of digital solutions that help organisations build exceptional digital experiences for all their stakeholders, including customers and employees. From defining brand strategies to creating omnichannel experiences and deploying underlying processes, Reply leverages its distinctive capacity to link technology, data, and creativity, with solid methodologies and relevant partnerships with major vendors.

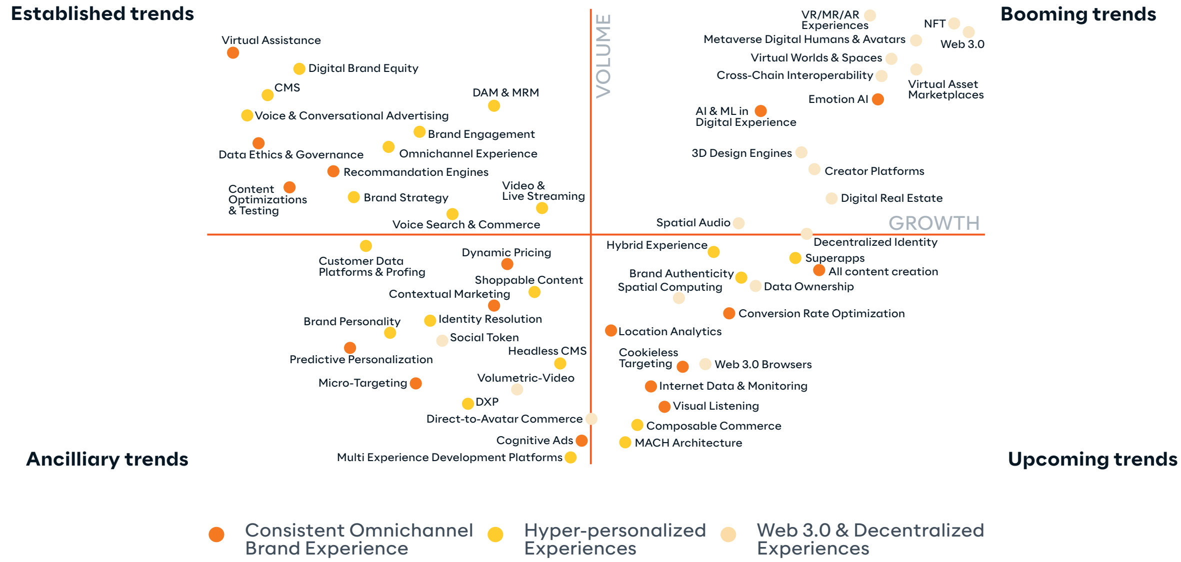
By supporting the design of engaging "phygital" user experiences that are consistent with brands' values, Reply helps companies create flexible and modular digital experience platforms (DXP) and sales solutions that can manage content, communications, and the commerce of goods and services. Reply's technological capacity supports companies in adopting headless architectures, where the digital experience is combined with efficient order management and delivery processes, regardless of the goods delivery channel.

To ensure that both customers and operators have complete visibility into their operations, Reply integrates customer data platforms (CDP), ERP, and supply chain systems, creating a fluid, people-centric, and hyper-personalised brand experience. Partnerships with leading CRM solution providers allow companies to enhance customer interactions with advanced analytics solutions leveraging zero-party and first-party data while safeguarding customer privacy.

For Reply, one area of particular focus is the adoption of artificial intelligence and machine learning to drive greater personalisation in digital experiences, boosting engagement and driving sales. On top of this focus is the integration of social media and messaging systems into digital experience platforms. By enabling customers to interact with brands through multiple channels and touchpoints, Reply helps clients create a seamless and cohesive brand experience that deepens customer loyalty.

In 2022, Reply supported clients in the entertainment, fashion, and gaming sectors with the launch of digital experiences based on Web3 pillars such as NFT, spatial computing, mixed reality, 3D, and blockchain. As the "Decentralised Web" continues to evolve, companies and consumers will increasingly experience immersive experiences in the metaverse. The development of more secure and flexible digital identities will be supported by the adoption of avatars and 3D photo-realistic digital humans interacting with natural voices.

Digital Experience Trends 2022-2023



Source: Reply study "Digital Experience Trends in 2023"

Internet of Things

For Reply, IoT is one of the most mature technological domains, thanks to significant experience in both the industrial and consumer fields. The widespread diffusion of sensors is enabling new business models, especially in the enterprise environment. The market is seeing a growing diffusion of connected products and devices, supported by cloud-based services and increasingly sophisticated IT security systems, again with links to artificial intelligence.

The growth of edge computing has made possible a new era of connected products, primarily cars and industrial vehicles. Connected vehicles make it possible to improve safety, energy optimisation, comfort and onboard entertainment. They are also an important first step towards autonomous driving.

In manufacturing contexts, Industrial IoT systems are used to collect data on machinery, company fleets and connected products, to favour the predictability of maintenance, the improvement of production processes and the efficiency of logistics systems They can also gather useful information for the design of new products and services.

In 2022, in addition to developing numerous projects in the manufacturing, energy and insurance fields, Reply strengthened the laboratories dedicated to the safety and testing of connected products. Reply also continued the development of the Breed Reply incubator, operating globally in the selection of internationally promising start-ups and scale-ups in the Internet of Things and deep-tech space.

REPLY PLATFORMS

Reply's in-depth knowledge of the industries in which its customers operate ensures it can design, implement and evolve numerous solutions featuring a rapid time to market and broad customisation flexibility.

Axulus Reply

Axulus Reply is the Reply solution for cloud-based Industrial IoT operations management, which provides different predefined frameworks on specific use cases for the digitisation of manufacturing companies. The tool offers a modular approach, with templates and libraries that allow companies to identify possible scenarios, simulate the added value, configure the most suitable technical solutions and implement them through the adoption of scalable workflows, up to the production environment.

Brick Reply

Brick Reply is the platform dedicated to the digital transformation of industrial operations. Thanks to its micro-service architecture, a set of vertical applications that can be used on the move, and the strong connectivity capacity with machinery and sensors, Brick Reply provides a flexible tool for supervising and controlling production activities. The platform allows predictive management of operations, exploiting artificial intelligence techniques applied to data collected from the field and managed in the cloud. Among the various innovations introduced in 2022, connectors were implemented to link the main ERP solutions on the market, primarily SAP 4HANA and Microsoft Dynamics 365 solutions.

China Beats Reply
China Beats Reply is Reply's marketing intelligence and social listening platform dedicated to understanding the Chinese market and its vast data ecosystem. It connects to all major Chinese e-commerce platforms, search engines and social media. News streams, patent databases, and publicly available open data sources are also integrated. The platform collects relevant data related to different industries, including automotive, fashion, consumer goods, and technology.

Discovery Reply
Discovery Reply is Reply's Enterprise Digital Experience Management platform, which centralises the management of images, video, audio, documents and data in a secure, fast and complete way it maintains full control over the entire life cycle of digital assets and products, from loading to enrichment to distribution on the different channels. Integrating artificial intelligence technologies simplifies the management of content classification processes with the aim of making it easily searchable and improving team collaboration in terms of workflow effectiveness and efficiency.

Lea Reply
LEA Reply is the Reply platform designed for making supply chains efficient, agile and connected. It is built as a suite of micro-services that cover different supply chain execution processes, including warehouse management, inventory, distribution, delivery and store logistics. LEA Reply integrates AI technologies, robotics, machine learning and IoT with a roadmap of constant extension of the service offerings.

For example, the new "Resource Planning" service is dedicated to the efficiency and optimisation of available resources.

Pulse Reply
Pulse Reply is a data-driven insight solution. The platform combines data science and marketing intelligence into one dashboard and includes advanced data modelling and visualisation capabilities. Pulse Reply is designed to allow users to monitor business performance and support forecasting. With the integration of machine learning algorithms, Pulse Reply can automatically notify users when changes in a KPI are detected, as well as providing evidence for the reasons behind these changes and explaining their potential impact.

Sonar Reply
Sonar Reply is the Reply platform dedicated to data-driven trend research, developed in collaboration with the German Research Centre for Artificial Intelligence (DFKI). The solution was designed to offer a user experience similar to that of search engines and is intended not only for data analysis professionals but also for researchers and journalists. The core element of Sonar Reply's architecture is an ever-expanding database that currently includes over 40 million indexed scientific publications, patents, expert blogs, news articles and other documents.

TamTamy Reply

Conceived as an Enterprise Social Network platform to facilitate communication and collaboration within companies, TamTamy now supports several projects dedicated to training and human resource management. Among the specialisations, some TamTamy versions are dedicated to sales networks, online event management and the creation of supplier portals. In 2022, the "Digital Experience Platform" cloud solution was launched for the construction of secure, fast and easy-to-manage public sites using a no-code visual editor.

Ticuro Reply

Ticuro Reply enables processes to support prevention and continuity of care even remotely, according to the connected care model for digital healthcare. Delivered in SaaS mode, it takes advantage of IoMT (Internet of Medical Things) technology to connect to medical devices, multi-parameter and environmental wearable sensors greater and continuous collaboration between patients, caregivers and healthcare staff from remote locations, both in the prevention phase and the more critical treatment and rehabilitation phases.

X-RAIS Reply

X-RAIS Reply is Reply's artificial intelligence solution to support radiological diagnosis processes through deep learning. It is specialised in different diagnostic methods and specific anatomical regions and can support medical diagnosis processes through medical techniques of image recognition. In 2022, the training of the identification model of micro-calcifications in mammography was completed.

PARTNERS ECOSYSTEM

To offer the most suitable solutions for the different needs of companies, Reply has established important partnerships with the main global vendors. In particular, Reply presents the highest level of certification on leading enterprise technologies from partners such as Adobe, AWS, Google, Microsoft, Oracle, Salesforce, and SAP.

Adobe

The main areas of collaboration between Adobe and Reply are marketing automation, digital information management and digital asset management. In these domains, Reply develops solutions that allow optimised targeting, personalisation, and optimisation of content, while ensuring efficient marketing operations and high-level user experience.

The growing geographical coverage of the Reply/Adobe partnership (Italy, Germany, United Kingdom, and USA) allows client companies to have a single partner capable of integrating application developments, customisations of Adobe products and knowledge of different industries. With significant experience on the Adobe Experience Platform, Reply is an Adobe Platinum Partner and AEM Specialised Partner at the EMEA level.

AWS

Reply has been confirmed by AWS, for the ninth consecutive year, in the restricted global circle of Premier Consulting Partners. Particular experience has been gained over the years in the cloud migration of large company systems. Reply offers cloud computing services, content processing and distribution and end-to-end support ranging from the creation and integration of custom applications and platforms to 24/7 maintenance and management services.

Reply has certified skills in Data & Analytics, DevOps, Oracle, Migration, IoT, Industrial Software, SaaS, Machine Learning, Financial Services, Security, Retail and Energy, as well as those related to the Managed Service Program and Well-Architected Program. In 2022, AWS recognised Reply as the ‘best system integrator’ and ‘best security partner’ for the EMEA area.

Google

Reply consolidated its partnership with Google at the Premier level through specialised companies operating in Europe, the United Kingdom and the USA, collaborating with the Google Ads and Google Cloud divisions. With Google Ads, Reply has obtained certifications in Search, Display, Video, Shopping, and Apps.

In relation to consulting services and system integration on Google Cloud technologies, Reply has been recognised for its specialisations in Machine Learning, Infrastructure, Cloud Migration and Expertise in Conversational Design, Data Lake Modernisation, Data Warehouse Modernisation, Application Modernisation, and Security Analytics & Operations. Through its partner companies of Google Cloud, Reply has been confirmed as part of the Managed Services Provider initiative for 2023.

Microsoft

Reply is a global partner of Microsoft, thanks to a large network of highly specialised companies in terms of industries and technologies. It operates in Europe, the United Kingdom, the USA and Brazil. Reply designs, builds and distributes solutions on the three Microsoft clouds: Azure, Microsoft 365 and Dynamics 365. In 2022, based on close collaboration and delivered projects, Reply obtained the status of Microsoft Globally Managed Partner, becoming one of the few Global Microsoft partners to earn all Microsoft Solutions Partner designations in the new Microsoft Cloud Partner Program.

Over the years, the collaboration between Reply and Microsoft developed significantly in different fields: from migrations to the cloud, to the development of solutions based on IoT, metaverse, artificial intelligence and robotics. Furthermore, it is built upon a strong specialisation in the implementation of modern work platforms to help companies support rapidly evolving hybrid working models.

Oracle

Reply has seen a growing recognition of “Service Expertise” for the OCI and Oracle Cloud Application offerings, confirming itself among the leading Oracle Cloud Service Providers in the world, and representing a point of reference for managed services on Oracle Cloud Infrastructure.

Reply also stood out for its time to market of the new Oracle Lakehouse platform, being nominated among the

Oracle strategic partners for the projects implemented on this solution. The Group has developed several strategic projects based on Oracle Xstore, CX Unity and marketing automation solutions. It has also confirmed its leadership in the ERP and SCM fields thanks to several international deployments based on ERP Cloud and Netsuite technologies.

Salesforce

Reply is a Salesforce Consulting Partner with certifications and experts in Europe and the USA. Reply's skills cover the entire Salesforce offer: Sales, Service and Marketing, Commerce for B2B and B2C, Integration with Mulesoft, Analytics with Tableau and Collaboration with Slack. Furthermore, Reply's experts work with various Salesforce extensions for CPQ, Field Service Lightning, Pardot and Einstein AI.

Reply is one of the few Salesforce experts in the world in the automotive sector and has been recognised as an Automotive Cloud Launch Partner by Salesforce. In addition, Salesforce awarded Reply "Implementation Partner of the Year" for the DACH region in 2022 and "Community Impact Partner" for its commitment to equality, diversity and sustainable development, as well as its active participation in the Salesforce Talent Alliance.

SAP

In 2022 Reply extended its SAP offer to the US market, becoming one the most competent global SAP service providers, and recognised as a leading innovator among over 20,000 SAP partners. This development led to the victory of the SAP Pinnacle Award 2022 in the Customer Excellence category, which recognises Reply's outstanding contributions as an SAP partner. In addition, Reply received the "SAP Quality Award" for the ninth consecutive year in recognition of the quality and relevance of its activities.

Reply is investing in the new SAP sustainability portfolio and its integration into the entire digital value chain. Together, Reply and SAP are collaborating in the IT Sustainability User Group, an initiative started in 2022 by Reply and co-founders like SAP.


LOOK
ING
FORW
ARD

"Our culture focused on technological innovation and a highly flexible structure allow us to anticipate market evolutions and interpret new technological drivers."

UPCOMING TRENDS

In 2022, Reply activated different international working groups between IT professionals, user experience experts and industry specialists.
Their research and development activity allows them to monitor innovations on the market and accelerate new solutions' time to market.

Metaverse & Digital Humans

The metaverse and digital human technologies are rapidly maturing, allowing companies to re-design their interaction with customers. To support customers from different sectors in exploiting these new virtual worlds, Reply leverages its significant expertise in real-time 3D, artificial intelligence and blockchain, as well as international experience with Reply Game Studios in games and augmented, virtual, and mixed reality applications.

Reply started various initiatives to help its customers adopt the different technologies and new operational and organisational methods needed to establish themselves on the main platforms of the metaverse. These areas include 3D modelling, 3D reconstruction of environments, custom world creation, branded experiences, avatar creation, NFTs, and other resources based on extended reality technologies.

Reply is also developing distinctive experiences in the AI-powered Digital Humans area, with customised virtual presence solutions based on real-time tracking and the use of advanced natural language interpretation and generation models. These solutions will support the next generation of brand ambassadors and digital assistants for their stakeholders, including customers and employees.

Web3 & Digital Assets

The technologies that lay the foundation for digital assets, such as blockchain, are growing in importance at an international level, offering new opportunities in various sectors and primarily within the financial industry, both at the banking and insurance level and in more specific areas of asset & wealth management.

Payment tokens, security tokens, utility tokens and NFTs are the main kinds of digital assets. Reply has developed a deep understanding of the specific properties of each asset, allowing its customers to navigate this new phenomenon and supporting them in building journeys and innovative elements in their industries. Reply's consolidated experience in the key elements of this technology (distributed ledger technology and blockchain) and in the underlying strategic and operational dynamics, enabled it to structure a continuous observatory on digital assets at an international level and to build accelerators that can support and accompany its customers in the definition and subsequent implementation of new services and business models.

Mobility Evolution

Thanks to the global drive towards ever more sustainable vehicles, electric mobility is rapidly gaining momentum as a solution to everyday transportation needs. With advances in battery technology and a growing charging infrastructure, electric vehicles are becoming more accessible and affordable.

Carmakers are collaborating with major players in the energy & utilities sector to create connected ecosystems, in which cars and commercial vehicles can use the potential offered by "Vehicle to Infrastructure" connectivity, optimising their ecological footprint and at the same time increasing the reliability and durability of electric and hybrid mobility.

Reply founded international working groups focused on the development of solutions for charging networks, bi-directional charging, battery lifecycle management and e-mobility platforms. Together with major carmakers, it is advancing autonomous driving experimentations, leveraging its distinctive capabilities in AI, cloud, and edge computing.

Sustainable & Green Innovation

The production and use of computer devices and systems are energy intensive and have a significant impact on the environment. It is important to consider the sustainability of ICT throughout its life cycle, from production to disposal, and in terms of hardware and software. Measuring energy consumption and applying recognised standards such as the GHG Protocol ICT Sector Guidance to assess the impact of ICT are crucial steps towards improving sustainability in the sector.

By focusing on energy-efficient programming and developing best practices in software engineering, cloud and web design, Reply is taking a proactive approach to mitigate the environmental impact of ICT. Matcha Reply, Reply's proprietary methodology for managing sustainability in projects, follows the principle of integrating sustainability issues into the planning, execution and monitoring of ICT projects, improving their environmental and social impacts and promoting long-term sustainability.

Reply also believes that addressing sustainability in ICT requires collaboration between companies, governments and other stakeholders and actively promotes knowledge sharing, development of new partnerships and co-creation of innovative solutions. With this spirit, Reply has launched the IT Sustainability User Group, in which relevant players from different sectors investigate and test methodologies.

Next-Generation Telco Networks

Historically, telecommunications companies have been heavily tied to their network equipment vendors. This condition has consolidated a model in which architectures are composed of vertical silos and characterised by significant vendor lock-in, with a huge impact on rigidity and costs.

Network softwarisation and Telco Cloud are some of the areas of innovation that are consolidating, now supported by the paradigm of network disaggregation and the availability of edge computing sites, distinctive assets of telcos. Network cloudification aims to implement the network as cloud-native software and leverage established cloud mechanisms to support performance, reliability, and security needs.

After standing out through support with the rollout of numerous network unbundling initiatives, Reply is collaborating with the main international organisations and the major European telcos in the design and standardisation of solutions based on open source and collaborative ecosystems. These solutions can increase the efficiency of broadband and mobile networks, while improving the sustainability of networks and enabling new business and service models.

REPLY LABS

In the Reply laboratories, prototypes and innovative ideas are developed to have a strategic value for our customers.

Area 42

In Area42 we explore the potential of the most innovative robotics, advanced mobility, virtual reality and metaverse technologies to find areas of application capable of innovating our customers' business models.

Area 360

Area360 is the laboratory dedicated to the development and testing of real-time 3D interactive immersive experiences and virtual and augmented reality solutions. The focus of the testing is for use in contexts such as training, collaboration, and virtual review of products or projects or to create experiential contact points in the metaverse.

Test Automation Center

Thanks to a proprietary framework and AI/ML-based validation and monitoring techniques, the automation centre monitors the quality of business-critical products and services throughout their entire life cycle, anticipating potential critical issues and setting corrective actions.

IoT Validation Lab

IoT validation laboratories are used to design, integrate, validate and implement IoT connectivity solutions and related products, in an integrated way with assessments of environmental sustainability and energy efficiency.

Cybersecurity Lab

The cybersecurity lab makes it possible to evaluate different security scenarios applied to contexts such as adaptive cloud security, secure software development lifecycle, network security infrastructure, application and data security and security assessment.

Immersive Experience Labs

the lab tests various areas of application of extended reality. This range from sales to marketing, from design to production, from maintenance to operations, and up to professional training.

" Innovation will remain an idea if you can't make it tangible. "

SUSTAINABILITY: MAKING A DIFFERENCE

> Building a sustainable future is possible, and we are convinced that technology plays a key role in this challenge.

As a leader in digital transformation, Reply promotes change towards a more sustainable world and operates in compliance with the highest ethical standards and the rights of future generations. To take concrete action and make change happen, Reply has defined its Green Approach, an ambitious plan to reduce the environmental impact of its business by achieving carbon neutrality by 2025 and net-zero emissions by 2030.

To meet these objectives, Reply is integrating key environmental practices into its business strategy and operations, promoting social and environmental awareness and responsibility among employees, customers, suppliers and all other business stakeholders. Understanding and using technology is the basis of Reply's mission, with increasing commitment to the creation of IT solutions that are inherently sustainable (green tech) and the development of sustainable projects with the use of IT solutions (for example, solutions based on artificial intelligence to achieve sustainability goals).

Reply's focus on sustainability issues is also expressed through the management and reporting of activities compliant with the United Nations Global Compact (UNGC), the Communication on Progress (COP), and the standards of the Global Reporting Initiative (GRI), for increasingly broad and transparent reporting as well as through CDP reporting. The Reply Green Approach is made up of concrete actions in various areas.

Energy and emissions

- Purchase of renewable energy
- Evolution towards a green fleet with hybrid and electric vehicles
- Introduction of energy efficiency improvements in the offices
- Expansion of the Reply Forest and activation of a compensation program

Natural resources

- Maintenance and extension of certification for environmental management systems (ISO 14001)
- Promotion of the circularity and value of used goods, as well as used laptop donation activities
- Attention to the environment through the reuse of promotional materials

People

- Building a safe and positive work environment that is favourable to diversity, inclusion and equal career opportunities
- Development of skills and professional careers, through specialisation and technical update courses and workshops on soft skills
- Health protection through wellness and prevention initiatives to reinforce the importance of a healthy and active lifestyle

Governance

- Compliance with applicable regulations on environmental and human rights issues is an indispensable foundation for maintaining commercial relations with public and private entities
- Prevention of inappropriate behaviour in both the public and private sectors
- Encouragement of employees to promptly report incorrect behaviour, guaranteeing the possibility of reporting any problem without any consequences on their work activity

Customers and suppliers

- Selection of collaborators and the building of virtuous and lasting relationships
- Commitment to supporting customers in the challenge of sustainability and the decarbonisation process.

PEOPLE

Since its inception, Reply has stood out as a network of professionals from the best universities who have grown together based on strong shared values. Today, this approach has been taken on a global scale. In 2022, with an international market context marked by strong turbulence, Reply vigorously carried forward its plan to insert resources with great potential, supported by a strong link with the academic world of each operating country.

The selection criteria for young graduates are rigorous and concern both the relevance of their university and the distinctiveness of individual curricula. Alongside the selected professionals recruited in particular in emerging markets, they are asked to fully adhere to the Reply value system.

- The **Customer** is the protagonist of Reply's value system. Our employees make the customer's objectives their own and pursue them with a sense of responsibility and high moral integrity while maintaining a collaborative spirit. An annual survey involves all Reply's customers to detect the level of satisfaction with the activities carried out.
- **Excellence** is the guiding thread of this value system. The search for quality must be daily and constant, focused on the continuous improvement of own work and the benefits brought to customers. A strong merit-based evaluation system makes it possible to value and reward excellent results every year.
- **Innovation** must be the essential and daily element of all projects, which must be carried out with a pragmatic approach, combining courage in choices and the ability to discern the most suitable solutions for the context, not only from an IT perspective. Internal reward systems reward the most innovative ideas and projects.
- **Speed** has established itself over time as a speciality of Reply teams in the market. The capitalisation of the experiences gained and the collaboration with the main vendors allows us to respond in a quick and measured way to the needs of the customers. A strong shared methodology accelerates designs and implementations.
- **Teamwork** is the glue of the Reply approach. The younger professionals bring the skills acquired in their academic career by joining teams led by people who have followed the same path, and who have been progressively recognised as having seniority, leadership and knowledge transfer skills.

The result of the integration between a strong value system and constant attention to the enhancement of competence and knowledge has always allowed Reply to grow organically, putting its people at the centre as protagonists of its offer in the technological, consulting and creative fields.

Having diverse teams, with people of different genders, ages, ethnicities, cultures, backgrounds, educations, experiences and preferences, represents a valuable asset for Reply. Consistent with its values, it has implemented procedures to ensure that employees are compensated fairly and consistently considering the type of job, position and career level and is committed to guaranteeing gender pay equity, while guaranteeing all its employees a wage adjusted to the cost of living in all the countries in which it operates.

To develop a community open to diversity, inclusion, and accessibility, the **Reply All-Uniquely Diverse** program has been defined, which aims to discuss issues related to inclusion and diversity to stimulate continuous improvement. Guided by principles of transparency, fairness and openness to dialogue, new ways of collaborating and learning from each other are proposed. There is a clear awareness that the best solutions and the most innovative ideas arise from this diversity.

Wellbeing

The health and safety of its employees are of fundamental importance to Reply. For this reason, Reply pays particular attention to protecting the health and safety of its employees, by adopting the necessary measures to ensure the safety of the workplace and through training and information activities aimed at preventing and effectively managing the occupational risks associated with the performance of activities. The Covid-19 emergency was managed through recourse to home-based working, an approach already inherent in the Group's model, without significant changes in normal operations.

The Reply Wellness program has been active since 2018, with various activities divided into three domains: nutrition, fitness and prevention. For each of these categories, there are annual programs and specific activities, linked to global campaigns or specific events.

Continuous learning

Aware of the importance of a diversified, inclusive and rewarding workplace, Reply constantly invests in the growth and enhancement of its people, guaranteeing professional development paths and creating the conditions for a collaborative and motivating work environment. Making everyone feel equally involved and supported is important for improving everyday working life and for creating an environment in which to nurture ideas and innovation.

The professional development of people is consistently promoted by continuous training activities. For this reason, in 2022, Reply continued to invest in skills development and professional career development support programs, specialisation and technical refresher courses, and soft skills workshops. Furthermore, the internal "Social Network" office acts as an enabler for skills improvement thanks to a training program with user-generated content, allowing Reply employees to act as lecturers and speakers on trending topics of interest to the company.

Attention to the development of talents and skills is encouraged and applied not only within the employee community but also externally, to students and professionals who participate in a variety of activities aimed at them. Among the various programs, there are post-graduate masters, online team competitions on the main themes of innovation or for the production of innovative projects, and collaborations with teams of university students during their academic careers.

"Continuous research and innovation are essential to be able to help customers and partners adopt new technologies."

ENVIRON MENT

Climate change and environmental sustainability represent a challenge for everyone, but also an opportunity. For this reason, Reply has defined guidelines and a road map of actions to reduce its emissions and achieve carbon neutrality targets by 2025 and net-zero emissions by 2030.

The main initiatives of this plan concern:

- The continuous monitoring of its emissions on the widest possible scope, including indirect emissions;
- The transition to 50% electricity from renewable sources in all countries by 2025;
- The evolution towards a green fleet, with the target of 30% of hybrid/electric vehicles in 2025;
- The introduction of energy efficiency improvements in all offices by 2030 (in Italy);
- The adoption of the Environmental Policy guidelines to reduce and monitor the impact of corporate activities on the environment;
- The establishment and expansion of the Reply Forest to absorb tons of CO_2 and to support reforestation;
- Neutralising the impacts of residual emissions with carbon removal offsets. Although carbon reduction is the primary objective of our sustainability actions, residual emissions will have to be offset.

Added to these is Reply's commitment to achieving zero-waste status by 2030, reusing and recycling wherever possible and creating limited edition gifts for employees who actively contribute to the initiatives. Furthermore, through the **Reply to the Earth** program, Reply raises awareness among employees to be attentive to their environmental impact during their daily work, for example through the choice of sustainable mobility or the use of recycled materials.

"In 2022 we achieved 82% use of electricity from renewable sources across all our locations."

GOVERNANCE

Reply sees compliance with regulations as an indispensable foundation in the management of commercial relations with public and private entities. The Group, in addition to acting in compliance with the national regulations in force in the countries in which it operates, carries out its activities by pursuing sustainable and inclusive growth, operating in line with the Universal Declaration of Human Rights, the Conventions of the International Labor Organization (ILO) and adhering to the principles promoted by the United Nations Global Compact.

The Code of Ethics establishes, explains and formalises Reply's values and guides all its staff on how to behave and act in the right way in their daily activities, with customers, suppliers, and business partners. Its adoption by all employees makes it possible to create and maintain a common ethical culture among the teams, allowing everyone to act in line with Reply's values.

In all the countries in which Reply operates, specific channels have been set up for sending reports. In particular, the Whistleblowing Policy is active, aimed at encouraging employees to promptly report incorrect conduct, guaranteeing the possibility of reporting any problem without any consequences on their working activity.

In addition to compliance with laws and regulations, there is the security of information systems, which is a fundamental requirement for guaranteeing the reliability of the processed information, as well as the effectiveness and efficiency of the services provided by the company. To ensure information security and privacy aspects in the services provided, Reply has adopted a framework, which is aimed in particular at preserving:

- Confidentiality, ensuring that data is accessible only to authorised users and systems;
- Integrity, safeguarding the correctness, completeness, and accuracy of the data;
- Availability, ensuring that authorised users and systems have access to data when needed.

Reply also involves its suppliers in sustainability initiatives aimed at raising awareness of these issues and gathering ideas for internal sustainability projects. In 2021, the Supplier Code of Conduct was introduced, which integrates the provisions already present in the Code of Ethics and defines the standards that suppliers must respect in terms of labour laws and human rights, worker safety, and environmental sustainability. Reply implements all actions aimed at requesting and monitoring compliance with the rules and practices of the Code of Conduct and, in the event of non-compliance with these minimum criteria, the appropriate countermeasures to be implemented are evaluated.

To assess the compliance of the supply chain with the Code of Conduct, the first Self Evaluation campaign was launched in 2022, managed by suppliers through completion of a self-assessment questionnaire.

Finally, Reply is constantly updated on the latest insights on ESG issues from non-governmental organisations, the academic world, and industry trends. This allows the Group to update its frameworks and best practices and be at the forefront in terms of sustainability.

REPLY ANNUAL FINANCIAL REPORT 2022

REPORT ON OPERATIONS

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

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

External risks

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

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

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

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

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

Climate risks

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

However, the risks associated with:

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

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

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

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

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

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

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

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

Our most relevant suppliers share a similar exposure as Reply.

Internal risks

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

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

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

Risks related to group development
The constant growth in the size of the Group presents new management and organisational challenges.
The Group constantly focuses its efforts on training employees and maintaining internal controls to prevent possible misconduct (such as misuse or non-compliance with laws or regulations on the protection of sensitive or confidential information and/or inappropriate use of social networking sites that could lead to breaches of confidentiality, unauthorised disclosure of confidential company information or damage to reputation).
If the Group does not continue to make the appropriate changes to its operating model as needs and size change, if it does not successfully implement the changes, and if it does not continue to develop and implement the right processes and tools to manage the business and instil its culture and core values in its employees, the ability to compete successfully and achieve its business goals could be compromised.

Risks related to acquisitions and other extraordinary operations
The Group plans to continue to pursue strategic acquisitions and investments to improve and add new expertise, service offerings and solutions, and to enable expansion into certain geographic areas and other markets.
Any investment made as part of strategic acquisitions and any other future investment in Italian or international companies may involve an increase in complexity in the Group's operations and there is no guarantee that such investments will generate the expected return on the acquisition or investment decision and that they will be properly integrated in terms of quality standards, policies and procedures in a manner consistent with the rest of the Group's operations. The integration process may require additional costs and investments. Inadequate management or supervision of the investment made may adversely affect the business, operating results and financial matters.

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

Risks related to key partnerships

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

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

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

Risks related to the protection of intellectual property rights

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

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

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

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

Cyber security, data management and dissemination risks

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

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

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

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

Risks in terms of social and environmental responsibility and business ethics

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

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

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

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

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

Financial risks

Credit risk

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

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

Liquidity risk

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

Exchange rate and interest rate risk

The Group entered into most of its financial instruments in Euros, which is its functional and presentation currency. Although it operates in an international environment, it has a limited exposure to fluctuations in the exchange rates.

The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The interest rate risk to which the Group is exposed mainly derives from bank loans; to mitigate such risks, the Group, when necessary, has used derivative financial instruments designated as "cash flow hedges".

The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

Tax risk

The risk of any changes in tax law and its application or interpretation could have a negative or positive impact on the Group's results of operations, affecting the effective tax rate.

The Company adheres to the National Tax Consolidation scheme pursuant to articles 117/129 of the Consolidated Income Tax Act (TUIR). Reply S.p.A., the Parent Company, acts as consolidating company and determines a single taxable income for the Group of companies participating in the Tax Consolidation, benefiting from the possibility of offsetting taxable income with tax losses in a single declaration. The tax risk limitation measures put in place by Management, in terms of verifying the adequacy and correctness of tax compliance, obviously cannot completely exclude the risk of tax audits.

Review of the group's economic and financial position

Foreword

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

Trend of the period

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

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

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

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

As at 31 December 2022, the Group's net financial managerial position was positive, at €70.6 million. As at 31 December 2021, the net financial managerial position was positive, at €193.2 million.
2022 was a very positive year for Reply, both in terms of turnover growth and margins. In the past few months, Reply has continued to invest and has acquired additional market shares in Europe, the UK and North America. Reply has also upgraded its core offerings in artificial intelligence, robotics and connected vehicles with new components.

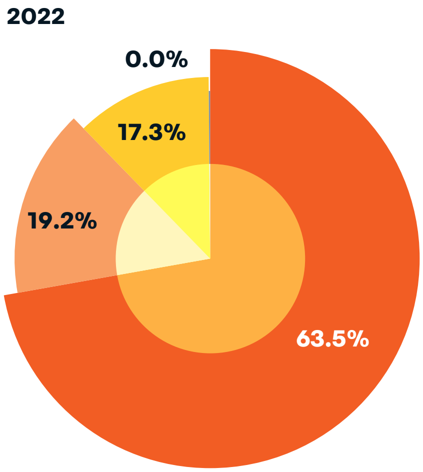
Today Reply is known for its ability to interpret digital innovation and make it work in the interests of companies seeking transformation. In particular, in 2022 Reply has seen strong growth in demand in the areas of Cloud, IoT, data platforms and digital experiences. Furthermore, the use of artificial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

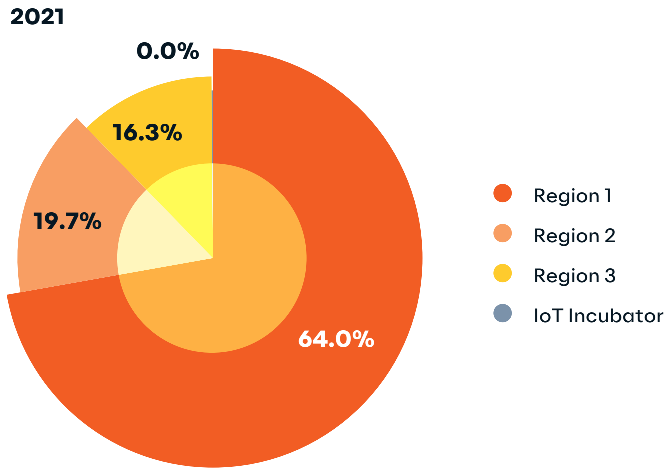
Reclassified consolidated income statement

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

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

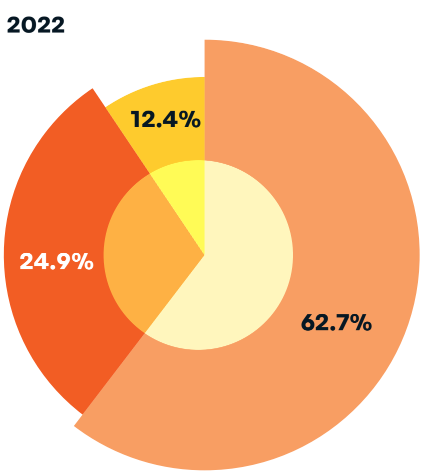
REVENUES BY REGION (*)

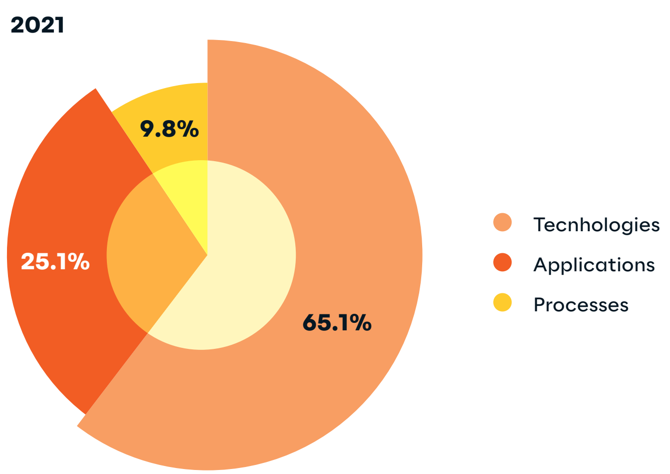




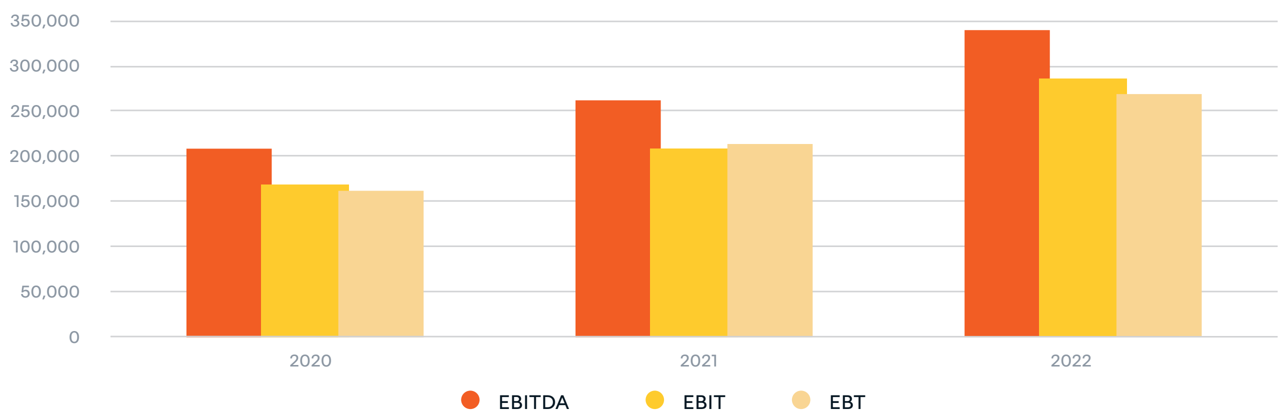
(*)
Region 1: ITA, USA, BRA, POL, ROU, CHN (Nanjing), NZL
Region 2: DEU, CHE, CHN (Bejing), HRV
Region 3: GBR, LUX, BEL, NLD, FRA, BLR, SGP, HKG, MYS

REVENUES BY BUSINESS LINES





TREND IN KEY ECONOMIC INDICATORS



Analysis of the financial structure

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

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

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

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

The following table provides a breakdown of net working capital:

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

Net financial managerial position and cash flows statement

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

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

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

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

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

Alternative performance indicators

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

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

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

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

Significant operations in 2022

Acquisition of Fincon Unternehmensberatung GmbH

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

Acquisition of Wemanity Group

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

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

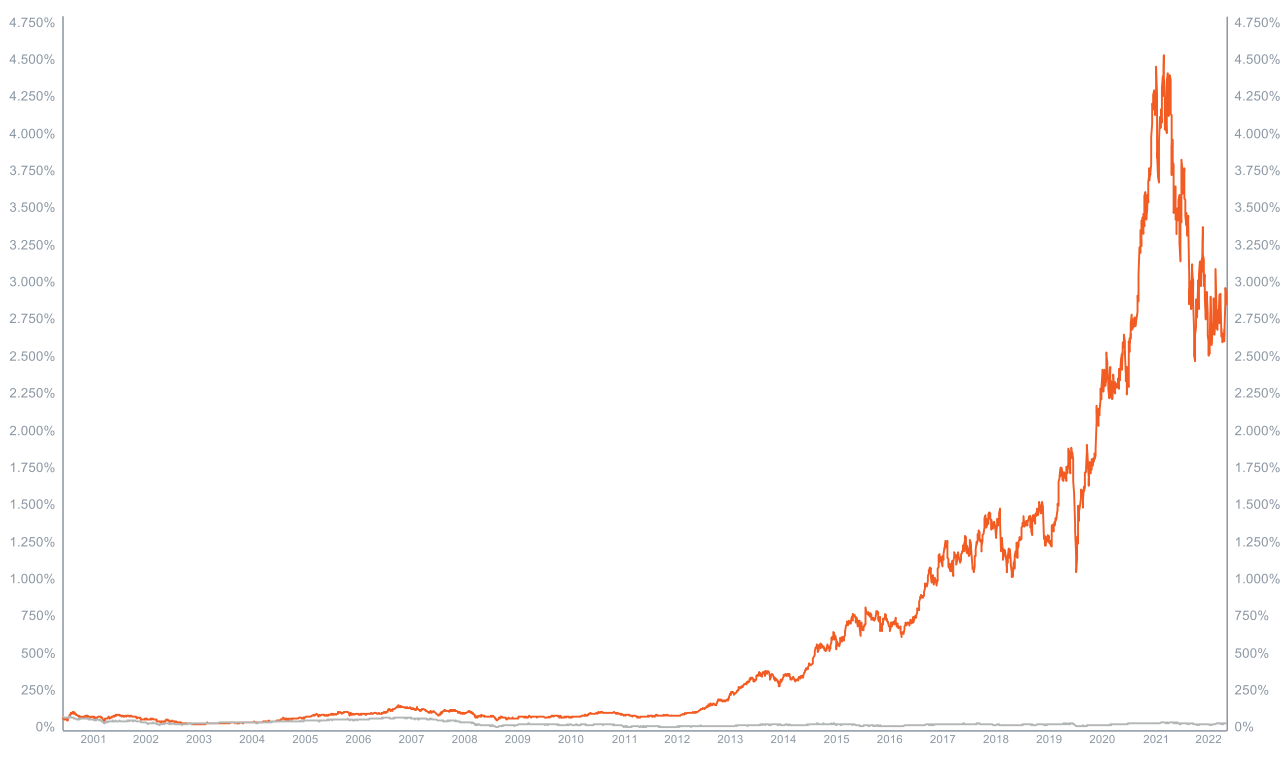
Reply on the stock market

Reply share performance

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

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

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



Share liquidity

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

Dividend

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

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

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

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

The shareholders base

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

of institutional holdings. French investors also significantly reduced their position to 10.1% of the shares, down from 18.9% in 2021.
According to the Shareholders' Ledger, on the date of this report the shareholders that directly or indirectly, also through an intermediary person, trust companies and subsidiaries, hold stakes greater than 3% of the share capital having the right to vote are the following:

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

Analysts

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

Dialog with the capital markets

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

The Parent Company Reply S.p.A.

Introduction

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

Reclassified income statement

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

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

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

Revenues from operating activities mainly refer to:

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

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

Financial structure

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

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

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

Net financial managerial position

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

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

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

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

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

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

Corporate Governance

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

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

Declaration of non-financial data

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

Other information

Research and development activities

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

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

Human resources

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

General Data Protection Regulation (GDPR)

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

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

Transactions with related parties and group companies

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

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

Treasury shares

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

Financial instruments

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

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

Events subsequent to 31 december 2022

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

Outlook on operations

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

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

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

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

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

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

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

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

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

Turin, 14 March 2023

/s/ Mario Rizzante

For the Board of Directors

The Chairman

Mario Rizzante

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.

Notes to the Financial Statements

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:

(THOUSAND EUROS)	31/12/2022 CURRENT	31/12/2022 NON CURRENT	31/12/2022 TOTAL	31/12/2021 CURRENT	31/12/2021 NON CURRENT	31/12/2021 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**
Audit related services	PwC S.p.A.	Parent company - Reply S.p.A.[1]	28
	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

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.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

Income Statement (*)

(EUROS)	NOTE	2022	2021
Revenue	5	709,328,790	604,160,429
Other income	6	25,668,033	15,938,379
Purchases	7	(37,856,490)	(28,463,783)
Personnel	8	(26,535,763)	(27,693,075)
Services and other costs	9	(654,350,573)	(553,990,835)
Amortization, depreciation and write-downs	10	(3,880,483)	(3,037,301)
Other operating and non-recurring income/(expenses)	11	2,855,100	2,366,500
Operating income		**15,228,615**	**9,280,313**
Gain/(loss) on equity investments	12	73,413,842	87,367,000
Financial income/(expenses)	13	12,648,115	23,484,746
Income before taxes		**101,290,573**	**120,132,059**
Income taxes	14	(7,148,880)	(8,888,365)
Net income		**94,141,693**	**111,243,694**
Basic and diluted income per share	15	2.53	2.98

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Income Statement are reported in the annexed Tables and further described in Note 35.

Statement of Comprehensive Income

(EUROS)	NOTE	2022	2021
Profit of the period (A)		**94,141,693**	**111,243,694**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans	28	73,785	(15,149)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**73,785**	**(15,149)**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	28	3,632,208	406,646
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**3,632,208**	**406,646**
Total other comprehensive income, net of tax		**3.705.993**	**391.497**
(B) = (B1) + (B2):		**3,705,993**	**391,497**
Total comprehensive income (A)+(B)		**97,847,686**	**111,635,191**

Statement of Financial Position (*)

(IN EURO)	NOTA	31/12/2022	31/12/2021
Tangible assets	17	534,336	310,808
Goodwill	18	86,765	86,765
Intangible assets	19	7,535,237	7,603,348
Right of Use Assets	20	937,764	615,816
Equity investments	21	177,988,453	140,757,778
Other financial assets	22	508,760,401	335,871,495
Deferred tax assets	23	6,728,474	6,169,056
Non-current assets		**702,571,430**	**491,415,065**
Trade receivables	24	532,386,689	400,894,555
Other receivables and current assets	25	61,379,942	57,379,333
Financial assets	26	93,913,784	82,659,515
Cash and cash equivalents	27	82,017,473	182,545,754
Current assets		**769,697,889**	**723,479,157**
TOTAL ASSETS		**1,472,269,318**	**1,214,894,222**
Share Capital		4,863,486	4,863,486
Other reserves		509,293,298	434,935,691
Net income		94,141,693	111,243,694
NET EQUITY	**28**	**608,298,477**	**551,042,871**
Finacial liabilities	29	67,319,609	21,768,594
IFRS 16 financial liabilities	29	432,456	294,318
Employee benefits	30	889,438	817,905
Deferred tax liabilities	31	6,012,577	4,003,473
Provisions	34	833,180	3,691,780
Non-current liabilities		**75,487,260**	**30,576,071**
Finacial liabilities	29	266,759,565	202,954,457
IFRS 16 financial liabilities	29	514,766	324,727
Trade payables	32	443,813,330	358,497,709
Other current liabilities	33	68,170,921	70,618,388
Provisions	34	9,225,000	880,000
Current liabilities		**788,483,582**	**633,275,281**
TOTAL LIABILITIES		**863,970,842**	**663,851,351**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,472,269,318**	**1,214,894,222**

(*)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 35.

Statement of changes in equity

(EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	TOTAL
Balance at 1 January 2021	**4,863,486**	**(24,502)**	**205,880,909**	**258,289,291**	**(1,439,951)**	**(55,323)**	**467,513,909**
Dividends distributed	-	-	-	(20,910,735)	-	-	(20,910,735)
Change in own shares	-	(7,195,494)	-	-	-	-	(7,195,494)
Increase for acquisition of treasury shares	-	-	100,000,000	(100,000,000)	-	-	-
Total income	-	-	-	111,243,694	406,646	(15,149)	111,635,191
Balance at 31 December 2021	**4,863,486**	**(7,219,996)**	**305,880,909**	**248,622,250**	**(1,033,305)**	**(70,472)**	**551,042,871**

(EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	TOTAL
Balance at 1 January 2022	**4,863,486**	**(7,219,996)**	**305,880,909**	**248,622,250**	**(1,033,305)**	**(70,472)**	**551,042,871**
Dividends distributed				(29,759,840)			(29,759,840)
Change in own shares		(9,902,493)					(9,902,493)
Total income				94,141,693	3,632,208	73,785	97,847,686
Other changes				(929,747)			(929,747)
Balance at 31 December 2022	**4,863,486**	**(17,122,489)**	**305,880,909**	**312,074,355**	**2,598,903**	**3,313**	**608,298,476**

Statement of Cash Flows

(EUROS)	2022	2021
Result	94,141,693	111,243,694
Income taxes	7,148,880	8,888,365
Amortization and depreciation	3,880,483	3,037,301
Other non-monetary expenses/(income)	(1,604,018)	186,260
Change in trade receivables	(131,492,135)	(80,104,019)
Change in trade payables	85,315,622	68,816,192
Change in other assets and liabilities	4,036,383	7,963,828
Income tax paid	(8,888,365)	(421,464)
Interest paid	(1,788,177)	(774,374)
Interest cashed	50,821	3,410
Net cash flows from operating activities (A)	**50,801,186**	**118,839,194**
Payments for tangible and intangible assets	(3,452,728)	(3,543,120)
Payments for financial assets	(170,344,295)	(116,919,511)
Change in right of use assets	(38,862,833)	2,435,746
Payments for the acquisition of subsidiaries net of cash acquired	(212,659,855)	(118,026,885)
Net cash flows from investment activities (B)	**(29,759,840)**	**(20,910,735)**
Payments for treasury shares	(9,902,493)	(7,195,494)
Financing granted	80,000,000	3,900,000
Payment of financial liabilities	(8,333,333)	(9,071,428)
Reimbursement of lease liabilities	(594,817)	(442,419)
Net cash flows from financing activities (C)	**31,409,516**	**(33,720,076)**
Net cash flows (D) = (A+B+C)	**(130,449,154)**	**(32,907,768)**
Cash and cash equivalents at the beginning of period	32,471,139	65,378,907
Cash and cash equivalents at period end	(97,978,014)	32,471,139
Total change in cash and cash equivalents (D)	**(130,449,153)**	**(32,907,768)**

DETAIL OF CASH AND CASH EQUIVALENTS

(EUROS)		
Cash and cash equivalents at beginning of period:	**32,471,139**	**65,378,907**
Cash and cash equivalents	182,545,754	184,012,136
Transaction accounts – surplus	52,797,469	27,066,257
Transaction accounts - overdraft	(192,867,526)	(145,699,486)
Bank overdrafts	(10,004,558)	-
Cash and cash equivalents at the end of the year:	**(97,978,014)**	**32,471,139**
Cash and cash equivalents	82,017,473	182,545,754
Transaction accounts – surplus	66,596,349	52,797,469
Transaction accounts - overdraft	(226,237,713)	(192,867,526)
Bank overdrafts	(20,354,123)	(10,004,558)

Notes to the financial statements

General information	NOTE 1	General information
	NOTE 2	Accounting principles
	NOTE 3	Financial risk management
	NOTE 4	Other
Income statement	NOTE 5	Revenues
	NOTE 6	Other revenues
	NOTE 7	Purchases
	NOTE 8	Personnel
	NOTE 9	Services and other costs
	NOTE 10	Amortization, depreciation and write-downs
	NOTE 11	Other operating and non-recurring income/(expenses)
	NOTE 12	Gain/(loss) on equity investments
	NOTE 13	Financial income/(expenses)
	NOTE 14	Income taxes
	NOTE 15	Earnings per share
	NOTE 16	Contributions
Financial position- Assets	NOTE 17	Tangible assets
	NOTE 18	Goodwill
	NOTE 19	Other intangible assets
	NOTE 20	RoU Assets
	NOTE 21	Equity Investments
	NOTE 22	Non current financial assets
	NOTE 23	Deferred tax assets
	NOTE 24	Trade receivables
	NOTE 25	Other receivables and current assets
	NOTE 26	Current financial assets
	NOTE 27	Cash and cash equivalents
Financial position- Liabilities and shareholders' equity	NOTE 28	Shareholders' equity
	NOTE 29	Financial liabilities
	NOTE 30	Employee benefits
	NOTE 31	Deferred tax liabilities
	NOTE 32	Trade payables
	NOTE 33	Other current liabilities
	NOTE 34	Provisions
Other information	NOTE 35	Transactions with related parties
	NOTE 36	Additional disclosures to financial instruments and risk management policies
	NOTE 37	Significant non-recurring transactions
	NOTE 38	Transactions resulting from unusual and/or abnormal operations
	NOTE 39	Guarantees, commitments and contingent liabilities
	NOTE 40	Emoluments to Directors, Statutory Auditors and Directors with Key responsibilities
	NOTE 41	Events subsequent to 31 December 2022
	NOTE 42	Approval of the financial statements and authorization for publication

Note 1 - General information

Reply is specialized in the implementation of solutions based on new communication and digital media. Reply, consisting of a network of specialized companies, assists important European industries belonging to Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration sectors, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply's services include: consulting, system integration, application management and Business Process Outsourcing. (www.reply.com)

The company mainly carries out the operational coordination and technical management of the group and also the administration, financial assistance and some purchase and marketing activities.
Reply also manages business relations for some of its main clients.

Note 2 - Accounting principles and basis of consolidation

Compliance with international accounting principles
The 2022 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the provisions implementing Article 9 of Legislative Decree No. 38/2005.
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").

In compliance with European Regulation No. 1606 of 19 July 2002, beginning in 2005, the Reply Group adopted the International Financial Reporting Standards ("IFRS") for the preparation of its Consolidated Financial Statements. On the basis of national legislation implementing the aforementioned Regulation, those accounting standards were also used to prepare the separate Financial Statements of the Parent Company, Reply S.p.A., for the first time for the year ended 31 December 2006.
It is hereby specified that the accounting standards applied conform to those adopted for the preparation of the initial Statement of Assets and Liabilities as at 1 January 2005 according to the IFRS, as well as for the 2005 Income Statement and the Statement of Assets and Liabilities as at 31 December 2005, as re-presented according to the IFRS and published in the special section of these Financial Statements.

General principles
The Financial Statements were prepared under the historical cost convention, modified as required for the measurement of certain financial instruments. The criterion of fair value was adopted as defined by IFRS 9.
The Financial Statements have been prepared on the going concern assumption. In this respect, despite operating in a difficult economic and financial environment, the Company's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1) exist relative to its ability to continue as a going concern.
These Financial Statements are expressed in Euros and are compared to the Financial Statements of the previous year prepared in accordance with the same principles.
These Financial Statements have been drawn up under the general principles of continuity, accrual based accounting, coherent presentation, relevancy and aggregation, prohibition of compensation and comparability of information.
The fiscal year consists of a twelve (12) month period and closes on the 31 December each year.

Financial statements
The 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 company classifies costs according to their nature, which is deemed to properly represent the company'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 is further noted that, to comply with the indications provided by Consob Resolution No. 15519 of 27 July 2006 "Provisions as to the format of Financial Statements", in addition to mandatory tables, specific supplementary Income Statement and Balance Sheet formats have been added that report significant amounts of positions or transactions with related parties indicated separately from their respective items of reference.

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.
In compliance with IAS 36 – Impairment of assets, the carrying value is immediately remeasured to the recoverable value, if lower.
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:

Equipment	30%
Plant and machinery	20%
Hardware	40%
Furniture and fittings	12%

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.
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 Company's interest at the time of acquisition of the fair value of the assets, liabilities and identifiable contingent liabilities attributable to the subsidiary.
Goodwill is not amortized, but is tested for impairment annually or more frequently if specific 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.
Goodwill deriving from acquisitions made prior to the transition date to IFRS are maintained at amounts recognized under Italian GAAP at the time of application of such standards and are subject to impairment tests at such date.

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 company'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%

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

Right of use 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 long term car-rental.

With reference to the options and exemptions provided by IFRS 16, the Company 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.

Intangible assets with indefinite useful life
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, as provided by IAS 36, but 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 Company 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 Company 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 to 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). With reference to goodwill, Management assesses return on investment with reference to the smallest cash generating unit including goodwill.
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. When the recognition 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.

Equity investments
Investments in subsidiaries and associated companies are valued using the cost method. As implementation of such method, they are subject to an impairment test if there is any objective evidence that these investments have been impaired, due to one or more events that occurred after the initial measurement if such events have had an impact on future cash flows, thus inhibiting the distribution of dividends. Such evidence exists when the subsidiary's and associate's operating margins are repetitively and significantly negative. If such is the case, impairment is recognized as the difference between the carrying value and the recoverable value, normally determined on the basis of fair value less disposal costs, normally determined through the application of the market multiples to prospective EBIT or to the value in use.

At each reporting period, the Company assesses whether there is objective evidence that a write-down due to impairment of an equity investment recognized in previous periods may be reduced or derecognized. Such evidence exists when the subsidiary's and associate's operating margins are repetitively and significantly positive. In this case, the recoverable value is re-measured and eventually the investment is restated at initial cost.

Equity investments in other companies, comprising non current financial assets not held for trading, are measured at fair value, if it can be determined. Any subsequent gains and losses resulting from changes
in fair value are recognized directly in Shareholders' equity until the investment is sold or impaired; the total recognized in equity up to that date are recognized in the Income Statement for the period.
Minor investments in other companies for which fair value is not available are measured at cost, and adjusted for any impairment losses.

Dividends are recognized as financial income from investments when the right to collect them is established, which generally coincides with the shareholders' resolution. If such dividends arise from the distribution of reserves prior to the acquisition, these dividends reduce the initial acquisition cost.

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 Company derecognizes financial assets from its Financial Statements when, and only when, the contractual rights to the cash flows deriving from the assets expire or the Company transfers the financial asset. In the case of transfer of the financial asset:
- If the entity substantially transfers all of the risks and benefits of ownership associated with the financial asset, the Company derecognizes the financial asset from the Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
- If the Company maintains substantially all of the risks and benefits of ownership associated with the financial assets, it continues to recognize it;
- If the Company does not transfer or maintain substantially all of the risks and benefits of ownership associated with the financial asset, it determines whether or not it has maintained control of the financial asset. In this case:
  - If the Company has not maintained control, it derecognizes the financial asset from its Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
  - If the Company has maintained control, it continues to recognize the financial asset to the extent of its residual involvement with such 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 asset is recognized in the income statement.

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.

Receivables and payables denominated in non EMU currencies are stated at the exchange rate at period end provided by the European Central Bank.

Cash and cash equivalents
The item cash and cash equivalents includes cash, banks and 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. All gains and losses from the sale of treasury shares are recorded in a special Shareholders' equity reserve.

Financial liabilities and equity investments

Financial liabilities and equity instruments issued by the Company 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 Company's assets after having deducted its liabilities.

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 Company 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

The Company's activities are primarily subject to financial risks associated with fluctuations in interest rates. Such interest rate risks arise from bank borrowings; In order to hedge such risks the Company's policy consists of converting fluctuating rate liabilities in constant rate liabilities and treating them as cash flow hedges. The use of such instruments is disciplined by written procedures in line with the Company risk strategies that do not contemplate derivative financial instruments for trading purposes.

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 Company commitments and forecasted transactions are recognized directly in Shareholder's equity, while the ineffective portion is immediately recorded 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.
Embedded derivatives included in other financial instruments or in other contractual obligations are treated as separate derivatives, when their risks and characteristics are not closely related to those of the financial instrument that houses them and the latter are not measured at fair value with recognition of the relative 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 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.
Employee termination indemnities (“TFR”) are classified as a “post-employment benefit”, falling under the category of a “defined benefit plan”; the amount already accrued must be projected in order to
estimate the payable amount at the time of employee termination and subsequently be discounted through the ”projected unit credit method”, an actuarial method based on demographic and finance data that allows the reasonable estimate of the extent of benefits that each employee has matured in relation to the time worked. Through actuarial measurement, interest cost is recognized as financial gains or losses and represents the figurative expenditure that 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.

Share-based payment plans

The Company 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 and over the (vesting period). The fair value of the option, measured at the granting date, is assessed through actuarial calculations, taking into account the terms and conditions of the options granted.
The stock options resolved in the previous financial years have been exercised and therefore the Company does not have existing stock option plans.

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 Company 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

Revenue from contracts with customers is recognized on the basis of the following five steps:

(i) identifying the contract with the customer;
(ii) identifying the performance obligations, that are promises in a contract to transfer goods and/or services to a customer;
(iii) determining the transaction price;
(iv) allocating the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each good or service; and
(v) recognizing revenue when (or as) a performance obligation is satisfied, that is when a promised good or service is transferred to a customer.

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 Company 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 "over time" or "at a point in time".

Revenues from services include the activities the Company carries out directly with respect to some of its major clients in relation to their businesses. These activities are also carried out in exchange for services provided by other Group companies, and the costs for such services are recognized as Services and other costs.

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 Company 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 Company 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.

Earnings per share
Basic earnings per share is calculated with reference to the profit for the period of the Company 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.

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:

Equity investments
At each balance sheet date, the company verifies whether there are indications that the investments may have suffered a reduction in value. For this purpose, both internal and external sources of information are considered. The identification of value reduction indicators, the estimation of future cash flows and the determination of the fair value of each investment requires Management to make significant estimates and assumptions about the determination of the discount rate to be applied, the useful life and the residual value of the assets. These estimates can have a significant impact on the value of assets and the amount of any write-downs.

Trade receivables and work in progress
The reduction in value of trade receivables 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.

Leasing 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 Company, reflects the economic substance of the operations, is neutral, drafted on a prudential basis and comprehensive in all relevant aspects.

Estimations changes and reclassifications
It should be noted that at the balance sheet date there are no significant estimates related to uncertain future events and other causes of uncertainty that may cause significant adjustments to the values of assets and liabilities within the following year.

New standards, interpretations and amendments adopted by the company from 1 January 2022

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 Company has assessed that these changes will not have a significant impact on the 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. Ear

Note 3 - Risk management

Reply S.p.A. 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.
To minimize risks Reply utilizes derivative financial instruments. At a central level it manages the hedging of principle operations. Reply S.p.A. does not detain derivate financial instruments for negotiating purposes.

Credit risk
For business purposes, specific policies are adopted in order to guarantee that clients honor payments.
With regards to financial counterparty risk, the company does not present significant risk in credit-worthiness or solvency. For newly acquired clients, the Company accurately verifies their capability in terms of facing financial commitments. Transactions of a financial nature are undersigned only with primary financial institutions.

Liquidity risk
The Company 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 companies are monitored and managed on a centralized basis through the Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's current and future capital resources (maintaining an adequate level of cash and cash equivalents and the availability of reserves of liquidity that are readily convertible to cash and committed credit).
The difficulties both in the markets and in the financial markets require special attention to the management of liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and on maintaining an adequate level of available liquidity. The Company 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.

Risks associated with fluctuations in currency and interest rates
As the company operates mainly in a "Euros area" the exposure to currency risks is limited.
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 Company's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The interest rate risk to which the Company is exposed derives from bank loans; to mitigate such risks, Reply S.p.A., when useful, uses derivative financial instruments designated as "cash flow hedges". The use of such instruments is disciplined by written procedures in line with the Company's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

Note 4 - Other information

Exception allowed under paragraph 4 of article 2423 of the italian Civil Code
No exceptions allowed under Article 2423, paragraph 4, of the Italian Civil Code were used in drawing up the annexed Financial Statements.

Fiscal consolidation
The Company has decided to enter into the National Fiscal Consolidation pursuant to articles 117/129 of the TUIR.
Reply S.p.A., Parent Company, acts as the consolidating company and determines just one taxable income for the Group companies that adhere to the Fiscal Consolidation, and will benefit from the possibility of compensating taxable income having fiscal losses in just one tax return.
Each company adhering to the Fiscal Consolidation transfers to Reply S.p.A. its entire taxable income, recognizing a liability with respect to the Company corresponding to the payable IRES; The companies that transfer fiscal losses can register a receivable with Reply, corresponding to IRES on the part of the loss off-set at a Group level and remunerated according to the terms established in the consolidation agreement stipulated among the Group companies.

Note 5 - Revenue

Revenues amounted to 709,328,790 Euros and are detailed as follows:

(EUROS)	2022	2021	CHANGE
Revenues from services	599,230,362	514,598,880	84,631,481
Royalties on "Reply" trademark	53,610,718	44,179,519	9,431,199
Intercompany services	32,879,154	27,519,041	5,360,112
Other intercompany revenues	23,608,557	17,862,988	5,745,568
Total	**709,328,790**	**604,160,429**	**105,168,361**

Reply manages business relationships on behalf of some of its major clients. Such activities were recorded in the item Revenues from services to third parties which increased by 84,631,481 Euros.

Revenues from Royalties on the “Reply” trademark refer to charges to subsidiaries, corresponding to 3% of the subsidiaries’ turnover with respect to third parties.

Revenues from Intercompany services and Other intercompany revenues refer to activities that Reply S.p.A. carries out for the subsidiaries, and more specifically:

- operational, co-ordination, technical and quality management;
- administration, personnel and marketing activities;
- strategic management services.

Note 6 - Other income

Other revenues that as at 31 December 2022 amounted to 25,668,033 Euros (15,938,379 Euros at 31 December 2021) mainly refer to expenses incurred by Reply S.p.A. and recharged to the Group companies and include expenses for social events, telephone and training courses.

Note 7 - Purchases

Detail is as follows:

(EUROS)	2022	2021	CHANGE
Software licenses for resale	15,850,165	15,482,864	367,301
Hardware for resale	21,454,671	12,606,258	8,848,413
Other	551,654	374,662	176,992
Total	**37,856,490**	**28,463,783**	**9,392,707**

The items software and hardware licenses for resale refer to the costs incurred for software licenses for resale to third parties carried out for the Group companies.

The item Other mainly includes the purchase of supplies, e-commerce material, stationary and printed materials (217,626 Euros) and fuel (302,627 Euros).

Note 8 - Personnel expenses

Personnel expenses amounted to 26,535,763 Euros, with an increase of 1,157,312 Euros and are detailed in the following table:

(EUROS)	2022	2021	CHANGE
Employees	21,447,886	19,761,476	1,686,410
Directors	5,087,877	7,931,599	(2,843,722)
Total	**26,535,763**	**27,693,075**	**(1,157,312)**

Detail of personnel by category is provided below:

(NUMBER)	2022	2021	CHANGE
Directors	90	76	14
Managers	6	6	-
Staff	13	13	-
Total	**109**	**95**	**14**

The average number of employees in 2022 was 106 (in 2021 96).

Note 9 - Services and other costs

Services and other costs comprised the following:

(EUROS)	2022	2021	CHANGE
Commercial and technical consulting	6,227,758	5,145,309	1,082,449
Travelling and training expenses	2,478,381	1,711,449	766,931
Professional services from group companies	580,430,560	500,994,779	79,435,780
Marketing expenses	7,239,857	4,824,047	2,415,810
Administrative and legal services	2,822,525	3,258,839	(436,315)
Statutory auditors and Independent auditors fees	296,159	244,521	51,638
Leases and rentals	1,351,499	1,129,994	221,505
Office expenses	4,386,564	3,214,295	1,172,269
Other services from group companies	19,302,832	15,162,355	4,140,477
Expenses incurred on behalf of group companies	23,341,928	11,992,828	11,349,100
Other	6,472,510	6,312,418	160,092
Total	**654,350,573**	**553,990,835**	**100,359,738**

Professional Services from Group companies, which increased during the year by 79,435,780 Euros, are mainly related to revenues from services to third parties.
Reply S.p.A. carries out commercial fronting activities for some of its major clients, whereas delivery is carried out by the operational companies.
Office expenses include services rendered by related parties in connection with service contracts for the use of premises, legal domicile and secretarial services, as well as utility costs.

Note 10 - Amortization, depreciation and write-downs

Depreciation of tangible assets was calculated on the basis of technical-economic rates determined in relation to the residual useful lives of the assets, and which amounted in 2022 to an overall cost of 230,614 Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets amounted in 2022 to an overall cost of 3,066,697 Euros. Details of depreciation are provided at the notes to intangible assets.

Amortization related to right of use assets arising from the application of IFRS 16 amounted to 583,172 thousand Euros.

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

Other operating and non-recurring income, related to events and transactions that do not occur in the regular course of business, amounted to 2,855,100 and mainly refer to provisions for risks and reversal in relation to contractual, commercial and legal disputes.

Note 12 - Gain/(losses) on equity investments

Detail is as follows:

(EUROS)	2022	2021	CHANGE
Dividends	92,266,000	87,689,000	4,577,000
Loss on equity investments	(18,852,158)	(322,000)	(18,530,158)
Total	**73,413,842**	**87,367,000**	**(13,953,158)**

Dividends include proceeds received by Reply S.p.A. from subsidiary companies during the year.

Detail is as follows:

(EUROS)	2022
Aktive Reply S.r.l.	1,830,000
Arlanis Reply S.r.l.	940,000
Atlas Reply S.r.l.	745,000
Blue Reply S.r.l.	8,720,000
Bridge Reply S.r.l.	285,000
Business Reply S.r.l.	2,745,000
Cluster Reply S.r.l.	10,880,000
Cluster Reply Roma S.r.l.	1,015,000
Data Reply S.r.l.	2,590,000
Discovery Reply S.r.l.	1,520,000
E*finance Consulting S.r.l.	2,545,000
Ekip Reply S.r.l.	20,000
Eos Reply S.r.l.	270,000
Go Reply S.r.l.	1,085,000
Hermes Reply S.r.l.	920,000
Iriscube Reply S.r.l.	4,980,000
Logistics Reply S.r.l.	970,000
Open Reply S.r.l.	3,325,000
Pay Reply S.r.l.	260,000
Power Reply S.r.l.	3,190,000
Reply Consulting S.r.l.	1,135,000
Reply Digital Experience S.r.l.	1,205,000
Retail Reply S.r.l.	1,570,000
Ringmaster S.r.l.	686,000
Santer Reply S.p.a.	5,720,000
Security Reply S.r.l.	8,490,000
Sprint Reply S.r.l.	545,000
Storm Reply S.r.l.	4,075,000
Syskoplan Reply S.r.l.	1,520,000
Sytel Reply Roma S.r.l.	3,450,000
Tamtamy Reply S.r.l.	510,000
Target Reply S.r.l.	2,475,000
Technology Reply S.r.l.	7,495,000
Technology Reply Roma S.r.l.	1,460,000
Whitehall Reply S.r.l.	2,585,000
Xister Reply S.r.l.	510,000
Total	**92,266,000**

Net losses on equity investments refer to write-downs and the year-end losses of several subsidiary companies that were prudentially deemed as non-recoverable with respect to the value of the investment.

For further details, see Note 21 herein.

Note 13 - Financial income/(expenses)

Detail is as follows:

(IN EURO)	2022	2021	CHANGES
Interest income from subsidiaries	13,924,364	7,932,069	5,992,296
Financial income	86,825	3,410	83,415
Interest expenses	(1,956,188)	(1,016,979)	(939,210)
Other	629,118	16,566,246	(15,937,128)
Total	**12,648,115**	**23,484,746**	**(10,836,631)**

Interest income from subsidiaries refers to the interest yielding cash pooling accounts of the Group companies included in the centralized pooling system.

Financial income include interest in bank accounts amounting to 50,821 Euros and interest income on tax refunds amounting to 36,004 Euros.

Interest expenses refer to the interest expenses on the use of credit facilities with Intesa Sanpaolo and Unicredit.

The item Other mainly includes:

- positive 1,282,493 Euros related to the gain on exchange rate differences arising from the translation of balance sheet items not recorded in Euros (positive 15,547,257 Euros at 31 December 2021);
- positive 2,396,336 Euros related to the non-effective portion of the IRS (negative 1,148,201 Euros at 31 December 2021);
- the financial losses related to the fair value adjustments of the investments hold by Reply amounting to 3,910,940 Euros (351,430 Euros at 31 December 2021);
- 844,042 Euros related interests referred to financial investments (206,932 Euros at 31 December 2021).

Note 14 - Income taxes

The details are provided below:

(EUROS)	2022	2021	CHANGE
IRES	5,626,643	4,898,947	727,695
IRAP	688,000	611,000	77,000
Corporate tax - previous years	(615,448)	207,914	(823,362)
Current taxes	**5,699,195**	**5,717,861**	**(18,667)**
Deferred tax liabilities	2,009,104	3,227,272	(1,218,168)
Deferred tax assets	(559,418)	(56,768)	(502,650)
Deferred taxes	**1,449,686**	**3,170,504**	**(1,720,818)**
Total income taxes	**7,148,880**	**8,888,365**	**(1,739,485)**

IRES theoretical rate

The following table provides the reconciliation between the IRES theoretical rate and the fiscal theoretical rate:

(EUROS)	TAXABLE INCOME	TAX
Result before taxes	**101,290,573**	
Theoretical tax rate	**24.0%**	**24,309,737**
Temporary differences, net	(78,827,862)	
Taxable income	**22,462,711**	
Total IRES		**5,396,000**
Start-up replacement tax fee – controlling stake	230,642	
Benefit arising from the National Fiscal Consolidation		**5,626,643**
Total current IRES	**101,290,573**	

Temporary differences, net refer to:

- deductible differences amounting to 108,926 thousand Euros arising mainly from the non-taxable share of the dividends received in the financial year (87,653 thousand Euros), earnings on valuation changes (8,546 thousand Euros), Directors' fees to be paid (3,783 thousand Euros), the income from provision taxed in previous years (2,904 thousand Euros) and the deduction of the implicit goodwill of the investment in Xister (1,442 thousand Euros);
- non-deductible differences amounting to 30,098 thousand Euros owing mainly to write-down/losses of equity investments (19,452 thousand Euros), loss on loans valuation changes (6,088 thousand Euros) and Directors' fees to be paid (3,200 thousand Euros).

Calculation of taxable IRAP

(EUROS)	TAXABLE INCOME	TAX
Difference between value and cost of production	**15,228,615**	
IRAP net	1,692,074	
Taxable IRAP	**16,920,689**	
Total IRAP		**688,000**

Temporary differences, net refer to:

- non-deductible differences amounting to 6,364 thousand Euros mainly due to emoluments to Directors (4,443 thousand Euros) and to bank fees (702 thousand Euros);
- deductible differences amounting to 4,672 thousand Euros mainly due to reversal of provisions (2,900 thousand Euros) and the implicit goodwill of the investment in Xister (1,442 thousand Euros).

Note 15 - Earnings per share

Basic earnings and diluted earnings per share as at 31 December 2022 is calculated with reference to the net profit which amounted to 94,141,693 Euros (111,243,694 Euros at 31 December 2021) divided by the weighted average number of shares outstanding as at 31 December 2022, net of treasury shares, which amounted to 37,252,650 (37,356,344 at 31 December 2021).

(EUROS)	2022	2021
Net profit of the year	94,141,693	11,243,694
Weighted number of shares	37,252,650	37,356,344
Basic earning per share	2.53	2.98

Reply does not have any financial instruments potentially convertible in shares (stock options) therefore the basic earnings per share corresponds to the diluted earnings per share.

Note 16 - Contributions

Disclosure on the transparency of public disbursements required by Article 1, paragraph 125 of Law 124/2017

Pursuant to Article 1, paragraph 125 of Law 124/2017, the Company in 2021 has received the following public contributions:

ENTITY (EUROS)	2022
AGENZIA DELLE ENTRATE-RISCOSSIONE	525,749
AUTORITA' NAZIONALE ANTICORRUZIONE - ANAC	116,773
AZIENDA SOCIO SANITARIA TERRITORIALE DELLA BRIANZA	113,944
CSI PIEMONTE	30,772
ENI SPA	3,816
LEONARDO LOGISTICS S.P.A.	19,766
MINISTERO DELLA DIFESA-STATO MAGGIORE DELL'AERONAUTICA MILITARE	120,344
MINISTERO DELL'INTERNO	18,000
UNIVERSITA' DEGLI STUDI DI BERGAMO	150,530
TOTAL	**1,099,694**

Note 17 - Tangible assets

Tangible assets as at 31 December 2022 amounted to 534,336 Euros are detailed as follows:

(EUROS)	31/12/2022	31/12/2021	CHANGE
Plant and machinery	99,866	87,628	12,238
Hardware	277,070	79,421	197,649
Other	157,400	143,759	13,641
Total	**534,336**	**310,808**	**223,528**

The item Other mainly includes mobile phones and furniture and fittings.

Change in Tangible assets during 2022 is summarized below:

(EUROS)	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical cost	902,597	1,817,178	1,410,171	4,129,946
Accumulated depreciation	(814,969)	(1,737,757)	(1,266,412)	(3,819,138)
31/12/2021	**87,628**	**79,421**	**143,759**	**310,808**
Historical cost				
Increases	63,617	309,770	80,754	454,142
Disposals	(2,738)	(10,045)	(760)	(13,543)
Accumulated depreciation				
Depreciation	(51,379)	(112,121)	(67,113)	(230,614)
Utilized	2,738	10,045	760	13,543
Historical cost	963,476	2,116,903	1,490,165	4,570,544
Accumulated depreciation	(863,610)	(1,839,833)	(1,332,765)	(4,036,208)
31/12/2022	**99,866**	**277,070**	**157,400**	**534,336**

During the year under review the Company made investments amounting to 454,142 Euros, which mainly refer to hardware, mobile phones and general devices.

Note 18 - Goodwill

Goodwill as at 31 December 2022 amounted to 86,765 Euros and refers to the value of business branches (consulting activities related to Information Technology and management support) acquired in July 2000.

Goodwill recognized is deemed adequately supported in terms of expected financial results and related cash flows.

Note 19 - Other intangible assets

Intangible assets as at 31 December 2022 amounted to 7,535,237 Euros (7,603,348 Euros at 31 December 2021) and are detailed as follows:

(EUROS)	31/12/2022	31/12/2021	CHANGE
Software	6,999,173	7,067,2843	(68,111)
Trademark	536,064	536,064	-
Total	**7,535,237**	**7,603,348**	**(68,111)**

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

(EUROS)	SOFTWARE	TRADEMARK	TOTAL
Historical cost	18,174,964	536,064	18,711,028
Accumulated amortization	(11,107,680)	-	(11,107,680)
31/12/2021	**7,067,284**	**536,064**	**7,603,348**
Historical cost			
Increases	2,998,585	-	2,998,585
Accumulated amortization			
Ammortization	(3,066,697)	-	(3,066,697)
Historical cost	21,173,549	536,064	21,709,613
Accumulated amortization	(14,174,377)	-	(14,174,377)
31/12/2022	**6,999,173**	**536,064**	**7,535,237**

The item Software and increase in software is related mainly to software licenses purchased and used internally by the company.

The item Trademark expresses the value of the “Reply” trademark granted to the Parent Company Reply S,p,A, (before Reply Europe Sàrl) on 9 June, 2000, in connection to the Company’s share capital increase that was resolved and undersigned by the Parent Company Alister Holding SA, Such amount is not subject to systematic amortisation, and the expected future cash flows are deemed adequate.

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 for the vehicles category:

(EUROS)	31/12/2021	NET CHANGES	AMORTIZATION	31/12/2022
Vehicles	615,815	905,121	(583,172)	937,764

The net change mainly refers to the signing of new lease agreements.

Note 21 - Equity investments

The item Equity investments at 31 December 2022 amounted to 177,988,453 Euros, with an increase of 37,230,675 Euros compared to 31 December 2021.

(EUROS)	BALANCE AT 31/12/2021	ACQUISITIONS AND SUBSCRIPTIONS	FINANCIAL REMISSION	WRITE DOWNS	OTHER	BALANCE AT 31/12/2022	INTEREST
Air Reply S.r.l.	558,500					558,500	85.00%
Aktive Reply S.r.l.	512,696					512,696	100.00%
Arlanis Reply S.r.l.	588,000					588,000	100.00%
Atlas Reply S.r.l.	12,575					12,575	100.00%
Avvio Reply S.r.l.	446,000		270,000	(270,000)		446,000	100.00%
Blue Reply S.r.l.	527,892					527,892	100.00%
Breed Reply Investment Ltd.	2,081,443	481,715		(2,562,158)		1,000	100.00%
Bridge Reply S.r.l.	6,000	1,200,000				1,206,000	100.00%
Bside S.r.l.	-	557,000	50,000	(50,000)		557,000	100,00%
Business Reply S.r.l.	268,602					268,602	100.00%
Cluster Reply S.r.l.	2,540,848					2,540,848	100.00%
Cluster Reply Roma S.r.l.	296,184					296,184	100.00%
Consorzio Reply Public Sector	39,500					39,500	24.76%
Core Reply S.r.l.	9,000	589,018				9,000	100.00%
Data Reply S.r.l.	317,662					317,662	100.00%
Discovery Reply S.r.l.	1,311,669					1,311,669	100.00%
e*finance Consulting Reply S.r.l.	3,076,385					3,076,385	100.00%
Ekip Reply S.r.l.	30,000					30,000	100.00%
Eos Reply S.r.l.	495,369					495,369	100.00%
Forge Reply S.r.l.	1,000		2,200,000	(2,200,00)		1,000	100.00%
Go Reply S.r.l.	1,920,000					1,920,000	100.00%
Hermes Reply S.r.l.	199,500					199,500	100.00%
Hermes Reply Consulting Nanjing Co.	1,000,000					1,000,000	100.00%
IrisCube Reply S.r.l.	6,724,952					6,724,952	100.00%
Lid Reply GmbH	28,000					28,000	100.00%
Like Reply S.r.l.	87,317					87,317	100.00%
Logistics Reply S.r.l.	1,049,167					1,049,167	100.00%
Nexi Digital S.r.l.	-	5,100				5,100	51.00%
Net Reply S.r.l.	-	10,000			1,625,633	1,635,633	100.00%
Next Reply S.r.l.	-	10,000	560,000			570,000	100.00%
Open Reply S.r.l.	1,625,165					1,625,165	100.00%

(EUROS)	BALANCE AT 31/12/2021	ACQUISITIONS AND SUBSCRIPTIONS	FINANCIAL REMISSION	WRITE DOWNS	OTHER	BALANCE AT 31/12/2022	INTEREST
Pay Reply S.r.l.	10,000					10,000	100.00%
Portaltech Reply S.r.l.	106,000		45,000	(45,000)		106,000	100.00%
Power Reply S.r.l.	2,708,265					2,708,265	100.00%
Protocube Reply S.r.l.	1,000					1,000	70.00%
Reply Consulting S.r.l.	3,518,434					3,518,434	100.00%
Reply Deutschland SE	57,855,581					57,855,581	100.00%
Reply Digital Experience S.r.l.	4,227,019					4,227,019	100.00%
Reply do Brasil Sistema de Informatica Ltda	206,816					206,816	98.56%
Reply France Sas	-	35,010,000				35,010,000	100.00%
Reply Inc	2,814,625					2,814,625	100.00%
Reply Ltd.	11,657,767					11,657,767	100.00%
Reply Polska Sp. Zo.o.	10,217					10,217	100.00%
Reply Sarl	12,000					12,000	100.00%
Reply Services S.r.l.	1,000		5,100,00	(5,100,00)		1,000	100.00%
Retail Reply S.r.l.	100,000					100,000	100.00%
Ringmaster s.r.l.	5,000					5,000	50.00%
Santer Reply S.p.A.	11,386,966					11,386,966	100.00%
Sense Reply S.r.l.	15,700	1,000,000				1,015,700	100.00%
Sensor Reply S.r.l.	12,800		280,000	(280,000)		12,800	100.00%
Spark Reply S.r.l.	1,042,500					1,042,500	100.00%
Security Reply S.r.l.	392,866					392,866	100.00%
Sprint Reply S.r.l.	155,000					155,000	100.00%
Storm Reply S.r.l.	986,000					986,000	100.00%
Syskoplan Reply S.r.l.	949,571					949,571	100.00%
Sytel Reply S.r.l.	5,513,232				(1,625633)	3,887,599	100.00%
Sytel Reply Roma S.r.l.	894,931					894,931	100.00%
Tamtamy Reply S.r.l.	263,471					263,471	100.00%
Target Reply S.r.l.	600,338					600,338	100.00%
Technology Reply Roma	10,000					10,000	100.00%
Technology Reply S.r.l.	216,658					216,658	100.00%
Technology Reply S.r.l. (Romania)	9,919					9,919	100.00%
Whitehall Reply S.r.l.	160,212					160,212	100.00%
Xenia Reply S.r.l.	10,000		370,000			380,000	100.00%
Xister Reply S.r.l.	9,150,465					9,150,465	100.00%
Total	**140,757,778**	**38,862,833**	**8,875,000**	**(10,507,158)**	**-**	**177,988,453**	

Acquisitions and subscriptions

Bside S.r.l.
In the month of May 2022 100% of the share capital of Bside S.r.l. was acquired for an amount of 557,000 Euros.

Nexi Digital S.r.l.
In the month of January 2022 Nexi Digital S.r.l. was constituted, a company in which Reply S.p.A. holds 51% of the share capital.

Net Reply S.r.l.
In the month of March 2022 Net Reply S.r.l. was constituted, a company in which Reply S.p.A. holds 100% of the share capital.

Next Reply S.r.l.
In the month of March 2022 Next Reply S.r.l. was constituted, a company in which Reply S.p.A. holds 100% of the share capital.

Reply France Sas
It should be noted that in 2022 Reply S.p.A. acquired the investments in Reply France Sas from the subsidiary Reply Sarl for a total value of 2,010,000 Euros. Reply S.p.A. subsequently recapitalized the subsidiary for an amount of 33,000,000 Euros.

The other changes refer to the acquisition of additional shares in the share capital of investments already held in previous years.

Financial loan remission
The amounts are referred to the waiver of financial loan receivables from some subsidiaries in order to increase their equity position.

Write-downs
The amounts recorded reflect losses on some equity investments that are deemed not to be recoverable.

The list of equity investments in accordance with Consob communication no, 6064293 of 28 July 2006 is included in the attachments.
The negative differences arising between the carrying value of the investments and the corresponding portion of their shareholders' equity are not related to permanent impairment of value, as the carrying value is supported by positive economic and financial forecasts that guarantee the recoverable amount of the investment.

Note 22 - Non-current financial assets

Detail is as follows:

(EUROS)	2022	2021	CHANGE
Guarantee deposits	244,048	241,058	2,990
Loans to subsidiaries	508,173,353	335,317,437	172,855,916
Investments in other parties	343,000	313,000	30,000
Total	**508,760,401**	**335,871,495**	**172,888,906**

Financial receivables from subsidiaries are referred to loans, underwritten and granted to the following companies:

COMPANY	AMOUNT
Breed Reply Investments Ltd	52,691,482
Cluster Reply Informatica Ltda	1,215,000
Lid Reply GmbH	7,425,000
Reply Deutschland SE	140,000,000
Reply do Brasil Sistema De Informatica Ltda	2,181,740
Reply France Sas	22,000,000
Reply Inc.	163,781,215
Reply Ltd	67,136,469
Reply Polska Sp. z o.o.	319,500
Reply Sarl	25,008,135
Reply Services S.r.l.	24,714,813
Technology Reply S.r.l. (Romania)	200,000
Wemanity Group	1,500,000
Total	**508,173,353**

Note 23 - Deferred tax assets

This item amounted to 6,728,474 Euros at 31 December 2022 (6,169,056 Euros at 31 December 2021), and included the fiscal charge corresponding to the temporary differences on statutory income and taxable income related to deferred deductible items.

TEMPORARY DEDUCTIBLE DIFFERENCES	TAXABLE AMOUNT	TAX
Total deferred tax assets at 31/12/2021	**24,663,298**	**6,169,056**
Accrued	9,525,084	2,287,771
Utilization	(6,729,654)	(1,728,353)
Total deferred tax assets at 31/12/2022	**27,458,729**	**6,728,474**
Of which:		
- directors fees and employee bonuses accrued but not yet paid	8,204,667	1,969,120
- unrealized foreign exchange losses	15,047,797	3,611,471
- taxable amounts greater than book value	4,206,265	1,147,883
Total	**27,458,729**	**6,728,474**

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 - Trade receivables

Trade receivables at 31 December 2022 amounted to 532,386,689 Euros and are all collectible within 12 months.

Detail is as follows:

(EUROS)	31/12/2022	31/12/2021	CHANGE
Third party trade receivables	293,943,304	235,820,081	58,123,223
Credit notes to be issued	(8,223,845)	(4,413,950)	(3,809,895)
Allowance for doubtful accounts	(550,560)	(753,535)	202,976
Third party trade receivables	**285,168,899**	**230,652,596**	**54,516,304**
Receivables fro subsidiaries	247,217,790	170,238,515	76,979,275
Receivables from Parent Company	-	3,444	(3,444)
Trade receivables from subsidiaries and Parent Company	**247,217,790**	**170,241,959**	**76,975,831**
Total trade receivables	**532,386,689**	**400,894,555**	**131,492,135**

Reply manages business relationships on behalf of some of its major clients. This activity is reflected in the item Third party trade receivables which increased by 54,516,304 Euros.

Receivables from subsidiaries are related to services that the Parent Company Reply S.p.A. carries out in favor of the subsidiary companies at normal market conditions.

Trade receivables are all due within 12 months and do not include significant overdue balances.

In 2022 the provision for doubtful accounts, following a specific risk analysis of all the trade receivables, was reversed by 202,975 Euros and calculated using the expected credit loss approach pursuant to IFRS 9; detail is as follows:

AMOUNT AT 31/12/2021	**753,535**
Reversal	(202,975)
AMOUNT AT 31/12/2022	**550,560**

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.

Note 25 - Other receivables and current assets

Detail is as follows:

(EUROS)	31/12/2022	31/12/2021	CHANGE
Tax receivables	1,643,601	1,811,745	(168,145)
Other receivables from subsidiaries	31,921,953	28,673,559	3,248,393
Other receivables	131,641	2,103,416	(1,971,775)
Accrued income and prepaid expenses	27,682,748	24,790,613	2,892,135
Total	**61,379,942**	**57,379,333**	**4,000,609**

The item Tax receivables mainly includes IRES receivables and advances for withholding taxes suffered amounting to 1,438,599 (1,609,875 Euros at 31 December 2021) and VAT receivables net amounting to 8,948 Euros (8,903 Euros at 31 December 2021).

Other receivables from subsidiary companies mainly refer to IRES receivables which are calculated on taxable income, and transferred by the Italian subsidiaries under national fiscal consolidation.

Accrued income and prepaid expenses refer to prepaid expenses arising from the execution of services, lease contracts, insurance contracts and other utility expenses, which are accounted for on an accrual basis.

The carrying amount of Other 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.

Note 26 - Current financial assets

This item amounted to 93,913,784 Euros (82,659,515 Euros at 31 December 2021) and mainly referred to:

- the total of interest yielding cash pooling accounts of subsidiaries included in the centralized pooling system of the Parent Company Reply S.p.A. for 66,596,349 Euros (52,797,469 at 31 December 2021); the interest yield on these accounts is in line with current market conditions.
- the bonds held by Reply for 26,904,531 Euros. The valuation of short-term investments, based on market valuations at 31 December 2022, showed a negative difference of 3,910,940 Euros compared to the purchase cost of the same.

Note 27 - Cash and cash equivalents

This item amounted to 82,017,473 Euros, with a decrease of 100,528,281 Euros compared to 31 December 2021 and is referred to cash at banks and on hand at year-end.

Note 28 - Shareholders' equity

Share capital

As at 31 December 2022 the fully subscribed paid-in share capital of Reply S.p.A., amounted to 4,863,486 Euros and is made up of no. 37,411,428 ordinary shares having a nominal value of euro 0.13 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 17,122,489 Euros, refers to the shares of Reply S.p.A. that at 31 December 2022 were equal to no. 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

At 31 December 2022 amounted to 305,880,909 Euros, and included the following:

- Treasury share reserve amounting to 17,122,489 Euros, relating to the shares of Reply S.p.A. which at 31 December 2022 were equal to no. 133,192.
- Reserve for the purchase of treasury shares amounting to 282,877,511 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.
- Reserves arising from the merger operation of Reply Deutschland AG. in Reply S.p.A, and include:
  - Share swap surplus reserve amounting to 3,445,485 Euros;
  - Surplus annulment reserve amounting to 2,902,479 Euros.

Earnings Reserve

Earning reserves amounted to 312,074,355 Euros and were comprised as follows:

- The Legal reserve amounting to 972,697 Euros (972,697 Euros at 31 December 2021);
- Extraordinary reserve amounting to 214,137,264 Euros (133,583,157 Euros at 31 December 2021);
- Retained earnings amounting to 2,822,701 Euros (2,822,701 Euros at 31 December 2021);
- Net result totaling 94,141,693 Euros (111,243,694 Euros at 31 December 2021).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(EUROS)	31/12/2022	31/12/2021
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) from employee benefit plans	73,785	(15,149)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**73,785**	**(15,149)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	3,632,208	406,646
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	**3,632,208**	**406,646**
Total Other comprehensive income, net of tax (B) = (B1) + (B2)	**3,705,993**	**391,497**

Note 29 - Financial liabilities

Detail is as follows:

	31/12/2022			31/12/2021		
(EUROS)	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Bank overdrafts	20,354,123	-	20,354,123	10,004,558	-	10,004,558
Bank loans	20,952,381	70,410,783	91,363,164	83,333	19,616,667	19,700,000
Transaction accounts	226,237,713	-	226,237,713	192,866,566	-	192,866,566
Derivative financial instruments	(784,652)	(3,091,173)	(3,875,825)	-	2,151,927	2,151,927
IFRS 16 financial liabilities	514,765	432,456	947,221	324,727	294,318	619,045
Total financial liabilities	**267,274,331**	**67,752,065**	**335,026,396**	**203,279,184**	**22,062,912**	**225,342,095**

The future out payments of the financial liabilities are detailed as follows:

	31/12/2022				31/12/2021			
(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	20,354,123	-	-	20,354,123	10,004,558	-	-	10,004,558
Bank loans	20,952,381	51,210,783	-	72,163,164	83,333	416,667	-	500,000
Mortgage loans	-	10,240,000	8,960,000	19,200,000	-	7,680,000	11,520,000	19,200,000
Transaction accounts	226,237,713	-	-	226,237,713	192,866,566	-	-	192,866,566
Derivative financial instruments	514,765	432,456	-	947,221	324,727	294,318	-	619,045
IFRS 16 financial liabilities	(784,652)	(2,075,477)	(1,015,697)	(3,875,826)	-	430,544	1,721,383	2,151,927
Total	**267,274,331**	**59,807,762**	**7,944,303**	**335,026,395**	**203,279,184**	**8,821,529**	**13,241,383**	**225,342096**

M&A loans 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.

Following and summarized by main features the ongoing 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 50,000,000 Euros to be used by 27 May 2022. As at 31 December 2022 this line had been used for 41,667,000 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 75,000,000 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 30,000,000 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 50,000,000 Euros to be used by 29 May 2024. As at 31 December 2022 this line had been used for 500,000 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 the balance sheet date, Reply fulfilled the Covenants under the various contracts.
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 40,000,000 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 19,200,000 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 IFRS 16 starting from 1st January 2019.

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 75,666,667 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.

The carrying amount of the Financial Liabilities estimates the value determined through the application of the amortised cost method.

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:

(EUROS)		31/12/2022	31/12/2021	CHANGE
A	Cash	82,017,473	182,545,754	(100,528,281)
B	Cash equivalents	-	-	-
C	Current financial assets	93,913,784	82,659,515	11,254,269
D	**Cash (A+B+C)**	**175,931,257**	**265,205,269**	**(89,274,012)**
E	Current financial liabilities	246,321,950	203,195,851	43,126,099
F	Short-term portion of long term financial liability	20,952,381	83,333	20,869,048
G	**Financial liabilities short-term (E+F)**	**267,274,331**	**203,279,184**	**63,995,147**
H	**Net financial debt short-term (G-D)**	**91,343,073**	**(61,926,086)**	**153,269,159**
I	Financial liabilities long-term	70,846,741	19,910,985	50,935,756
J	Financial instruments	(3,094,676)	2,151,927	(5,246,603)
K	Other liabilities long-term	-	-	-
L	**Financial debt long-term (I+J+K)**	**67,752,065**	**22,062,912**	**45,689,153**
Total financial debt		**159,095,138**	**(39,863,174)**	**198,958,312**

Net financial debt includes IFRS 16 financial liabilities amounting to 974,221 thousand Euros, of which 432,456 thousand Euros were non-current and 514,765 were current.

Pursuant to the aforementioned recommendations long term financial assets are not included in the net financial position.

For further details with regards to the above table see Notes 26 and 27 as well as Note 29.

Change in Financial liabilities during 2022 is summarized below:

(EUROS)	
Total financial liabilities 2021	**225,342,096**
Bank overdrafts	(10,004,558)
Transaction accounts, liability	(192,867,526)
Fair value IRS	(2,151,927)
IFRS 16 financial liabilities	(619,045)
Non current financial liabilities 2021	**19,699,040**
Cash flows	71,664,123
Non current financial liabilities 2022	**91,363,163**
Bank overdrafts	20,354,123
Transaction accounts, liability	226,237,713
Fair value IRS	(3,875,825)
IFRS 16 financial liabilities	947,221
Total financial liabilities 2022	**335,026,395**

Note 30 - Employee benefits

The Employee severance indemnity represents the obligation to employees under Italian law (amended by Law no. 296/06) accrued by employees up to 31 December 2006 which will be paid 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.

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	Constant average annual rate equal to 2.3%
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. The annual discount used for 2022 was 3.77%
Annual growth rate of the Employee severance indemnities	Annual increase in salaries 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%

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

31/12/2021	**817,905**
Acturial gains/(losses)	(73,785)
Interest cost	18,609
Indemnities paid	(99,630)
Transfers	226,339
31/12/2022	**889,438**

Note 31 - Deferred tax liabilities

Deferred tax liabilities at 31 December 2022 amounted to 6,012,577 Euros and were referred mainly to the fiscal effects arising from temporary differences between the statutory income and taxable income.

TEMPORARY TAXABLE DIFFERENCES	TAXABLE	TAX
Balance at 31/12/2021	**16,579,929**	**4,003,473**
Accruals	8,371,265	2,009,106
Total at 31/12/2022	**24,951,194**	**6,012,577**
- deduction allowance for doubtful accounts	718,806	172,513
- different goodwill/trademark measurements	622,828	173,770
- gains on unrecognized differences and other minor differences	23,609,560	5,666,294
Total at 31/12/2022	**24,951,194**	**6,012,577**

Note 32 - Trade payables

Trade payables at 31 December 2022 amounted to 443,813,330 Euros with an increase of 85,315,622 Euros.

Detail is as follows:

(EUROS)	31/12/2022	31/12/2021	CHANGE
Due to suppliers	12,629,440	10,033,294	2,596,146
Due to subsidiaries	296,035,430	244,375,642	51,659,788
Due to Parent Company	128,100	128,100	-
Advance payments from customers - asset	135,020,361	103,960,672	31,059,688
Total	**443,813,330**	**358,497,709**	**85,315,622**

Due to suppliers mainly refers to services from domestic suppliers.

Due to subsidiaries recorded a change of 51,659,788 Euros, and refers to professional services in connection to third party agreements with Reply S.p.A..
Reply S.p.A. carries out commercial fronting activities for some of its major clients, whereas delivery is carried out by the operational companies.

Advance payments from customers include amounts invoiced to customers for contracts subcontracted to subsidiary companies, which at the balance sheet date were not yet

completed.
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 33 - Other current liabilities

Detail is as follows:

(EUROS)	31/12/2022	31/12/2021	CHANGE
Income tax payable	428,244	4,713,241	(4,284,997)
Withholding tax and other	9,489,133	14,464,151	(4,975,018)
Total payable to tax authorities	**9,917,377**	**19,177,392**	**(9,260,015)**
INPS (National Italian insurance payable)	1,535,619	1,309,984	225,635
Other	422,978	353,254	69,724
Total social security payable	**1,958,597**	**1,663,238**	**295,359**
Emloyee accruals	5,645,549	5,267,846	377,704
Payable to subsidiary companies	5,681,305	4,373,457	1,307,848
Miscellaneous payables	18,548,880	18,290,220	258,660
Accrued expenses and deferred income	26,419,214	21,846,237	4,572,977
Total other payables	**56,294,947**	**49,777,759**	**6,517,188**
Total other current liabilities	**68,170,921**	**70,618,388**	**(2,447,468)**

Due to tax authorities mainly refers to payables due for withholding tax on employees and free lancers' compensation.
Due to social security authorities is related to both Company and employees contribution payables. Employee accruals mainly include payables to employees for remunerations due but not yet paid at year-end.
Due to subsidiary companies represents the liability on tax losses recorded by subsidiaries under national tax consolidation for 2022 and for the tax credits that subsidiaries transferred to Reply S.p.A. as part of the tax consolidation.
Miscellaneous payables mainly refer to remuneration and bonus of directors recognized as participation in the profits of the company.
Accrued expenses and deferred income are mainly related to advance invoicing in relation to fronting activities carried out for subsidiaries.
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 34 - Provisions

The item Provisions amounting to 10,058,180 Euros is summarized as follows:

(EUROS)	31/12/2021	ACCRUALS	REVERSAL	UTILIZED	31/12/2022
Provision for risks	3,691,780	44,900	(2,900,000)	(3,501)	833,180
Provision for losses on equity investments	880,000	9,225,000	(880,000)	-	9,225,000
Total	**4,571,789**	**9,269,900**	**(3,780,000)**	**(3,501)**	**10,058,180**

The item Provision for risks reflects the best estimate of contingent liabilities deriving from ongoing legal litigations; at 31 December 2022 an accrual of 44,900 Euros and a reversal of 2,900,000 Euros was made.

The item Provision for losses on equity investments has been reversed for 880,000 Euros; moreover an accrual of 9,225,000 Euros was posted.

Note 35 - Transactions with related parties

With reference to CONSOB communications no. DAC/RM 97001574 of 20 February 1997 and no. DAC/RM 98015375 of 27 February 1998 concerning relations with related parties, the economic and financial effects on Reply S.p.A.'s year ended 2022 Financial Statements related to such transactions are summarised below.
Transactions carried out by Reply S.p.A. with related parties are considered ordinary business and are carried out at normal market conditions.
Financial and business transactions among the Parent Company Reply S.p.A. and its subsidiaries and associate companies are carried out at normal market conditions.

Reply S.p.A. main economic and financial transactions

(THOUSAND EUROS)	WITH SUBSIDIARY AND ASSOCIATE COMPANIES	WITH RELATED PARTIES	WITH SUBSIDIARY AND ASSOCIATE COMPANIES	WITH RELATED PARTIES	NATURE OF TRANSACTION
Financial transactions	**31/12/2022**		**31/12/2021**		
Financial receivables	508,173		335,317		Financial loans
Guarantee deposits		80		80	Guarantee deposits
Transaction accounts, net	(159,641)		(140,070)		Transaction accounts held by the Parent company
Trade receivables and other	279,140		198,912	3	Royalties, administration services, marketing, quality management services and office rental
Trade payables and other	301,717	128	248,749	128	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other payables		7,638		6,791	Compensation paid to Directors, Key Management and Statutory Auditors
Economic transactions	**2022**		**2021**		
Revenues from Royalties	53,611		44,180		Licensing of the "Reply" trademark consisting in a 3% fee on third party revenues
Revenues from services	74,683	18	57,272	18	Administrations services, marketing, quality management and office rental
Revenues from management services	9,372		7,786		Strategic management services
Costs for professional services	637,044		542,734		Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other services	1,971	420	1,831	420	Services related to office rental and office of the secretary
Personnel		7,677		8,268	Emoluments to Directors and Key Management
Other services and costs		148		148	Statutory Auditors fee
Interest income, net	13,924		7,932		Interest on financial loans: 3 month Euribor + spread of 3 percentage points

With reference to the Cash flows statement, the above mentioned transactions impact the change in working capital by 28 thousand Euros.

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006, in the annexed tables herein, the Statement of income and the Statement of financial position reporting transactions with related parties separately, together with the percentage incidence with respect to each account caption has been provided.

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.

Nota 36 - Additional disclosure 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.
In order to manage these risks, the Reply S.p.A uses interest rate derivative financial instruments, mainly interest rate swaps, with the object of mitigating, under economically acceptable conditions, the potential variability of interest rates on the net result.

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, unfavourable 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 726 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 hierarchy levels

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.

(THOUSANDS EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Financial securities	26	26,904	-	-
Other assets		-	-	-
Total Assets		**26,904**	**-**	**-**
Derivative financial liabilities (IRS)	29	-	(3,876)	-
Total Liabilities		**-**	**(3,876)**	**-**

The item Financial securities is related to securities listed on the active stock market 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 IFRS7 the fair value used by Reply for the exploitation of hedging derivatives contracts in existence as at 31 December 2022 enters under the hierarchy profile in level 2.

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

Note 37 - Significant non-recurring transactions

Pursuant to Consob communication no. 6064293 of 28 July 2006, there were no significant non-recurring transaction during 2022.

Note 38 - Transactions resulting from unusual and/or abnormal operations

Pursuant to Consob communication no. 6064293 of 28 July 2006, in 2019 Reply S.p.A. has not taken part in any unusual and/or abnormal operations as defined in that Communication, under which unusual and abnormal transactions are those which because of their significance or importance, the nature of the parties involved, the object of the transaction, the means of determining the transfer price or of the timing of the event (close of the year end) may give rise to doubts regarding the accuracy/completeness of the information in the Financial Statements, conflicts of interest, the safeguarding of the entity's assets or the protection of minority interests.

Note 39 - 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 SE, 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 AG 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, Reply 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 Company 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 Company recognises specific provision for this purpose.

Note 40 - 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 functions, including those in other consolidated companies, are fully explained in the Annual Report on Remuneration in the dedicated table.

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 financial statements and authorization to publish

The financial statements for the year-ended 31 December 2022 were approved by the Board of Directors on March 14, 2023 which approved their publication.

Annexed tables

Reply S.p.A.
Statement of income pursuant to Consob resolution no. 15519 of 27 July 2006

(EUROS)	2022	OF WHICH RELATED PARTIES	%	2021	OF WHICH RELATED PARTIES	%
Revenues	709,328,790	119,359,338	16.8%	604,160,429	101,413,783	16.8%
Other income	25,668,033	24,403,416	95.1%	15,938,379	13,423,191	84.2%
Purchases	(37,856,490)	(36,802,395)	97.2%	(28,463,783)	(26,144,914)	91.9%
Personnel	(26,535,763)	(7,677,000)	28.9%	(27,693,075)	(8,268,000)	29.9%
Services and other costs	(654,350,573)	(602,631,986)	92.1%	(553,990,835)	(518,839,255)	93.7%
Ammortization and depreciation	(3,880,483)			(3,037,301)		
Other operating and non-recurring income/(expenses)	2,855,100			2,366,500		
Operating income (EBIT)	**15,228,615**			**9,280,313**		
Gain/(loss) on equity investments	73,413,842			87,367,000		
Financial income/(loss)	12,648,115	13,924,364	110.1%	23,484,746	7,932,069	33.8%
Income before taxes	**101,290,573**			**120,132,059**		
Income taxes	(7,148,880)			(8,888,365)		
Net income	**94,141,693**			**111,243,694**		
Basic and diluted income per share	*2.53*			*2.98*		

Reply S.p.A.
Statement of financial position pursuant to Consob resolution no. 15519 of 27 July 2006

(EUROS)	31/12/2022	OF WHICH RELATED PARTIES	%	31/12/2021	OF WHICH RELATED PARTIES	%
Tangible assets	534,336			310,808		
Goodwill	86,765			86,765		
Intangible assets	7,535,237			615,815		
RoU Assets	937,764			7,603,348		
Equity investments	177,988,453			140,757,778		
Other financial assets	508,760,401	508,173,353	99.9%	365,502,283	335,317,437	91.7%
Deferred tax assets	6,728,474			6,169,056		
Non current assets	**702,571,429**			**521,045,853**		
Trade receivables	532,386,689	247,217,790	46.4%	400,894,555	170,241,959	42.5%
Other receivables and current assets	61,379,942	57,182,639	93.2%	57,379,333	49,868,641	86.9%
Financial assets	93,913,784	66,596,349	70.9%	53,028,726	52,797,469	99.6%
Cash and cash equivalents	82,017,473			182,545,754		
Current assets	**769,697,889**			**693,848,369**		
TOTAL ASSETS	**1,472,269,318**			**1,214,894,222**		
Share Capital	4,863,486			4,863,486		
Other reserves	509,293,298			434,935,691		
Net income	94,141,693			111,243,694		
NET EQUITY	**608,298,477**			**551,042,871**		
Finacial liabilities	67,319,609			21,768,594		
IFRS 16 financial liabilities	432,456			294,318		
Employee benefits	889,438			817,905		
Deferred tax liabilities	6,012,577			4,003,473		
Provisions	833,180			3,691,780		
Non current liabilities	**75,487,260**			**30,576,071**		
Finacial liabilities	266,759,565	226,237,713	84.8%	202,954,457	192,867,526	95.0%
IFRS 16 financial liabilities	514,765			324,727		
Trade payables	443,813,330	296,163,530	66.7%	358,497,709	244,503,742	68.2%
Other current liabilities	68,170,921	14,578,468	21.4%	70,618,388	13,535,796	19.2%
Provisions	9,225,000			880,000		
Current liabilities	**788,483,582**			**633,275,281**		
TOTAL LIABILITIES	**863,970,842**			**663,851,351**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,472,269,318**			**1,214,894,222**		

Reply S.p.A.
Equity investments in subsidiaries with additional information required by Consob (communication no. 6064293 of 28 July 2006)

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2022
Air Reply S.r.l.	Turin	€	10,000	1,560,136	949,130	85.00%	558,500
Arlanis Reply S.r.l.	Turin	€	10,000	2,213,168	1,890,296	100.00%	588,000
Aktive Reply S.r.l.	Turin	€	10,000	3,006,605	2,900,705	100.00%	512,696
Atlas Reply S.r.l.	Turin	€	10,000	1,320,656	1,246,002	100.00%	12,575
Avvio Reply S.r.l.	Turin	€	10,000	17,837	(263,328)	100.00%	446,000
Blue Reply S.r.l.	Turin	€	10,000	18,878,742	18,807,919	100.00%	527,892
Breed Reply Investment Ltd.	London	GBP	100	(8,178,680)	(9,873,707)	100.00%	1,000
Bridge Reply S.r.l.	Turin	€	10,000	670,364	626,354	100.00%	1,206,000
Bside S.r.l.	Rome	€	10,000	19,288	(234,659)	100.00%	557,000
Business Reply S.r.l.	Turin	€	78,000	5,007,221	4,855,884	100.00%	268,602
Cluster Reply S.r.l.	Turin	€	139,116	19,042,251	18,797,977	100.00%	2,540,848
Cluster Reply Roma S.r.l.	Turin	€	10,000	1,785,520	1,734,537	100.00%	296,184
Consorzio Reply Public Sector	Turin	€	159,500	97,320	-	24.76%	39,500
Core Reply S.r.l.	Turin	€	10,000	2,101,784	1,413,755	100.00%	598,018
Data Reply S.r.l.	Turin	€	10,000	5,260,582	5,217,364	100.00%	317,662
Discovery Reply S.r.l.	Turin	€	10,000	4,284,677	2,073,787	100.00%	1,311,669
e*finance Consulting Reply S.r.l.	Turin	€	34,000	5,287,816	5,137,741	100.00%	3,076,385
Ekip Reply S.r.l.	Turin	€	10,400	245,348	224,044	100.00%	30,000
Eos Reply S.r.l.	Turin	€	200,000	1,330,945	1,071,197	100.00%	495,369
Forge Reply S.r.l.	Turin	€	10,000	12,939	(2,197,854)	100.00%	1,000
Go Reply S.r.l.	Turin	€	50,000	2,187,856	2,086,694	100.00%	1,920,000
Hermes Reply S.r.l.	Turin	€	10,000	2,100,760	1,716,275	100.00%	199,500
Hermes Reply Consulting (Nanjing) Co. Ltd.	China	CNY	7,932,875	12,059,801	(33,446)	100.00%	1,000,000
IrisCube Reply S.r.l.	Turin	€	651,735	11,143,790	10,258,132	100.00%	6,724,952
Lid Reply GmbH	Germany	€	25,000	(1,894,078)	(1,205,640)	100.00%	28,000
Like Reply S.r.l.	Turin	€	10,000	1,101,296	1,087,136	100.00%	87,317
Logistics Reply S.r.l.	Turin	€	78,000	13,544,881	2,866,193	100.00%	1,049,167
Open Reply S.r.l.	Turin	€	10,000	6,697,355	6,563,963	100.00%	1,625,165
Net Reply S.r.l.	Turin	€	10,000	2,278,920	(1,249,193)	100.00%	1,635,633
Nexi Digital S.r.l.	Turin	€	10,000	1,272,779	1,262,779	51.00%	5,100
Next Reply S.r.l.	Turin	€	10,000	12,644	(557,356)	100.00%	570,000
Pay Reply S.r.l.	Turin	€	10,000	919,875	884,283	100.00%	10,000

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2022
Portaltech Reply S.r.l.	Turin	€	10,000	28,725	(42,094)	100.00%	106,000
Power Reply S.r.l.	Turin	€	10,000	5,147,686	4,928,168	100.00%	2,708,265
Protocube Reply S.r.l.	Turin	€	10,200	440,592	370,687	70.00%	1,000
Reply Consulting S.r.l.	Turin	€	10,000	1,424,737	1,366,183	100.00%	3,518,434
Reply Deutschland SE	Guetersloh	€	120,000	86,901,939	(28,723,177)	100.00%	57,855,581
Reply Digital Experience S.r.l.	Turin	€	29,407	2,230,361	2,181,054	100.00%	4,227,019
Reply Do Brasil Sistema De Informatica Ltda	Belo Horizonte – Brasil	R$	650,000	5,677,856	591,995	100.00%	206,816
Reply France Sas	France	€	35,010,000	33,830,749	(221,478)	100.00%	35,010,000
Reply Inc.	Michigan – USA	$	3,406,420	(1,734,183)	(9,174,126)	100.00%	2,814,625
Reply Ltd.	London	GBP	54,175	13,824,833	(3,254,841)	100.00%	11,657,767
Reply Polska Sp. z o.o.	Katowice-Poland	ZLT	40,000	13,305,239	2,339,715	100.00%	10,217
Reply Sarl	Luxembourg	€	12,000	(2,636,713)	(1,781,081)	100.00%	12,000
Reply Services S.r.l.	Turin	€	10,000	76,841	(5,096,885)	100.00%	1,000
Retail Reply S.r.l.	Turin	€	10,000	2,927,790	2,886,770	100.00%	100,000
Ringmaster S.r.l.	Turin	€	10,000	1,100,325	1,006,203	50.00%	5,000
Santer Reply S.p.A.	Milan	€	2,209,500	20,199,880	13,282,079	100.00%	11,386,966
Security Reply S.r.l.	Turin	€	50,000	14,473,014	14,302,760	100.00%	392,866
Sense Reply S.r.l.	Turin	€	10,000	4,493,621	2,521,105	100.00%	1,015,700
Sensor Reply S.r.l.	Turin	€	10,000	15,989	(277,284)	100.00%	12,800
Spark Reply S.r.l.	Turin	€	10,000	206,030	193,991	100.00%	1,042,500
Sprint Reply S.r.l.	Turin	€	10,000	2,095,519	2,078,139	100.00%	155,000
Storm Reply S.r.l.	Turin	€	10,000	6,390,390	6,286,323	100.00%	986,000
Syskoplan Reply S.r.l.	Turin	€	32,942	3,339,838	3,219,360	100.00%	949,571
Sytel Reply S.r.l.	Turin	€	115,046	14,797,453	10,506,773	100.00%	3,887,599
Sytel Reply Roma S.r.l.	Turin	€	10,000	3,989,591	3,974,115	100.00%	894,931
TamTamy Reply S.r.l.	Turin	€	10,000	2,728,854	1,333,936	100.00%	263,471
Target Reply S.r.l.	Turin	€	10,000	3,791,193	3,706,736	100.00%	600,338
Technology Reply Roma S.r.l.	Turin	€	10,000	2,403,508	2,070,947	100.00%	10,000
Technology Reply S.r.l.	Turin	€	79,743	15,873,757	15,573,275	100.00%	216,658
Technology Reply S.r.l. (Romania)	Romania	RON	44,000	5,304,717	2,652,310	100.00%	9,919
Whitehall Reply S.r.l.	Turin	€	21,224	3,088,028	2,949,968	100.00%	160,212
Xenia Reply S.r.l.	Turin	€	10,000	9,997	(370,130)	100.00%	380,000
Xister Reply S.r.l.	Rome	€	10,000	4,483,949	1,386,760	100.00%	9,150,465

Details of shareholders' equity stated according to origin, possibility of utilization, possibility of distribution, availability and the utilization in the previous three fiscal years

				SUMMARY OF THE AMOUNT USED IN THE PRIOR THREE FISCAL YEARS	
NATURE/DESCRIPTION	**AMOUNT**	**POSSIBILITY OF UTILIZATION**	**AVAILABLE**	**FOR COVERAGE OF LOSSES**	**OTHER**
Capital	4,863,486				
Capital reserves					
Reserve for treasury share	17,122,489				
Reserve for purchase of treasury shares	43,391,072	A,B,C	43.391.072		
Income reserves					
Legal reserve	972,697	B			
Extraordinary reserve	214,137,264	A,B,C	214,137,264		
Surplus merger reserve	6,347,964	A,B,C	6,347,964		
Retained earnings	674,740	A,B,C	674,740		
Reserve for purchase of treasury shares	239,486,439	A,B,C	239,486,439		
Total			**504,037,479**		
Not available amount			-		
Residual available amount			**504,037,479**		
Reserves from transictions to IAS/IFRS					
FTA reserve	303,393				
Retained earnings	2,147,961				
Reserve for cash flow hedge	2,598,903				
Reserve for treasury share	(17,122,489)				
IAS reserve	3,313				
Accounting expenses according to IAS 32	(770,448)				
	(12,839,366)				

Legend
A: for share capital increase
B: for coverage of losses
C: distribution to shareholders

Disclosures pursuant to article 149-duodecies by Consob

The following table, prepared in accordance with Art. 149-duodecies of the Regolamento Emittenti issued by Consob, reports the amount of fees charged in 2022 for the audit and audit related services provided by the Audit Firm and by entities that are part of the Audit Firm network. There were no services provided by entities belonging to its network.

(EUROS)	SERVICE PROVIDER	2022 FEES
Audit	PwC S.p.A.	55,800
Audit related services	PwC S.p.A. (1)	28,200
	PwC S.p.A. (2)	43,000
Total		**127,000**

(1) Attestation of tax forms (tax return, IRAP and Form 770)
(2) DNF attestation

Attestation of the 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 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 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.

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 in charge of signing the financial statements
Giuseppe Veneziano

Report on the statutory auditors to the Shareholders' meeting

pursuant to article 153 of the legislative decree 58/1998 on the financial statements as at 31 December 2022

Dear Shareholders,

pursuant to art. 153 of Legislative Decree no. 58/1998, and in compliance with current regulations, the Board of Statutory Auditors is called upon to report to the Shareholders' Meeting on the supervisory activity carried out during the year, on the omissions and reprehensible facts detected and can make observations and proposals regarding the financial statements, its approval and the matters within its competence.

During the year, the Board of Statutory Auditors carried out its supervisory tasks in compliance with the Civil Code, Legislative Decree 58/1998 (TUF), Legislative Decree 39/2010, the statutory rules and the rules issued by the Authorities that carry out supervisory and control activities, also taking into account the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Experts.

In particular, the Board of Statutory Auditors has supervised: (i) compliance with the law and the articles of association, (ii) compliance with the principles of proper administration, (iii) the adequacy of the Company's organizational structure, the internal control and risk management system and the administrative-accounting system, as well as the reliability of the latter in correctly representing the management facts, (iv) the methods of concrete implementation of the governance rules adopted by the Company in adherence to the Corporate Governance Code of Listed Companies, (v) on the adequacy of the indications given to subsidiaries pursuant to art. 114, paragraph 2°, TUF, and (vi) on the obligations relating to non-financial information referred to in Legislative Decree 254/2016.

Supervisory activities pursuant to Legislative Decree 39/2010 implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts

The Board of Statutory Auditors, in its capacity as Committee for Internal Control and Auditing, has performed the functions provided for by art. 19 of Legislative Decree no. 39/2010, supervising the following aspects:

- the financial reporting process;
- the effectiveness of internal control, internal audit and risk management systems;
- statutory audit of annual accounts and consolidated accounts;
- the independence of the statutory auditor, in particular with regards to non-audit services.

The independent auditor, periodically encountered in accordance with the provisions of art. 150, paragraph 3, of the TUF for the purpose of exchanging mutual information, has not highlighted to the Board of Statutory Auditors acts or facts considered reprehensible or irregularities that have required the formulation of specific reports pursuant to art. 155, paragraph 2, of the TUF.

During the meetings, particular attention was paid to the application of the impairment test procedure to investments and to goodwill arising in business combinations. The Board acknowledges that the impairment procedure has not changed compared to that adopted in the previous financial year.

The Control and Risk Committee examined the results of the impairment test at 31 December 2022 prepared in application of the aforementioned procedure. The Board of Directors therefore approved the results of the application of the impairment procedure, including the 2023-2025 prospective financial statements used.

The Board of Statutory Auditors held a meeting with the Quality Review Partner of PricewaterhouseCoopers S.p.A. in charge of the activities with reference to the Reply Group. During the meeting, the Statutory Auditors were presented with all the activities carried out with reference to the quality controls of the audit for the Reply Group.

The Board of Statutory Auditors also requested the independent auditor to provide support for the assessment of the quality of the audit, with particular focus on the quantitative and qualitative dimensions of the audit service, on the assessment of the necessary skills of the auditor and on the safeguards implemented by the auditor in terms of independence.

The Board of Statutory Auditors has also taken note of the Transparency Report prepared by the independent auditors, published on its website pursuant to Article 13 of EU Regulation no. 537/2014.

Supervisory activities on the non-financial reporting process

The Board of Statutory Auditors has supervised in compliance with the provisions contained in Legislative Decree no. 254 of 30 December 2016, in particular with reference to both the drafting process and the contents of the Non-Financial Information. The activity was carried out through periodic meetings with the corporate structure in charge of this and dealing with the company in charge of the statutory audit of the accounts.

The Non-Financial Information report is subject to a limited assurance activity by PriceWaterhouseCoopers S.p.A. which has issued the attestation regarding the compliance of the information provided with respect to the requirements of Legislative Decree 254/2016 and with respect to the principles, methodologies and methods provided for by the reporting standard adopted.

Having examined the report issued by the independent auditors pursuant to Article 3, paragraph 10, of Legislative Decree no. 254/2016 and the declaration made by the Company in the context of the Report to the Consolidated Financial Statements pursuant to Article 4 of the Consob Regulation implementing the aforementioned Decree, the Board did not detect elements of non-compliance and/ or violation of the relevant regulations.

Self-assessment of the Board of Statutory Auditors

During the first months of 2023, the Board of Statutory Auditors put in place the annual evaluation process, the outcome of which must be transmitted to the Board of Directors so that it can include the related conclusions in the Report on Corporate Governance and Ownership Structure.
To this end, the Board requested and acquired information from the individual members, collected individual statements and prepared a questionnaire with regard to the document "The Self-Assessment of the Board of Statutory Auditors – Rules of Conduct of the Board of Statutory Auditors of listed companies – Rule Q.1.1", of the National Council of Chartered Accountants and Accounting Experts.
During the self-assessment activities, the Board of Statutory Auditors verified and confirmed to all its members the continued ownership of:

- the independence requirements provided for both by law (Article 148, paragraph 3, TUF) and by the Corporate Governance Code (Article 2, Recommendation No. 7). Mrs. Ada Alessandra Garzino Demo was considered independent despite having held the position of statutory auditor for more than nine years and this because of the authority, reputation, moral stature, as well as the professionalism and balance shown in the performance of the office. The Board of Statutory Auditors has prepared its own Protocol of Conduct to identify specific corrective measures to be taken to adequately address

any circumstances that may compromise the independence of its members. During the year, there were no circumstances that triggered the measures provided for in the aforementioned Protocol of Conduct.
- the requirements of professionalism, integrity, competence and experience in accordance with articles 1 and 2 of the Ministry of Justice Decree of 30 March 2000, n. 162;
- the requirements of the Articles of Association.

It was also verified that each of the members of the Board of Directors still complied with the provisions of the applicable legislation in relation to the limits on the accumulation of assignments.

In light of the information in its possession, the Board of Statutory Auditors has therefore assessed, at present, the adequacy of its composition, having reference to the requirements of professionalism, diversity, competence, integrity and independence required by law.

* * *

The information referred to in the provisions contained in Consob Communication no. DEM 1025564 of 6 April 2001 and subsequently amended is provided below.

1. Transactions of greater economic and financial significance

We have obtained timely and adequate information from the Directors regarding the most significant economic, financial and equity transactions carried out by the Company and/or its subsidiaries during the 2022 financial year or following year-end.

These transactions, for which the Board has no observations, are adequately indicated in the documentation concerning the financial statements submitted for your approval.

2. Possible existence of atypical and/or unusual transactions, including intra-group and related party transactions

The documents submitted for your approval, the information received during the meetings of the Board of Directors and those received from the Chairman and the Chief Executive Officer, the management, the Boards of Statutory Auditors, where present, of the companies directly controlled by Reply S.p.A. and the independent auditor, have not shown the existence of atypical and/or unusual transactions, including intra-group transactions or with related parties, implemented in the 2022 financial year, nor after the year-end close. With reference to intra-group transactions, we inform you that during the 2021 financial year Reply S.p.A.:
- has purchased professional services related to revenue related contracts signed with third-party customers from group companies;
- issued guarantees in favour of subsidiaries;

- has granted its subsidiaries loans without constraint of purpose aimed at supporting their activities;
- provided subsidiaries with strategic management services, administrative services, marketing and quality management, management services;
- centrally managed the group treasury of Italian companies through transaction accounts in name of the individual subsidiaries;
- has granted the companies of the group the use of the proprietor "REPLY" trademark;
- has acquired from subsidiaries "office services" (equipped office spaces and secretarial services).

The transactions with other related parties during 2022 relate to compensation to directors, statutory auditors, and managers with strategic responsibilities and to "office services" for the use of the building of the Turin office, Corso Francia 110, provided by Alika S.r.l..
For these transactions, the Procedure for Transactions with Related Parties has not been applied as they are exempt transactions as defined respectively by articles 4.1 and 4.4 of the Procedure.

During 2022, a transaction of minor importance, as defined pursuant to the Procedure, concerning the use of a property located in London, was submitted to the Committee for examination.

3. Information provided in the annual report on atypical and/or unusual transactions, including intra-group and related transactions.
The information provided by the Directors in the Report on Operations accompanying the Financial Statements as at 31 December 2022 and in the Notes to the Consolidated Financial Statements of the Reply Group and to the Financial Statements as at 31 December 2022 regarding the most significant transactions from an economic, financial and earnings standpoint, as well as transactions with subsidiaries, associated companies and related parties, are adequate.

The Report on Operations, the information received by the Board of Directors and those received by the Chairman and the managing Directors, by management, by the supervisory bodies of the subsidiaries and the auditors have not revealed the existence of atypical and/or unusual transactions, including intercompany or related parties, which have been completed during the year or following year-end close.

4. Considerations and proposals on the notes and requests for information contained in the Report of the Independent Auditor.

The Board of Statutory Auditors examined the following reports prepared by the statutory auditor PricewaterhouseCoopers S.p.A.:

- the reports on the audit of the financial statements and on the audit of the consolidated financial statements issued on 30 March 2023 pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) No 537/2014;
- the additional report issued, on 30 March 2023, pursuant to Article 11 of the aforementioned Regulation, to the Board of Statutory Auditors as internal control and audit committee

The aforementioned audit reports show that:

- the separate financial statements and consolidated financial statements of the Reply Group have been prepared in accordance with the international accounting standards IAS/IFRS issued by the International Accounting Standards Board and adopted by the European Union, in force on 31 December 2022, as well as in accordance with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 and subsequent amendments and additions;
- the separate financial statements and the consolidated financial statements of the Reply Group are clearly prepared and represent truthfully and fairly the financial position, the economic result and cash flows for the year ended 31 December 2022;
- the separate financial statements and the consolidated financial statements have been prepared in XHTML format in accordance with the provisions of delegated Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the Single Electronic Format (ESEF).

In addition, in the opinion of the Independent auditor, the Report on operations and information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of art. 123-bis of the TUF contained in the Report on corporate governance and ownership structure are consistent with the financial statements.

With reference to the possible identification of significant errors in the annual report (Article 14, paragraph 2, letter e) of Legislative Decree 39/2010), the auditor declared that there was nothing to report.

With regard to the additional report issued pursuant to Article 19 of Legislative Decree 39/2010, the Board has verified that the same indicates:

- the main aspects of the audit;
- the levels of significance for the consolidated and separate financial statements;
- the audit plan;
- the area and method of consolidation;
- the auditing methodology and valuation methods applied in the consolidated and

separate financial statements;
- the areas of focus relating to the consolidated financial statements and the separate financial statements;
- the activities carried out by the audit team.

In the same document, the independent auditor also attested that no significant audit differences were detected on the consolidated and separate financial statements, nor have significant deficiencies in the internal control system in relation to the financial reporting process been identified, listing the mandatory disclosures made to the corporate bodies, and finally acknowledging that, from the checks on the regular bookkeeping and the correct detection of management facts in the accounting records, no significant aspects have emerged to be reported.
The Board of Statutory Auditors examined the declaration on the independence of the independent auditor, in accordance to Article 17 of Legislative Decree 39/2010, issued on 30 March 2023, which does not highlight situations that have compromised independence or causes of incompatibility, pursuant to articles 10 and 17 of the same decree and the related implementing provisions.

5. Complaints pursuant to Article 2408 of the Italian Civil Code.
No complaints have been acknowledged pursuant to Article 2408 of the Italian Civil Code in 2022 and further to year-end close.

6. Filed complaints/lawsuits.
The Company's Directors did not advise us of any complaints filed against the Company in the financial year, nor subsequent to the year-end close.

7. Possible assignment of further tasks to the company in charge of the statutory audit and related costs.
During 2022, in addition to the statutory audit of the financial statements at 31 December 2022, PricewaterhouseCoopers S.p.A. was appointed with the following assignments for audit related services:

ASSIGNMENT	FEE €/000
Attestation of tax returns (Modelli Unico, IRAP, 770) of Reply S.p.A.	7
Agreed verification procedures aimed at confirming compliance with the accounting records of Reply Public Sector Consortium of the turnover details declared in the technical offer formulated for Poste Italiana and AqA tenders	21
Limited review of the Consolidated Disclosure of Non-Financial information ex D.Lgs. 254/2016	43
Attestation of tax returns for Reply S.p.A.'s subsidiaries (modelli Redditi, IRAP, 770)	57

Agreed verification procedures aimed at confirming compliance with the accounting records of Reply Public Sector Consortium of the turnover details declared in the technical offer formulated for Poste Italiana's tender.

8. Possible assignment of appointments to persons linked to the company in charge of the statutory audit, from ongoing relationships and related costs.
During 2022, no further appointments were assigned to PricewaterhouseCoopers S.p.A.

9. Indication of the existence of opinions issued in accordance with the law during the financial year.
During the year, the opinions requested from the Board of Statutory Auditors were issued as required by law.

10. Indication of the frequency and number of meetings of the Board of Directors and the Board of Statutory Auditors.
During the year, the Board of Directors held 6 meetings and the Board of Statutory Auditors held 18 meetings.

The Control and Risk Committee met no. 4 times, the Remuneration Committee no. 1 time, the Committee for Transactions with Related Parties (identified within the Control and Risk Committee) met no. 1 time and the Sustainability Committee met once.

The Board of Statutory Auditors participated in the meetings of the Board of Directors and, through its Chairman, in the meetings of the Control and Risk Committee, the Remuneration Committee and the Committee for Transactions with Related Parties.

11. Considerations on compliance with the principles of sound administration

The Board of Statutory Auditors, having participated in the meetings of the Board of Directors, from the information obtained therein, acknowledges that it has verified, with the exception of the substantive control over the appropriateness and convenience of the choices made by this body, that the operations carried out and carried out by the Company have been based on principles of correct administration, are in compliance with the law and the Articles of Association, they are not contrary to the shareholders' resolutions or such as to compromise the integrity of the company's assets and have been adequately supported by information, analysis and verification processes.

12. Considerations on the adequacy of the organisational structure

The Board assessed the timeliness of updating and the completeness of the organizational structure as well as the correspondence of the organizational structure to the needs of business and governance in terms of both professionalism and ability to achieve strategic and operational objectives, taking into account the adequacy of the delegation system and the principles of adequate "separation of duties".

In this sense, the Board has supervised the adequacy of the composition, size and functioning of the Board of Directors and the Board Committees, participating in the meetings and analysing the documentation produced by these bodies in the performance of their functions and in its collegiality considers that it does not have to make comments on the matter.

The Board of Statutory Auditors also points out that:

- the Chairman of the Company is the recipient of executive powers substantially similar to those of the Chief Executive Officer;
- the extension of these delegations allows their holders a substantial executive capacity to manage independent of board resolutions;
- this executive management capacity, in the absence of a strategic industrial plan approved by the Board of Directors, implies that the strategic guidelines are in fact dictated by the company management.

The above limits, in the opinion of the Chairman of the Board of Statutory Auditors, the leading role of the Board of Directors, as also recommended by the Corporate Governance Code, as regards in particular to the definition of the strategies of the Company and the Group and the monitoring of its implementation. In this context, the Chairman of the Board of Statutory Auditors, whilst acknowledging that the key to the company's and Group's success stems from the roles of Chief Executive Officers, hopes that through the sharing and approval of an industrial plan, that is the result of discussions by the Board, the Board of Directors can exercise the role of guidance and strategic direction of the Group, recommended by the Corporate Governance Code, aimed at the full enhancement of all the resources available to the Company. At the same time, the Board of Directors can thus count on an essential point of reference to position the returns of the extensive powers assumed by the Chairman and the Chief Executive Officer of the Company.

The Standing Auditors acknowledge that the executive directors report promptly on the activities carried out and on the transactions of greater economic and financial importance as provided for in Article 150 of the TUF. In accordance with the provisions of Recommendation no. 13 of the Corporate Governance Code, the Board of Directors has appointed an Independent Lead Director.

The Board of Statutory Auditors has also examined the documentation concerning the additional components of the overall organisational structure of Reply S.p.A. and took note of the existence of:

- of an organization chart and the related company documentation that shows the organizational structures;
- a system of delegations, exercised in accordance with the roles and powers assigned to each of the functions/committees involved;
- consolidated corporate practices for the exercise of governance by Reply S.p.A. as part of its functions of guidance, coordination and control of subsidiaries, mainly exercised through: (i) centralized functions to govern the main activities considered sensitive for the Group (Personnel, Communication, Management Control, Innovation), (ii) a constant monitoring of the business by top management and (iii) the presence of the latter in the Boards of Directors of the subsidiaries;
- company regulations for the performance of the activities of each managerial function mainly based on the ISO 9000 procedural model.

Overall, on the basis of the above analysis, these additional components of the organizational structure were mainly based on structured and effective management practices.

13. Considerations on the adequacy of the internal control system

The Board of Statutory Auditors, in taking note of what was resolved by the Board of Directors and reported in the Report on corporate governance and ownership structures regarding the adequacy and effective functioning of the internal control system, examined the 2021 reports of the *Internal Audit* function.

In particular, the Board of Statutory Auditors points out that:

- during the year, the head of the Internal Audit function, the Control and Risk Committee and the Supervisory Body maintained the necessary functional and informative relations on the methods of carrying out the evaluation, supervision and control tasks entrusted to them concerning, as far as their respective competences are concerned, the adequacy, operation and effective functioning of the internal control and risk management system, as well as the results of the verification activities carried out by the Internal Audit function, in accordance with the audit plan approved by the Board of Directors, and

the *risk assessment* carried out by the Company with the support of a specialised Reply Group company;
- the Company has described in the Report on corporate governance and ownership structures, the main characteristics of the internal control and risk management system and the methods of coordination between the subjects involved, indicating the national and international models and best practices of reference;
- the Company carried out the annual edition of the risk assessment process, with the involvement of the company departments concerned, which involved the identification of the main corporate risks. The methodology used made it possible to identify and evaluate what have been defined as "Top Risks" that the Board of Directors has considered, net of the mitigation actions proposed by the Management, compatible with a management of the company consistent with the Group's strategic objectives. During the year, the analyses were enriched by benchmarking on the so-called "risk factors" publicly declared in financial reports by non-Italian companies comparable with Reply both in size and in business sector. This analysis found and confirmed the results of the internal project, at the same time allowing to refine the perimeter of some risks and the analysis of the related containment actions in place. The 2022 Annual Report describes, as required by law, the main risk factors of the Reply Group.

The head of the Internal Audit function periodically updated the Board of Statutory Auditors on the activities carried out and the main results of the controls, underlining no corrective action.

The documents presented during the periodic exchange of information with the Board of Statutory Auditors summarized the results of the audits which, for all the completed audits, did not highlight any findings, suggestions or recommendations.

The Board of Statutory Auditors noted that the Internal Audit analysis of the overall Internal Control and Risk Management System for the purpose of assessing its suitability was carried out and did not highlight any aspects to be reported.

As part of its supervisory activities, the Board of Statutory Auditors also considered the current effectiveness of the environmental, safety and quality management of the energy system in place in the Reply Group.

During these audits, no particular critical issues were detected and the integrated quality, environment and safety management system is evaluated by the competent function of the parent company as effective and adequate.

The Board also found that the Company incorporates, in its internal processes, the measures envisaged by the Guarantor for the protection of personal data and acts in substantial compliance with the provisions of EU Regulation no. 679 of 27 April 2016 (GDPR), of Legislative Decree no. 196 of 30 June 2003, as amended by Legislative Decree no. 101 of 10 August 2018, and other applicable rules on the protection of personal data.

The Board of Statutory Auditors has taken note that the Data Protection Officer, during the periodic discussions, has not highlighted any critical elements to be reported in this report.

The Board has not received any news of reporting violation of the Organization and Management Model pursuant to Legislative Decree 231/01 by the Supervisory Body.

Overall, in sharing and appreciating the initiatives launched by management in the field of Risk Management and Internal Control System, the Board recommends the timely completion of its implementation with a view to the evolution of a progressive advancement of its development. In this regard, during 2022, the Board of Auditors communicated to the company's management some considerations and areas for improvement that emerged during the supervisory activity 2021 of which the Chairman of the Board of Directors informed the Board itself, illustrating the actions that will be taken with a view to continuous improvement in response to the aspects raised by the Board.

The Board of Statutory Auditors considers it useful to note that the external assessment of the degree of adherence to the International Standards for the professional practice of Internal Audit (EQR), carried out in 2021, has shown the need to expand the interventions of the function in the areas of "operations" and anti-fraud, required by international standards.

In this respect, the Board acknowledges that the Company has started the implementation of a multi-year process for the purpose of full compliance with international standards and greater compliance with the specific recommendation on the Corporate Governance Code to which the Company has adhered. In particular, at the request of the Board of Statutory Auditors, Internal Audit has planned for 2023 the first operational audit interventions that will concern the processes relating to the risks identified by the Company and by Internal Audit itself as most relevant.

The Board also acknowledges that during the year the hierarchical dependence of the Internal Audit Manager was attributed to the Lead Independent Director, in order to guarantee substantial independence from company management and the allocation of the resources necessary for the performance of his mandate and that the Board of Directors resolved, upon the positive opinion of the Control and Risk Committee, the remuneration of the Head of Internal Audit.

The Board as a whole considers that there are no further elements to bring to the attention of the Shareholders.

14. Considerations on the administrative accounting system

The Board of Statutory Auditors has examined the internal legislation concerning the internal control system for financial reporting, i.e. all the activities for identifying risks/controls and the procedures adopted to ensure, with reasonable certainty, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting. This system is the prerequisite that allows the Manager in charge of preparing the accounting and corporate documents, together with the Chief Executive Officer, to issue the declaration provided for by art. 154-bis of the TUF.

The Board of Statutory Auditors periodically met with the Manager in charge and the Independent Auditors for an exchange of information that involved, among other topics, the management and control model of the Reply Group pursuant to Law 262/2005.

During these meetings, no significant deficiencies were reported in the operational and control processes that could affect the judgment of adequacy and effective application of administrative-accounting procedures, in order to correctly represent the management of economic, equity and financial facts in accordance with international accounting standards.

Similarly, during the periodic meetings aimed at exchanging information, as well as in the additional report prepared pursuant to art. 19 of Legislative Decree 39/2010, even the independent auditor has not, in turn, reported significant critical issues of the internal control system related to the financial reporting process.

The Chairman and the Manager in charge of preparing the company's accounting documents have issued, pursuant to art. 81 – ter of Consob Regulation no. 11971/1999 subsequent amendments and additions, the attestation provided for by art. 154-bis paragraphs 3 and 4 of Legislative Decree 58/1998.

15. Instructions given by the company to its subsidiaries pursuant to art. 114, paragraph 2 of Legislative Decree 58/1998.

The instructions given by Reply S.p.A. to subsidiaries, pursuant to the second paragraph of Article 114 of Legislative Decree 58/1998 appear to be adequate; similarly, the subsidiaries provided the Parent Company with the necessary information for its timely knowledge of the business situation.

We advise you that in order to guarantee the timely communication of the information requested, Mr. Daniele Angelucci, Executive Director and Chief Financial Officer of Reply S.p.A., and also acts as advisor within all of the administrative bodies of the Italian subsidiaries, with the exception of the company Ringmaster S.r.l., is Director of Nexi Digital S.r.l. as well as Director in numerous foreign subsidiaries, Director in some American subsidiaries and is also a member of the Supervisory Board of Reply Deutschland SE (formerly Reply AG).

We further advise you that:

- the Chairman of Reply S.p.A.'s Board of Directors, Mr. Mario Rizzante, is the Director of the English subsidiaries Breed Reply Ltd and Breed Reply Investments Ltd., and is also a member of the Supervisory Board of Reply Deutschland SE (formerly Reply AG);
- Tatiana Rizzante, Chief Executive Officer, is Director of the English subsidiary Reply Ltd, Airwalk Holdings Reply Limited, Airwalk Consulting Reply Limited, AWC Partners Reply Limited, Graymatter Reply Ltd, Arlanis Reply Ltd, G-Force Demco Lts, Mansion House Consulting Limited, MHC Holdings (US) Reply Ltd and Managing Director of the German the subsidiary Reply Deutschland SE (formerly Reply AG).;
- Filippo Rizzante, Executive Director holds office as Vice President of Ringmaster S.r.l. among other offices as Director in several English companies.

16. Significant issues that emerged during the meetings held with the Independent Auditor pursuant to Article 150 paragraph 3 of Legislative Decree 58/1998.

During the meetings held with the representatives of the auditing firm, no acts or facts deemed to be reprehensible or relevant emerged or are worthy of mention pursuant to art. 155, paragraph 2, of Legislative Decree 58/1998.

17. Compliance of the company to the corporate governance code of the Committee for the Corporate Governance of Listed Companies.

Since 2000, the Company adheres to the Corporate Governance Code, which was last revised in January 2020 and entered into force in 2021.

On March 14, 2023, the Board of Directors approved the annual report commenting on the Corporate Governance and Ownership Structure prepared pursuant to art. 123-bis of Legislative Decree 58/1998.

The Board has taken note of the report on the remuneration policy and on the remuneration paid (Remuneration Report), prepared pursuant to art. 123 - ter of Legislative Decree 58/98, art. 84 - quarter of the Issuers' Regulations and of the relative annex 3 A, schemes no. 7-bis and 7-ter. This report was approved by the Board of Directors, on the proposal of the Remuneration Committee.

As recommended by the Corporate Governance Code, in defining the remuneration of executive directors, the Board of Directors took into account the remuneration practices widespread in the reference sector and for companies of similar size.

With regard to the supervision carried out on the implementation of the Corporate Governance Code, the Board has no observations to note.

18. Proposals to be presented at the Shareholders' Meeting pursuant to art. 153 D. Lgs. 58/1998.

In relation both to the provision of the second paragraph of Article 153 of Legislative Decree 58/1998 and the general supervisory obligation pursuant to Article 149 letter a) of such Decree, as well as the agenda of the Shareholders' meeting which includes discussion of the Financial Statements for the reporting period, the Board of Statutory Auditors states that it has supervised compliance with the procedural rules and law with respect to their preparation.

We note that:

- the Financial Statements as at 31 December 2022 were prepared in compliance with European Regulation No. 1606/2002 of 19 July 2002, in compliance with International Financial Reporting Standards (IAS/IFRS).
- the Consolidated Annual Financial Report at 31 December 2022 was prepared in electronic format, in accordance with the provisions of European Regulation 815/2018 so-called "ESEF".

On the basis of the controls made directly and the information exchanged with the Independent Auditor, and also in view of the latter's report pursuant to Article 14 of Legislative Decree 39/2010 which expresses a judgment without reservations, the Board of Statutory Auditors has no comments or proposals with respect to the Financial Statements or Report on Operations and the proposals set forth therein, which it consequently considers, to the extent of its specific expertise, should meet your approval.

Similarly, with specific reference to the provision of the second paragraph of Article 153 of Legislative Decree 58/1998, the Board does not have any proposals to make with respect to the other matters within its scope of expertise.

With reference to the point on the agenda concerning the purchase and disposal of treasury shares, recalling disclosures made by the Directors, the Board states that the resolution proposed is in accordance with articles 2357, 2357-ter of the Italian Civil Code, in accordance with Article 132 of Legislative Decree 58/1998, as well as those of Art. 144-bis of Consob's Issuers Regulation no. 11971 of 14 May 1999.

19. Final considerations of the supervisory activity carried out, as well as of any omissions, reprehensible facts or irregularities detected during the same.

The control activity carried out by the Board, in addition to the above, took place through:

- the acquisition of information during meetings with the members of the Board of Statutory Auditors, where any, of the subsidiaries and parent companies to exchange information on the Group's activities and to coordinate control and supervision activities;
- the gathering of further information in meetings with the Director Designated of the Procedure for Transactions with Related Parties and the Person in charge of implementing the Code of Conduct on Internal Dealing
- the analysis of any new legal requirements or Consob communications of interest to the Company.

The Board acknowledges the existence of the organizational conditions for compliance with the statutory rules, law and regulations governing the matter, and the continuous evolution and search for improvement.

In particular, it is made known to shareholders that:

- we have supervised compliance with the law of the Procedure for Transactions with Related Parties, initially approved by the Board of Directors of Reply S.p.A. on 11 November 2010 and subsequently amended on 14/05/2015, 02/08/2018 and 21/06/2021, and supervised its compliance;
- we have verified the correct application of the criteria adopted by the Board of Directors in assessing the existence of the conditions of independence of the "independent directors";
- we monitored, when requested, compatibility with legal restrictions on services other than the audit of the annual and consolidated accounting records provided by the Independent Auditor to Reply S.p.A. and to its subsidiaries;
- we monitored compliance with the provisions of art. 17, paragraph 4, of Legislative Decree 39/2010 and in this regard, we inform you that the key manager for the review of the financial statements of Reply S.p.A. is Mrs. Monica Maggio;
- we verified and monitored the independence of the independent auditing firm PricewaterhouseCoopers S.p.A. pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and article 8 of Regulation (EU) 537/2014;
- we have verified the correct fulfilment of the obligations related to the Covid-19 health emergency;

- we verified compliance with the laws on "Market abuse" and "Protection of savings" in matters of corporate disclosures of information and "Internal Dealings" based on the information provided by the Company

On the basis of the supervisory activities carried out during the year, the Board does not identify reasons impeding the approval of the financial statements at 31 December 2022 and the resolution proposals formulated by the Board of Directors.

Rome -Turin, 30 March 2023

THE STATUTORY AUDITORS

(Dott. Ciro Di Carluccio)

(Prof. Piergiorgio Re)

(Dott.ssa Ada Alessandra Garzino Demo)

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 SPA

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 Financial Statements

Opinion

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company 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 Financial Statements* section of this report. We are independent of 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 equity investments in subsidiaries *Note 21 to the financial statements "Equity investments"* The value of equity investments in subsidiaries as of 31 December 2022 amounted to Euro 178 million. These investments are carried at cost adjusted for impairment losses. Company's management tests the equity investments for potential impairment by comparing the carrying amount with the recoverable amount in accordance with IAS 36 (impairment test), when there is any indication of impairment based on which the value of the investments is expected to be recovered with difficulty. The assessment required Company's management to perform with the support of external experts, complex estimations which are mainly based on assumptions affected by economic and market conditions which are hard to foresee, especially in relation to the determination of market multiples used for the fair value calculation, expected cash flows, discount and growth rates to be used for estimating the terminal value used for the value in use calculation. Considering the significance of this items representing approximately 12 per cent of Company's total assets and taking into account the complexity of the evaluation process, we identified the evaluation of equity investment's recoverability as a key audit matter.	We gained an understanding and assessed the procedures adopted by management in order to verify the compliance with the requirements of IAS 36. We analysed the Company's management expert report with a focus on market multiples. We also verified the reasonability of Company's management assumptions used to estimate the expected cash flows, also verifying the mathematical accuracy of the calculations performed to determine the equity investments fair value and value in use. We then verified the coherence of the expected cash flows used in the impairment test with the economic and financial projections approved by the Board of Directors. During the tests performed by us, including those to assess whether the estimation method and the discount and growth rates used by management complied with the previsions of IAS 36 and the standard evaluation practice, we were supported by PwC network experts. 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.

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

The directors are responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- we identified and assessed the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern;

- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 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 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 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 financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

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 Reply SpA as of 31 December 2022, including their consistency with the relevant 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 financial statements of Reply SpA 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 financial statements of Reply SpA 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.

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.

CORPORATE INFORMATION

HEADQUARTERS
Reply S.p.A.
Corso Francia, 110
10143 TURIN – ITAL
Tel. +39-011-7711594
Fax +39-011-7495416
www.reply.com

CORPORATE DATA
Share capital: Euro 4,863,485.64 i.v.
Fiscal code and Company register of Turin no. 97579210010
VAT no. 08013390011
REA of Turin 938289

MARKETING AND COMMUNICATION
E-mail: marketing@reply.com
Tel. +39-011-7711594
Fax +39-011-7495416

INVESTOR RELATIONS
E-mail: investor@reply.com
Tel. +39-02-535761
Fax +39-02-53576444