ANNUAL FINANCIAL REPORT 2023

REPLY

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(Delegated Regulation (EU) 2019/815).

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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)	2023	%	2022	%	2021	%
Revenue	2,117,983	100.0	1,891,114	100.0	1,483,803	100.0
Gross operating income	352,093	16.6	340,312	18.0	262,784	17.7
Operating income	292,745	13.8	285,473	15.1	209,283	14.1
Income before taxes	271,581	12.8	268,695	14.2	213,279	14.4
Group net income	186,699	8.8	191,016	10.1	150,672	10.2

FINANCIAL FIGURES (THSD EUROS)	2023	2022	2021
Group equity	1,114,840	970,291	813,269
Non-controlling interest	1,883	1,579	2,625
Total assets	2,373,980	2,228,150	1,857,597
Net working capital	83,818	46,590	(42,614)
Net invested capital	911,826	901,298	622,683
Cashflow	249,794	184,573	207,578
Net financial position (*)	204,898	70,572	193,212

DATA PER SHARE	2023	2022	2021
Number of shares	37,411,428	37,411,428	37,411,428
Operating income per share	7.83	7.63	5.59
Net income per share	5.01	5.13	4.03
Cash flow per share	6.68	4.93	5.55
Shareholders' equity per share	29.80	25.94	21.74

OTHER INFORMATION	2023	2022	2021
Number of employees	14,798	13,467	10,579

(*) for ESMA net financial indebtedness see Note 30

Letter to shareholders

Ladies and Gentlemen, Shareholders,

this letter closes a year in which Reply achieved very positive results in a complex scenario from a macroeconomic point of view, confirming its ability to interpret customer needs and create quality digital products and services in an increasingly dynamic context.

The numbers for the year also demonstrate the solidity of Reply's business model, based on a network of highly specialized companies in different technological fields and market sectors, which operate in synergy to offer innovative, integrated and competitive solutions for their customers.

2023 was the year in which the world became aware that a new great revolution is upon us. Artificial intelligence has become a fundamental and widespread element for every activity and social well-being; it is no longer "just" a developing technology, but a concrete and tangible reality, capable of generating value, efficiency and competitive advantage in many areas and processes.

Reply today stands out for its skills in the AI field. Always attentive to technological innovation and market dynamics, we have exploited the opportunities offered by artificial intelligence and invested in training and research & development, building high-level skills and know-how.

Reply has been working on artificial intelligence for more than 10 years and on generative artificial intelligence since 2019. We have already applied these technologies and tools in different sectors. In 2015, we had more than 100 AI projects in our portfolio. The use of AI has been increasing over the years, and with it have come success stories with which we have achieved excellent results in terms of efficiency, flexibility, and customer satisfaction. The advent of generative artificial intelligence and algorithms' entry into our daily lives represents a pivotal moment and recalls the Web's first impact in the 1990s. As in déjà vu, we perceive the unmistakable signs of a new era, but we still struggle to imagine where it will lead us.

Artificial intelligence also offers a great opportunity to enhance Reply's talent pool based on excellence and specialization, allowing it to increase productivity levels and the ability to penetrate the market. AI is becoming an integral part of the way Reply operates, not only in the software lifecycle chain but also in the way we share knowledge and more effectively bring our teams' know-how to customers.

Finally, one of the most disruptive aspects of AI is its entry into the physical world. Reply's positioning on IoT with connected products, combined with advanced AI skills, is a distinctive value in which we continue to invest and develop.

The new generation of software and AI is pervasive on board "machines": self-driving vehicles, but also intelligent objects capable of flying, moving on wheels or with robotic legs and interacting with the space around them. In our laboratories, you can see some examples. Co-design can be done, and we can work on integrating the physical world with the Metaverse, using new-generation viewers and advanced technologies in the field of spatial computing and digital twins.

However, a fundamental element remains: people are the soul of Reply. Our commitment is aimed at guaranteeing a fair workplace, which respects differences, recognizes and welcomes diversity and allows everyone to contribute their best.

All this requires trust, will and the ability to act according to the ethical values that are founding and fundamental to a networked organization like ours. These are the principles that we find in our daily lives at Reply, and in the relationships we have every day with customers and with the society in which we live.

To be protagonists of the evolution we are experiencing and not suffer from it tomorrow, we must change our mentality as individuals, but also as company leaders, starting today.

For this reason, more than ever, our ability to express excellence and continuous innovation is crucial, but even more important will be our desire to continue studying, to get involved and to adapt to change.

The transformation that awaits us is so profound and fast that it will require a commitment from all of us to improve ourselves day after day.
This is our future.

Mario Rizzante

REPLY

Reply specialises in the design and implementation of solutions based on new communication channels and digital media.

With a consolidated presence at an international level, Reply stands out for its ability to guide companies in the digital transformation process, through the new technological paradigms of Artificial Intelligence (AI), Big Data, Cloud Computing, Digital Media and the Internet of Things (IoT).

Reply is characterised by:

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

The organisational model

With over 14,000 employees*, Reply operates with a network structure made up of companies that specialise in the fields of processes, applications and technologies, which represent excellence in their respective areas of expertise.

*(31 December 2023)

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 the specific industrial contexts of implementation.

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

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

Reply services

In every Reply project, strategy, creativity, and consultancy converge synergistically to create concrete solutions that respond to the challenges of each sector with an integrated approach.

Reply services include:

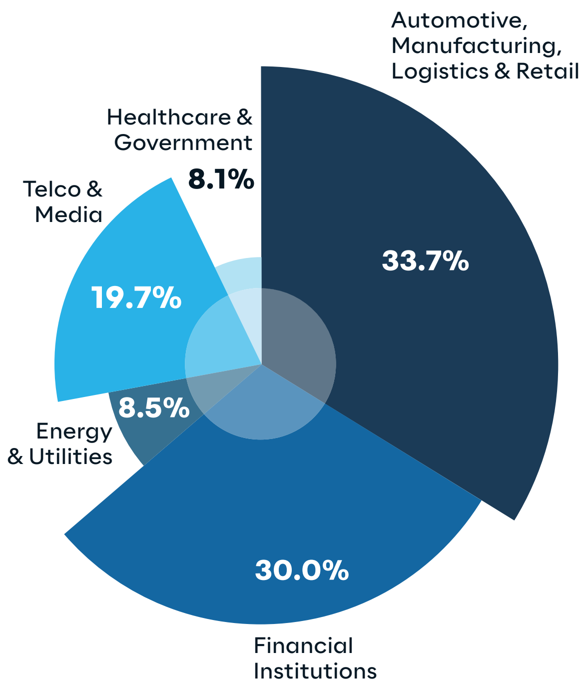
- strategic, communication, design, process and technological **consultancy**;
- **system integration** to make the best use of potential technology, combining business consultancy with innovative technological solutions with high-added value;
- digital services based on new communication channels and digital trends.

Reply


HANDS-ON INNOVATION

INDUSTRY FOCUS

Leveraging its network model, Reply combines a deep understanding of key industry sectors with the expertise to guide customers through technological evolution, ensuring long-term sustainable growth.



Automotive

In a highly competitive market, characterised by the entry of new players and the introduction of important innovations in the field of electrification and digitalisation of the sector, Reply supports the main car manufacturers with projects that cover all phases of engineering, production processes, logistics and commercial. In 2023, we confirmed and expanded our role as a strategic partner for the digitalisation of production and maintenance activities, as well as for the design and implementation of advanced connectivity systems and services, both on board the vehicle and for the end customer.

Reply provides integrated support to companies in the sector which ranges from the logistical management of supplies and raw materials to the planning and execution of production, also covering the distribution and after-sales assistance phases, up to the creation of financing services for the direct purchase to the end customer.

Furthermore, thanks to its proprietary platforms (LEA Reply for logistics and Brick Reply for production execution systems) and expertise in cloud computing and artificial intelligence, Reply develops customised solutions to actively contribute to the transformation of the entire supply chain.

The aim is to optimise production processes and support decisions with business intelligence platforms.

2023 saw Reply involved in important projects in the V2X (Vehicle-to-everything) field for the creation of connectivity solutions with the electricity grid, the evolution towards autonomous driving and the digitalisation of the vehicle (Software Defined Vehicle), alongside customers in transforming their services and infrastructure globally.

By introducing AI, it has contributed to innovating vehicles, increasing their sustainability (thanks to more efficient battery management), comfort and on-board safety (with anti-drowsiness sensors, for example). Membership of the main international consortia such as Catena-X has allowed Reply to further develop its innovative vision by extending its skills in the automotive sector.

Various project lines have focused on the design and implementation of new interfaces to be used on board the vehicle and in commercial processes. The use of voice conversational systems, integrated with generative artificial intelligence, is in fact growing both in the interaction between driver and vehicle and in the digital configurators offered by car manufacturers in the pre-sale phase. Furthermore, Reply is collaborating with some large industrial groups in the sector, helping them to develop new business and distribution models, to optimise and specialise their territorial presence with direct-to-consumer sales models.

Energy & Utilities

Reply operates in the Energy & Utility sector, supporting the main global and European players in the transformation of their business toward energy transition. This occurs through the design and implementation of vertical applications based on IoT, artificial intelligence and cloud computing. Driven by carbon neutrality objectives at a global level, the main operators are in fact investing in technological innovation projects to increase their resilience.

The skills and solutions that Reply makes available to players throughout the supply chain, range from the optimisation of renewable energy production to the management of assets and smart grids, up to the management of energy flexibility and electric mobility. These new tools allow the processes of forecasting and monitoring the energy component to evolve, optimise operations and activate new services and interaction models with end customers and businesses.

The ongoing transformation of the transport ecosystem is increasingly oriented towards smart mobility models and V2X scenarios, this is pushing energy service companies to offer integrated digital solutions for the automatic management of production, storage, along with the conscious and optimised use of energy. Reply is involved

> The Reply Group has been recognised as "Industry Partner of the Year Energy and Utilities Global 2023" by AWS

in projects that concern both the creation of new application architectures for the development of charging infrastructure, processes, and the creation of systems that enable new models of energy flexibility and management of energy communities.

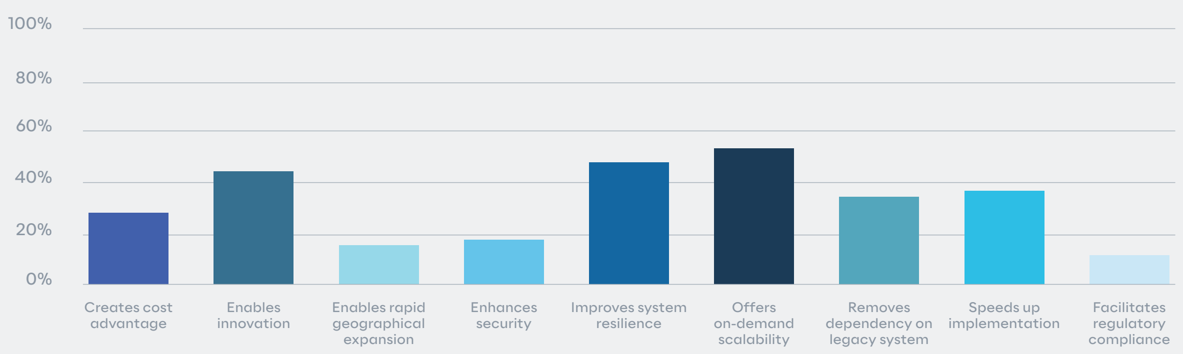
Financial Institutions

By leveraging specialist skills in the financial sector, in synergy with experience in designing and implementing AI and cloud-based solutions, in 2023 Reply consolidated its role as a strategic partner for the main European financial institutions. The teams of specialists, with significant vertical application and functional skills, have accompanied banks, insurance companies, asset & wealth managers and companies specialised in the consumer credit sector in experimenting and then bringing into production innovative solutions in the commercial, transactional and governance fields.

The Group has leveraged its ability to design and implement solutions that involve the entire application and infrastructure stack of financial institutions, starting from the definition of new AI-based architectures up to cloud migration projects for critical systems. Particular attention was paid to the evolution of core systems: on the one hand, using AI to accelerate legacy modernisation; on the other, assisting customers in the adoption of completely new, efficient, and cloud-based core systems.

Alongside the evolution of the areas in which Reply has long had a European leadership role, such as mobile/digital banking, risk management, regulatory reporting and innovative investment services, 2023 saw the consolidation of AI-driven solutions in different business contexts, such as procurement and cybersecurity. The use of generative artificial intelligence has also enabled several use cases: for example, Reply customers can now independently

Percentage of Financial Institution Managers who cited the top 3 benefits of cloud computing (118 respondents)



Source: Reply Study "Cloud in Financial Services - Second Edition: August 2023" extract ESG KPIs from financial reports, optimise the operational efficiency of call centre operators, evaluate the risk profiles of policyholders and use large language models (LLM) and text-to-image models to make their marketing and communication activities more effective.

Government & Healthcare

The Reply approach in the public administration and healthcare sector is characterised by the ability to integrate artificial intelligence and cloud computing technologies into existing infrastructures, thus ensuring that operators can benefit from data-driven decision-making capabilities and advanced automation, to transform and optimise procedures, improve services to citizens and patients and promote more agile and effective management of resources. This not only accelerates decision-making and operational processes but also contributes to an ever-increasing personalisation of services. Collaboration with central and local public administration bodies is focused on the activation of services linked to critical national infrastructures, which are fundamental for the correct functioning of the government, the country, and the economy.

In the healthcare sector, the Reply offering has further expanded with the development of artificial intelligence solutions for predictive and precision medicine, radiomics and digital pathology. The Group continues to invest in technologies that allow large volumes of biomedical data to be interpreted, improving the capacity for early diagnosis, personalisation of treatments and continuous patient monitoring. Furthermore, 2023 saw further strengthening in the field of interoperability and data security, as Reply considers the creation and maintenance of digital ecosystems to be of paramount importance, secure, reliable and easily accessible for all stakeholders.

Privacy protection and data security are central elements in Reply's proprietary solutions and platforms, ensuring that innovation is introduced in an ethical and responsible manner. An example of such solutions is those developed to support medicine verification activities in compliance with the EU Falsified Medicines Directive (FMD) adopted by the Finnish Medicines Verification Organisation (FiMVO).

Logistics

In 2023, Reply continued to invest in the development of its LEA Reply platform, which constitutes the heart of its 360° supply chain management offering: warehouse management & fulfilment to planning and visibility, transport management and the decarbonisation of supply chains. The solution, which has been positioned among the global leaders in logistics and WMS (Warehouse Management System) by various market analysts, today supports important e-commerce platforms and the omnichannel of customers in various industries such as automotive, fashion, retail, food & beverage.

LEA Reply allows you to optimise both man-operated and highly automated contexts, thanks to the possibility of integrating and controlling autonomous

> The LEA Reply solution was recognised as "Visionary" in the "Gartner Magic Quadrant for Warehouse Management Systems 2023" Report

systems, robots and drones, with a significant increase in capabilities and 24x7 coverage. The introduction of additional artificial intelligence and machine learning capabilities into LEA Reply has enabled logistics operators to have greater visibility of goods across supply chains.

The proactive management of logistics flows, made possible by an increasingly broad and efficient use of data, allows performance to be optimised, with positive impacts on business results, sustainability and the ecological impact of operations. Furthermore, the ability offered by LEA Reply to create advanced Supplier Portals allows companies to establish and evolve ecosystems to optimise supply chain collaboration.

Manufacturing

Reply supports the digital transformation that has been characterising the industrial sector in recent years, making procurement, production and maintenance processes smarter and more interconnected. Through the integration of automation, sensors and data collected from plants, factories become agile, dynamic and adaptable ecosystems. The adoption of artificial intelligence in this context leads to more informed decisions, optimising costs and raising both the efficiency and quality of production.

In 2023 Reply accompanied numerous industrial groups in the adoption of cloud-native digital platforms (Digital Manufacturing Platforms) and the introduction of Industrial IoT solutions. Procurement, control and planning systems such as ERP, MOM and MES, enhanced with artificial intelligence capabilities and based on cloud-native modular architectures, are relevant areas, in which Reply has continued to support industrial companies in their complex transformation process and decarbonisation. Reply's expertise ranges from product life cycle management strategy to production processes, also thanks to consolidated experience in the implementation of solutions from leading vendors such as Microsoft, Oracle, SAP, and Dassault.

The Reply portfolio of solutions, specific for the manufacturing sector, integrates innovative platforms and proprietary accelerators, such as Brick Reply (Manufacturing Execution System) and Axulus Reply (Industrial IoT), with tailor-made formulas that combine edge computing and computer vision in an advanced way. These digital applications, enriched by artificial intelligence and perfectly integrated into production plants, thanks to modular architectures and interconnected services, demonstrate Reply's commitment to promoting the optimisation of industrial processes through technological innovation.

Retail & Luxury

During 2023, Reply led relevant global players in the retail and luxury sectors, along the entire value chain: from the design and implementation of omnichannel, physical and digital sales solutions, to the setup and evolution of logistics networks; from the efficiency of operations to the commercial development of B2C and B2B customers. Thanks to its vertical skills, Reply professionals support customers in the study of solutions and processes to optimise investments and, at the same time, introduce elements of discontinuity to make the company scalable towards new operational and business models.

Particular emphasis was given to the introduction and enhancement of artificial intelligence in various fields: from distribution processes to commercial and organisational ones. Solutions such as recommendation engines, dynamic price optimisation, advanced inventory management, conversational customer engagement and communication systems have been supported by extensive use of Generative AI in marketing and communication, with successful experiences in the industries of luxury, consumer goods and large-scale retail trade.

The main luxury, fashion, retail and consumer goods brands are investing significantly in areas that influence, in more or less direct ways, the customer experience, in particular during the purchasing process on the different channels available. Reply has been involved in projects within physical stores, through the optimisation of processes and the digitalisation of operational and clienteling tools, as well as in the creation of virtual and holographic experiences, to give 3D even more emphasis. Reply has managed to bring its customers into contact with cutting-edge technologies and to experiment with the potential of AI, whose strong architectural, application, process and change management implications are starting to be seen.

Telco & Media

Reply is alongside the main telecommunications company groups in tackling their transformation into software-based operators. This process begins with redefining application architectures to prepare them to adopt AI-based technologies and introduce new services to monetise their core assets, such as network and connectivity. The review of Business Support Systems (BSS) continues, from a composable and OTT-like perspective, open to the new frontier of AI, to enable business-centric evolutions. Reply has also built a strong position in the infrastructure areas, specialising in Network Engineering, Network Operations as well as Network Testing & Validation.

Telcos are undergoing an extremely rapid evolution: applications, architectural, and development paradigms must adapt equally rapidly. Reply is supporting them in the transition from traditional CRM systems towards Customer Knowledge paradigms. Operational functions and traditional workflows can be integrated with tasks and sub-tasks performed by agents trained based on corporate and specialised

knowledge for atomic use cases. Telco service interfaces will become increasingly hybrid, conversational and programmatic, automatically generated by large language models.

In the media sector, Reply works alongside the main European publishers both in the rethinking of business models and in operations. By leveraging its assets, such as the Discovery Reply asset management platform, and vertical skills in domains such as security, Reply has supported the creation of network operations centres, highly innovative studios and systems for the valorisation and distribution of multimedia assets. The Group's specialised companies and agencies also accompanied companies in the sector with the creation of content, especially in the 3D, mixed reality and social media fields.

AI-DRIVEN INNOVATION

With the significant experience gained over the last decade in artificial intelligence technologies, Reply has managed to enhance its customers' investments in Generative AI in 2023, supporting them both in daily operations and in the innovation path towards new business models.

Knowledge Management & Digital Humans

Managing knowledge thanks to artificial intelligence means not only transforming the way data is accessed and information extracted but also rethinking decision-making processes and the way organisations work. Supported by generative artificial intelligence, document management, and knowledge management activities, in addition to simplifying data collection and management, allow the autonomous generation of information that is useful for improving both internal processes and interactions with end customers. The reliability of these solutions, however, depends on the quality of the data and information used in their configuration and interrogation, underscoring the need to carefully contextualise these systems. Reply is supporting companies in the enterprise-level use of large language models, through customisation and the extension of their knowledge on the specialised topics specific to each sector. To do this, it designed the MLFRAME Reply framework which applies a proprietary methodology of database analysis, algorithm training and results validation, to quickly create conversational generative models applicable to specific corporate knowledge domains. This framework acts as an engine that allows us to extract, through natural language, knowledge before reaggregating it and redistributing it in a conversational form, enabling the artificial intelligence component that is the basis of the new generation of "human-like" interaction systems, such as digital assistants.

In fact, the method of querying corporate knowledge assumes considerable importance. One of the solutions that is experiencing particular interest is that of AI-driven "digital humans" to manage specific knowledge domains. These digital figures, which allow fluid interaction in natural language, thanks to real-time 3D and graphic hyperrealism technologies, reproduce the physical appearance of a human, his movements and the complexity of emotions and expressions. The digital humans created by Reply in 2023 stood out for their extreme customisation (of appearance, personality and competence), responded to specific branding needs and were used with employees, customers and other stakeholders in a wide variety of contexts: entertainment, education, online services, marketing and healthcare. Among the various projects carried out in this domain, it is possible to mention the launch, in collaboration with the Einaudi Foundation, of the digital human by Luigi Einaudi, Italian intellectual and Head of State.

> "Pensiero Liberale, Dialogo Attuale" is the project launched in 2023 by the Luigi Einaudi Foundation, the Compagnia di San Paolo Foundation and Reply to make Luigi Einaudi's economic thought accessible to all through a conversation with his Digital Human.

AI-Powered Experiences

In the context of customer experience, Reply is applying artificial intelligence technologies to rethink customer engagement processes, from pre-sales and sales to post-sales, redefining the relationship with each product and service, thanks to immersive and hyper-personalised experiences.

> The Reply Group was recognised as a "Leader" in the Lünendonk report "The Market for Digital Experience Services in Germany 2023

During 2023, Reply explored the opportunities offered by large language models, text-to-image models and synthetic data to create and manage successful campaigns and new communication models that combine a high possibility of content profiling and respect for privacy and the security of customer data. In fact, AI extends the creative possibilities of designers and content creators while at the same time facilitating the downstream consumption of digital content on a global level, also in the field of employment branding & engagement.

Thanks to Reply's distinctive network model, the Group's communication agencies are working in strong synergy with technology companies specialised in artificial intelligence and machine learning, both to offer companies new ways of interacting with B2B and B2C customers and in making the processes of optimising the production and distribution of content generated on the various communication channels more effective.

Automation

The use of generative Artificial Intelligence in the management of corporate knowledge is redefining the approach to workers' daily tasks, allowing them to achieve a significant increase in their productivity. Reply is supporting client companies both in the preparation and optimisation of the information underlying the "copilots" created through the specialisation of the Large Language Model and in the implementation of application suites that accelerate daily work in the office and in hybrid work mode.

With Generative AI, the focus is progressively broadening from the automation of the simplest operations to the end-to-end digitalisation of entire processes, not just operational ones. During 2023, Reply specialists were able to create several copilots and accelerators in sectors such as Banking, Telco, Insurance and for organisational areas such as procurement and logistics, which integrate AI models with the platforms offered by a large ecosystem of partners specialised in hyper-automation. Particular attention was paid to change management activities to ensure that copilots become co-workers in all respects and are appreciated and increasingly adopted by organisations.

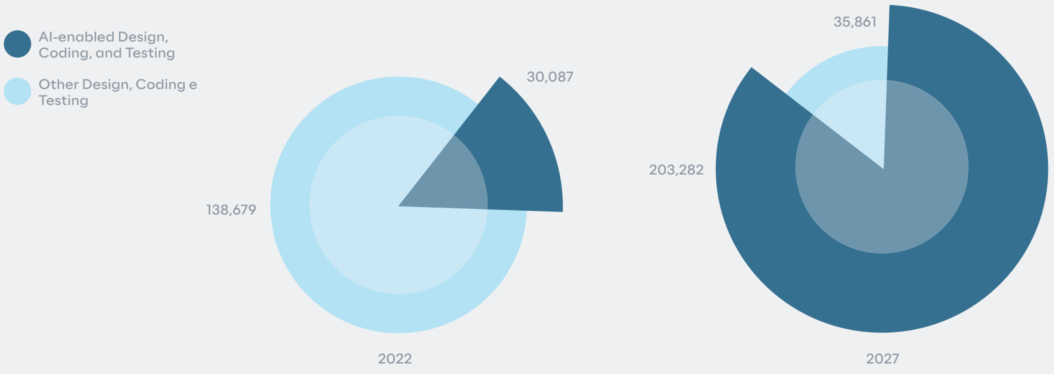
However, the most disruptive aspect of AI is its entry into the physical world. This means building components and systems to make the physical world intelligent and autonomous, such as intelligent machines or objects capable of moving on wheels, using robotic legs or flying, as well as interacting with the space around them. Reply is experimenting with how to apply different classes of algorithms to bring innovation to services and products in very different sectors, such as the management of self-driving vehicles or new edge communication networks, to create an always-connected ecosystem in which to live and work.

Software Development

One of the areas in which the copilot concept has reached considerable maturity during 2023 is application development. Reply's activity has been particularly oriented towards the study and design of the next generation of information systems, thanks also to the public release and rapid adoption of numerous tools that support and integrate development activities with generative artificial intelligence technologies. These platforms are changing the nature of developers' work, allowing them greater productivity and visibility across the entire application development cycle, from analysis to design, up to testing & fixing and maintenance.

In this context, Reply has created a proprietary framework, KICODE Reply, which, thanks to a system of autonomous agents, uses generative AI to manage both IT and functional software development activities based on natural language commands. The contribution of AI ranges from the collection and systematisation of requirements in specifications and

Comparison of investments in AI-supported software development compared to the total in the panel (12 countries, million Euros)



Source: PAC-Reply data from Reply Research "AI for Software Development" (panel: USA, China, United Kingdom, France, Germany, India, Italy, Netherlands, Brazil, Belgium, Poland and Romania)

user stories to project management, from writing routine code to the preparation and execution of test cases, up to the management of release cycles and control of the integrity of the code, allowing you to automate repetitive tasks and increase the overall efficiency and quality of the software.

Artificial intelligence, in addition to facilitating the automation and rapid migration of critical systems towards modern architectures, introduces new application perspectives. Reply is supporting customers in creating applications that are conceptually different from existing ones, bringing conversational interaction to the transactional sphere as well. This paradigm shift not only optimises processes but extracts untapped value from legacy infrastructures, redefining the trajectory of modernisation initiatives.

FOUNDATIONS

Over the years, Reply has consolidated its leadership in international markets by combining a constant commitment to innovation with a solid offering built on the foundations of digital innovation.

Cloud Computing

Cloud computing is, alongside artificial intelligence, the technological area in which Reply has a distinctive role at an international level. Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS) capabilities have been recognised globally by the most important players: AWS, Microsoft, Google and Oracle. All proprietary solutions are developed in Software-as-a-Service mode, as are those based on partnerships with vendors such as Adobe, Salesforce and SAP.

Reply's expertise extends from the architectural design of multi-cloud solutions to 24x7 system and operational management, with vertical skills in sectors such as manufacturing, financial services, automotive, utilities and retail, for both the implementation of new applications and for cloud migration projects and the redesign of existing platforms, including business-critical ones.

In 2023, the offering in the cloud governance area had a further acceleration, thanks to the significant experiences in cloud security, cloud operations management, cloud data management and cloud financial management. The latter field, in particular, thanks to the internationalisation of business units specialised in FinOps, has aroused the interest of large global companies, to guarantee the economic and environmental sustainability of their cloud investments.

Cybersecurity

The significant global growth of cybercrime requires companies to take increasingly structured control to guarantee the security of data, information, infrastructures and workstations. Reply has always invested in cybersecurity, combining its IT experts with specialists in complementary areas, such as risk management and compliance, to also offer customers specialised support on European frameworks, as in the case of the DORA Regulation for financial institutions.

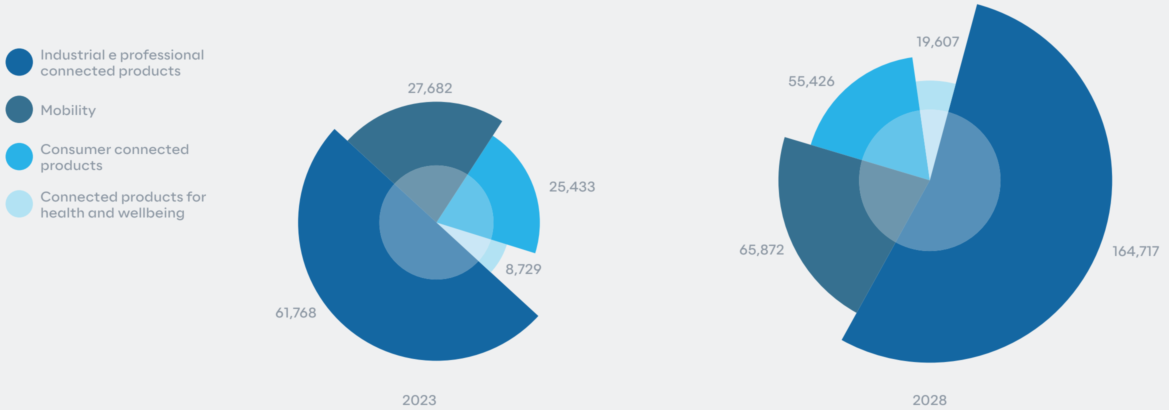
Today the Group has a structured offering that covers all areas of IT security and data, application and device protection. Specialised teams guarantee client companies not only a rapid response to attacks but also the design of preventive solutions that make company systems robust and improve the code thanks to AI, regardless of whether they are placed on-premises or in cloud computing.

The “pervasive security” paradigm, combined with DevSecOps methodologies, allows joint working groups between Reply and customers to build solid defences. IT security and compliance are taken into account right from the design of the solutions, without penalising the user experience, as in the case of industrial and Internet of Things solutions.

Connected Products & Solutions

Reply’s experience in the Internet of Things has been consolidated over the years thanks to numerous projects carried out for large global clients in the automotive, logistics, telco and insurance sectors. In recent years, in particular, a new generation of connected devices, enabled by edge computing and AI technologies, has allowed the design of increasingly advanced solutions, offering client companies to launch new value-added services, linked to connected products, both in the consumer and industrial sectors. Today, solutions such as smart home, wearable devices, connected vehicles and connected healthcare permeate the daily lives of consumers, who can interact with increasingly advanced interfaces, made

Comparison of the total investments in the development of connected products in the panel (12 countries, million Euros)



Source: PAC-Reply data from Reply Research “Connected Products: Behind the Scenes” (panel: USA, China, UK, France, Germany, India, Italy, Netherlands, Brazil, Belgium, Poland and Romania) more effective by cloud computing and natural language processing. The benefits of the solutions designed and implemented by Reply go beyond ease of use: connected products can help improve the quality of life, health and safety of users.

With its connected solutions, Reply supports manufacturing companies and logistics operators in collecting data along the entire value chain, obtaining benefits in terms of predictability of maintenance interventions, greater efficiency of production and movement of goods. Reply also collaborates with customers in the creation of new business models, both through the launch of connected products managed remotely throughout their life cycle and in the design of "servitisation" models of connected industrial machinery.

Customer Experience

Driven by artificial intelligence and the widespread adoption of the cloud, interaction platforms between companies and customers are becoming increasingly conversational, thanks to the possibility of combining the effectiveness of machine learning and natural language processing in systems with the efficiency of operations. The objective is to allow information deriving from industrial and logistical systems and processes to be integrated into digital interfaces, but also into the equipment of sales points, at the service of an integrated customer experience.

By leveraging company assets implemented over the years, such as ERPs, digital experience platforms (DXPs), customer relationship management (CRM) solutions and customer data platforms (CDPs), companies can have a complete view of the status and customer perspectives, but also use this information to make the individual experience unique. In this sense, Reply is supporting companies in the transition from classic e-commerce platforms towards omnichannel systems, in which the choice of products, the configuration of services, delivery and payment can take place transparently in the points of sale or via digital channels.

The possibility of integrating 3D and mixed reality systems is paving the way towards experiences in which products are configured and tested before purchase, with growing customisation, especially in the fashion and luxury sectors. 2023 also saw the birth of a new wave of investments, across all industries, in the optimisation of customer relationship systems and services. Artificial intelligence is improving both support activities and the collection of feedback and customer intelligence, with renewed attention to Voice-of-Customer and loyalty management.

Data

Data is increasingly the basis of any digital product, service, or business process. Companies are capitalising on recent years' investments in solutions such as ERP, CRM and CDP by using AI to extract new business value. Reply supports its customers with innovative solutions for the effective management of information, both structured and unstructured, that emerges every day from business processes, as well

as the collection and use of data in real-time. This last aspect is particularly relevant in contexts such as automotive and industrial production, where performance in real-time data management can have profound implications in terms of the physical safety of users.

The distinctive ability to combine data platforms, IoT and cloud computing has allowed Reply to build solid collaborations over time with all customers in the main sectors in which it operates. Its expertise in artificial intelligence technologies now allows it to support them in the growing adoption of synthetic data. This new type of data offers the possibility to quickly generate simulation, analysis and design scenarios through realistic data, protecting the privacy and confidentiality of the original data, especially in the financial, pharmaceutical and healthcare sectors.

In 2023, Reply has on the one hand focused its attention on large ecosystems, corporate and otherwise, in which enormous volumes of data emerge and evolve along the value chain; on the other, it supported companies in giving new value to customers' zero-party and first-party data, aggregating different and heterogeneous sources to give visibility to their needs and opportunities, in full respect of their privacy. Thanks to this approach, data becomes the basis of commercial personalisation initiatives, both in the B2C and B2B fields.

A glimpse into the near future

Also in 2023, Reply continued to prioritise technological innovation, thanks to international working groups and the establishment of multidisciplinary competence centres, and to monitor emerging technologies and business opportunities. Their commitment to experimentation and development aims to accelerate Reply customers' time-to-market with innovative solutions.

At the centre of the vast array of emerging technologies lies artificial intelligence, especially in the fields of Generative AI and large language models. These technologies are rapidly evolving into multimodal systems capable of processing text, images, video, audio and more; a tangible example of this expansion is given by open-source models, such as local large language models (L3M). In parallel, Reply is exploring the potential development of multi-agent AI systems for collaborative problem-solving on a larger scale, going beyond current LLM models.

The concept of "embodied AI" is taking shape in digital agents such as digital humans and in physical entities such as autonomous mobile robotic systems. These systems learn similarly to humans, especially through imitation learning, and a notable improvement in motor skills is expected. Introducing the ability to infuse systems with emotion through affective computing is improving the empathetic aspects of conversational user experiences.

In the field of Quantum Computing, the focus is on building universal quantum computers and post-quantum security. In parallel, neuromorphic computing uses organic and inorganic materials to develop artificial neurons and synapses, bringing the design of computer chips closer to the functionality of organic neurons.

Finally, significant advances are expected in the context of telecommunications networks, where, thanks to softwarisation, edge computing, the integration of artificial intelligence, satellite technology, WiFi-7 and large-scale implementations of the Internet of Things, connectivity and data processing will be redefined for a new era of technological innovation.


REPLY
ECOSY
STEM

REPLY PLATFORMS

Designed to fully exploit the opportunities of artificial intelligence and emerging technologies, the proprietary solutions designed and created by Reply are characterised by rapid time-to-market and broad customisation flexibility, responding to the changing dynamics of the industrial sectors in which they are employed.

Axulus Reply

Axulus Reply is a cloud-based Industrial IoT project management solution. Through numerous frameworks for industrial digitalisation solutions, it offers a modular approach based on templates and libraries. These tools allow companies to explore potential scenarios, simulate added value, and implement the most suitable technical solutions. Customers rely on Axulus Reply's AI-based models, such as computer vision, to tackle the most complex challenges in manufacturing and logistics.

Brick Reply

Brick Reply is the digital "as a Service" platform that enables the transformation of industrial operations. Its micro-services architecture guarantees the flexibility necessary to manage, supervise and control production activities with an end-to-end approach. During 2023, its ability to connect with machinery and sensors was further extended through ready-to-use vertical applications and integration via standard APIs with customers' Enterprise systems. New conversational applications have also been introduced, which exploit large language models to process and make usable the domain-specific information present in the corporate knowledge base made up of manuals, documents and regulations.

China Beats Reply

China Beats Reply is a 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. Real-time news sources, patent databases and publicly available open data are also integrated. The platform collects relevant data related to various industrial sectors, including automotive, fashion, consumer goods and technology.

Discovery Reply

Discovery Reply is the platform that centralises and manages the entire life cycle of digital content: images, videos, audio, 3D models, documents and data. Discovery Reply assists users with production and distribution, helping to deliver a seamless, consistent and personalised brand experience across multiple channels and touchpoints. Thanks to the integration of various AI technologies, Discovery Reply simplifies and optimises content production and classification, leading to an overall improvement in operational efficiency. Features introduced in the last year, leveraging generative artificial intelligence, include the analysis of textual and multimedia resources to generate automatic recommendations based on tags or keywords and the extraction of new marketing descriptions from technical data. Added to these are advanced speech recognition and content analysis tools to manage translations, extract abstracts from videos and produce podcasts.

LEA Reply

LEA Reply is the platform designed by Reply to make supply chains efficient, agile and connected. Consisting of a suite of micro-services covering different supply chain execution processes, including warehouse management, inventory, distribution, and delivery of goods, LEA Reply integrates robotics, machine learning and IoT technologies. In 2023, new applications were introduced, supported by artificial intelligence, for the visibility and performance monitoring of logistics flows, support for e-commerce systems and new drop shipment models. Through the Logistics Executive Cockpit, which leverages generative artificial intelligence, it is possible to gain a deep understanding of business metrics and increase decision-making ability along the supply chain through the use of natural language.

KICODE Reply

KICODE Reply is a framework for software development based on generative artificial intelligence. Thanks to a Task-Driven Autonomous Agent System architecture, it can understand natural language commands and divide them into atomic operations that are transmitted to different specialised agents. KICODE Reply offers a completely new approach to all phases of the software development life cycle, improving the efficiency and overall quality of the software and automating repetitive tasks: from user story creation to requirements gathering, from design to phases of coding, testing and deployment.

MLFRAME Reply

MLFRAME Reply is a generative artificial intelligence framework for managing heterogeneous knowledge bases. It applies to the main AI technologies a proprietary methodology for database analysis, algorithm training and results validation, to quickly create conversational generative models applicable to specific corporate knowledge domains. MLFRAME Reply acts as an engine that allows knowledge to be extracted through natural language, reaggregated and redistributed in a conversational form, enabling the artificial intelligence component at the basis of "human-like" interaction systems, such as digital assistants or digital humans.

Pulse Reply

Pulse Reply is a data-driven solution that combines data science and marketing intelligence in a single dashboard, including advanced data modelling and visualisation capabilities. Pulse Reply is designed to allow users to monitor business performance and support forecasting activities. Thanks to the integration of machine learning algorithms, Pulse Reply can automatically notify users when changes in a KPI are detected, also providing insights into the reasons for such changes and explaining their possible impact.

Sonar Reply

Sonar Reply is Reply's data-driven platform dedicated to 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 50 million indexed scientific publications, patents, expert blogs, articles, news and other documents.

TamTamy Reply

TamTamy Reply, initially born as an Enterprise Social Network platform for corporate communication and collaboration, has significantly expanded supported services. Today, in addition to the management of human resources and training projects, TamTamy Reply has integrated advanced generative artificial intelligence technologies to automatically create content. Furthermore, specialised versions of TamTamy such as the Digital Experience Platform, now meet different needs such as sales network support, online event management, creation of public websites and supplier portals.

Ticuro Reply

Ticuro Reply is a modular platform certified as a medical device (class IIa, CE) that 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 uses IoMT (Internet of Medical Things) technology to connect to medical devices and wearable multi-parametric and environmental sensors, thus allowing greater and constant collaboration between patients, caregivers and remote healthcare personnel, both in the prevention and more critical aspects of treatment and rehabilitation. Thanks to the integration of machine learning and artificial intelligence technologies, features have been introduced for the near-real-time processing of clinical documents.

X-RAIS Reply

X-RAIS Reply is the artificial intelligence solution for radiological diagnosis processes through deep learning. It specialises in different diagnostic methods and specific anatomical regions and can support medical diagnosis processes through image recognition techniques. Over the last year, thanks to the collaboration with important research institutes, X-RAIS Reply has specialised in the analysis of mammograms and the automatic identification of suspicious micro-calcifications through artificial intelligence models.

PARTNERS & ALLIANCES

Reply has created significant partnerships and consolidated its relationships over time with important global vendors such as Adobe, Amazon Web Services (AWS), Google, Microsoft, Oracle, Salesforce and SAP, of which it holds the highest levels of qualification and certification.

Adobe

Adobe and Reply collaborate to provide solutions in key areas such as marketing automation, digital information management and digital asset management. Through the integration of generative artificial intelligence, in 2023 it was possible to offer advanced solutions for the production of personalised content with a superior user experience. The partnership extends across various regions, including Italy, Germany, the UK and the USA, positioning Reply as a partner with specialised skills on the Adobe Experience Platform, confirmed by the status of Adobe Platinum Partner and AEM Specialised Partner at the EMEA level.

AWS

Reply has been confirmed by AWS, for the tenth consecutive year, in the small global circle of Premier Consulting Partners. Reply has, in fact, developed significant experience over the years in the migration of complex business systems to the cloud and today offers a wide range of cloud computing services: content processing & distribution, end-to-end support, creation and integration of customised business applications, as well as 24/7 maintenance and management services.

In 2023, AWS named Reply as the "Best System Integrator" in EMEA, as well as "Partner of the Year for Energy and Utilities"

globally. Reply was among the first global system integrators to work on AWS's Generative AI offering "Bedrock", which was successfully implemented in several industries in 2023. Reply also has certified skills in the fields of Data & Analytics, DevOps, Oracle, Migration, IoT, Industrial Software, SaaS, Machine Learning, Financial Services, Security, Retail, Energy and Automotive, as well as those related to the Managed Service Provider Program and Well-Architected Program.

Google

Reply has consolidated its partnership with Google in Europe, the United Kingdom and the USA, promoting collaborations with the Google Cloud and Google Ads divisions. The rapid adoption of new Google technologies in the Generative AI field and participation in the Trusted Tester Program are allowing Reply to offer increasingly innovative solutions to its customers.

This attention to innovation has led Reply to be recognised as a Google Cloud Premier Partner, thanks also to the numerous specialisations and areas of expertise achieved over the years. Furthermore, Reply's presence among the Managed Services Providers highlights its ability to provide complete and responsive services to Google Cloud customers. In the field of Google Ads, Reply companies have confirmed their expertise by obtaining certifications in Search, Display, Video, Shopping and App, demonstrating their ability to implement digital marketing strategies.

Microsoft

Reply is a global partner of Microsoft, thanks to a vast network of highly specialised companies in terms of sectors and technologies, operating in Europe, the United Kingdom, the USA and Brazil. Reply designs, builds, and deploys solutions across Microsoft's three clouds: Azure, Microsoft 365 and Dynamics 365. In 2023, Reply confirmed its status as a Microsoft Globally Managed Partner, maintaining all of its Microsoft Solutions Partner designations for the Microsoft Cloud Partner Program.

Participation in local initiatives to promote artificial intelligence technologies, and the awards received for the development of Copilot, have had a tangible impact on Reply's visibility in global and local markets, with significant projects in digital transformation and AI-driven solutions.

Oracle

In recognition of its capabilities in providing cutting-edge solutions, and promoting business value and customer success, in 2023 Reply was awarded four Oracle EMEA Cluster Partner Awards which, combined with the Service Cloud Expertise received, confirm it as a leader in Oracle Cloud Computing. Reply's leadership on Oracle technologies is consolidated in Oracle Finance, Supply Chain, as well as Planning and Production offers thanks to international projects on ERP Cloud and Netsuite.

In 2023, Reply strengthened its presence in the HCM field thanks to significant projects with European customers and stood out in the CX field for several strategic projects based on the Oracle Xstore and CX Unity suite. Reply is also an Oracle Cloud Service Provider, specialising in managed services and solution implementations on Oracle Cloud Infrastructure. In 2023, it obtained Customer Excellence Awards in the "Cloud Security Champion Award" and "Innovating with Data" categories.

Salesforce

Reply is a Salesforce Consulting Partner with certifications and experts in Europe and the USA. These skills cover the entire Salesforce offering: sales, services and marketing, B2B and B2C commerce, integration with Mulesoft, analytics with Tableau and collaboration with Slack. Furthermore, Reply experts work on various Salesforce Industry Clouds and extensions for CPQ, Field Service Lightning, Pardot, Einstein AI & Data Cloud.

Thanks to its consolidated experience in the AI field, Reply was ready to guarantee its customers the customisation of the recently announced Salesforce GPT product innovations. Reply is also one of the few Salesforce experts in the world for the automotive sector and has been recognised as an Automotive Cloud Launch Partner by Salesforce. The Italian Reply team specialising in Salesforce has also created one of the first Financial Service Cloud implementations in Europe.

SAP

In 2023, Reply confirmed itself among SAP's global partners for skills and specialisations, covering the entire portfolio with a clear focus on cloud solutions and innovation, with particular emphasis on artificial intelligence. This is underlined by the ever-growing number of proprietary solutions based on SAP BTP technology that are an integral part of the SAP Industry Cloud. The SAP Quality Award has recognised Reply's excellence for the tenth consecutive year and has been rated by SAP as top-3 globally in SAP CX delivery quality.

Over the year, Reply has led numerous digital transformation projects around the world, including RISE with SAP and all other LoB solutions. Reply and SAP have also expanded their collaboration in the joint IT Sustainability User Group: the collaboration is evolving further, delving into business cases in the Generative AI field, particularly in the area of relationship solutions with end customers.

REPLY LABS

The Reply laboratories are the place where technology and creativity come together to create innovative solutions capable of creating tangible strategic value for our customers.

Area 42

In Area 42, the potential of the most innovative robotics, advanced mobility, virtual reality and digital humans is tested to help Reply customers find areas of application capable of innovating their business models and operations.

Area 360

Area 360 is the laboratory dedicated to the creation of 3D assets and animations through the use of cutting-edge technologies based on artificial intelligence. The production of quality animations and 3D assets, such as human bodies and faces, is favoured by the growing development of technological areas such as games, virtual reality and video production.

Test Automation Centre

Thanks to a proprietary framework and validation and monitoring techniques based on artificial intelligence and machine learning, the Test Automation Centre monitors the quality of business-critical products and services throughout their life cycle, anticipating critical issues and indicating corrective actions.

IoT Validation Lab

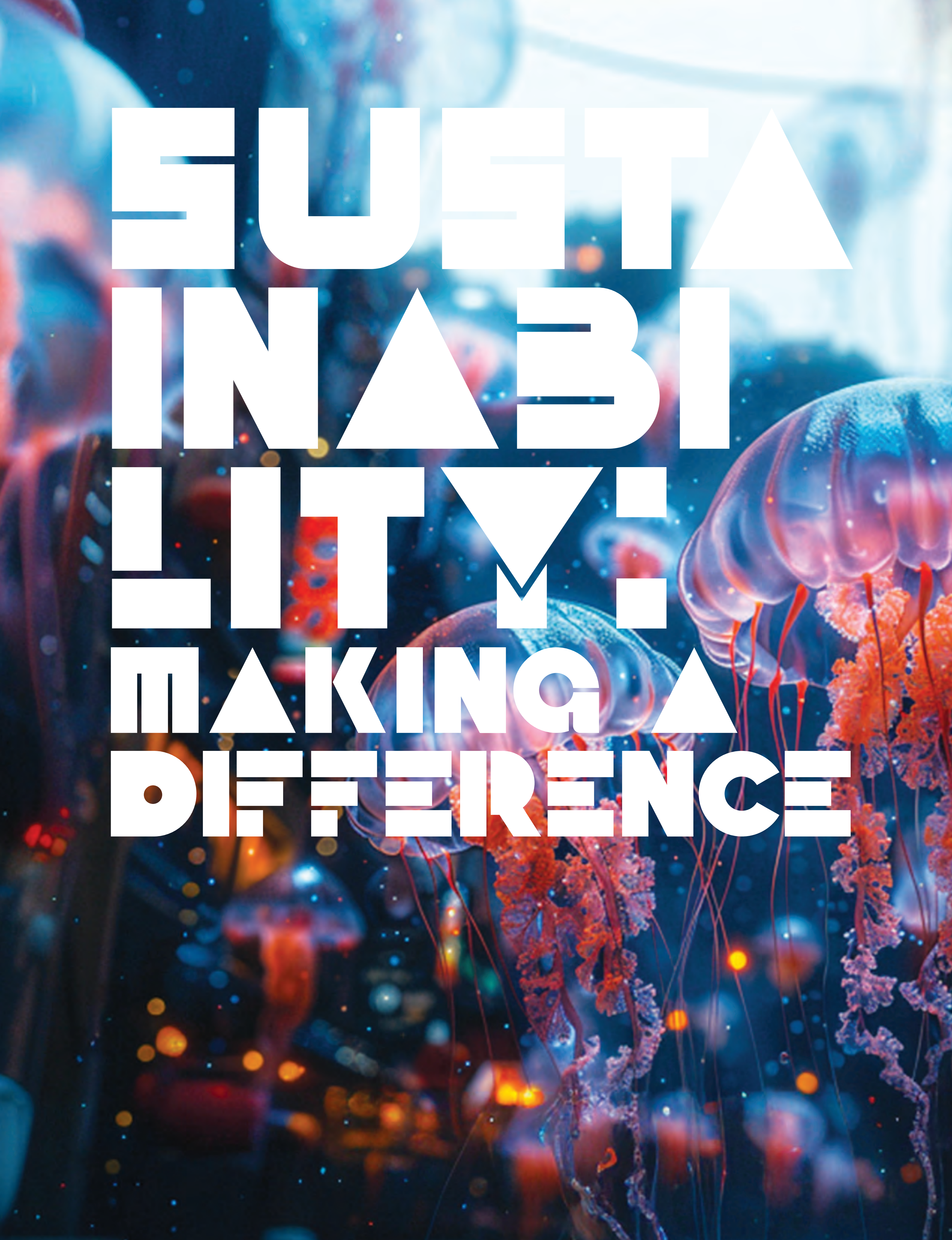
The IoT Validation Labs are used to design, integrate, validate and implement IoT connectivity solutions and connected products, in an integrated way with environmental sustainability and energy efficiency assessments.

Cybersecurity Lab

The Cybersecurity Lab enables you to evaluate different security scenarios applied to contexts such as adaptive cloud computing security, software development lifecycle security, network security infrastructure, and application and data security.

Immersive Experience Lab

The Immersive Experience Lab experiments with different application areas of extended reality. They range from sales to marketing, from design to production, maintenance to operations, up to professional training.



SUSTAINABILITY: MAKING A DIFFERENCE

As a leader in digital transformation, Reply actively promotes change towards a more sustainable world, operating with the utmost respect for high ethical standards and the rights of future generations.
To make its commitment towards Net Zero concrete, Reply is implementing an ambitious plan aimed at reducing environmental impact by 2025, pursuing the objective of achieving Carbon Neutrality, and aiming for net zero emissions by 2030.

To achieve these goals, 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 stakeholders. Understanding and using technology is the basis of Reply's mission, which is now increasingly committed to creating IT solutions that are sustainable in themselves (green tech) - also thanks to the support of artificial intelligence. The ethical and conscious use of AI, in fact, proves to be a valid tool for achieving sustainability objectives (optimisation of consumption and resources, energy efficiency, climate monitoring, etc.)

Attention to sustainability issues is also expressed through the management and reporting of activities compliant with the United Nations Global Compact (UNGC), through the Communication on Progress (COP) and by respecting the standards of the Global Reporting Initiative (GRI) to guarantee increasingly complete and transparent reporting, with the contribution of the CDP.

Reply's path towards Net Zero translates into concrete actions in various areas.

Energy and emissions

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

Natural resources

- Maintenance and extension of certification for environmental management systems (ISO 14001)
- Promotion of the circularity of goods and their valorisation, also through donation activities of laptops to be disposed of
- Attention to the environment also through the reuse of promotional materials

People

- Building a positive and safe working environment that promotes diversity, inclusion and equal career opportunities
- Development of skills and professional career, through specialisation and technical refresher courses and workshops on soft skills
- Health protection through initiatives aimed at well-being and prevention, in order to reinforce the importance of a healthy and active lifestyle

Governance

- Applicable regulations on environmental and human rights issues, as an indispensable foundation in maintaining commercial relationships with public and private entities
- Prevention of inappropriate behaviour, both in 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 building virtuous and lasting relationships
- Commitment to supporting customers in the challenge of sustainability and on the decarbonisation path.

PEOPLE

Since its inception, Reply has stood out as a network of professionals from the best universities, who then grew together based on strong shared values: today this approach has been brought to a global scale. Even in 2023, in an international market context still marked by strong turbulence, Reply has vigorously continued its plan to recruit people with great potential, thanks also to the strong connection with the academic world of each country in which it operates.

The selection criteria for young graduates are rigorous and based on the distinctiveness of the curriculum they study. They, as well as the selected professionals recruited, particularly in emerging markets, are asked to fully adhere to the Reply value system.

- The **customer** is the protagonist of Reply's value system. Our employees make the client'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 clients to determine the level of satisfaction with the activities carried out.
- **Excellence** is the underlying theme of this system: the search for quality must be daily and constant, focused on the continuous improvement of one's work and the benefits brought to customers. A strong meritocratic evaluation system allows excellent results to be valued and rewarded every year.
- **Innovation** must be the essential and daily element of all projects, which must be carried out with a pragmatic approach, which combines courage in choices and the ability to discern the most suitable solutions for the context, not only from an IT point of view. Internal systems reward the most innovative ideas and projects.
- **Speed** has established itself over time as a peculiarity of the Reply teams in the market. The capitalisation of the experience gained and the collaboration with the main vendors allows us to respond quickly and measuredly to customer needs. A strong shared methodology accelerates designs and implementations.
- **Teamwork** is the glue of the Reply approach. The youngest professionals bring the skills gained during their academic career by joining teams led by people who have followed the same path, and who have progressively been recognised as seniority and leadership, along with their knowledge transfer capabilities.

The result of the integration between a strong value system and constant attention

to the **recognition of competence** and knowledge has always allowed Reply to grow organically, putting **people at the centre** as protagonists of its offer in the technological, consultancy and creative fields.

The diversity within the teams, characterised by people of different genders, ages, ethnicities, cultures, backgrounds, education, experiences and preferences, represents a resource of inestimable value for Reply. In line with its values, Reply has implemented procedures to guarantee **fair and consistent compensation** based on the type of work, position and career level. Reply is also committed to ensuring gender pay equity and guarantees all employees a salary adequate to the cost of living in the countries in which it operates.

To promote a community that embraces diversity, inclusion, and accessibility, the **Reply All – Uniquely Diverse** program was activated. This program aims to explore and discuss issues related to inclusion and diversity, promoting continuous improvement. Guided by the principles of transparency, equity and openness to dialogue, new approaches to collaboration and mutual learning are proposed, aware that the most effective solutions and the most innovative ideas emerge from diversity itself.

Wellbeing

The health and safety of employees is a fundamental priority for Reply. For this reason, in addition to adopting necessary measures to guarantee the safety of the working environment, training and information activities are carried out to prevent and effectively manage professional risks related to the activities carried out.

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

Continuous Learning

Aware of the importance of promoting a diverse, inclusive and rewarding work environment, Reply constantly invests in the growth and development of its people, with professional development paths and creating a collaborative and motivating context. The goal is to make all employees feel equally involved and supported, thereby improving the quality of daily working life and promoting an environment where ideas and innovations thrive.

Continuous training is at the centre of initiatives for the updating and professional development of people. During 2023, Reply strengthened investments in skills development programs, professional growth support, specialisation courses, and soft skills workshops. Furthermore, through a training program based on user-generated content, Reply employees can contribute to internal knowledge sharing, becoming teachers and speakers themselves on current and relevant topics for the company.

The attention dedicated to the development of talents and skills is not limited to the internal community but also extends to the external world, involving students and professionals in a series of targeted initiatives. Among the programs included, there are master's degrees postgraduate, competitions and team online courses focused on the main innovation themes, or collaborative projects with university teams during their academic career.

ENVIRONMENT

Climate change and environmental sustainability represent a challenge for everyone, but at the same time, they offer an opportunity. Even being part of a sector with a limited environmental impact, Reply is aware that company activities impact the planet. Therefore, it has outlined guidelines and a roadmap of actions to reduce its emissions and achieve carbon neutrality by 2025 and net zero emissions by 2030.

Key initiatives in this plan include:

- the continuous monitoring of its emissions over the widest possible perimeter, also 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% hybrid/electric vehicles in 2025;
- the introduction of energy efficiency improvements in all offices by 2030 (in Italy);
- Environmental Policy guidelines to reduce and monitor the impact of company activities on the environment;
- the establishment and expansion of the **Reply Forest** to absorb tons of CO_2 and to support reforestation;
- the neutralisation of the impacts of residual emissions with carbon removal offsets. Although carbon reduction is the primary objective of our sustainability actions, residual emissions will need to be offset.

These initiatives are accompanied by Reply's commitment to achieving "zero-waste" status by 2030, promoting reuse and recycling when possible, and creating gadgets with reused materials for employees. Furthermore, through the **Reply to the Earth** programme, Reply raises awareness among employees so that they are aware of their environmental impact during daily activities, for example, through the choice of sustainable modes of transport or the use of recycled materials.

GOVERNANCE

Reply places compliance with regulations as a fundamental pillar in the management of commercial relationships, both with public and private entities. The Group, operating in various countries, not only complies with current national laws but is actively committed to sustainable and inclusive growth, following the Universal Declaration of Human Rights, the Conventions of the International Labour Organisation (ILO), and principles promoted by the United Nations Global Compact, to which it adheres.

Reply's Code of Ethics defines, explains and formalises the company's values, guiding all members on how to behave correctly in their daily activities, both with customers, suppliers, business partners and colleagues. Its adoption by all employees creates and maintains a common ethical culture among the teams, allowing everyone to operate in coherence with Reply's values.

In all the countries in which Reply operates, specific channels have been established for sending reports. The **Whistleblowing Policy**, in particular, encourages employees to promptly report incorrect behaviour, guaranteeing the possibility of reporting any problem without suffering consequences for their work activity.

In addition to compliance with laws and regulations, the security of information systems is a fundamental requirement to guarantee the reliability of the information processed, as well as the effectiveness and efficiency of the services provided by the company. To this end, Reply has adopted a framework to preserve:

- **confidentiality**, i.e. that the data is accessible only to authorised users and systems;
- the **integrity**, i.e. the correctness, completeness and accuracy of the data;
- **availability**, i.e. that authorised users and systems have access to data when necessary.

Reply is also committed to involving its suppliers in sustainability initiatives aimed at increasing awareness of these issues and collecting 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 law 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 failure to comply with these minimum criteria, the appropriate countermeasures to be implemented are assessed. To evaluate the adherence of the supply chain to the Code of Conduct, the Self Evaluation campaign was promoted again in 2023, managed by suppliers completing a self-evaluation questionnaire.

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

REPLY ANNUAL FINANCIAL REPORT 2023

REPO RT ON OPERA TIONS

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 invasion of Ukraine and the recent crisis between Israel and Palestine that began on October 7, 2023, 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 reducing 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 on 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 the 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 relationships with clients
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, 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 "Investors" 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 creditworthiness 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 9.
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 at ensuring 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 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 the 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 2023 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 Reply Group closed 2023 with a consolidated turnover of €2,118.0 million, an increase of 12.0% compared to €1,891.1 million in 2022.

All indicators are positive for the period. Consolidated EBITDA was €352,1 million, an increase of 3.5% compared to €340,3 million at December 2022 (growth is 20% net of the COVID funds released in 2022).
EBIT, from January to December, was at €292,7 million, which is an increase of 2.5% compared to €285,5 million at December 2022 (growth is 22.7% net of the COVID funds released in 2022).
The Group’s net profit was a €186,7 million. In 2022, the corresponding value was €191,0 million.

Following the results achieved in 2023, the Reply Board of Directors decided to propose a dividend distribution of €1 per share to the next Shareholders’ Meeting, which will be payable on 22 May 2024, with the dividend date set on 20 May 2024 (record date 21 May 2024).

As at 31 December 2023, the Group’s net financial position has been positive at €204,9 million (€70,6 million at 31 December 2022). As at 30 September 2023, the net financial position was positive at €189,7 million.

2023 was the year in which the world became definitively aware that a great new revolution was just around the corner: the advent of artificial intelligence. Reply was able to ride this moment of great discontinuity by closing a growing financial year, but above all by establishing itself among the new leaders in the sector.
This positioning was possible because Reply, in 2023, was able to capitalise on years of investment made in artificial intelligence, an area where we began operating with our first competence centres as early as 2013. This know-how within the group has allowed us, in a few months, not only to set up dedicated AI units within all the group companies, but above all to specialise more than 20 companies on the introduction of artificial intelligence into the main industrial sectors.

The future that lies ahead is still to be written. In a short time, we will be living in a union of automation, artificial intelligence, digital interfaces and connected objects. In front of us, there is a great opportunity and at the same time a challenge that, as Reply, we intend to seize and transform into new spaces of growth for our Group.

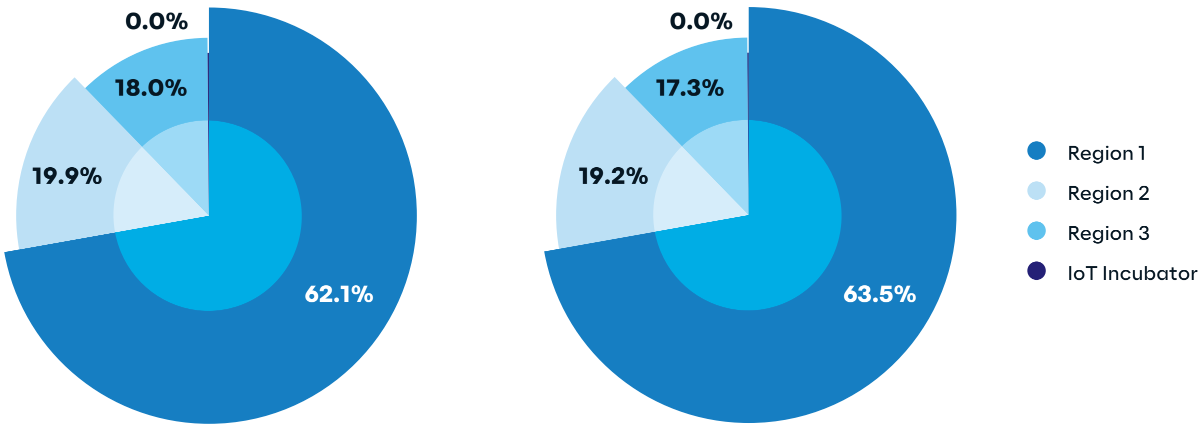
Reclassified consolidated income statement

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)	2023	%	2022	%
Revenues	**2,117,983**	**100.0**	**1,891,114**	**100.0**
Purchases	(29,364)	(1.4)	(27,328)	(1.4)
Personnel	(1,139,331)	(53.8)	(986,744)	(52.2)
Services and other costs	(595,710)	(28.1)	(587,402)	(31.1)
Other operating (costs)/income	(1,485)	(0.1)	50,671	2.7
Operating costs	**(1,765,890)**	**(83.4)**	**(1,550,802)**	**(82.0)**
Gross operating income (EBITDA)	**352,093**	**16.6**	**340,312**	**18.0**
Amortization, depreciation and write-downs	(75,205)	(3.6)	(58,612)	(3.1)
Other non recurring (costs)/income	15,858	0.7	3,774	0.2
Operating income (EBIT)	**292,745**	**13.8**	**285,473**	**15.1**
(Loss)/gain on investments	(13,877)	(0.7)	(12,102)	(0.6)
Financial income/(expenses)	(7,287)	(0.3)	(4,676)	(0.2)
Income before taxes	**271,581**	**12.8**	**268,695**	**14.2**
Income taxes	(83,122)	(3.9)	(76,511)	(4.0)
Net income	**188,459**	**8.9**	**192,184**	**10.2**
Non controlling interests	(1,760)	(0.1)	(1,168)	(0.1)
Group net income	**186,699**	**8.8**	**191,016**	**10.1**

REVENUES BY REGION (*)

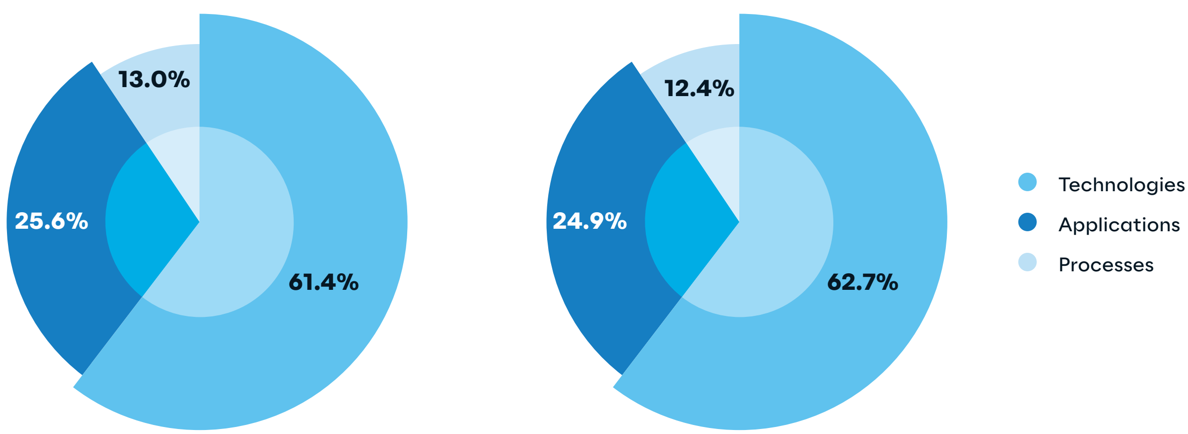
2023 **2022**



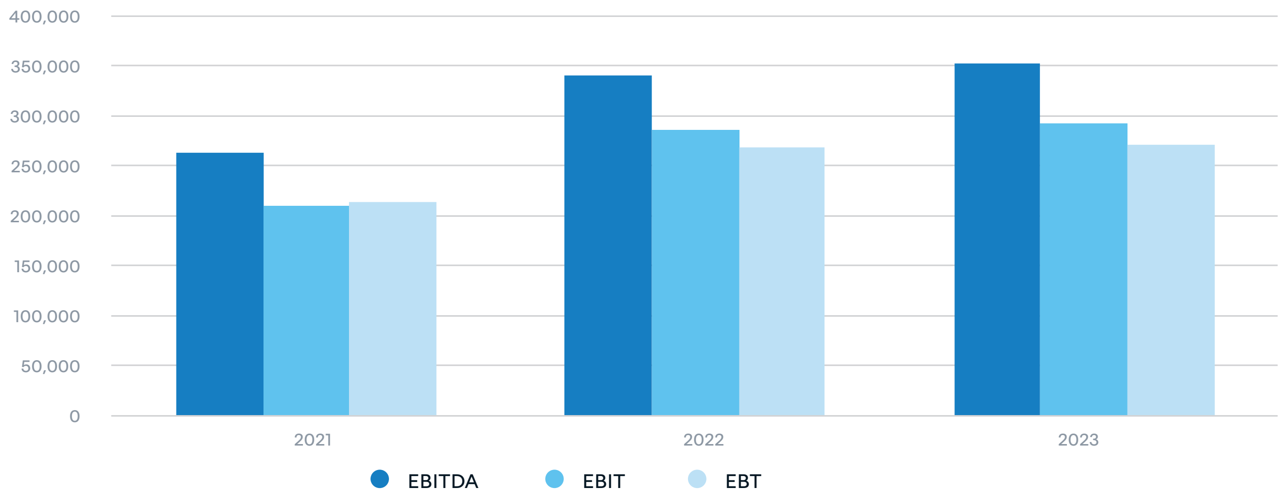
(*)
Region 1: ITA, USA, BRA, POL, ROU, CHN (Nanjing), NZL
Region 2: DEU, CHE, CHN (Bejing), HRV
Region 3: GBR, LUX, BEL, NLD, FRA, BLR, SGP, HKG, MYS

REVENUES BY BUSINESS LINES

2023 **2022**



TREND IN KEY ECONOMIC INDICATORS



Analysis of the financial structure

The Group's financial structure is set forth below as at 31 December 2023, compared to 31 December 2022:

(THOUSAND EUROS)	31/12/2023	%	31/12/2022	%	CHANGE
Current assets	910,908		843,276		67,632
Current liabilities	(827,090)		(796,686)		(30,404)
Working capital, net (A)	**83,818**		**46,590**		**37,228**
Non current assets	1,046,457		1,070,572		(24,114)
Non current liabilities	(218,450)		(215,864)		(2,586)
Fixed capital (B)	**828,007**		**854,708**		**(26,700)**
Invested capital, net (A+B)	**911,826**	**100.0**	**901,298**	**100.0**	**10,528**
Shareholders' equity (C)	1,116,723	122.5	971,869	107.8	144,854
NET FINANCIAL POSITION (A+B-C)	**(204,898)**	**(22.5)**	**(70,572)**	**(7.8)**	**(134,326)**

Net invested capital on 31 December 2023, amounting to 911,826 thousand Euros, was funded by Shareholders' equity for 1,116,723 thousand Euros and by available overall funds of 204,898 thousand Euros.

It is to be noted that net invested capital includes Due to minority shareholders and Earn-out for a total of 114,368 thousand Euros (141,502 thousand Euros at 31 December 2022); 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)	31/12/2023	31/12/2022	CHANGE
Work in progress	47,061	83,880	(36,819)
Trade receivables	739,474	657,568	81,906
Other assets	124,373	101,828	22,545
Current operating assets (A)	**910,908**	**843,276**	**67,632**
Trade payables	191,001	168,835	22,166
Other liabilities	636,089	627,850	8,238
Current operating liabilities (B)	**827,090**	**796,686**	**30,404**
Working capital, net (A-B)	**83,818**	**46,590**	**37,228**
% return on investments	*2.9%*	*2.5%*	

NET FINANCIAL MANAGERIAL POSITION AND CASH FLOWS STATEMENT

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Cash and cash equivalents, net	383,608	263,252	120,356
Current financial assets	32,872	30,608	2,264
Due to banks	(32,285)	(22,643)	(9,642)
Due to other providers of finance	(236)	(660)	424
Financial liabilities IFRS 16	(31,670)	(27,829)	(3,841)
Short-term financial position	**352,290**	**242,729**	**109,561**
Due to banks	(52,291)	(74,533)	22,242
Financial liabilities IFRS 16	(95,101)	(97,624)	2,523
M/L term financial position	**(147,392)**	**(172,157)**	**24,765**
Total net financial position	**204,898**	**70,572**	**134,326**

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

(THOUSAND EUROS)	2023
Cash flows from operating activities (A)	249,794
Cash flows from investment activities (B)	(40,692)
Cash flows from financial activities (C)	(88,746)
Change in cash and cash equivalents (D) = (A+B+C)	**120,356**
Cash and cash equivalents at beginning of period (*)	263,252
Cash and cash equivalents at year end (*)	383,608
Total change in cash and cash equivalents (D)	**120,356**

(*) 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 definitions 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 unusual costs/(income)

Other non-recurring (costs)/revenues are related to events and transactions that due to their nature do not occur continuously in normal operations.

- **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) including those referable to the adoption of IFRS 16
  - Financial liabilities (short-term) including those referable to the adoption of IFRS 16

Significant operations in 2023

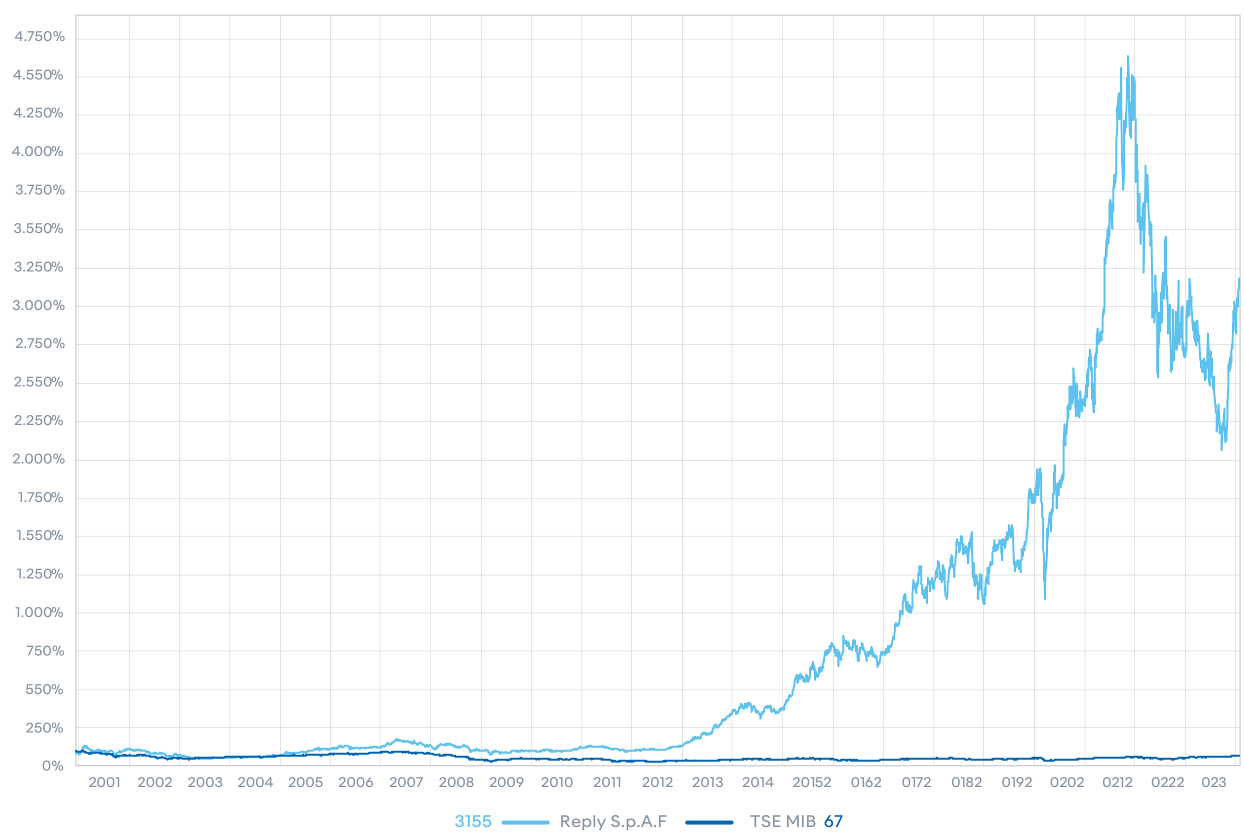
No M&A operations have occurred during the financial year ended December 31, 2023.

Reply on the stock market

Reply share performance

The starting point for 2023 was anything but promising and simple: global economic growth was weak and even stagnated in some countries. Interest rates remained high, as inflation rates remained high, global uncertainties were growing, as were geopolitical risks, difficulties with international supply chains and suddenly high energy prices. The war in the Middle East and the Red Sea added other areas of international conflict in 2023. However, the global economy proved to be surprisingly robust and resilient. The continued interest rate hikes by the central banks, which have been increasingly successful in curbing inflation, certainly played an important role in the ultimately largely positive development of the financial markets. Particularly when the first signs of an end to the cycle of interest rate hikes emerged and hopes of interest rate cuts became more concrete, the stock markets gained new momentum, especially as economic indicators also gave cause for hope. In this environment, various indices even managed to set new records in mid-December. A large part of these gains can be attributed to the rally since the interim low in mid-October. For those who invested in large stocks included in the leading indices, it was a much better year than for investors focussing on smaller and medium-sized stocks. Shares from the US market were also more profitable than European stocks. There were extreme winners, such as stocks benefiting from the new hype topic of "artificial intelligence", and strong underperformers, such as many stocks categorised as cyclical. The current macroeconomic situation conflicts with a secular trend that remains intact: digitalisation will not be held back by any current or future crisis. Companies that manage to utilise artificial intelligence in such a way that it does not become an afterthought, but instead generates real efficiency gains, will be rewarded with rising corporate profits. Gradually, even the last few should have understood that digitalisation does not simply mean moving mountains of paper to a virtual cloud. True digitalisation transforms business models. It frees up capacity for new thinking and brings completely new ideas to light. The financial year 2023 started well for Reply recovering a part of the losses incurred in the previous year. The share entered an upward corridor, with the share price rising to its 2023 maximum of EUR 127.30 on 3 February 2023. Until the beginning of July 2023, the share showed a sideward tendency. During summer the share saw strong reductions ending in a minimum share price of EUR 82.40 on 26 September 2023. The financial year was saved by the strong upward development of the Reply share of more than 40% in November and December 2023. The share closed the year 2023 at EUR 119.50. Reply's market capitalisation returned to EUR 4.5 billion. In January 2024, the upward development of the Reply share continued. At the time of writing this chapter, the Reply share was trading at EUR 128.50, with a market capitalisation of EUR 4.8 billion. In 2023, Reply's performance was in the midfield compared to the various country and sector indices and peer group companies.

Taking December 6, 2000, the date of the Reply IPO, as a reference, the Italian main index MIB gained 28% in 2023 and stood at 66% of its starting value. In the same period, Reply increased its IPO value by 2,888%. The outperformance of the Reply share versus the MIB reduced in 2023 but is unchanged significant with more than 2,900%. Comparable results were calculated by an Equita study named “Italian Champions”. In a 10 years’ timeframe (from October 1, 2012 to September 30, 2023) Reply scored third with a 10 years’ total return of 796%.



Share liquidity

In 2023 the lower valuation of Reply was considered as a potential entry point for the stock. Accordingly, the trading activity of the Reply share increased significantly. The number of traded shares increased by 25% to 12.7 million shares (10.2 million shares in 2022). On the other hand, the trading volume remained basically stable (+0.6%) amounting to EUR 1.3 billion. The impact of the lower share price compensated for the increase in the number of shares traded.

The improvement of the Reply share price – especially the strong performance of the 4th quarter, had a substantial impact on the valuation multiples seen in Reply. Compared to its peers – defined as a group of digital native companies, diversified IT Service companies and agencies, Reply is now trading between 22% (Enterprise Value/EBITDA) and 29% (Price/Earnings Ratio) above the peer valuations. In terms of enterprise value to revenue, Reply was valued 22% higher than the peer group average at the end of 2023.

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 and France as Reply's strategic regions). In 2023 Reply achieved earnings per share of EUR 5.01, a decrease of 2.3% compared to 2022. For the financial year 2023, the corporate bodies of Reply propose to the shareholders' meeting to approve the payment of a dividend of EUR 1.00 (dividend 2022: EUR 1.00). Referred to the share price of Reply at the end of 2023 this corresponds to a dividend yield of 0.84%. Assuming the approval of the shareholders' meeting, Reply will pay to its shareholders a dividend amount of EUR 37.3 million. For financial year 2022 EUR 37.3 million were distributed.

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

		2023	2022	2021	2020	2019
Share price						
Year-end	Euro	119.50	107.00	178.70	95.30	69.45
High for the year	Euro	127.30	178.70	185.50	105.50	74.80
Low for the year	Euro	82.40	101.60	92.50	43.30	42.20
Trading						
Number of shares traded (year)	# thousand	12,722.5	10,164.3	13,005.5	15,669.5	11,360.1
Number of shares traded (day)	# thousand	49.3	39.7	50.4	59.9	44.9
Trading volume (year)	Euro million	1,321.4	1,313.9	1,834.2	1,203.4	668.9
Trading volume (day)	Euro million	5.122	5.156	7.109	4.611	2.623
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	%	56.0	53.4	53.4	53.4	53.4
Market capitalization	Euro million	4,454.7	3,980.4	6,660.1	3,565.3	2,598.2
Allocation of net income						
Earnings per share	Euro	5.01	5.13	4.03	3.30	3.04
Dividend (1)	Euro	1.00	1.00	0.80	0.56	0.52
Dividend payment	Euro million	37.278	37.278	29.872	20.911	19.454
Dividend yield (2)	%	0.84	0.93	0.45	0.59	0.75

(1) Amount proposed for shareholder approval for 2023
(2)Related to year-end closing price

The shareholders base

At the end of 2023, 42.9% of Reply's shares were owned by Reply's founders. Institutional shareholders owned 50% of the shares at the end of 2022, while retail shareholders owned 7% of the shares. Reply's institutional shareholder base has undergone some significant changes. US investors, the main investor country in Reply, reduced their ownership in Reply to 26% of the institutional shareholding compared to 31% in the previous year. Italian investors continued to increase their positions and are now the second largest investors, holding approximately 24% (2022: 22%). UK investors increased their position to 12% of institutional holdings. French investors were stable at 10% of the shares.

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 2023, the number of analysts regularly covering the Reply share remained unchanged at 8. While one Italian coverage ended Reply welcomed a new French analyst among its group of analysts. In line with the strong development of the Reply share – especially in the 4th quarter, the analyst votes changed gradually. 3 ratings were on "outperform" while 5 analysts took a "neutral" stance on the share. The average price target for Reply shares by analysts in January 2024 was 118 euros.

Dialogue 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 2023 Reply increased its already high level of activity with the capital markets significantly. During 20 conferences and 5 road shows, Reply actively explained its equity story. The number of virtual meetings with investors increased by 58%. In parallel Reply increased the number of physical investor meetings by 166%. The majority of communication contacts were with French, Italian and UK investors. The highest increases were seen with UK and Italian investors where the contacts grew more than 84% in 2023. The number of brokers involved in Reply's IR activities increased from 11 to 13.

In April 2023 Reply was selected as the winner of the Financial Attractiveness Award 2023 for listed companies, granted by Arca Fondi, GEA and Harvard Business Review. The prize is awarded to companies that, in addition to their financial and earnings results, have distinguished themselves for the quality of their governance, management independence and structured and verifiable management processes. The award, now in its sixth annual edition in 2023, is not only a testimony to excellence but also a stimulus for Italian entrepreneurs to be inspired by best practices in our country and to consider the opportunities arising from the correct use of their own and third-party financial resources in the development of their companies.

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 2023 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 coordination and the technical and quality management services for the Group companies as well as the administration, finance and marketing activities.
As at 31 December 2023, the Parent Company had 108 employees (109 employees in 2022).
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)	2023	2022	CHANGE
Revenues from operating activities	137,251	135,766	1,485
Pass-through revenues	677,804	599,230	78,574
Purchases, services and other expenses	(761,727)	(692,207)	(69,520)
Personnel and related expenses	(33,309)	(26,536)	(6,773)
Other unusual operating (expenses)/income	(6,483)	2,855	(9,338)
Amortization, depreciation and write-downs	(4,445)	(3,880)	(565)
Operating income	**9,091**	**15,229**	**(6,138)**
Financial income/(expenses)	20,835	12,648	8,186
Gain on equity investments	164,087	92,266	71,821
Loss on equity investments	(23,540)	(18,852)	(4,688)
Income before taxes	**170,473**	**101,291**	**69,182**
Income taxes	(9,343)	(7,149)	(2,194)
NET INCOME	**161,130**	**94,142**	**66,988**

Revenues from operating activities mainly refer to:

- royalties on the Reply trademark for 58,424 thousand Euros (53,611 thousand Euros in the financial year 2022);
- shared service activities in favour of its subsidiaries for 60,154 thousand Euros (57,110 thousand Euros in the financial year 2022);
- management services for 15,634 thousand Euros (14,585 thousand Euros in the financial year 2022).

Operating income 2023 marked a positive result of 9,091 thousand Euros after having deducted amortization expenses of 4,445 thousand Euros (of which 326 thousand Euros referred to tangible assets, 3,467 thousand Euros to intangible assets and 651 thousand Euros related to RoU assets arising from the adoption of IFRS 16).
Financial income amounted to 20,835 thousand Euros and included interest income on bank accounts for 33,817 thousand Euros, interest expenses for 11,403 thousand Euros mainly relating to financing for the M&A operations and the non-effective portion of the IRS for negative 1,044 thousand Euros. Such result also includes net positive exchange rate differences amounting to 2,778 thousand Euros.
Income from equity investments which amounted to 164,087 thousand Euros refers to dividends received from subsidiary companies in 2023.
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 2023, amounted to 161,130 thousand Euros after income taxes of 9,343 thousand Euros.

Financial structure

Reply S.p.A.'s financial structure as at 31 December 2023, compared to that as at 31 December 2022, is provided below:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Tangible assets	546	534	12
Intangible assets	5,652	7,622	(1,970)
RoU assets	1,263	938	325
Equity investments	208,916	177,988	30,928
Other fixed assets	10,213	7,316	2,898
Non current liabilities	(14,023)	(7,735)	(6,287)
Fixed capital	**212,569**	**186,663**	**25,906**
Net working capital	**64,158**	**72,557**	**(8,399)**
INVESTED CAPITAL	**276,727**	**259,220**	**17,506**
Shareholders' equity	731,290	608,298	122,991
Net financial position	**(454,563)**	**(349,078)**	**(105,485)**
TOTAL SOURCES	**276,727**	**259,220**	**17,506**

The net invested capital on 31 December 2023, amounting to 276,727 thousand Euros, was funded by Shareholders' equity in the amount of 731,290 thousand Euros and by available overall funds of 454,563 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 2023, compared to 31 December 2022, is detailed as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Cash and cash equivalents, net	233,203	61,663	171,540
Financial loans to subsidiaries	55,113	66,596	(11,483)
Financial current receivables	30,868	27,201	3,667
Loans to third party	116	116	-
Due to banks	(28,647)	(20,168)	(8,479)
Due to subsidiaries	(249,938)	(226,238)	(23,701)
Financial liabilities IFRS 16	(524)	(515)	(9)
Net financial position short term	**40,192**	**(91,343)**	**131,535**
Long term financial assets	463,287	508,173	(44,887)
Due to banks	(48,174)	(67,320)	19,145
Financial liabilities IFRS 16	(741)	(433)	(309)
Net financial position long term	**414,371**	**440,421**	**(26,050)**
Total net financial position	**454,563**	**349,078**	**105,485**

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.

	31/12/2023		31/12/2022	
(THOUSAND EUROS)	**NET EQUITY**	**NET INCOME**	**NET EQUITY**	**NET INCOME**
Reply S.p.A.'s separate financial statements	**731,291**	**161,130**	**608,299**	**94,142**
Results of the subsidiary companies, net of minority interest	602,246	186,886	561,938	197,883
Cancellation of the carrying value of investments in consolidated companies net of any write-offs	(192,080)	-	(182,031)	-
Cancellation of dividends from subsidiary companies	-	(166,005)	-	(92,265)
Consolidated adjustments included those to accounting principles and elimination of unrealized intercompany gains and losses, net of related tax effect	(22,921)	8,208	(14,759)	(7,576)
Non-controlling interests	(1,883)	(1,760)	(1,579)	(1,168)
Net Group consolidated financial statement	**1,116,723**	**188,460**	**971,869**	**191,016**

Corporate Governance

The Corporate Governance system adopted by Reply – issuer listed at Euronext Satr Milan - adheres to the 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 2023, 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 2023, 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 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 and 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 2023, the Group had 14,798 employees compared to 13,467 in 2022.

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 is 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.

Pillar 2

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published the document "Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two)".

In this context, the European Commission has adopted EU Directive no. 2022/2523 on global minimum taxation for multinational groups of companies, with an obligation for Member States to transpose EU provisions into their national law by 31 December 2023 and to apply them from tax periods starting from that date
The Pillar Two rules aim to ensure, through a system of common rules, a minimum level of effective taxation of not less than 15% in each jurisdiction in which a multinational group operates.

In transposition of Directive no. 2022/2523, Italy issued Legislative Decree 209/2023 which introduced and regulated the minimum supplementary tax (so-called Top Up Tax) payable by the parent company in relation to shareholdings in companies located in low-tax countries, provided that this country has not in turn introduced a national minimum tax (so-called Qualified Domestic Top Up Tax). The national provisions apply with reference to tax periods starting from 31 December 2023 and, therefore, for Reply from 2024.

Reply has analysed the levels of implementation of the Pillar Two rules in the different jurisdictions in which it operates: the local implementation provisions, where already introduced, will apply from the financial year 2024 or later. Therefore, there are no current tax charges to be recognised this year. In this context, Reply has started the assessment of the effects deriving from the application of the Pillar Two rules at national and foreign levels: however, due to the complexity and novelty of the rules, as well as their application uncertainty, the quantitative effects cannot, to date, be reasonably estimated. The analyses and evaluations preparatory to the application of Pillar Two for Reply will continue during the year 2024.

Events subsequent to 31 December 2023

On the afternoon of 28 February 2024, Reply S.p.A. was informed of a preventive seizure order issued on 8 February 2024 by the Court of Milan.
With this decree, amounts totalling approximately Euro 322 million were seized from the companies and individuals allegedly involved in various capacities, of which €7,949,544.98 to Reply S.p.A.
From what is indicated in the decree, the alleged crime is the one referred to in art. 640-ter, paragraphs 1 and 3 of the Criminal Code, in the period 2017-2019
According to what emerges from the Decree, a fraudulent mechanism would have been put in place in relation to the telephone operator TIM, which would have made it possible to operate unsolicited activations by users of so-called value-added services (VAS) offered by so-called Content Service Providers (CSPs), such as, for example, logos, ringtones, etc.; these unsolicited activations would have resulted in the charging of the relevant fee on users' telephone credit and therefore would have entailed, through a revenue share mechanism, revenues for the subjects in the supply chain: from the telephone operator, to other operators, including CSPs (recipients of most of the residual revenues) and also to those who played purely commercial and technical roles (such as Reply).
The seizure order contains extracts from statements made by certain persons who allegedly involved an employee of one of the companies of the Reply Group in the aforementioned fraudulent scheme.
The proceedings are still at the preliminary investigation stage.

Outlook on operations

2023 was a year in which the world became aware that a new great revolution is upon us. In the last year, everyone has discovered the pervasiveness of Generative AI tools, being fascinated and partly subjugated by them. On the wave of this enthusiasm, there has been a natural and widespread tendency to overestimate what will happen in the next two years, but at the same time, there is a vast underestimation of what will happen in ten years.

In fact, today we are experiencing a first phase of great acceleration, in which, thanks to artificial intelligence, we simply think about improving what we already know how to do. In the second phase, which will begin in the next few years, we will do things that did not exist before, creating new activities. Finally, there will be a third phase in which new business models will be generated, now unimaginable, just as happened at the beginning of the century with the emergence of the new economy.

In any case, the directions of evolution of technology are now defined and touch all sectors, with artificial intelligence, AR/VR, robotics, cloud and cybersecurity positioning themselves as the new competitive levers on which most of the ICT investments of companies will focus in the coming months. Over the years, Reply has consolidated solid skills in these areas and where it intends to position itself as one of the main players.

At the same time, sustainability is another issue that has touched all sectors, becoming even more relevant in recent months in the choices of companies. As Reply, we feel a strong responsibility towards future generations and will continue to be committed to the environment to achieve the goals we have set ourselves of Carbon Neutrality in 2025 and net zero emissions by 2030. However, as a consulting firm, we know that the biggest contribution we can make to a just transition is to put our expertise at the service of clients, helping them manage the innovation aspects that support the transition and supporting them in how products and services are designed to be more efficient and sustainable.

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

The financial statements at year end 2023 of Reply S.p.A. prepared in accordance with International Financial Reporting Standards (IFRS), recorded a net income amounting to 161,129,698 Euros and net shareholders' equity on 31 December 2023 amounted to 731,289,889 Euros thus formed:

(EUROS)	**31/12/2023**
Share Capital	4,863,486
Legal reserve	972,697
Reserve for treasury shares on hand	17,122,489
Other reserves	547,201,519
Total share capital and reserves	**570,160,191**
Net income	161,129,698
Total	**731,289,889**

The Board of Directors in submitting to the Shareholders the approval of the financial statements (Separate Statements) as at 31 December 2023 showing a net result of 161,129,698 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 161,129,698 Euros;
- to approve the motion to allocate the net result of 161,129,698 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 22 May 2024, coupon cutoff date 20 May 2024 and record date, determined in accordance with Article 83-terdecies of Legislative Decree no. 58/1998 set on 21 May 2024;
  - 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 3,800,000 Euros.

Turin, 13 March 2024
/s/ Mario Rizzante
For the Board of Directors
The Chairman
Mario Rizzante

CONSOLI DATED FINANCI AL STATE MENTS AS AT 31 DEC EMBER 2023

Consolidated Income Statement (*)

(THOUSAND EUROS)	NOTE	2023	2022
Revenues	5	2,117,983	1,891,114
Other income	6	23,947	19,452
Purchases	7	(29,364)	(27,328)
Personnel	8	(1,139,331)	(986,744)
Service costs	9	(619,657)	(606,853)
Amortization, depreciation and write-downs	10	(75,205)	(58,612)
Other operating and non-recurring (cost)/income	11	14,373	54,445
Operating income		**292,745**	**285,473**
(Loss)/gain on investments	12	(13,877)	(12,102)
Financial income/(expenses)	13	(7,287)	(4,676)
Income before taxes		**271,581**	**268,695**
Income taxes	14	(83,122)	(76,511)
Net income		**188,459**	**192,184**
Non controlling interest		(1,760)	(1,168)
Net result of the Parent Company		**186,699**	**191,016**
Earnings per share	*15*	*5.01*	*5.13*

(*) 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	2023	2022
Profit of the period (A)		**188,459**	**192,184**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) from employee benefit plans		(1,150)	6,963
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**28**	**(1,150)**	**6,963**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		(849)	3,632
Gains/(losses) on exchange differences on translating foreign operations		(1,146)	(627)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**(1,995)**	**3,005**
Total other comprehensive income, net of tax		**(3.146)**	**9.968**
(B) = (B1) + (B2):	**28**	**(3,146)**	**9,968**
Total comprehensive income (A)+(B)		185,315	202,152
Total comprehensive income attributable to:			
Owners of the parent		183,553	200,984
Non-controlling interests		1,761	1,168

Consolidated Statement of Financial Position (*)

(THOUSAND EUROS)	NOTE	31/12/2023	31/12/2022
Tangible assets	17	108,197	98,068
Goodwill	18	626,481	630,255
Intangible assets	19	81,509	105,173
RoU Assets	20	114,758	112,341
Equity investments	21	41,373	51,049
Other financial assets	22	7,448	11,706
Deferred tax assets	23	66,693	61,979
Non current assets		**1,046,457**	**1,070,572**
Work in progress	24	47,061	83,880
Trade receivables	25	739,474	657,568
Other receivables and current assets	26	124,373	101,828
Financial assets	22	32,872	30,608
Cash and cash equivalents	22, 27	383,742	283,695
Current assets		**1,327,523**	**1,157,578**
TOTAL ASSETS		**2,373,980**	**2,228,150**
Share Capital		4,863	4,863
Other reserves		923,277	774,411
Net result of the period		186,699	191,016
Equity of the Parent company	**28**	**1,114,840**	**970,291**
Non-controlling interest	28	1,883	1,579
NET EQUITY	**28**	**1,116,723**	**971,869**
Due to minority shareholders and earnout	29	86,523	112,827
Finacial liabilities	30	52,291	74,533
Financial liabilities from RoU	30	95,101	97,624
Employee benefits	31	69,677	42,831
Deferred tax liabilities	32	41,605	44,964
Provisions	33	20,644	15,242
Non current liabilities		**365,841**	**388,021**
Due to minority shareholders and earnout	29	27,845	28,675
Finacial liabilities	30	32,655	43,745
Financial liabilities from RoU	30	31,670	27,829
Trade payables	34	191,001	168,835
Other current liabilities	35	607,705	598,557
Provisions	33	539	619
Current liabilities		**891,415**	**868,260**
TOTAL LIABILITIES		**1,257,256**	**1,256,281**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,373,980**	**2,228,150**

(*) 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.

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 2022	**4,863**	**(7,220)**	**299,533**	**527,724**	**(1,033)**	**(3,032)**	**(7,566)**	**2,625**	**815,895**
Dividends distributed	-	-	-	(29,760)	-	-	-	(875)	(30,635)
Change in own shares	-	(9,902)	-	-	-	-	-	-	(9,902)
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**

(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 2023	**4,863**	**(17,122)**	**299,533**	**684,679**	**2,599**	**(3,659)**	**(603)**	**1,579**	**971,869**
Dividends distributed	-	-	-	(37,278)	-	-	-	(1,120)	(38,398)
Total profit (loss)	-	-	-	186,699	(849)	(1,146)	(1,150)	1,761	185,315
Other changes	-	-	-	(1,727)	-	-	-	(336)	(2,063)
On 31 December 2023	**4,863**	**(17,122)**	**299,533**	**832,373**	**1,750**	**(4,805)**	**(1,753)**	**1,883**	**1,116,723**

Consolidated Statement of Cash Flows

(THOUSAND EUROS)	2023	2022
Group net income	188,459	192,184
Income taxes	95,387	71,664
Amortization and depreciation	75,205	58,612
Other non-monetary expenses/(income)	1,402	(29,356)
Change in work in progress	33,768	(8,280)
Change in trade receivables	(76,198)	(47,693)
Change in trade payables	22,166	1,654
Change in other assets and liabilities	(44,280)	9,282
Change in deferred tax liabilities	(8,072)	15,913
Change in employee benefits and provisions	32,169	(1,259)
Income tax paid	(71,664)	(76,550)
Interest paid	(3,776)	(1,797)
Interest collected	5,227	200
Net cash flows from operating activities (A)	**249,794**	**184,573**
Payments for tangible and intangible assets	(29,265)	(41,771)
Payments for financial assets	(485)	(2,562)
Payments for the acquisition of subsidiaries net of cash acquired	(10,942)	(190,018)
Net cash flows from investment activities (B)	**(40,692)**	**(234,350)**
Dividends paid	(38,398)	(30,635)
Shares issued	-	(9,902)
In payments from loans	6,500	80,396
Financial liabilities for leasing	(33,503)	(30,343)
Repayment of loans	(23,345)	(11,166)
Net cash flows from financing activities (C)	**(88,746)**	**(1,651)**
Net cash flows (D) = (A+B+C)	**120,356**	**(51,428)**
Cash and cash equivalents at the beginning of period	263,252	314,680
Cash and cash equivalents at period end	383,608	263,252
Total change in cash and cash equivalents (D)	**120,356**	**(51,428)**

DETAIL OF CASH AND CASH EQUIVALENTS		
(THOUSAND EUROS)		
Cash and cash equivalents at beginning of period:	**263,252**	**314,680**
Cash and cash equivalents	283,695	329,051
Bank overdrafts	(20,443)	(14,371)
Cash and cash equivalents at period end:	**383,608**	**263,252**
Cash and cash equivalents	383,742	283,695
Bank overdrafts	(135)	(20,443)

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Note 1 - General information

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

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.
Differences 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 2023	ON 31 DECEMBER 2023	AVERAGE 2022	ON 31 DECEMBER 2022
GBP	0.86979	0.86905	0.85276	0.88693
Brazilian Real	5.401	5.3618	5.4399	5.6386
Rumenian Leu	4.9467	4.9756	4.9313	4.9495
US Dollar	1.0813	1.105	1.053	1.0666
Chinese Yuan	7.66	7.8509	7.0788	7.3582
Polish Zloty	4.542	4.3395	4.6861	4.6808
Kuna	-	-	7.5349	7.5345
Hong Kong Dollar	8.465	8.6314	8.2451	8.3163
New Zealand Dollar	1.7622	1.7504	1.6582	1.6798
Singapore Dollar	1.4523	1.4591	1.4512	1.43
Malaysian Ringgit	4.932	5.0775	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	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 on disposal.

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 changes 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 comprises 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 labour 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.
Bonuses settled through the recognition of shares in the company (equity settlement) are recorded at their initial fair value and measured on a straight-line basis over the vesting period.

Incentive Plans (LTI)

Incentive plans linked to specific parameters (economic, financial, ESG and TSR) are recorded on the basis of their initial fair value and reviewed at each reporting date to adjust based on the probability of achieving the objectives and the permanence of the assignees (vesting condition).

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.

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.

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.

Recently issued accounting standards

The following are the amendments to the international accounting standards endorsed by the European Commission, which were already included in the 2022 Annual Report, which are effective from January 1, 2023, in addition to the amendments not yet endorsed by the European Commission, some of which issued in the first half of the current year.

Accounting Standards and Interpretations issued by the IASB/IFRIC and endorsed by the European Commission

With Regulation No. 2021/2036, issued by the European Commission on November 19, 2021, the amendments to IFRS 17 "Insurance Contracts" were endorsed which define the accounting treatment of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17, which supersede those currently provided for in IFRS 4 "Insurance Contracts", aim to help companies to implement the standard and to: (i) reduce costs by simplifying the requirements of the standard; (ii) make disclosures easier to report in the financial statements; (iii) facilitate the transition to the new standard, deferring its entry into force. The amendments are effective from January 1, 2023.

With Regulation No. 2022/357, issued by the European Commission on March 2, 2022, the amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" were endorsed, requiring individual entities to supply more information about their accounting policies. The amendments clarify that information on accounting policies is relevant when, considered together with other information provided in the financial statements, it is reasonably possible to assume that they affect the decisions of the financial statement users. The description provided in relation to accounting policies must be "entity specific", highlighting the specific accounting methods adopted by the company and providing more useful information than a standardised description or one that merely replicates the IFRS provisions. The changes to the Practice Statement provide guidance on how to apply the concept of materiality to financial reporting. The amendments are effective from January 1, 2023.

With Regulation No. 2022/357, issued by the European Commission on March 2, 2022, the amendments to IAS 8 "Definition of Accounting Estimates" were endorsed which defines the notion of accounting estimates, removing the definition of amendment in accounting estimates. In the new understanding, accounting estimates are defined as monetary amounts subject to measurement uncertainty and that, therefore, they must be estimated using judgements, assumptions, valuation techniques and inputs. Changes in accounting estimates are applied prospectively only to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively. The amendments are effective from January 1, 2023.

With Regulation No. 2022/1392, issued by the European Commission on August 11, 2022, the amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" were endorsed, which clarifies the methods of accounting for deferred tax related to assets and liabilities for some transactions, including lease transactions and decommissioning requirements, which during initial recognition produce temporary taxable and deductible differences of an equal amount, as well as to IFRS 1 "First-time Adoption of International Financial Reporting Standards", introducing a specific paragraph on the date of application of these amendments, and some paragraphs concerning Appendix B of IFRS 1. The amendments are effective from January 1, 2023.
With Regulation No. 2022/1491, issued by the European Commission on September 8, 2022, the amendments to IFRS 17 "Insurance Contracts": Initial Application of IFRS 17 and IFRS 9 - Comparative Information" where endorsed, which requires that if an entity applies IFRS 17 following the application of IFRS 9 (classification overlap), the entity must provide qualitative information that allows users of the financial statements to understand: (i) the extent to which the classification overlap was applied (for example, whether it was applied to all financial assets derecognised in the comparative period); and (ii) whether and to what extent the impairment provisions of IFRS 9 were applied. The IASB has consequently added a text block element to the IFRS taxonomy to reflect this new disclosure requirement. The amendments are effective from January 1, 2023.

At present Reply believes that the amendments described above will have no significant impact on the Group.

Accounting standards not yet approved by the European Union

On January 23, 2020, the IASB issued the Amendment to IAS 1 "Classification of Liabilities as Current or Non current" and on October 31, 2022, published the Amendment to IAS 1 "Non-Current Liabilities with Covenants". These amendments provide clarifications on the classification of liabilities as current or non current. The amendments will be effective on or after January 1, 2024.

On September 22, 2022, the IASB issued the Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback", which requires the seller-lessee to value the Right-of-Use asset arising from a sale and leaseback transaction on the basis of the percentage of the previous carrying amount of the asset held by the seller-lessee. Consequently, in a sale and leaseback transaction, the seller-lessee will only recognise the amount of any gains or losses relating to the rights transferred to the buyer-lessor. Therefore, the initial value of the lease liabilities arising from a sale and leaseback transaction is a consequence of the way in which the seller-lessee measures the Right-of-use asset and the gains or losses recorded on the date of the transaction. The amendments will be effective on or after January 1, 2024.

On May 23, 2023, the IASB issued the Amendment to IAS 12 "International Tax Reform - Pillar Two Model Rules", which introduces a mandatory temporary exception to the requirements of IAS 12 for the recognition and specific disclosure of deferred tax assets and liabilities arising from the OECD "Pillar Two Model Rules". By introducing common rules, Pillar Two aims to ensure that in every jurisdiction, large multinationals with consolidated turnover of at least €750 million are subject to a minimum 15% tax rate. The temporary exception will take effect immediately after the publication of the Amendment and will be applied retrospectively in compliance with IAS 8, while the specific disclosure requirements will take effect starting from the annual statements starting on or after January 1, 2023.

On May 25, 2023, the IASB issued the Amendment to IAS 7 and IFRS 7 "Supplier Finance Arrangements", which requires entities to provide additional information on supplier finance contracts allowing the users of the financial statements to assess how these supplier contracts affect liabilities and cash flows and to understand the effect on the exposure to liquidity risks.

On August 15, 2023, the IASB published an amendment called "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to apply a methodology to be applied in a consistent manner in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the notes to the financial statements. The change will apply from 1 January 2025, but an early application is allowed.
The amendments will be effective on or after January 1, 2024. Reply is currently assessing the possible impacts of the above-mentioned amendments on the Group.

Note 3 - Risk management

The Group operates at a worldwide 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 risks in creditworthiness 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 prospective 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.
There are no changes in consolidation compared to 31 December 2022 with exception of the exit of WM Reply LLC.
Furthermore, the list of the Reply Group companies, compared to 31 December 2022, presented as an annex herein include the start-up companies Aim Reply Ltd, Atomic Reply Ltd, Business Reply P.S. S.r.l., Logistics Reply Roma S.rl., Reply Croatia d.o.o., Shield Reply S.r.l., Shield Reply Ltd, Sprint Reply Ltd, Storm Reply LLC, Storm Reply Roma S.rl., Tender Reply S.r.l., WM Reply S.r.l.

Note 5 - Revenue

Revenues from sales and services, including changes in work in progress on contracts, amounted to 2,117,983 thousand Euros (1,891,114 thousand Euros in 2022).
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 Top Management and the allocation approximates the localization of services provided:

REGION (*)	2023	2022
Region 1	62.1%	63.5%
Region 2	19.9%	19.2%
Region 3	18.0%	17.3%
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 23,947 thousand Euros (19,452 thousand Euros in 2022), and referred to miscellaneous income, non-recurring income and R&D contributions.

Note 7 - Purchases

Detail is as follows:

(THOUSAND EUROS)	2023	2022	CHANGE
Software licenses for resale	20,978	16,394	4,584
Hardware for resale	1,798	3,830	(2,032)
Other	6,588	7,104	(516)
Total	**29,364**	**27,328**	**2,036**

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 4,322 thousand Euros, the purchase of low value assets for 1,248 thousand Euros and the purchase of office stationery for 571 thousand Euros.

Note 8 - Personnel

Detail is as follows:

(THOUSAND EUROS)	2023	2022	CHANGE
Payroll employees	1,067,925	909,937	157,988
Executive Directors	71,405	76,807	(5,402)
Total	**1,139,331**	**986,744**	**152,587**

The increase in the cost of employees, amounting to 152,587 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)	2023	2022	CHANGE
Directors	436	418	18
Managers	1,724	1,438	286
Staff	12,638	11,611	1,027
Total	**14,798**	**13,467**	**1,331**

On 31 December 2023, the Group had 14,798 employees compared with 13,467 at the end of 2022.
The average number of employees in 2023 was 14,220 marking an increase with respect to 11,862 of the previous year.
Payroll employees comprise mainly electronic engineers and economic, computer science, and business graduates from the best Universities.

Note 9 - Service costs

Service costs comprised the following:

(THOUSAND EUROS)	2023	2022	CHANGE
Commercial and technical consulting	412,670	416,550	(3,880)
Travelling and professional training expenses	48,074	36,058	12,016
Other services costs	106,387	104,823	1,563
Office expenses	21,620	21,256	364
Lease and rentals	8,814	6,721	2,093
Other	22,092	21,444	648
Total	**619,657**	**606,853**	**12,804**

The item Other services costs mainly include marketing services, software license fees, administrative and legal services, telephone and meal vouchers.

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and secretarial services for 4,118 thousand Euros, rent charged by third parties for 5,964 thousand Euros, utility costs for 6,360 thousand Euros, cleaning expenses for 2,846 thousand Euros and maintenance expenses for 1,762 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 2023 of 15,698 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the year ended 2023 amounted to an overall loss of 16,220 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 32,210 thousand Euros.

It is to be noted that following the impairment test of the customer lists initially recognised it was necessary to write off 11,078 thousand Euros.

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

Other operating and non-recurring net income are related to events and transactions that because of their nature do not occur continuously in normal operations, at 31 December amounted to 14,373 thousand Euros (54,445 thousand Euros in 2022) and mainly refer to:

- Other operating non-recurring income/(expenses): 1,485 thousand Euros related to net negative changes in the provision for risks and charges for contractual, commercial and litigation risks and to provisions allocated to adjust assets. In particular, this item includes the provision of 6,700 thousand Euros, relating to the liability disclosed in the paragraph "Significant events occurring after the end of the financial year" to which reference is made, in relation to such event there is a possible liability, currently unquantifiable linked to any civil actions;
- Other non-operating and non-recurring income/(expenses): positive 15,858 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 13,877 thousand Euros is related to the fair value adjustments to equity investments in start-up companies made by the Investment company Breed Reply Investments Ltd.

Note 13 - Financial income/(expenses)

Detail is as follows:

(THOUSAND EUROS)	2023	2022	CHANGE
Financial income	7,002	1,835	5,167
Interest expenses	(5,789)	(2,938)	(2,851)
Other	(8,499)	(3,572)	(4,927)
Total	**(7,287)**	**(4,676)**	**(2,611)**

Financial income mainly includes positive interest on financial investments amounting to 1,039 thousand Euros, positive interest on convertible loans amounting to 176 thousand Euros and interest on bank deposits amounting to 5,227 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 3,503 thousand Euros (3,000 thousand Euros at 31 December 2022);
- the changes in fair value of financial liabilities pursuant to IFRS 9 in a negative net gain of 2,142 thousand Euros (positive 785 thousand Euros at 31 December 2022);
- the exchange rate differences from the translation of balance sheet items not stated in Euros in a negative net gain of 3,580 thousand Euros (positive 1,542 thousand Euros at 31 December 2022);
- the net changes in fair value of Convertible Loans for negative 341 thousand Euros (positive 416 thousand Euros at 31 December 2022);
- the financial losses related to the fair value adjustments of the investments mainly held by the parent company Reply amounting to 1,063 thousand Euros (negative 3,311 thousand Euros at 31 December 2022).

Note 14 - Income taxes

Income taxes for the financial year ended 2023 amounted to 83,122 thousand Euros and is detailed as follows:

(THOUSAND EUROS)	2023	2022	CHANGE
IRES and other taxes	84,179	63,989	20,190
IRAP (Italy)	11,938	10,238	1,699
Current taxes	**96,117**	**74,227**	**21,889**
Deferred tax expenses	(2,731)	729	(3,461)
Deferred tax income	(9,534)	4,118	(13,652)
Deferred taxes	**(12,265)**	**4,848**	**(17,113)**
Corporate tax - previous years	(729)	(2,564)	1,834
Total income taxes	**83,122**	**76,511**	**6,611**

The tax rate was equivalent to 30.6% (compared to 28.5% of 2022).

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	**271,581**	
Theoretical income taxes	65,179	24.0%
Effect of fiscal permanent differences	6,389	
Effect of difference between foreign tax rates and the theoretical Italian tax rate	2,107	
Other differences	(2,492)	
Current and deferred income tax recognized in the financial statement excluding IRAP	**71,184**	**26.2%**
IRAP current and deferred	11,938	4.4%
Current and deferred income recognized in the financial statements	**83,122**	**30.6%**

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 2023 was calculated on the basis of the Group's net result amounting to 186,699 thousand Euros (191,016 thousand Euros as at 31 December 2022) divided by the weighted average number of shares, net of treasury shares, as at 31 December 2023 which amounted to 37,278,236 (37,252,650 as at 31 December 2022).

(EUROS)	2023	2022
Group net result	186,699,000	191,016,000
Average no. shares	37,278,236	37,252,650
Earnings per share	5.01	5.13

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 2023:

CLIENT	THOUSAND EUROS
AZIENDA REGIONALE PER L'INNOVAZIONE E GLI ACQUISTI SPA	16,412
SOGEI ED ALTRI ENTI PUBBLICI	12,458
REGIONI E PROVINCE	8,745
AGENZIA DELLE ENTRATE-RISCOSSIONE	3,351
AZIENDA SOCIO SANITARIA TERRITORIALE	3,022
PREVIDENZA SOCIALE	2,548
MINISTERI	2,231
AZIENDA ZERO	1,460
ENTE PUBBLICO NAZIONALE DI RICERCA	1,112
FONDAZIONI	1,103
AGEA - AGENZIA PER LE EROGAZIONI IN AGRICOLTURA	1,083
BANCHE	655
ANAC	569
AGENZIA DI TUTELA DELLA SALUTE REGIONALE	429
ENI	295
INAIL	215
UNIVERSITA'	195
INARCASSA	157
INNOVAPUGLIA S.P.A.	143
AZIENDA ULSS	113
INSIEL	49
AGENZIA NAZIONE PER L'AMMINISTRAZIONE E LA DESTINAZIONE DEI BENI SEQUESTRATI ALLA CRIMINALITA' ORGANIZZATA	44
ISTITUTO CENTRALE PER LA DIGITALIZZAZIONE DEL PATRIMONIO CULTURALE	39
ARPA-AGENZIA REGIONALE PROTEZIONE AMBIENTE	29
COMUNI	25
TS - WAY S.R.L.	21
FINCANTIERI	13
INVITALIA	11
ENEA	9
MIBACT GALLERIA NAZIONALE D'ARTE MODERNA E CONTEMPORANEA	9
ARMA DEI CARABINIERI	**4**
AGENZIA REGIONALE PER LA PROTEZIONE DELL'AMBIENTE	1
TOTAL	**56,550**

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

PUBLIC GRANTS

ENTITY	THOUSAND EUROS
MINISTERO DELL'ISTRUZIONE, DELL'UNIVERSITA' E DELLA RICERCA	1,714
COMMISSION EUROPEENNE	398
EIT DIGITAL ITALY	290
REGIONE PIEMONTE	268
MINISTERO DELLO SVILUPPO	35
TOTAL	**2,706**

The beneficiary companies are: Reply S.p.A., Cluster Reply S.r.l., Cluster Reply Roma S.r.l., Consorzio Reply Public Sector, Eos Reply S.r.l., Forge Reply S.r.l., Like Reply S.r.l., Santer Reply S.p.A., Security Reply S.r.l., Storm Reply S.r.l., Xenia Reply S.r.l., Xister Reply S.r.l. e Whitehall Reply S.r.l. For further details, please refer to the individual company's 2023 annual report.

Note 17 - Tangible assets

Tangible assets as at 31 December 2023 amounted to 108,197 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Buildings	71,434	58,592	12,842
Plant and machinery	5,759	6,665	(906)
Hardware	12,491	12,102	390
Other	18,513	20,710	(2,197)
Total	**108,197**	**98,069**	**10,128**

Change in tangible assets during 2023 is summarized below:

(THOUSAND EUROS)	BUILDINGS	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
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**	**98,069**
Historical costs					
Increases	13,884	912	8,672	4,215	27,683
Disposals	(14)	(642)	(13,439)	(5,350)	(19,445)
Change in consolidation	-	-	(214)	(132)	(346)
Other changes	177	(5)	(4)	(1,117)	(949)
Accumulated depreciations					
Increases	(1,143)	(1,891)	(7,692)	(4,974)	(15,700)
Disposals	-	624	13,194	4,139	17,957
Change in consolidation	-	-	162	118	279
Other changes	(62)	96	(289)	904	649
Historical cost	77,177	20,121	49,613	52,179	199,090
Accumulated depreciation	(5,743)	(14,363)	(37,121)	(33,666)	(90,893)
31/12/2023	**71,434**	**5,759**	**12,491**	**18,513**	**108,197**

During the financial year the Group carried out total investments for 27,683 thousand Euros (34,198 thousand Euros at 31 December 2022).

The item Buildings mainly includes:

- the net value of a building owned by the group amounting to 4,760 thousand Euros located in Guetersloh, Germany.
- the real estate complex located in Turin and called "ex Caserma De Sonnaz" in the amount of 41,161 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 25,513 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 4,768 thousand Euros; 3,077 thousand Euros for purchases made by the companies included in Region 2 and 826 thousand Euros for purchases made by the companies included in Region 3.

The item Other as at 31 December 2023 mainly includes office furniture and leasehold improvements. The increase of 4,215 thousand Euros mainly refers to the purchase of office furniture for 373 thousand Euros, leasehold improvements for 2,238 thousand Euros and the purchase of other for 1,557 thousand Euros. The item Other is mainly related to mobile phones. Other changes mainly refer to translation differences.
As at 31 December 2023, tangible assets were depreciated by 45.7% of their value, compared to 49.0% at the end of 2022.

Note 18 - Goodwill

This item includes goodwill arising from consolidation of subsidiaries purchased against payment made by some Group companies.
Goodwill in 2023 developed for the exchange rate differences as follows:

(THOUSAND EUROS)	
Beginning balance	**630,255**
Increases	-
Impairment	-
Total	**630,255**
Exchange rate differences	(3,775)
Ending balance	**626,480**

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 31/12/2022	INCREASES	TRANSLATION DIFFERENCES	AT 31/12/2023
Region 1	205,427	-	(5,357)	200,070
Region 2	233,053	-	-	233,053
Region 3	191,774	-	1,582	193,357
Total	**630,255**	**-**	**(3,775)**	**626,480**

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, deterimned also with the support of third party expertise, 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:	8.71%	6.95%	8.41%
Discount rate, before taxes:	11.56%	9.93%	11.21%
Multiple of EBIT	11.4	11.4	11.4

As to all CGUs subject to the impairment tests at 31 December 2023 no indications emerged that such businesses may have been subject to impairment.

On 31 December 2023 the difference between the headroom estimated and the book value of the net invested capital inclusive of the goodwill initially recognized, is equal to 416.3% for Region 1,79.5% for Region 2 and 49.8% 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 153 million Euros, 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:	8.63%
Discount rate, before taxes:	11.51%
Multiple of EBIT	11.4

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 increase in key parameters. 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 2023 amounted to 81,509 thousand Euros (105,173 thousand Euros on 31 December 2022).

Other intangible assets are detailed as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Development costs	3,764	2,422	1,342
Software	3,689	4,892	(1,203)
Trademark	537	537	-
Other intangible assets	73,520	97,323	(23,803)
Total	**81,509**	**105,173**	**(23,664)**

Change in intangible assets during 2023 is summarized in the table below:

(THOUSAND EUROS)	DEVELOPMENT COSTS	SOFTWARE	TRADEMARK	OTHER INTANGIBLE ASSETS	TOTAL
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**
Historical costs					
Increases	2,961	2,776	-	182	5,918
Disposals	-	(4,007)	-	(9)	(4,016)
Other changes	-	(23)	-	(846)	(868)
Accumulated depreciations					
Increases and write-downs	(1,618)	(2,378)	-	(23,301)	(27,298)
Disposals	-	2,265	-	-	2,265
Other changes	-	149	-	188	336
Historical cost	36,541	25,984	537	119,477	182,540
Accumulated depreciation	(32,777)	(22,310)	-	(45,943)	(101,030)
31/12/2023	**3,764**	**3,674**	**537**	**73,535**	**81,509**

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 748 thousand Euros related to software development for internal use in 2023.

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.

Other intangible assets include the customer lists following the completion of the PPA procedures under M&A activities. Following the impairment test of the value initially recognised, it was necessary to write-off 11,078 thousand euros.

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)	01/01/2023	NET CHANGES	AMORTIZATION	EXCHANGE DIFFERENCE	31/12/2023
Buildings	96,670	19,430	(23,042)	529	93,587
Vehicles	14,660	14,979	(9,077)	14	20,576
Office equipment	1,010	(46)	(370)	-	595
Total	**112,341**	**34,363**	**(32,489)**	**543**	**114,758**

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.

Note 21 - Equity investments

The item Equity investments amounts to 41,373 thousand Euros and includes for 41,155 thousand Euros investments in start-up companies principally in the IoT field made by the Investment company Breed Reply 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 31/12/2022	NET INCREASES/ DISPOSALS	CONVERSION CONVERTIBLE LOANS INTO EQUITY	NET FAIR VALUE ADJUSTMENTS	EXCHANGE DIFFERENCES	VALUE AT 31/12/2023
Investments	50,823	472	4,394	(13,877)	(657)	41,155

Net fair value adjustments
The net fair value adjustment amounting to 13,877 thousand Euros reflects the market values of the last rounds that took place in 2023 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 40,320 thousand Euros compared to 42,314 thousand Euros as at 31 December 2022.

Detail is as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Short term securities	1,870	1,451	419
Financial investments	28,886	27,201	1,685
Derivative financial instruments	1,983	-	1,983
Loans to third parties	133	156	(23)
Receivables from factor	-	1,800	(1,800)
Total current financial assets	**32,872**	**30,608**	**2,264**
Receivables from insurance companies	3,277	3,250	27
Guarantee deposits	2,459	1,808	651
Other financial assets	413	358	55
Convertible loans	1,299	6,289	(4,991)
Total non current financial assets	**7,448**	**11,706**	**(4,258)**
Total financial assets	**40,320**	**42,314**	**(1,994)**

Short term securities mainly refer to Time Deposit investments.

The item Financial investments refers to bonds held by the parent company Reply S.p.A. The valuation of short-term investments, based on fair value at 31 December 2023, showed a positive difference amounting to 1,063 thousand Euros compared to the purchase cost of the same.

Derivative instruments refer to the fair value of derivative contracts signed with Unicredit in order to cover fluctuations in the floating interest rate on loans and/or mortgages whose underlying notional value amounts to 55,000 thousand euros. The effective component of the hedges and the related movements during the financial year are reported in the changes in net equity. The ineffective part was recorded in the income statement.

Receivables from factor referred 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 some start-up companies in the field of IoT, detail is as follows:

(THOUSAND EUROS)	VALUE AT 31/12/2022	INCREASES/ DISPOSALS	EQUITY CONVERSION	CAPITALIZED INTERESTS	NET FAIR VALUE ADJUSTMENTS	EXCHANGE DIFFERENCES	VALUE AT 31/12/2023
Convertible loans	6,289	(448)	(4,394)	176	(341)	17	1,299

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

Cash and cash equivalents at 31 December 2023 are detailed as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Cash at banks	382,433	283,653	98,780
Cash at hand	1,310	42	1,268
Total cash and cash equivalents	**383,742**	**283,695**	**100,048**

Cash and cash equivalents are disclosed at Note 27.

Note 23 - Deferred tax assets

Deferred tax assets, amounting to 66,693 thousand Euros, of which 18,559 thousand Euros are current as at 31 December 2023 (24,472 thousand Euros as at 31 December 2022), include the fiscal charge corresponding to the temporary differences originating among the anti-tax result and taxable income relating to entries with deferred deductibility.

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

(THOUSAND EUROS)	31/12/2022	ACCRUALS	UTILIZATION	31/12/2023
Prepaid tax on costs that will become deductible in future years	12,017	4,720	(4,156)	12,582
Prepaid tax on greater provisions for doubtful accounts	18,687	5,663	(4,578)	9,773
Deferred fiscal deductibility of amortization	2,288	508	(324)	2,472
Consolidation adjustments and other items	28,988	9,392	(6,513)	31,867
Total	**61,979**	**20,285**	**(15,571)**	**66,693**

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 47,061 thousand Euros, is recognized net of a provision amounting to 57,777 thousand euros (54,726 thousand euros at 31 December 2022) detailed as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Contract work in progress	159,726	161,262	(1,536)
Advance payments from customers	(112,665)	(77,382)	(35,283)
Total	**47,061**	**83,880**	**(36,819)**

Any advance payments from customers are deducted from the value of the work in progress, 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 11,440 thousand euros and to the release amounting to 8,411 thousand euros.

Note 25 - Trade receivables

Trade receivables as at 31 December 2023 amounted to 739,474 thousand Euros with a net increase of 81,906 thousand Euros.

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Domestic client	746,158	663,173	82,985
Allowance for doubtful accounts	(6,684)	(5,605)	(1,079)
Total trade receivables	**739,474**	**657,568**	**81,906**

Trade receivables are shown net of allowances for doubtful accounts, calculated by using the expected credit loss approach pursuant to IFRS 9, amounting to 6,684 thousand Euros on 31 December 2023 (5,605 thousand Euros at 31 December 2022).

The Allowance for doubtful accounts developed in 2023 as follows:

(THOUSAND EUROS)	31/12/2022	ACCRUALS	REVERSAL	UTILIZATION	31/12/2023
Allowance for doubtful accounts	5,605	2,640	(1,341)	(220)	6,684

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 2022, are summarized in the tables below:

Aging at 31/12/2023

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	746,158	650,236	70,088	13,042	9,879	2,913	95,922
Allowance for doubtful accounts	(6,684)	(2,678)	(283)	(585)	(795)	(2,343)	(4,006)
Total trade receivables	**739,474**	**647,558**	**69,805**	**12,458**	**9,084**	**570**	**91,916**

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**	**85,848**

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)	31/12/2023	31/12/2022	CHANGE
Tax receivables	69,359	54,255	15,104
Advances to employees	8	-	8
Accrued income and prepaid expenses	35,091	30,780	4,311
Other receivables	19,916	16,793	3,123
OTHER RECEIVABLES AND CURRENT ASSETS	**124,373**	**101,828**	**22,545**

The item Tax receivables mainly includes:

- credits to the Treasury for VAT amounting to 32,537 thousand Euros (35,034 thousand Euros at 31 December 2022);
- income tax prepayments net of the allocated liability amounting to 13,574 thousand Euros (9,792 thousand Euros at 31 December 2022);
- receivables for withholding tax amounting to 2,871 thousand Euros (1,535 thousand Euros at 31 December 2022).

The item Other receivables mainly includes the contributions receivable in relation to research projects for 6,114 thousand Euros (7,142 thousand Euros at 31 December 2022) and receivables from foreign tax administrations for 4,857 thousand Euros.

Note 27 - Cash and cash equivalents

The balance of 383,742 thousand Euros, with an increase of 100,048 thousand Euros compared with 31 December 2022, 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 2023 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 2023 totaled 37,278,236, same as at 31 December 2022.

Treasury shares

The value of the Treasury shares, amounting to 17,122 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 31 December 2023 were equal to n. 133,192, same as at 31 December 2022.

Capital reserves

On 31 December 2023 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 20 April 2023 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 832,373 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 644,701 thousand Euros (retained earnings amounted to 492,690 thousand Euros as at 31 December 2022);
- Profits attributable to shareholders of the Parent Company amounted to 186,699 thousand Euros (191,016 thousand Euros as at 31 December 2022).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(THOUSANDS EUROS)	31/12/2023	31/12/2022
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	(1,150)	6,963
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**(1,150)**	**6,963**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	(849)	3,632
Gains/(losses) from the translation of assets in foreign currencies	(1,146)	(627)
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**(1,995)**	**3,005**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**(3,146)**	**9,968**

Minority interests

Minority interests consist of the participation of non-controlling shareholders in the capital of the companies included in the consolidation area and at 31 December 2023 amounted to 1,883 thousand euros (1,579 thousand euros at 31 December 2022).

Note 29 - Due to minority shareholders and earn-out

Due to minority shareholders and Earn-out as at 31 December 2023 amounted to 114,368 thousand Euros (141,502 thousand Euros on 31 December 2022), of which 27,845 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)	31/12/2022	FAIR VALUE ADJUSTMENTS	PAYMENTS	EXCHANGE DIFFERENCES	31/12/2023
Payables to minority shareholders	9,539	640	-	(87)	10,092
Payables for earn-out	131,963	(16,524)	(10,500)	(663)	104,276
Total due to minority shareholders and Earn-out	**141,502**	**(15,884)**	**(10,500)**	**(757)**	**114,368**

The item Fair value adjustments in 2023 amounted to 15,884 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally recognised at the time of acquisition.

Total payments made amounted to 10,500 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

	31/12/2023			31/12/2022		
(THOUSAND EUROS)	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Bank overdrafts	135	-	135	20,443	-	20,443
Bank loans	32,285	52,291	84,576	22,643	74,533	97,175
Total due to banks	**32,419**	**52,291**	**84,710**	**43,086**	**74,533**	**117,618**
Other financial borrowings	236	-	236	660	-	660
IFRS 16 financial liabilities	31,670	95,101	126,770	27,829	97,624	125,453
Total financial liabilities	**64,325**	**147,392**	**211,717**	**71,574**	**172,157**	**243,731**

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

	31/12/2023				31/12/2022			
(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	135	-	-	135	20,443	-	-	20,443
M&A loans	25,295	26,366	-	51,661	20,952	51,214	-	72,167
Mortgage loans	3,614	10,981	11,750	26,345	325	11,459	8,960	20,744
Bank loans	3,375	3,194	-	6,570	2,150	5,991	-	8,141
Other financial borrowings	236	-	-	236	660	-	-	660
IFRS 16 financial liabilities	31,670	95,101	-	126,770	27,829	79,053	18,571	125,453
Derivative financial instruments	-	-	-	-	(785)	(2,076)	(1,016)	(3,876)
Total	**64,325**	**135,642**	**11,750**	**211,717**	**71,574**	**145,642**	**26,515**	**243,731**

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 2023 this line had been used for 25,000 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 2023 this line had been used for 25,714 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 2023 this line had been used for 500 thousand Euros.
- On 20 February 2023 Reply S.p.A. entered into a line of credit with Banco BPM S.p.A. for a total amount of 50,000 thousand Euros to be used by 1 April 2025. As at 31 December 2023 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 2023 the Covenants under the various contracts were satisfied.

The item Mortgages refers to a 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 2023 the outstanding amount is 1,185 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 October 23, 2023 an amendment was signed with the same institution, agreeing to extend the period of use from 66 to 78 months (as with the amendment of November 15, 2021), with the possibility to obtain mortgage disbursements till November 30, 2024. The mortgage is disbursed in relation to the progress of the work. Such credit line was used for 25,200 thousand Euros at 31

December 2023.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2023 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 55,000 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)	31/12/2023	31/12/2022	CHANGE
A Cash	383,742	283,695	100,048
B Cash equivalents	-	-	-
C Current financial assets	32,872	30,608	2,264
D Cash (A+B+C)	**416,615**	**314,303**	**102,312**
E Current financial liabilities	32,040	48,147	(16,107)
F Short-term portion of long term financial liability	32,285	23,428	8,857
G Financial liabilities short-term (E+F)	**64,325**	**71,574**	**(7,249)**
H Net financial debt short-term (G-D)	**(352,290)**	**(242,729)**	**(109,561)**
I Financial liabilities long-term	147,450	175,251	(27,801)
J Financial instruments	(59)	(3,095)	3,036
K Other liabilities long-term	114,368	141,502	(27,134)
L Financial debt long-term (I+J+K)	**261,760**	**313,659**	**(51,899)**
Total financial debt	**(90,530)**	**70,930**	**(161,460)**

Net financial indebtedness includes IFRS 16 financial liabilities amounting to 126,770 thousand Euros, of which 95,101 thousand Euros were non-current and 31,670 thousand Euros 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 2023 is summarized below:

(THOUSAND EUROS)	
Total financial liabilities 2022	**243,731**
Bank overdrafts	(20,443)
IRS	3,820
Non current financial liabilities 2022	**227,108**
IFRS 16 financial liabilities	1,317
Cash flows	(16,844)
Total non-current financial liabilities 2023	**211,581**
Bank overdrafts	136
IRS	-
Total financial liabilities 2023	**211,717**

Note 31 - Employee benefits

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Employee severeance indemnities	39,017	33,830	5,187
Employee pension funds	6,970	7,316	(345)
Directors severance indemnities	1,741	1,670	71
Other	21,949	16	21,933
Total	**69,677**	**42,831**	**26,846**

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 2023: 2.50% frequency of turnover in 2023: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS	
Annual inflation rate	Average annual rate of 2.00%
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 3.17% was used for the year 2023.
Annual growth rate of the Employee severance indemnities	Annual increase in the growth rate of the Employee severance indemnities equal to 3.00%
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 2023 are summarized in the table below:

(THOUSAND EUROS)	
Balance at 31/12/2022	**33,830**
Change in consolidation	-
Cost relating to current (*service cost*) work	6,509
Actuarial gain/loss	1,295
Interest cost	1,253
Indemnities paid during the year	(3,870)
Balance at 31/12/2023	**39,017**

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	**7,164**
Service cost	28
Interest cost	252
Actuarial gains/(losses)	(209)
Indemnities paid during the year	(332)
Present value at year end	**6,903**

The assumptions adopted were as follows:

Discount rate	3.6% - 3.7%
Rate of future compensation increases	2.2%
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 2023.

Other
The item Other includes payables accrued in connection with long-term incentive plans based on specific objectives. In the previous year, the non-recurring portion of these payables was accounted for under other current payables and liabilities. The effects generated by a possible reclassification are not considered material, therefore, the previous year has not been restated.

Note 32 - Deferred tax liabilities

Deferred tax liabilities at 31 December 2023 amounted to 41,605 thousand Euros, of which 20,101 thousand Euros current, and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

(THOUSAND EUROS)	31/12/2023	31/12/2022
Deductible items off the books	7,225	7,321
Deferred tax on PPA	17,196	25,219
Other	17,184	12,424
Total	**41,605**	**44,964**

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 21,183 thousand Euros (of which 20,644 thousand Euros are non-current).
Change in 2023 is summarized in the table below:

(THOUSAND EUROS)	BALANCE AT 31/12/2022	ACCRUALS	UTILIZATION	REVERSALS	OTHER CHANGES	BALANCE AT 31/12/2023
Fidelity fund	814	153	(73)	(17)	-	877
Provision for risks	15,046	6,700	(404)	(1,060)	23	20,306
Total	**15,860**	**6,853**	**(477)**	**(1,076)**	**23**	**21,183**

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. In particular, this item includes the provision of 6,700 thousand euros, relating to the liability disclosed in the paragraph "Significant events occurring after the end of the financial year" to which reference is made in relation to such event there is a possible liability, currently unquantifiable linked to any civil actions.
Other changes mainly refer to translation differences.

Note 34 - Trade payables

Trade payables at 31 December 2023 amounted to 191,001 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Trade Payables	193,661	169,707	23,954
Advances to suppliers	(2,659)	(871)	(1,788)
Total	**191,001**	**168,835**	**22,166**

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 2023 amounted to 607,705 thousand Euros with an increase of 9,148 thousand Euros with respect to the previous financial year.
Detail is as follows:

(THOUSAND EUROS)	31/12/2023	31/12/2022	CHANGE
Income tax payable	33,004	17,514	15,490
VAT payable	23,804	31,870	(8,066)
Withholding tax and other	22,721	6,961	15,760
Total due to tax authorities	**79,529**	**56,346**	**23,183**
National social insurance payable	52,953	69,306	(16,353)
Other	5,106	7,276	(2,170)
Total due to social securities	**58,058**	**76,582**	**(18,523)**
Employee accruals	133,779	115,484	18,294
Other payables	265,663	290,622	(24,959)
Accrued expenses and deferred income	70,676	59,523	11,154
Total other payables	**470,118**	**465,629**	**4,488**
Other current liabilities	**607,705**	**598,557**	**9,148**

Due to tax authorities amounting to 79,529 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 58,058 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 31 December 2023 amount to 470,118 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 201,462 thousand Euros (203,511 thousand Euros as at 31 December 2022).

Accrued Expenses and Deferred Income, that increase in 2023 by 11,154 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	2023	%
Revenues	**1,341,098**	**100**	**428,559**	**100**	**388,674**	**100**	**50**	**100**	**(40,398)**	**2,117,983**	**100**
Operating costs	(1,086,766)	(81.0)	(370,879)	(86.5)	(347,454)	(89.4)	(1,189)	(2,368.5)	40,398	(1,765,890)	(83.4)
Gross operating income	**254,332**	**19.0**	**57,680**	**13.5**	**41,219**	**10.6**	**(1,139)**	**(2,268.5)**	**-**	**352,093**	**16.6**
Amortization, depreciation and write-downs	(35,782)	(2.7)	(28,149)	(6.6)	(11,262)	(2.9)	(12)	(24.2)	-	(75,205)	(3.6)
Other non-recurring (costs)/income	4,828	-	11,852	2.8	(823)	(0.2)	-	-	-	15,858	0.7
Operating income	**223,378**	**16.7**	**41,383**	**9.7**	**29,134**	**7.5**	**(1,151)**	**(2,292.7)**	**-**	**292,745**	**13.8**
Gain/(loss) on investments	-	-	-	-	-	-	(13,877)	(27,647.8)	-	(13,877)	(0.7)
Financial income/(loss)	14,034	1.0	(10,303)	(2.4)	(7,122)	(1.8)	(3,896)	(7,763.1)	-	(7,287)	(0.3)
Income before taxes	**237,412**	**17.7**	**31,081**	**7.3**	**22,012**	**5.7**	**(18,924)**	**(37,703.7)**	**-**	**271,581**	**12.8**

(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**

Breakdown of revenues by type is as follows:

(TYPE)	REGION 1		REGION 2		REGION 3		IOT INCUBATOR	
BUSINESS LINE	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
T&M	18.9%	18.2%	57.0%	56.4%	56.4%	52.3%	-	-
FIXED PRICE PROJECTS	81.1%	81.8%	43.0%	43.6%	43.6%	47.7%	-	-
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.	31/12/2023
Current operating assets	693,934	170,928	131,032	954	(85,311)	910,908
Current operating liabilities	(631,765)	(113,376)	(148,559)	(18,700)	85,311	(827,090)
Net working capital (A)	**62,169**	**56,922**	**(17,527)**	**(17,746)**	**-**	**83,818**
Non current assets	421,959	329,691	252,345	42,463	-	1,046,457
Non financial liabilities long term	(124,062)	(53,445)	(41,175)	232	-	(218,450)
Fixed capital (B)	**297,897**	**276,246**	**211,170**	**42,695**	**-**	**828,007**
Net invested capital (A+B)	**360,066**	**333,168**	**193,643**	**24,949**	**-**	**911,826**

(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**

Breakdown of employees by Region is as follows:

REGION	31/12/2023	31/12/2022	CHANGE
Region 1	9,755	8,612	1,143
Region 2	3,049	2,834	215
Region 3	1,994	2,016	(22)
IoT Incubator	-	5	(5)
Total	**14,798**	**13,467**	**1,331**

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 guidelines 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 2023 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 50 basis points in short-term interest rates at 31 December 2023 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 483 thousand Euros.

This analysis is based on the assumption that there is a general and instantaneous change of 50 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			41,373
Convertible loans	22			1,298
Financial securities	22	30,755		
Derivative financial assets (IRS)	**22**		**1,983**	
Total financial assets		30,755	1,983	42,671
Liabilities to minority shareholders and earn out	29			114,368
Total finacial liabilities		**-**		**114,368**

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 2023 re-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 2023, 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	**31/12/2023**	**31/12/2022**	**Nature of transaction**
Trade receivables	3	-	Receivables from professional services
Trade payables and other	510	326	Payables for professional services and official rentals offices
Other payables	13,648	13,626	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**2023**	**2022**	**Nature of transaction**
Revenues from professional services	19	19	Receivables from professional services
Services from Parent company and related parties	1,488	1,312	Service contracts relating to office rental, and office administration
Personnel	18,178	13,354	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 203 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)	2023	2022
Executive Directors	11,475	7,677
Statutory auditors	148	148
Total	**11,623**	**7,825**

Emoluments to Key management amounted to approximately 6,753 thousand Euros (5,677 thousand Euros at 31 December 2022).

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 2023.

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

On the afternoon of 28 February 2024, Reply S.p.A. was served with a preventive seizure order issued on 8 February 2024 by the Court of Milan.
With this decree, amounts totalling approximately Euro 322 million were seized from the companies and individuals allegedly involved in various capacities, of which €7,949,544.98 to Reply S.p.A.
From what is indicated in the decree, the alleged crime is the one referred to in art. 640-ter, paragraphs 1 and 3 of the Criminal Code, in the period 2017-2019
According to what emerges from the Decree, a fraudulent mechanism would have been put in place in relation to the telephone operator TIM, which would have made it possible to operate unsolicited activations by users of so-called value-added services (VAS) offered by so-called Content Service Providers (CSPs), such as, for example, logos, ringtones, etc.; these unsolicited activations would have resulted in the charging of the relevant fee on users' telephone credit and therefore would have entailed, through a revenue share mechanism,

revenues for the subjects in the supply chain: from the telephone operator, to other operators, including CSPs (recipients of most of the residual revenues) and also to those who played purely commercial and technical roles (such as Reply).
The seizure order contains extracts from statements made by certain persons who allegedly involved an employee of one of the companies of the Reply Group in the aforementioned fraudulent scheme.
The criminal proceedings are still at the preliminary investigation stage.

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

The Consolidated financial statements at 31 December 2023 were approved by the Board of Directors on March 13, 2024 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)	2023	OF WHICH WITH RELATED PARTIES	%	2022	OF WHICH WITH RELATED PARTIES	%
Revenues	**2,117,983**	**19**	**0%**	**1,891,114**	**19**	**0%**
Other income	23,947	-	-	19,452	-	-
Purchases	(29,364)	-	-	(27,328)	-	-
Personnel	(1,139,331)	(18,178)	2.1%	(986,744)	(13,354)	1.4%
Services costs	(619,657)	(1,636)	0.3%	(606,853)	(1,460)	0.2%
Amortization, depreciation and write-downs	(75,205)	-	-	(58,612)	-	-
Other unusual (cost)/income	14,372	-	-	54,445	-	-
Operating income	**292,745**	**-**	**-**	**285,473**	**-**	**-**
Income from associate companies	(13,877)	-	-	(12,102)	-	-
Financial income/(expenses)	(7,287)	-	-	(4,676)	-	-
Income before taxes	**271,581**	**-**	**-**	**268,695**	**-**	**-**
Income taxes	(83,122)	-	-	(76,511)	-	-
Net income	**188,459**	**-**	**-**	**192,184**	**-**	**-**
Non controlling interest	(1,760)	-	-	(1,168)	-	-
Net result of the parent company	**186,699**	**-**	**-**	**191,016**	**-**	**-**

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

(THOUSAND EUROS)	31/12/2023	OF WHICH WITH RELATED PARTIES	%	31/12/2022	OF WHICH WITH RELATED PARTIES	%
Tangible assets	108,197	-	-	98,068	-	-
Goodwill	626,481	-	-	630,255	-	-
Intangible assets	81,509	-	-	105,173	-	-
RoU Assets	114,758	-	-	112,341	-	-
Equity investments	41,373	-	-	51,049	-	-
Other financial assets	7,448	-	-	11,706	-	-
Deferred tax assets	66,693	-	-	61,979	-	-
Non current assets	**1,046,457**	**-**	**-**	**1,070,572**	**-**	**-**
Work in progress	47,061	-	-	83,880	-	-
Trade receivables	739,474	3	0.0%	657,568	-	-
Other receivables and current assets	124,373	-	-	101,828	-	-
Financial assets	32,872	-	-	30,608	-	-
Cash and cash equivalents	383,742	-	-	283,695	-	-
Current assets	**1,327,523**	**-**	**-**	**1,157,578**	**-**	**-**
TOTAL ASSETS	**2,373,980**	**-**	**-**	**2,228,150**	**-**	**-**
Share Capital	4,863	-	-	4,863	-	-
Other reserves	923,277	-	-	774,411	-	-
Net result of the period	186,699	-	-	191,016	-	-
Equity of the Parent company	**1,114,840**	**-**	**-**	**970,291**	**-**	**-**
Non-controlling interest	1,883	-	-	1,579	-	-
NET EQUITY	**1,116,723**	**-**	**-**	**971,869**	**-**	**-**
Due to minority shareholders and earn-out	86,523	-	-	112,828	-	-
Finacial liabilities	52,291	-	-	74,533	-	-
Financial liabilities from RoU	95,101	-	-	97,624	-	-
Employee benefits	69,677	-	-	42,831	-	-
Deferred tax liabilities	41,605	-	-	44,964	-	-
Provisions	20,644	-	-	15,242	-	-
Non current liabilities	**365,841**	**-**	**-**	**388,021**	**-**	**-**
Due to minority shareholders and earn-out	27,845	-	-	28,675	-	-
Finacial liabilities	32,655	-	-	43,745	-	-
Financial liabilities from RoU	31,670	-	-	27,829	-	-
Trade payables	191,001	510	0.3%	168,835	326	0.2%
Other current liabilities	607,705	13,648	2.2%	598,557	13,626	2.3%
Provisions	539	-	-	619	-	-
Current liabilities	**891,415**	**-**	**-**	**868,260**	**-**	**-**
TOTAL LIABILITIES	**1,257,256**	**-**	**-**	**1,256,281**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,373,980**	**-**	**-**	**2,228,150**	**-**	**-**

List of companies at 31 December 2023

COMPANY NAME	HEADQUARTERS	GROUP INTEREST
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
COMPANIES CONSOLIDATED ON LINE BY LINE BASIS:		
4brands Reply GmbH & CO. KG. (**)	Minden, Germany	51.00%
Air Reply S.r.l.	Turin, Italy	100.00%
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%
Aim Reply Ltd	London, United Kingdom	100.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Arlanis Reply Ltd (già 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 (già 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, Netherlands	100.00%
Avvio Reply Ltd.	London, United Kingdom	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%
Business Reply Public Sector S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd in liquidazione	London, United Kingdom	100.00%
Breed Reply Investment Ltd	London, United Kingdom	100.00%
Canvas Reply GmbH (già Neveling Reply GmbH)	Hamburg, Germany	100.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG	Munich, Germany	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, Croazia	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%
Elbkind Reply GmbH	Hamburg, Germany	100.00%
EOS Reply S.r.l.	Turin, Italy	100.00%
Everlo Reply GmbH	Guetersloh, Germany	100.00%
Fincon Reply GmbH	Hamburg, Germany	100.00%
Forge Reply S.r.l.	Turin, Italy	100.00%
Frank Reply GmbH (già Vivametric Reply GmbH)	Guetersloh, Germany	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, Germany	100.00%
Laife Reply GmbH	Munich, Germany	100.00%
Leadvise Reply GmbH	Darmstadt, Germany	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Like Reply GmbH	Guetersloh, Germany	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%
Logistics Reply Roma S.r.l.	Turin, Italy	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	Cologne, Germany	100.00%
Modcomp GmbH	Cologne, Germany	100.00%
Neo Reply GmbH	Guetersloh, 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%
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	100.00%
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, Swiss	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 SA	Mont Saint Guibert, Belgium	100.00%
Reply Croatia d.o.o.	Croatia	100.00%
Reply Digital Experience S.r.l.	Turin, Italy	100.00%
Reply France SAS	Paris, France	100.00%
Reply Sarl	Luxembourg	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Reply Polska Sp. z o.o. (già Hermes Reply Polska Sp. z o.o.)	Katowice, Poland	100.00%
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. (già Envision)	Turin, Italy	100.00%
Shield Reply S.r.l.	Turin, Italy	100.00%
Shield Reply Ltd	London, United Kingdom	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	Cologne, Germany	100.00%
Spike Reply Ltd	London, United Kingdom	100.00%
Spike Digital Reply GmbH	Guetersloh, Germany	100.00%
Sprint Reply SA (già Brightknight SA)	Belgium	100.00%
Sprint Reply S.r.l.	Turin, Italy	100.00%
Sprint Reply Ltd	London, United Kingdom	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 Roma S.r.l.	Turin, Italy	100.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%

Storm Reply Inc(*)	USA	97.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Cx Reply S.r.l. (già Portaltech Reply S.r.l.)	Turin, Italy	100.00%
Syskoplan Reply LLC (già 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.	Bucarest, Romania	100.00%
Tender Reply S.r.l.	Turin, Italy	100.00%
TD Reply GmbH	Berlino, 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 (già Portaltech Reply Süd GmbH)	Munich, Germany	100.00%
Valorem LLC	Kansas City, USA	100.00%
Valorem Private Ltd	India	99.99%
Valorem GmbH	Zurich, Swiss	100.00%
Vanilla Reply GmbH (già Portaltech Reply GmbH)	Guetersloh, Germany	100.00%
Wemanity Group SAS	Paris, France	100.00%
WM Reply S.r.l.(*)	Turin, Italy	80.00%
WM Reply Inc(*)	Illinois, USA	80.00%
WM Reply Ltd	Auckland, NZ	80.00%
WM Reply Ltd	London, United Kingdom	100.00%
WM Reply GmbH	Guetersloh, Germany	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 2023 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	Norway	11.60%
Canard Drones Ltd	Spain	35.41%
Connecterra BV	Belgium	16.00%
Connecterra Group Ltd	UK	26.14%
Dcbrain SAS	France	8.46%
FoodMarble Digestive Health Ltd	UK	18.50%
Gymcraft Ltd.	UK	0.02%
iNova Design Ltd	UK	27.25%
Iotic Labs Ltd	UK	16.28%
Kokoon Technology Ltd	UK	26.22%
Metron Sas	France	8.32%
RazorSecure Ltd	UK	30.73%
Sensoria Inc.	USA	25.97%
TAG Sensors AS	Norway	19.67%
Ubirch GmbH	Germany	18.51%
We Predict Ltd	UK	16.64%
Zeetta Networks Ltd	UK	24.00%
Yellow Line Parking Ltd	UK	8.94%

Information in accordance with article 149-duodecies issued by Consob

The following table, prepared in accordance with Art. 149-duodecies of Consob's Regulations for Issuers reports the amount of fees charged in 2023 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 2023
Audit	PwC S.p.A.	Parent company - Reply S.p.A.	49
	PwC S.p.A.	Subsidiaries	590
	PwC GmbH	Subsidiaries	356
	Total		**995**
Audit related services	PwC S.p.A.	Parent company - Reply S.p.A. (1)	3
	PwC S.p.A.	Parent company - Reply S.p.A. (2)	45
	PwC S.p.A.	Subsidiaries (1)	107
	Total		**156**
Totale			**1,150**

(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 2023.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2023 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, 13 March 2024

/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 2023

pwc

Independent auditor's report

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

To the shareholders of Reply SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Reply Group (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2023, 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, 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 2 "Accounting principles and basis of consolidation" paragraph "Impairment" and Note 18 "Goodwill" to the consolidated financial statements

The goodwill as of 31 December 2023 is equal to Euro 626 million, equal to approximately 26 percent of total assets, and is related to the Region 1's group of cash generating units ("CGU") for Euro 200 million, to the Region 2's CGU for Euro 233 million and to Region 3's CGU for Euro 193 million.

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 2023 for all the CGU identified. Based on the impairment test performed as at 31 December 2023, the recoverable amount of the Goodwill, determined according to the configuration of the value in use, resulted higher than the carrying values for all the CGU identified.

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.

We considered the assessment of the recoverability of the book value of goodwill a key matter of the audit activity, considering the significance of the value allocated to the individual CGUs identified, as well as the methods of determining the value in use based on complex assumptions which required on our part, particular attention is paid to the impairment test exercise performed by management.

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 on February 23, 2024, ii) the mathematical accuracy of underlying calculations, and iii) Group's management sensitivity analyses.

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 2023, 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 2023 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 2023 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, 29 March 2024

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 2023

Income Statement (*)

(EUROS)	NOTE	2023	2022
Revenue	5	792,261,247	709,328,790
Other income	6	22,794,238	25,668,033
Purchases	7	(29,671,176)	(37,856,490)
Personnel	8	(33,309,178)	(26,535,763)
Services and other costs	9	(732,056,100)	(654,350,573)
Amortization, depreciation and write-downs	10	(4,445,008)	(3,880,483)
Other unusual operating income/(expenses)	11	(6,482,920)	2,855,100
Operating income		**9,091,102**	**15,228,615**
Gain/(loss) on equity investments	12	140,546,955	73,413,842
Financial income/(expenses)	13	20,834,566	12,648,115
Income before taxes		**170,472,623**	**101,290,573**
Income taxes	14	(9,342,926)	(7,148,880)
Net income		**161,129,698**	**94,141,693**
Diluted net income per share	15	4.32	2.53

(*) 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	2023	2022
Profit of the period (A)		**161,129,698**	**94,141,693**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans	28	(11,060)	73,785
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**(11,060)**	**73,785**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	28	(848,990)	3,632,208
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**(848,990)**	**3,632,208**
Total other comprehensive income, net of tax (B) = (B1) + (B2):		**(860,050)**	**3,705.993**
Total comprehensive income (A)+(B)		**160,269,648**	**97,847,686**

Statement of Financial Position (*)

(EUROS)	NOTE	31/12/2023	31/12/2022
Tangible assets	17	546,470	534,336
Goodwill	18	86,765	86,765
Intangible assets	19	5,565,338	7,535,237
RoU Assets	20	1,262,979	937,764
Equity investments	21	208,916,189	177,988,453
Other financial assets	22	464,115,480	508,760,401
Deferred tax assets	23	9,384,763	6,728,474
Non current assets		**689,877,984**	**702,571,430**
Trade receivables	24	569,853,187	532,386,689
Other receivables and current assets	25	76,132,534	61,379,942
Financial assets	26	86,097,755	93,913,784
Cash and cash equivalents	27	233,202,949	82,017,473
Current assets		**965,286,426**	**769,697,889**
TOTAL ASSETS		**1,655,164,409**	**1,472,269,318**
Share Capital		4,863,486	4,863,486
Other reserves		565,296,705	509,293,298
Net income		161,129,698	94,141,693
NET EQUITY	**28**	**731,289,889**	**608,298,477**
Finacial liabilities	29	48,174,351	67,319,609
IFRS 16 Financial liabilities	29	740,965	432,456
Employee benefits	30	771,789	889,438
Deferred tax liabilities	31	5,934,786	6,012,577
Provisions	34	7,316,101	833,180
Non current liabilities		**62,937,992**	**75,487,260**
Finacial liabilities	29	278,585,391	266,759,565
IFRS 16 Financial liabilities	29	523,515	514,766
Trade payables	32	476,954,890	443,813,330
Other current liabilities	33	74,872,733	68,170,921
Provisions	34	30,000,000	9,225,000
Current liabilities		**860,936,529**	**788,483,582**
TOTAL LIABILITIES		**923,874,521**	**863,970,842**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,655,164,409**	**1,472,269,318**

(*) 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 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)
Increase for acquisition of treasury shares	-	-	-	94,141,693	3,632,208	73,785	97,847,686
Total income	-	-	-	(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**

(EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	RESERVE FOR ACTUARIAL GAINS/(LOSSES)	TOTAL
Balance at 1 January 2023	**4,863,486**	**(17,122,489)**	**305,880,909**	**312,074,355**	**2,598,903**	**3,313**	**608,298,476**
Dividends distributed	-	-	-	(37,278,236)	-	-	(37,278,236)
Change in own shares	-	-	-	-	-	-	-
Total income	-	-	-	161,129,698	(848,990)	(11,060)	160,269,648
Other changes	-	-	-	-	-	-	-
Balance at 31 December 2023	**4,863,486**	**(17,122,489)**	**305,880,909**	**435,925,816**	**1,749,913**	**(7,747)**	**731,289,888**

Statement of Cash Flows

(EUROS)	2023	2022
Result	161,129,698	94,141,693
Income taxes	12,077,006	7,148,880
Amortization and depreciation	4,445,008	3,880,483
Other non-monetary expenses/(income)	30,756,311	(1,604,018)
Change in trade receivables	(36,475,183)	(131,492,135)
Change in trade payables	33,141,560	85,315,622
Change in other assets and liabilities	(17,226,761)	4,036,383
Income tax paid	(5,699,194)	(8,888,365)
Interest paid	3,966,587	(1,788,177)
Interest cashed	(4,237,225)	50,821
Net cash flows from operating activities (A)	**181,877,805**	**50,801,186**
Payments for tangible and intagible assets	(1,836,226)	(3,452,728)
Payments for financial assets	9,452,778	(170,344,295)
Payments for the acquisition of subsidiaries net of cash acquired	(726,090)	(38,862,833)
Net cash flows from investment activities (B)	**6,890,462**	**(212,659,855)**
Dividends paid	(37,278,236)	(29,759,840)
In payments for treasury shares	-	(9,902,493)
Financing granted	6,500,000	80,000,000
Payments of financial liabilities	(20,952,381)	(8,333,333)
Change in financial liabilities from ROU IFRS 16	(681,757)	(594,817)
Net cash flows financing activities (C)	**(52,412,374)**	**31,409,516**
Net cash flows (D) = (A)+(B)+(C)	**136,355,894**	**(130,449,154)**
Cash and cash equivalents at the beginning of the period	(97,978,014)	32,471,139
Cash and cash equivalents at period end	38,377,880	(97,978,014)
Total change in cash and cash equivalents (D)	**136,355,894**	**(130,449,153)**

DETAIL OF CASH AND CASH EQUIVALENTS

(THOUSAND EUROS)		
Cash and cash equivalents at the beginning of the period:	**(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 overdrafs	(20,354,123)	(10,004,558)
Cash and cash equivalents at period end:	**38,377,880**	**(97,978,014)**
Cash and cash equivalents	233,202,949	82,017,473
Transaction accounts - surplus	55.113.331	66.596.349
Transaction accounts - overdraft	(249.938.400)	(226.237.713)
Bank overdrafts	-	(20.354.123)

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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.

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

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.
Bonuses settled through the recognition of shares in the company (equity settlement) are recorded at their initial fair value and measured on a straight-line basis over the vesting period.

Incentive Plans (LTI)

Incentive plans linked to specific parameters (economic, financial, ESG and TSR) are recorded on the basis of their initial fair value and reviewed at each reporting date to adjust based on the probability of achieving the objectives and the permanence of the assignees (vesting condition).

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.

Recently issued accounting standards

The following are the amendments to the international accounting standards endorsed by the European Commission, which were already included in the 2022 Annual Report, which are effective from January 1, 2023, in addition to the amendments not yet endorsed by the European Commission, some of which issued in the first half of the current year.

Accounting Standards and Interpretations issued by the IASB/IFRIC and endorsed by the European Commission

With Regulation No. 2021/2036, issued by the European Commission on November 19, 2021, the amendments to IFRS 17 "Insurance Contracts" were endorsed which define the accounting treatment of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17, which supersede those currently provided for in IFRS 4 "Insurance Contracts", aim to help companies to implement the standard and to: (i) reduce costs by simplifying the requirements of the standard; (ii) make disclosures easier to report in the financial statements; (iii) facilitate the transition to the new standard, deferring its entry into force. The amendments are effective from January 1, 2023.

With Regulation No. 2022/357, issued by the European Commission on March 2, 2022, the amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" were endorsed, requiring individual entities to supply more information about their accounting policies. The amendments clarify that information on accounting policies is relevant when, considered together with other information provided in the financial statements, it is reasonably possible to assume that they affect the decisions of the financial statement users. The description provided in relation to accounting policies must be "entity specific", highlighting the specific accounting methods adopted by the company and providing more useful information than a standardised description or one that merely replicates the IFRS provisions. The changes to the Practice Statement provide guidance on how to apply the concept of materiality to financial reporting. The amendments are effective from January 1, 2023.

With Regulation No. 2022/357, issued by the European Commission on March 2, 2022, the amendments to IAS 8 "Definition of Accounting Estimates" were endorsed which defines the notion of accounting estimates, removing the definition of amendment in accounting estimates. In the new understanding, accounting estimates are defined as monetary amounts subject to measurement uncertainty and that, therefore, they must be estimated using judgements, assumptions, valuation techniques and inputs. Changes in accounting estimates are applied prospectively only to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively. The amendments are effective from January 1, 2023.

With Regulation No. 2022/1392, issued by the European Commission on August 11, 2022, the amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" were endorsed, which clarifies the methods of accounting for deferred tax related to assets and liabilities for some transactions, including lease transactions and decommissioning requirements, which during initial recognition produce temporary taxable and deductible differences of an equal amount, as well as to IFRS 1 "First-time Adoption of International Financial Reporting Standards", introducing a specific paragraph on the date of application of these amendments, and some paragraphs concerning Appendix B of IFRS 1. The amendments are effective from January 1, 2023.

With Regulation No. 2022/1491, issued by the European Commission on September 8, 2022, the amendments to IFRS 17 "Insurance Contracts": Initial Application of IFRS 17 and IFRS 9 - Comparative Information" where endorsed, which requires that if an entity applies IFRS 17 following the application of IFRS 9 (classification overlap), the entity must provide qualitative information that allows users of the financial statements to understand: (i) the extent to which the classification overlap was applied (for example, whether it was applied to all financial assets derecognised in the comparative period); and (ii) whether and to what extent the impairment provisions of IFRS 9 were applied. The IASB has consequently added a text block element to the IFRS taxonomy to reflect this new disclosure requirement. The amendments are effective from January 1, 2023.

At present Reply believes that the amendments described above will have no significant impact on the Group.

Accounting standards not yet approved by the European Union

On January 23, 2020, the IASB issued the Amendment to IAS 1 "Classification of Liabilities as Current or Non current" and on October 31, 2022, published the Amendment to IAS 1 "Non-Current Liabilities with Covenants". These amendments provide clarifications on the classification of liabilities as current or non current. The amendments will be effective on or after January 1, 2024.

On September 22, 2022, the IASB issued the Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback", which requires the seller-lessee to value the Right-of-Use asset arising from a sale and leaseback transaction on the basis of the percentage of the previous carrying amount of the asset held by the seller-lessee. Consequently, in a sale and leaseback transaction, the seller-lessee will only recognise the amount of any gains or losses relating to the rights transferred to the buyer-lessor. Therefore, the initial value of the lease liabilities arising from a sale and leaseback transaction is a consequence of the way in which the seller-lessee measures the Right-of-use asset and the gains or losses recorded on the date of the transaction. The amendments will be effective on or after January 1, 2024.

On May 23, 2023, the IASB issued the Amendment to IAS 12 “International Tax Reform - Pillar Two Model Rules”, which introduces a mandatory temporary exception to the requirements of IAS 12 for the recognition and specific disclosure of deferred tax assets and liabilities arising from the OECD “Pillar Two Model Rules”. By introducing common rules, Pillar Two aims to ensure that in every jurisdiction, large multinationals with consolidated turnover of at least €750 million are subject to a minimum 15% tax rate. The temporary exception will take effect immediately after the publication of the Amendment and will be applied retrospectively in compliance with IAS 8, while the specific disclosure requirements will take effect starting from the annual statements starting on or after January 1, 2023.

On May 25, 2023, the IASB issued the Amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements”, which requires entities to provide additional information on supplier finance contracts allowing the users of the financial statements to assess how these supplier contracts affect liabilities and cash flows and to understand the effect on the exposure to liquidity risks. The amendments will be effective on or after January 1, 2024.

On August 15, 2023, the IASB published an amendment called “Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability”. The document requires an entity to apply a methodology to be applied in a consistent manner in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the notes to the financial statements. The change will apply from 1 January 2025, but an early application is allowed.
Reply is currently assessing the possible impacts of the above-mentioned amendments.

Note 3 - Risk management

Reply S.p.A. operates at a worldwide 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 creditworthiness 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 792,261,247 Euros and are detailed as follows:

(EUROS)	2023	2022	CHANGE
Revenues from services	677,804,118	599,230,362	78,573,756
Royalties on "Reply" trademark	58,424,312	53,610,718	4,813,594
Intercompany services	38,789,200	32,879,154	5,910,046
Other intercompany revenues	17,243,618	23,608,557	(6,364,939)
Total	**792,261,247**	**709,328,790**	**82,932,456**

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 78,573,756 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 2023 amounted to 22,794,238 Euros (25,668,033 Euros at 31 December 2022) 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)	2023	2022	CHANGE
Software licenses for resale	18,083,064	15,850,165	2,232,899
Hardware for resale	11,056,581	21,454,671	(10,398,091)
Other	531,532	551,654	(20,121)
Total	**29,671,176**	**37,856,490**	**(8,185,313)**

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 (168,464 Euros) and fuel (330,560 Euros).

Note 8 - Personnel expenses

Personnel expenses amounted to 33,309,178 Euros, with an increase of 6,773,415 Euros and are detailed in the following table:

(EUROS)	2023	2022	CHANGE
Payroll employees	23,469,355	21,447,886	2,021,470
Directors	9,839,822	5,087,877	4,751,945
Total	**33,309,178**	**26,535,763**	**6,773,415**

Detail of personnel by category is provided below:

(NUMBER)	31/12/2023	31/12/2022	CHANGE
Directors	91	90	1
Managers	4	6	(2)
Staff	13	13	-
Total	**108**	**109**	**(1)**

The average number of employees in 2023 was 110 (in 2022 106).

Note 9 - Services and other costs

Services and other costs comprised the following:

(EUROS)	2023	2022	CHANGE
Commercial and technical consulting	5,072,883	6,227,758	(1,154,876)
Travelling and training expenses	2,783,553	2,478,381	305,172
Professional services from group companies	659,609,483	580,430,560	79,178,923
Marketing expenses	7,344,414	7,239,857	104,557
Administrative and legal services	1,573,044	2,822,525	(1,249,481)
Statutory auditors and Independent auditors fees	282,130	296,159	(14,029)
Leases and rentals	2,005,920	1,351,499	654,421
Office expenses	4,089,459	4,386,564	(297,105)
Other services from group companies	23,170,374	19,302,832	3,867,542
Expenses incurred on behalf of group companies	20,749,553	23,341,928	(2,592,376)
Others	5,375,287	6,472,510	(1,097,223)
Total	**732,056,100**	**654,350,573**	**77,705,527**

Professional Services from Group companies, which increased during the year by 79,178,923 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 2023 to an overall cost of 326,878 Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets amounted in 2023 to an overall cost of 3,467,113 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 651,017 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 6,482,920 and mainly refer to provisions for risks and reversal in relation to contractual, commercial and legal disputes. In particular, this item includes the provision of 6,700 thousand euros, relating to the liability disclosed in the paragraph “Significant events occurring after the end of the financial year” to which reference is made; in relation to such event there is a possible liability, currently unquantifiable linked to any civil actions..

Note 12 - Gain/(losses) on equity investments

Detail is as follows:

(EUROS)	2023	2022	CHANGE
Dividends	164,086,955	92,266,000	71,820,955
Loss on equity investments	(23,540,000)	(18,852,158)	(4,687,842)
Total	**140,546,955**	**73,413,842**	**67,133,113**

Dividends include proceeds received by Reply S.p.A. from subsidiary companies during the year. Detail is as follows:

(EUROS)	2023
Aktive Reply S.r.l.	2,455,000
Arlanis Reply S.r.l.	1,710,000
Atlas Reply S.r.l.	1,175,000
Blue Reply S.r.l.	16,520,000
Bridge Reply S.r.l.	600,000
Business Reply S.r.l.	4,230,000
Cluster Reply Roma S.r.l.	1,540,000
Cluster Reply S.r.l.	16,400,000
Core Reply S.r.l	1,945,000
Data Reply S.r.l.	4,630,000
Discovery Reply S.r.l.	1,405,000
E*finance Consulting S.r.l.	2,930,000
Ekip Reply S.r.l.	220,000
Eos Reply S.r.l.	505,000
Go Reply S.r.l.	1,960,000
Hermes Reply S.r.l.	1,500,000
Iriscube Reply S.r.l.	9,565,000
Like Reply S.r.l.	1,000,000
Logistics Reply S.r.l.	1,490,000
Nexi Digital S.r.l.	642,600
Open Reply S.r.l.	5,945,000
Pay Reply S.r.l.	830,000
Power Reply S.r.l.	4,670,000
Reply Consulting S.r.l.	1,275,000
Reply Digital Experience S.r.l.	1,785,000
Reply Polska Sp.z.o.o.	1,141,355
Retail Reply S.r.l.	2,665,000
Ringmaster S.r.l.	503,000
Santer Reply S.p.a.	11,260,000
Security Reply S.r.l.	12,745,000
Sense Reply S.r.l.	2,325,000
Spark Reply S.r.l.	190,000
Sprint Reply S.r.l.	1,715,000
Storm Reply S.r.l.	5,825,000
Syskoplan Reply S.r.l.	2,835,000
Sytel Reply Roma S.r.l.	3,380,000
Sytel Reply S.r.l.	8,720,000
Tamtamy Reply S.r.l.	1,105,000
Target Reply S.r.l.	3,360,000
Technology Reply Roma S.r.l.	1,905,000
Technology Reply S.r.l.	13,545,000
Whitehall Reply S.r.l.	2,625,000
Xister Reply S.r.l.	1,315,000
Total	**164,086,955**

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:

(EUROS)	2023	2022	CHANGE
Interest income from subsidiaries	22,362,048	13,924,364	8,437,683
Interest income on bank accounts	4,237,225	86,825	4,150,401
Interest expenses	(4,214,964)	(1,956,188)	(2,258,776)
Other	(1,549,742)	593,115	(2,142,857)
Total	**20,834,566**	**12,648,115**	**8,186,451**

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 4,237,225 Euros and interest income on tax refunds amounting to 29,151 Euros.

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

The item Other mainly includes:

- negative 2,777,684 Euros related to the gain on exchange rate differences arising from the translation of balance sheet items not recorded in Euros (positive 1,282,493 Euros at 31 December 2022);
- negative 1,043,804 Euros related to the non-effective portion of the IRS (positive 2,396,336 Euros at 31 December 2022);
- the financial losses related to the fair value adjustments of the investments held by Reply amounting to positive 1,063,254 Euros (negative 3,910,940 Euros at 31 December 2022);
- 931,262 Euros related to positive interests in relation to financial investments (844,042 Euros at 31 December 2022).

Note 14 - Income taxes

The details are provided below:

(EUROS)	2023	2022	CHANGE
IRES	10,709,323	5,626,643	5,082,681
IRAP	1,021,000	688,000	333,000
Corporate tax - previous years	346,683	(615,448)	962,131
Current taxes	**12,077,006**	**5,699,195**	**6,377,811**
Deferred tax liabilities	(77,791)	2,009,104	(2,086,895)
Deferred tax assets	(2,656,289)	(559,418)	(2,096,871)
Deferred taxes	**(2,734,080)**	**1,449,686**	**(4,183,766)**
Total income taxes	**9,342,925**	**7,148,880**	**2,194,045**

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	**170,472,623**	
Theoretical tax rate	**24.0%**	**40,913,430**
Temporary differences, net	(126,829,787)	
Taxable income	**43,642,836**	
Total IRES		**10,479,000**
Start-up replacement tax fee – controlling stake	230,323	
Total current IRES		**10,709,323**

Temporary differences, net refer to:

- deductible differences amounting to 173,697 thousand Euros arising mainly from the non-taxable share of the dividends received in the financial year (155,939 thousand Euros), earnings on valuation changes (3,276 thousand Euros), Directors' fees to be paid (8,205 thousand Euros) and the deduction of the implicit goodwill of the investment in Xister (1,442 thousand Euros);
- non-deductible differences amounting to 46,878 thousand Euros owing mainly to write-down/losses of equity investments (23,540 thousand Euros), risks provision (6,700 thousand Euros), loss on loans valuation changes (7,195 thousand Euros) and Directors' fees to be paid (8,300 thousand Euros).

Calculation of taxable IRAP

(EUROS)	TAXABLE INCOME	TAX
Difference between value and cost of production	**9,091,102**	**-**
IRAP net	15,923,557	-
Taxable IRAP	**25,014,658**	**-**
Total IRAP	**-**	**1,021,000**

Temporary differences, net refer to:

- non-deductible differences amounting to 17,582 thousand Euros mainly due to emoluments to Directors (9,654 thousand Euros) risks provision (6,700 thousand Euros) and to bank fees (410 thousand Euros);
- deductible differences amounting to 1,659 thousand Euros mainly due to the implicit goodwill of the investment in Xister (1,442 thousand Euros) and proceeds from provisions (217 thousand Euros).

Note 15 - Earnings per share

Basic earnings and diluted earnings per share as at 31 December 2023 is calculated with reference to the net profit which amounted to 161,129,698 Euros (94,141,693 Euros at 31 December 2022) divided by the weighted average number of shares outstanding as at 31 December 2023, net of treasury shares, which amounted to 37,278,236 (37,252,650 at 31 December 2022).

(EUROS)	2023	2022
Net profit of the year	161,129,698	94,141,693
Weighted number of shares	37,278,236	37,252,650
Basic earning per share	4.32	2.53

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 2023 has received the following public contributions:

ENTITY (EUROS)	2023
AG. NAZ.LE PER L'AMM.NE E LA DEST.NE DEI BENI SEQ. E CONF. ALLA CRIM. ORG	43,513
AGENZIA DELLE ENTRATE-RISCOSSIONE	3,209,534
ARMA DEI CARABINIERI - 2 BRIGATA MOBILE - CC - SERV. AMM.VO	3,500
AUTORITA' NAZIONALE ANTICORRUZIONE - ANAC	436,510
AZ. OSP. SS ANTONIO E BIAGIO E C. ARRIGO	149,937
AZIENDA SOCIO SANITARIA TERRITORIALE DELLA BRIANZA	184,701
CSI PIEMONTE	50,163
ENI SPA	294,939
FINCANTIERI S.P.A.	12,900
IST. ZOOPROFILATTICO SPERIMENT. LOMBARDIA ED EMILIA ROMAGNA	37,000
MINISTERO DELL'INTERNO - PREFETTURA - UTG DI ROMA	20,100
TOTAL	**4,442,797**

Note 17 - Tangible assets

Tangible assets as at 31 December 2023 amounted to 546,470 Euros are detailed as follows:

(EUROS)	31/12/2023	31/12/2022	CHANGE
Plant and machinery	123,331	99,866	23,465
Hardware	168,606	277,070	(108,464)
Other tangible assets	254,533	157,400	97,133
Total	**546,470**	**534,336**	**12,134**

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

Change in Tangible assets during 2023 is summarized below:

(EUROS)	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
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**
Historical cost				
Increases	92,051	55,861	194,426	342,338
Disposals	(29,442)	(950,206)	(70,989)	(1,050,636)
Accumulated depreciation				
Depreciation	(68,586)	(164,325)	(93,967)	(326,878)
Utilized	29,442	950,206	67,663	1,047,310
Historical cost	1,026,086	1,222,559	1,613,602	3,862,246
Accumulated depreciation	(902,755)	(1,053,953)	(1,359,069)	(3,315,776)
31/12/2023	**123,331**	**168,606**	**254,533**	**546,470**

During the year under review the Company made investments amounting to 342,338 Euros, which mainly refer to hardware, mobile phones and general devices.

Note 18 - Goodwill

Goodwill as at 31 December 2023 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 2023 amounted to 5,565,338 Euros (7,535,237 Euros at 31 December 2022) and are detailed as follows:

(EUROS)	31/12/2023	31/12/2022	CHANGE
Software	5,029,274	6,999,173	(1,969,899)
Trademark	536,064	536,064	-
Total	**5,565,338**	**7,535,237**	**(1,969,899)**

Change in intangible assets in 2023 is summarized in the table below:

(EUROS)	SOFTWARE	TRADEMARK	TOTAL
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**
Historical cost			
Increases	1,497,214	-	1,497,214
Accumulated amortization			
Ammortization	(3,467,113)	-	(3,467,113)
Historical cost	22,670,763	536,064	23,206,827
Accumulated amortization	(17,641,490)	-	(17,641,490)
31/12/2023	**5,029,274**	**536,064**	**5,565,338**

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)	31/12/2022	NET CHANGES	AMORTIZATION	31/12/2023
Vehicles	937,764	976,232	(651,017)	1,262,979

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

Note 21 - Equity investments

The item Equity investments at 31 December 2023 amounted to 208,916,189 Euros, with an increase of 30,927,736 Euros compared to 31 December 2022.

(EUROS)	BALANCE AT 31/12/2022	ACQUISITIONS AND SUBSCRIPTIONS	FINANCIAL REMISSION	WRITE DOWNS	OTHER	BALANCE AT 31/12/2023	INTEREST
Air Reply S.r.l.	558,500	665,030				1,223,530	100.00%
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				(446,000)	-	-
Blue Reply S.r.l.	527,892					527,892	100.00%
Breed Reply Investment Ltd.	1,000					1,000	100.00%
Bridge Reply S.r.l.	1,206,000					1,206,000	100.00%
Bside S.r.l.	557,000				(557,000)	-	-
Business Reply S.r.l.	268,602				(29,125)	239,477	100.00%
Business Reply P.S. S.r.l.	-	10,000	180,000		29,125	219,125	100.00%
Cluster Reply S.r.l.	2,540,848				(10,255)	2,530,593	100.00%
Cluster Reply Roma S.r.l.	296,184					296,184	100.00%
Consorzio Reply Public Sector	39,500					39,500	22.90%
Core Reply S.r.l.	598,018					598,018	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)	-	-
Eos Reply S.r.l.	495,369					495,369	100.00%
Forge Reply S.r.l.	1,000		2,300,000	(2,300,000)		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				557,000	644,317	100.00%
Logistics Reply Roma S.r.l.	-	10,000	775,000		15,542	800,542	100.00%
Logistics Reply S.r.l.	1,049,167				(15,542)	1,033,625	100.00%
Nexi Digital S.r.l.	5,100					5,100	51.00%
Net Reply S.r.l.	1,635,633					1,635,633	100.00%
Next Reply S.r.l.	570,000		565,000			1,135,000	100.00%
Open Reply S.r.l.	1,625,165					1,625,165	100.00%
Pay Reply S.r.l.	10,000					10,000	100.00%

(EUROS)	BALANCE AT 31/12/2022	ACQUISITIONS AND SUBSCRIPTIONS	FINANCIAL REMISSION	WRITE DOWNS	OTHER	BALANCE AT 31/12/2023	INTEREST
Portaltech Reply S.r.l.	106,000					106,000	100.00%
Power Reply S.r.l.	2,708,265					2,708,265	100.00%
Protocube Reply S.r.l.	1,000	3,060				4,060	100.00%
Reply Consulting S.r.l.	3,518,434					3,518,434	100.00%
Reply France SAS	35,010,000					35,010,000	100.00%
Reply Deutschland SE	57,855,581				28,000	57,883,581	100.00%
Reply Digital Experience S.r.l.	4,227,019				446,000	4,673,019	100.00%
Reply do Brasil Sistemas de Informatica Ltda	206,816					206,816	100.00%
Reply Inc.	2,814,625					2,814,625	100.00%
Reply Ltd.	11,657,767		28,033,646			39,691,413	100.00%
Reply Polska Sp. Z.o.o.	10,217					10,217	100.00%
Reply Sarl	12,000					12,000	100.00%
Reply Services S.r.l.	1,000		280,000	(280,000)		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.	1,015,700					1,015,700	100.00%
Sensor Reply S.r.l.	12,800					12,800	100.00%
Shield Reply S.r.l.	-	10,000	298,000			308,000	100.00%
Spark Reply S.r.l.	1,042,500		185,000	(185,000)		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 Roma S.r.l.	-	10,000			138,040	148,040	100.00%
Storm Reply S.r.l.	986,000				(138,040)	847,960	100.00%
Syskoplan Reply S.r.l.	949,571					949,571	100.00%
Sytel Reply S.r.l.	3,887,598					3,887,598	100.00%
Sytel Reply Roma S.r.l.	894,931					894,931	100.00%
Tamtamy Reply S.r.l.	263,471				30,000	293,471	100.00%
Target Reply S.r.l.	600,338					600,338	100.00%
Technology Reply Roma S.r.l.	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%
Tender Reply S.r.l.	-	10,000				10,000	100.00%
Whitehall Reply S.r.l.	160,212					160,212	100.00%
WM Reply S.r.l.	-	8,000	350,000		10,255	368,255	80.00%
Xenia Reply S.r.l.	380,000					380,000	100.00%
Xister Reply S.r.l.	9,150,465					9,150,465	100.00%
Total	**177,988,453**	**726,090**	**32,966,646**	**(2,765,000)**	**-**	**208,916,189**	

Acquisitions and subscriptions

WM Reply S.r.l.
In the month of January 2023 WM Reply S.r.l. was constituted, a company in which Reply S.p.A. holds 80% of the share capital.

Logistics Reply Roma S.r.l.
In the month of January 2023 Logistics Reply Roma S.r.l. was constituted, a company in which Reply S.p.A. holds 100% of the share capital.

Tender Reply S.r.l.
In the month of February 2023 Tender Reply S.r.l. was constituted, a company in which Reply S.p.A. holds 100% of the share capital.

Shield Reply S.r.l.
In the month of April 2023 Shield Reply S.r.l. was constituted, a company in which Reply S.p.A. holds 100% of the share capital.

Business Reply P.S. S.r.l.
In the month of May 2023 Business Reply P.S. S.r.l. was constituted, a company in which Reply S.p.A. holds 100% of the share capital.

Storm Reply Roma S.r.l.
In the month of May 2023 Storm Reply Roma S.r.l. was constituted, a company in which Reply S.p.A. holds 100% of the share capital.

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)	2023	2022	CHANGE
Guarantee deposits	430,716	244,048	186,668
Loans to subsidiaries	463,286,764	508,173,353	(44,886,589)
Investments in other parties	398,000	343,000	55,000
Total	**464,115,480**	**508,760,401**	**(44,644,921)**

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

COMPANY	AMOUNT
Breed Reply Investments Ltd	54,712,381
Cluster Reply Informativa Ltda	1,215,000
Lid Reply GmbH	7,425,000
Reply Deutschland SE	130,000,000
Reply do Brasil Sistema De Informatica Ltda	2,181,740
Reply France Sas	26,000,000
Reply Inc.	143,985,886
Reply Ltd	27,023,337
Reply Polska Sp. z o.o.	319,500
Reply Sarl	25,208,135
Reply Services S.r.l.	39,815,786
Technology Reply S.r.l. (Romania)	200,000
Wemanity Group	5,200,000
Total	**463,286,764**

Note 23 - Deferred tax assets

This item amounted to 9,384,763 Euros at 31 December 2023 (6,728,474 Euros at 31 December 2022), 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 31/12/2022	**27,458,729**	**6,728,474**
Accrued	20,309,825	5,142,358
Utilization	(10,356,656)	(2,486,069)
Total deferred tax assets at 31/12/2023	**37,411,897**	**9,384,763**
Of which:		
- directors fees and employee bonuses accrued but not yet paid	15,616,101	4,039,892
- unrealized foreign exchange losses	18,341,181	4,401,883
- taxable amounts greater than book value	3,454,615	942,988
Total	**37,411,897**	**9,384,763**

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 2023 amounted to 569,853,187 Euros and are all collectible within 12 months.

Detail is as follows:

(EUROS)	31/12/2023	31/12/2022	CHANGE
Third party trade receivables	306,971,530	293,943,304	13,028,226
Credit notes to be issued	(10,711,100)	(8,223,845)	(2,487,255)
Allowance for doubtful accounts	(823,549)	(550,560)	(272,990)
Third party trade receivables	**295,436,882**	**285,168,899**	**10,267,982**
Receivables fro subsidiaries	274,416,306	247,217,790	27,198,516
Trade receivables from subsidiaries and Parent Company	**274,416,306**	**247,217,790**	**27,198,516**
Total trade receivables	**569,853,187**	**532,386,689**	**37,466,498**

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 10,267,982 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 2023, following a specific risk analysis of all the trade receivables, the provision for doubtful accounts was of 272,989 Euros and calculated by using the expected credit loss approach pursuant to IFRS 9; detail is as follows:

AMOUNT AT 31/12/2022	**550,560**
Provision	272,989
AMOUNT AT 31/12/2023	**823,549**

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)	31/12/2023	31/12/2022	CHANGE
Tax receivables	3,906,717	1,643,601	2,263,116
Other receivables from subsidiaries	40,822,578	31,921,953	8,900,625
Other receivables	139,303	131,641	7,662
Accrued income and prepaid expenses	31,263,937	27,682,748	3,581,189
Total	**76,132,534**	**61,379,942**	**14,752,592**

The item Tax receivables mainly includes IRES receivables and advances for withholding taxes suffered amounting to 1,871,710 (1,438,599 Euros at 31 December 2022), IRAP receivables and advances amounting to 846,253 Euros (amounting zero at 31 December 2022) and VAT receivables net amounting to 741,291 Euros (2,216 Euros at 31 December 2022).

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 86,097,755 Euros (93,913,784 Euros at 31 December 2022) and mainly refers 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 55,113,331 Euros (66,596,349 at 31 December 2022); the interest yield on these accounts is in line with current market conditions.
- the investments held by Reply for 28,578,737 Euros. The valuation of short-term investments, based on market valuations at 31 December 2023, showed a positive difference of 1,063,254 Euros compared to the purchase cost of the same.
- the amount of 1,983,032 Euros at the fair value of the IRS contracts signed with Unicredit in order to hedge fluctuations in the variable interest rate on loans and/or mortgages.

Note 27 - Cash and cash equivalents

This item amounted to 233,202,949 Euros, with a decrease of 151,185,476 Euros compared to 31 December 2022 and is referred to cash at banks and on hand at year-end.

Note 28 - Shareholders' equity

Share capital
As at 31 December 2023 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 2023 totaled 37,278,236, unchanged compared to 31 December 2022).

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 2023 were equal to no. 133,192 (unchanged compared to 31 December 2022).

Capital reserves
At 31 December 2023 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 2023 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 20 April 2023 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 435,925,817 Euros and were comprised as follows:
- The Legal reserve amounting to 972,697 Euros (972,697 Euros at 31 December 2022);
- Extraordinary reserve amounting to 271,000,721 Euros (214,137,264 Euros at 31 December 2022);
- Retained earnings amounting to 2,822,701 Euros (2,822,701 Euros at 31 December 2022);
- Net result totaling 161,129,698 Euros (94,141,693 Euros at 31 December 2022).

Other comprehensive income

Other comprehensive income can be analyzed as follows:

(EUROS)	31/12/2023	31/12/2022
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) from employee benefit plans	(11,060)	73,785
Tax effect relating to other overall gains/(losses) which will not be subsequently reclassified to income statement:		
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**(11,060)**	**73,785**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	(848,990)	3,632,208
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	**(848,990)**	**3,632,208**
Total Other comprehensive income, net of tax (B) = (B1) + (B2):	**(860,050)**	**3,705,993**

Note 29 - Financial liabilities

Detail is as follows:

(EUROS)	31/12/2023			31/12/2022		
	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Bank overdrafts	-	-	-	20,354,123	-	20,354,123
Bank loans	28,646,991	48,174,351	76,821,343	20,952,381	70,410,783	91,363,164
Transaction accounts	249,938,400	-	249,938,400	226,237,713	-	226,237,713
Derivative financial instruments	-	-	-	(784,652)	(3,091,173)	(3,875,825)
IFRS 16 financial liabilities	523,515	740,965	1,264,480	514,765	432,456	947,221
Total financial liabilities	**279,108,906**	**48,915,316**	**328,024,222**	**267,274,331**	**67,752,065**	**335,026,396**

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

	31/12/2023				31/12/2022			
(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
Bank loans	25,295,498	26,365,509	-	51,661,007	20,952,381	51,210,783	-	72,163,164
Mortgage loans	3,351,493	10,058,902	11,749,940	25,160,335	-	10,240,000	8,960,000	19,200,000
Transaction accounts	249,938,400			249,938,400	226,237,713	-	-	226,237,713
Derivative financial instruments	523,515	740,965	-	1,264,480	514,765	432,456	-	947,221
IFRS 16 financial liabilities	-	-	-		(784,652)	(2,075,477)	(1,015,697)	(3,875,826)
Total	**279,108,906**	**37,165,376**	**11,749,940**	**328,024,222**	**267,274,331**	**59,807,762**	**7,944,303**	**335,026,395**

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 thousand Euros to be used by 27 May 2022. As at 31 December 2023 this line had been used for 25,000 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 2023 this line had been used for 25,714 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 2023 this line had been used for 500 thousand Euros.
- On 20 February 2023 Reply S.p.A. entered into a line of credit with Banco BPM S.p.A. for a total amount of 50,000 thousand Euros to be used by 1 April 2025. As at 31 December 2023 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 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 October 23, 2023, an amendment was signed with the same institution, agreeing to extend the period of use to 78 months, compare to the 66 months of amendment of November 15, 2021, with the possibility to obtain grants till November 30, 2024. The mortgage is disbursed in relation to the progress of the work. Such credit line was used for 25,200 thousand Euros at 31 December 2023.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2023 related to the adoption of IFRS 16 starting from 1st January 2019.

The item Derivative financial instruments refer 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 55,000,000 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)	31/12/2023	31/12/2022	CHANGE
A Cash	233,202,949	82,017,473	151,185,476
B Cash equivalents	-	-	-
C Current financial assets	86,097,755	93,913,784	(7,816,029)
D Cash (A+B+C)	**319,300,704**	**175,931,257**	**143,369,447**
E Current financial liabilities	250,461,915	246,321,950	4,139,965
F Short-term portion of long term financial liability	28,646,992	20,952,381	7,694,611
G Financial liabilities short-term (E+F)	**279,108,906**	**267,274,331**	**11,834,575**
H Net financial debt short-term (G-D)	**(40,191,798)**	**91,343,073**	**(131,534,871)**
I Financial liabilities long-term	48,973,822	70,846,741	(21,872,919)
J Financial instruments	(58,506)	(3,094,676)	3,036,171
K Other liabilities long-term	-	-	-
L Financial debt long-term (I+J+K)	**48,915,317**	**67,752,065**	**(18,836,749)**
Total financial debt	**8,723,518**	**159,095,138**	**(150,371,620)**

Net financial debt includes IFRS 16 financial liabilities amounting to 1,264,480 thousand Euros, of which 740,965 Euros were non-current and 523,515 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 2023 is summarized below:

(EUROS)	
Total financial liabilities 2022	**335,026,395**
Bank overdrafts	(20,354,123)
Transaction accounts, liability	(226,237,713)
Fair value IRS	3,786,386
IFRS 16 financial liabilities	(947,221)
Non current financial liabilities 2022	**91,273,724**
Cash flows	(14,452,381)
Non current financial liabilities 2023	**76,821,343**
Bank overdrafts	-
Transaction accounts, liability	249,938,400
Fair value IRS	-
IFRS 16 financial liabilities	1,264,480
Total financial liabilities 2023	**328,024,222**

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 2023: 2.50% frequency of turnover in 2023: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS	
Annual inflation rate	Constant average annual rate equal to 2.0%
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 2023 was 3.17%
Annual growth rate of the Employee severance indemnities	Annual increase in salaries equal to 3.0%
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 2023 is summarized in the table below:

31/12/2022	**889,438**
Acturial gains/(losses)	(11,060)
Interest cost	29,036
Indemnities paid	(157,745)
31/12/2023	**771,789**

Note 31 - Deferred tax liabilities

Deferred tax liabilities at 31 December 2023 amounted to 5,934,786 Euros and are referred mainly to the fiscal effects arising from temporary differences between the statutory income and taxable income.

TEMPORARY TAXABLE DIFFERENCES	TAXABLE	TAX
Balance at 31/12/2022	**24,951,194**	**6,012,577**
Accrued	2,541,779	610,028
Utilization	**(2,865,909)**	**(687,818)**
Balance at 31/12/2023	24,627,064	5,934,786
- deduction allowance for doubtful accounts	718,806	172,513
- different goodwill/trademark measurements	622,828	173,769
- gains on unrecognized differences and other minor differences	**23,285,431**	**5,588,504**
Total al 31/12/2023	**24,627,064**	**5,934,786**

Note 32 - Trade payables

Trade payables at 31 December 2023 amounted to 476,954,890 Euros with an increase of 33,141,560 Euros.

Detail is as follows:

(EUROS)	31/12/2023	31/12/2022	CHANGE
Due to suppliers	13,765,692	12,629,440	1,136,251
Due to subsidiaries	312,734,811	296,035,430	16,699,381
Due to Parent Company	-	128,100	(128,100)
Advance payments from customers – asset	150,454,388	135,020,361	15,434,027
Total	**476,954,890**	**443,813,330**	**33,141,560**

Due to suppliers mainly refers to services from domestic suppliers.

Due to subsidiaries recorded a change of 16,699,381 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)	31/12/2023	31/12/2022	CHANGE
Income tax payable	17,042,005	428,244	16,613,761
Withholding tax and other	3,809,339	9,489,133	(5,679,794)
Total payable to tax authorities	**20,851,344**	**9,917,377**	**10,933,967**
INPS (National Italian insurance payable)	1,790,189	1,535,619	254,570
Other	448,689	422,978	25,711
Total social security payable	**2,238,877**	**1,958,597**	**280,281**
Emloyee accruals	5,223,904	5,645,549	(421,646)
Payable to subsidiary companies	2,947,657	5,681,305	(2,733,648)
Miscellaneous payables	14,627,783	18,548,880	(3,921,097)
Accrued expenses and deferred income	28,983,169	26,419,214	2,563,955
Total other payables	**51,782,512**	**56,294,947**	**(4,512,435)**
Total other current liabilities	**74,872,733**	**68,170,921**	**6,701,813**

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 2023 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 37,316,101 Euros is summarized as follows:

(EUROS)	BALANCE AT 31/12/2022	ACCRUED	REVERSAL	UTILIZED	BALANCE AT 31/12/2023
Provision for risks	833,180	6,700,000	(217,080)	-	7,316,101
Provision for losses on equity investments	9,225,000	20,775,000	-	-	30,000,000
Total	**10,058,180**	**27,475,000**	**(217,080)**	**-**	**37,316,101**

The item Provision for risks reflects the best estimate of contingent liabilities deriving from ongoing legal litigations. This item at 31 December 2023 includes an accrual of 6,700 thousand Euros relating to the liability disclosed in paragraph "Significant events subsequent to December, 31 2023" to which reference is made; in relation to such event there is a possible liability, currently unquantifiable linked to any civil actions..

In 2023 the Company accrued an additional 20,775,000 Euros as a provision for losses on equity investments.

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	**31/12/2023**		**31/12/2022**		
Financial receivables	463,287		508,173		Financial loans
Guarantee deposits		80		80	Guarantee deposits
Transaction accounts, net	(194,825)		(159,641)		Transaction accounts held by the Parent company
Trade receivables and other	315,239	3	279,140		Royalties, administration services, marketing, quality management services and office rental
Trade payables and other	315,682	143	301,717	128	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other payables		8,448		7,638	Compensation paid to Directors, Key Management and Statutory Auditors
Economic transactions	**2023**		**2022**		
Revenues from Royalties	58,424		53,611		Licensing of the "Reply" trademark consisting in a 3% fee on third party revenues
Revenues from services	67,294	18	74,665	18	Administrations services, marketing, quality management and office rental
Revenues from management services	14,225		9,372		Strategic management services
Costs for professional services	712,287		637,044		Services carried out in relation to contracts signed by the Parent c ompany and subsequently committed to subsidiary companies
Other services	2,322	479	1,971	420	Services related to office rental and office of the secretary
Personnel		11,475		7,677	Emoluments to Directors and Key Management
Other services and costs		148		148	Compensation paid to Statutory Auditors
Interest income, net	29,579		13,924		Interest on financial loans: 3 months Euribor + spread of 3 percentage points

With reference to the Cash flows statement, the above mentioned transactions impact the change in working capital by 22,932 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 2023 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 50 *basis points* in short-term interest rates at 31 December 2023 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 438 thousand Euros.

This analysis is based on the assumption that there is a general and instantaneous change of 50 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 2023, according to the fair value hierarchical assessment level.

(THOUSANDS EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Financial securities	26	28,579	-	-
Derivative financial assets (IRS)	26	-	1,983	-
Total Assets		**28,579**	**1,983**	**-**

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 re-enters under the hierarchy profile in level 2.

As at 31 December 2023, 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 2023.

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

Pursuant to Consob communication no. 6064293 of 28 July 2006, in 2023 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 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 2023.

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 annexed herein in the related table.

Note 41 - Events subsequent to 31 December 2023

On the afternoon of February 28, 2024, was notified to Reply S.p.A. a preventive seizure decree issued on 8 February 2024 by the Court of Milan.
With this Decree, amounts totaling approximately 322 million Euros were subjected to preventive seizure to the companies and natural persons allegedly involved in various capacities, of which €7,949,544.98 to Reply S.p.A.
From what is indicated in the decree, the contested crime is the one referred in the art. 640-ter paragraphs 1 and 3 of the Criminal Code, in the period 2017-2019.
According to what emerges from the Decree, a fraudulent mechanism would have been put in place in relation to the telephone operator TIM, which would have allowed unsolicited activations to be carried out by so-called users value added services (VAS) offered by so-called Content Service Provider (CSP), such as, for example, logos, ringtones etc.; such unsolicited activations would have resulted in the related fee being charged to the users' telephone credit and therefore would have resulted, through a revenue share mechanism, in revenues for the entities in the supply chain: from the telephone operator to other operators, including the CSP (recipients of most of the residual proceeds) and also to those who carried out purely commercial and technical roles (such as Reply).
The seizure decree contains extracts of declarations from certain individuals who allegedly implicate an employee of one of the Reply Group companies in the mentioned fraudulent mechanism.
The criminal case is still in the preliminary investigation phase.

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

The financial statements for the year-ended 31 December 2023 were approved by the Board of Directors on March 13, 2024 which approved their publication.

Annexed Tables

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

(EUROS)	2023	OF WHICH RELATED PARTIES	%	2022	OF WHICH RELATED PARTIES	%
Revenues	792,261,247	118,326,732	14.9%	709,328,790	119,359,338	16.8%
Other income	22,794,238	21,635,227	94.9%	25,668,033	24,403,416	95.1%
Purchases	(29,671,176)	(29,137,494)	98.2%	(37,856,490)	(36,802,395)	97.2%
Personnel	(33,309,178)	(11,475,106)	34.4%	(26,535,763)	(7,677,000)	28.9%
Services and other costs	(732,056,100)	(686,087,559)	93.7%	(654,350,573)	(602,631,986)	92.1%
Ammortization and depreciation	(4,445,008)			(3,880,483)		
Other operating and non-recurring income/(expenses)	(6,482,920)			2,855,100		
Operating income (EBIT)	**9,091,102**			**15,228,615**		
Gain/(loss) on equity investments	140,546,955			73,413,842		
Financial income/(loss)	20,834,566	29,579,277	142.0%	12,648,115	13,924,364	110.1%
Income before taxes	**170,472,623**			**101,290,573**		
Income taxes	(9,342,926)			(7,148,880)		
Net income	**161,129,698**			**94,141,693**		
Net and diluted income per share	*4.32*			*2.53*		

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

(EUROS)	31/12/2023	OF WHICH RELATED PARTIES	%	31/12/2022	OF WHICH RELATED PARTIES	%
Tangible assets	546,470			534,336		
Goodwill	86,765			86,765		
Intangible assets	5,565,338			7,535,237		
RoU Assets	1,262,979			937,764		
Equity investments	208,916,189			177,988,453		
Other financial assets	464,115,480	463,286,764	99.8%	508,760,401	508,173,353	99.9%
Deferred tax assets	9,384,763			6,728,474		
Non current assets	**689,877,984**			**702,571,429**		
Trade receivables	569,853,187	274,416,306	48.2%	532,386,689	247,217,790	46.4%
Other receivables and current assets	76,132,534	40,822,578	53.6%	61,379,942	57,182,639	93.2%
Financial assets	86,097,755	55,113,331	64.0%	93,913,784	66,596,349	70.9%
Cash and cash equivalents	233,202,949			82,017,473		
Current assets	**965,286,426**			**769,697,889**		
TOTAL ASSETS	**1,655,164,409**			**1,472,269,318**		
Share Capital	4,863,486			4,863,486		
Other reserves	565,296,705			509,293,298		
Net income	161,129,698			94,141,693		
NET EQUITY	**731,289,889**			**608,298,477**		
Finacial liabilities	48,174,351			67,319,609		
IFRS 16 financial liabilities	740,965			432,456		
Employee benefits	771,789			889,438		
Deferred tax liabilities	5,934,786			6,012,577		
Provisions	7,316,101			833,180		
Non current liabilities	**62,937,992**			**75,487,260**		
Finacial liabilities	278,585,391	249,938,400	89.7%	266,759,565	226,237,713	84.8%
IFRS 16 financial liabilities	523,515			514,765		
Trade payables	476,954,890	313,025,322	65.6%	443,813,330	296,163,530	66.7%
Other current liabilities	74,872,733	11,247,657	15.0%	68,170,921	14,578,468	21.4%
Provisions	30,000,000			9,225,000		
Current liabilities	**860,936,529**			**788,483,582**		
TOTAL LIABILITIES	**923,874,521**			**863,970,842**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,655,164,409**			**1,472,269,318**		

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 31/12/2023
Air Reply S.r.l.	Turin	€	10,000	2,553,192	1,193,056	100.00%	1,223,530
Arlanis Reply S.r.l.	Turin	€	10,000	2,112,601	1,788,353	100.00%	588,000
Aktive Reply S.r.l.	Turin	€	10,000	2,163,648	2,053,173	100.00%	512,696
Atlas Reply S.r.l.	Turin	€	10,000	624,058	547,212	100.00%	12,575
Blue Reply S.r.l.	Turin	€	10,000	18,784,367	18,709,295	100.00%	527,892
Breed Reply Investment Ltd.	London	GBP	100	(25,883,284)	(16,194,898)	100.00%	1,000
Bridge Reply S.r.l.	Turin	€	10,000	790,749	746,385	100.00%	1,206,000
Business Reply P.S. S.r.l.	Turin	€	10,000	27,406	(179,094)	100.00%	219,125
Business Reply S.r.l.	Turin	€	78,000	5,207,981	5,072,310	100.00%	239,477
Cluster Reply S.r.l.	Turin	€	139,116	18,042,121	17,795,351	100.00%	2,530,593
Cluster Reply Roma S.r.l.	Turin	€	10,000	1,588,773	1,537,283	100.00%	296,184
Consorzio Reply Public Sector	Turin	€	172,500	110,320	-	22.90%	39,500
Core Reply S.r.l.	Turin	€	10,000	1,308,663	1,293,439	100.00%	598,018
Data Reply S.r.l.	Turin	€	10,000	5,062,635	5,018,963	100.00%	317,662
Discovery Reply S.r.l.	Turin	€	10,000	4,723,372	2,508,385	100.00%	1,311,669
e*finance Consulting Reply S.r.l.	Turin	€	34,000	4,744,227	4,590,872	100.00%	3,076,385
Eos Reply S.r.l.	Turin	€	200,000	1,722,362	1,459,877	100.00%	495,369
Forge Reply S.r.l.	Turin	€	10,000	29,763	(2,283,176)	100.00%	1,000
Go Reply S.r.l.	Turin	€	50,000	1,727,293	1,625,337	100.00%	1,920,000
Hermes Reply S.r.l.	Turin	€	10,000	1,781,693	1,392,923	100.00%	199,500
Hermes Reply Consulting (Nanjing) Co. Ltd.	China	CNY	7,842,050	16,474,157	3,989,014	100.00%	1,000,000
IrisCube Reply S.r.l.	Turin	€	651,735	11,179,091	10,289,531	100.00%	6,724,952
Like Reply S.r.l.	Turin	€	10,000	574,220	536,706	100.00%	644,317
Logistics Reply Roma S.r.l.	Turin	€	10,000	170,498	(774,502)	100.00%	800,542
Logistics Reply S.r.l.	Turin	€	78,000	14,996,930	4,356,279	100.00%	1,033,625
Open Reply S.r.l.	Turin	€	10,000	6,140,766	6,007,141	100.00%	1,625,166
Net Reply S.r.l.	Turin	€	10,000	5,200,026	1,921,451	100.00%	10,000
Nexi Digital S.r.l.	Turin	€	10,000	1,942,636	1,929,857	51.00%	5,100
Next Reply S.r.l.	Turin	€	10,000	16,121	(561,523)	100.00%	1,135,000
Pay Reply S.r.l.	Turin	€	10,000	1,004,456	967,800	100.00%	10,000
Portaltech Reply S.r.l.	Turin	€	10,000	1,464,650	1,435,925	100.00%	106,000
Power Reply S.r.l.	Turin	€	10,000	5,873,692	5,651,746	100.00%	2,708,266
Protocube Reply S.r.l.	Turin	€	10,200	476,305	151,393	100.00%	4,060

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2023
Reply Consulting S.r.l.	Turin	€	10,000	2,018,008	1,958,081	100.00%	3,518,434
Reply Deutschland SE	Guetersloh	€	120,000	112,602,219	(13,362,795)	100.00%	57,883,580
Reply Digital Experience S.r.l.	Turin	€	29,407	1,073,946	1,005,308	100.00%	4,673,019
Reply Do Brasil Sistema De Informatica Ltda	Belo Horizonte - Brazil	R$	650,000	6,180,096	2,140,433	100.00%	206,817
Reply France Sas	France	€	5,310,000	28,657,968	(5,555,871)	100.00%	35,010,000
Reply Inc.	Michigan - USA	$	3,406,420	(19,911,400)	(18,179,509)	100.00%	2,814,625
Reply Ltd.	London	GBP	24,215,720	40,345,653	(786,539)	100.00%	39,691,413
Reply Polska Sp. z o.o.	Katowice-Poland	ZLT	40,000	13,305,239	2,339,715	100.00%	10,217
Reply Sarl	Luxemburg	€	12,000	(6,773,747)	(4,174,134)	100.00%	12,000
Reply Services S.r.l.	Turin	€	10,000	77,368	(279,473)	100.00%	1,000
Retail Reply S.r.l.	Turin	€	10,000	2,929,124	2,884,744	100.00%	100,000
Ringmaster S.r.l.	Turin	€	10,000	1,247,712	1,153,387	50.00%	5,000
Santer Reply S.p.A.	Milan	€	2,209,500	24,074,436	17,154,945	100.00%	11,386,966
Security Reply S.r.l.	Turin	€	50,000	13,995,177	13,822,743	100.00%	392,866
Sense Reply S.r.l.	Turin	€	10,000	4,252,655	2,278,504	100.00%	1,015,700
Sensor Reply S.r.l.	Turin	€	10,000	34,595	18,605	100.00%	12,800
Shield Reply S.r.l.	Turin	€	10,000	13,518	(294,482)	100.00%	308,000
Spark Reply S.r.l.	Turin	€	10,000	19,973	(181,057)	100.00%	1,042,500
Sprint Reply S.r.l.	Turin	€	10,000	1,668,273	1,647,213	100.00%	155,000
Storm Reply Roma S.r.l.	Turin	€	10,000	37,087	12,587	100.00%	148,040
Storm Reply S.r.l.	Turin	€	10,000	7,416,055	7,323,975	100.00%	847,960
Syskoplan Reply S.r.l.	Turin	€	32,942	1,403,714	1,278,876	100.00%	949,571
Sytel Reply S.r.l.	Turin	€	115,046	11,986,837	7,694,600	100.00%	5,513,231
Sytel Reply Roma S.r.l.	Turin	€	10,000	6,151,618	6,133,187	100.00%	894,931
TamTamy Reply S.r.l.	Turin	€	20,400	2,815,992	1,391,171	100.00%	293,471
Target Reply S.r.l.	Turin	€	10,000	3,822,375	3,733,092	100.00%	600,338
Technology Reply Roma S.r.l.	Turin	€	10,000	2,431,248	2,094,470	100.00%	10,000
Technology Reply S.r.l.	Turin	€	79,743	14,625,995	14,322,358	100.00%	216,658
Technology Reply S.r.l. (Romania)	Romania	RON	44,000	4,363,287	(938,283)	100.00%	9,919
Tender Reply S.r.l.	Turin	€	10,000	57,273	47,273	100.00%	10,000
Whitehall Reply S.r.l.	Turin	€	21,224	3,867,505	3,728,717	100.00%	160,211
WM Reply S.r.l.	Turin	€	10,000	13,757	(347,243)	80.00%	368,255
Xenia Reply S.r.l.	Turin	€	10,000	325,707	315,710	100.00%	380,000
Xister Reply S.r.l.	Rome	€	10,000	4,454,740	1,356,821	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	271,000,721	A,B,C	271,000,721		
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			560,900,936		
Not available amount			-		
Residual available amount			**560,900,936**		
Reserves from transictions to IAS/IFRS					
FTA reserve	303,393				
Retained earnings	2,147,961				
Reserve for cash flow hedge	1,749,913				
Reserve for treasury share	(17,122,489)				
IAS reserve	(7,747)				
Accounting expenses according to IAS 32	(770,448)				
	(13,699,416)				

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 2023 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	2023 FEES
Audit	PwC S.p.A.	48,883
Audit related services	PwC S.p.A. (1)	3,477
	PwC S.p.A. (2)	45,100
Total		**97,460**

(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 2023.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2023 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, 13 March 2024

/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 legislative decree no. 58/1998 and article 2429, paragraph 2 of the civil code regarding the annual and consolidated financial statements as at December 31, 2023

Dear Shareholders,
in accordance with article 153 of Legislative Decree no. 58/1998, and in compliance with current regulations, the Board of Statutory Auditors is required to report to the Shareholders Meeting on the oversight activities carried out during the financial year as well as on any omissions and censurable facts detected and may make observations and proposals regarding the financial statements, their approval, and matters within its competence.

During the financial year, the Board of Statutory Auditors carried out its oversight duties in compliance with the Civil Code, Legislative Decree no. 58/1998 (Consolidated Financial Act), Legislative Decree no. 39/2010, statutory provisions, and regulations issued by supervisory and control authorities, also considering the "Conduct Standards of the Board of Statutory Auditors for the Oversight of Listed Corporation" recommended by the National Council of Chartered Accountants and Accounting Experts.

In particular, the Board of Statutory Auditors oversighted: (i) the compliance with the law and the articles of association, (ii) the adherence to principles of sound management practices, (iii) the adequacy of the Company's organizational structure, internal control and risk management system, and administrative-accounting system, as well as the reliability of the latter in accurately reflect business transactions, (iv) the concrete implementation of corporate governance rules adopted by the Company in compliance with the Italian "Corporate Governance Code for Listed Companies", (v) the adequacy of the instructions issued to controlled companies pursuant to Article 114, paragraph 2, of the Unified Financial Act ("Testo Unico"), and (vi) the obligations relating to non-financial information pursuant to Legislative Decree no. 254/2016.

In conducting its oversight, the Board of Statutory Auditors referred to the Conduct Standards of the Board of Statutory Auditors for the Oversight of Listed Corporation" particularly adopting a risk-based approach that allowed it to focus its activities on the most significant aspects of the Company's management.

Oversight Activities pursuant to Legislative Decree no. 39/2010 implementing Directive 2006/43/EC on statutory audits of annual and consolidated accounts

The Board of Statutory Auditors, acting as the Internal Control and Audit Committee, performed the functions provided for in Article 19 of Legislative Decree no. 39/2010, overseeing the following aspects:

- the financial reporting process;
- the effectiveness of the internal control over financial reporting, of the internal audit function and of the risk management system;
- the external audit process of annual and consolidated accounts;
- the independence of the accounting firm, particularly concerning the provision of non-audit services.

The accounting firm, periodically met in accordance with Article 150, paragraph 3, of the Consolidated Financial Act for the exchange of mutual information, did not report to the Board of Statutory Auditors any acts or facts deemed reprehensible or irregularities requiring specific reporting under Article 155, paragraph 2, of the Consolidated Financial Act.

During the meetings, particular attention was given to the application of the impairment test to investments and goodwill for corporate acquisitions. The Board of Statutory Auditors notes that the impairment procedure has not changed compared to that adopted in the previous financial year.

The Board of Directors Control and Risk Committee examined the results of the impairment test as of December 31, 2023, prepared in accordance with the mentioned procedure.
The Board of Directors in its entirety has previously approved the 2024-2026 financial projections specifically prepared for the impairment test execution, and subsequently approved the results of the impairment procedure application in the following meeting.

The Board of Statutory Auditors also held a meeting with the Quality Review Partner of PricewaterhouseCoopers S.p.A. responsible for activities related to the Reply Group. During the meeting, all activities related to the quality control of the audit process for the Reply Group were illustrated to the Board of Statutory Auditors members.

Furthermore, the Board of Statutory Auditors requested the accounting firm to provide support for evaluating the quality of the audit, with a particular focus on the quantitative and qualitative dimensions of the audit service, the assessment of the auditor's necessary skills, and the measures implemented by the auditor regarding independence.

The Board of Statutory Auditors also acknowledged the 2023 Transparency Report prepared by the audit firm, published on its website in accordance with Article 13 of EU Regulation no. 537/2014.

The Board of Statutory Auditors acknowledges the activity carried out concerning the assignment to the accounting firm statutory of services other than the financial statements audit, which were previously authorized by the Board of Statutory Auditors after careful analysis.

Oversight Activity on Non-Financial Reporting

The Board of Statutory Auditors oversighted the Company compliance with the provisions of Legislative Decree No. 254 of December 30, 2016, in particular concerning both the preparation process and the contents of the Non-Financial Reporting. The activity was carried out through periodic meetings with the designated company structure and consultations with the company responsible for the statutory audit of the accounts.

The report underwent a limited assurance activity by PriceWaterhouseCoopers S.p.A., which issued a negative assurance attestation regarding the conformity of the information provided with the requirements of Legislative Decree No. 254/2016 and with the principles, methodologies, and procedures established by the adopted reporting standard.

The Board of Statutory Auditors, having examined the report issued by the audit firm pursuant to Article 3, paragraph 10, of Legislative Decree No. 254/2016, and the declaration made by the Company in the Consolidated Financial Statements Report pursuant to Article 4 of the CONSOB Regulation implementing the aforementioned Decree, did not identify any elements of non-compliance and/or violation of the reference regulations.

Self-evaluation of the Board of Statutory Auditors

During the first months of 2024, the Board of Statutory Auditors carried out its annual self evaluation process, the outcome of which must be transmitted to the Board of Directors so that it can include the relevant conclusions in the Corporate Governance and Ownership Structure Report.

To this end, the Board of Statutory Auditors requested and obtained information from each individual members, collected individual declarations, and prepared a questionnaire in accordance with the document "Self-assessment of the Board of Statutory Auditors - Rules of conduct of the Board of Statutory Auditors of listed companies - Rule Q.1.1," issued by the National Council of Chartered Accountants and Accounting Experts, referred to in Rule Q.1.7 of the "Conduct Standards of the Board of Statutory Auditors for the Oversight of Listed Corporation" of December 21, 2023.

The self-assessment activities allowed the Board of Statutory Auditors to verify and confirm in relation to all its members the possession of:
- the independence requirements prescribed by both the law (Article 148, paragraph 3, Unified Financial Act) and the Corporate Governance Code (Article 2, recommendation no. 7). Dr. Ada Alessandra Garzino Demo was deemed independent despite holding the position as a member of the Board of Statutory Auditors for more than nine financial years, based on her authority, reputation, moral stature, as well as professionalism and balance demonstrated in carrying out the assignment. The Board of Statutory Auditors adopted its own internal protocol aimed at identifying appropriate corrective measures to adequately address any circumstances that may compromise the independence of its members. During the financial year, no circumstances arose that required the activation of measures provided for in the aforementioned protocol;
- the professionalism, integrity, competence, and experience requirements as provided for in Articles 1 and 2 of the Ministry of Justice Decree of March 30, 2000, no. 162;
- the requirements set forth in the company's bylaws.

The ongoing compliance of each Board of Statutory Auditors member with the applicable regulations regarding the limits on the accumulation of positions was also verified.

In light of the information in its possession, the Board of Statutory Auditors therefore assessed, at present, its composition as adequate, having regard to the professionalism, diversity, competence, integrity, and independence requirements required by the regulations.

* * *

Given the foregoing, the information provided below is in accordance with the provisions contained in Consob Communication No. DEM 1025564 of April 6, 2001, as subsequently amended.

1. Major economic, financial, and asset relevant transactions
We have received timely and adequate information from the Executive Directors regarding the major economic, financial, and asset relevant transactions carried out by the Company and/or its subsidiaries during the 2023 financial year or after the close of the same.

These transactions, for which the Board of Statutory Auditors has no observations, are appropriately described in the documentation related to the Annual Report submitted for your approval.

2. Possible existence of atypical and/or unusual transactions, including Intercompanies and Related Parties ones

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 Operating Officer, management, Board of Statutory Auditors, where present, of the companies directly controlled by Reply S.p.A., and from the accounting firm did not report any atypical and/or unusual transactions, including intercompnies or related parties ones, carried out during the 2023 financial year or after the close of the same.

Regarding intecompany transactions, it is reported that during the 2023 financial year, Reply S.p.A.:

- purchased professional services from group companies related to revenues from contracts signed with third-party clients;
- provided guarantees to subsidiary companies;
- granted loans to subsidiary companies without specific purpose limit to generally support their activities;
- provided group companies with strategic management services, administrative services, marketing and quality management, and other management services;
- centrally managed the group treasury of Italian companies through correspondent accounts held by individual subsidiary companies;
- granted group companies the use of the proprietary "REPLY" brand;
- acquired "office services" (provision of equipped spaces and secretarial services) from subsidiary companies.

The transactions with other related parties during 2023 relate to fees to Directors, to Board of Statutory Auditors members and executives with strategic responsibilities as well as "office services" for the use of the property located at the headquarters in Turin, Corso Francia 110, provided by Alika S.r.l. These transactions fell outside the scope of the Procedure for Transactions with Related Parties, as they are exempt transactions defined respectively by Articles 4.1 and 4.4 of the Procedure.

3. Information provided in the Annual Report on atypical and/or unusual transactions, including intercompanies and related parties ones

The information provided by the Board of Directors in the Company annual report as of December 31, 2023, in the accompanying notes and schedules to the consolidated financial statements of the Reply Group and the financial statements of Reply S.p.A. as of December 31, 2023, regarding the major economic, financial, and asset relevant transactions, as well as the debit and credit relationships maintained with controlled, affiliated companies and related parties, are adequate.

The annual report, the information received during the meetings of the Board of Directors, and those received from the Chairman and the Chief Operating Officer, management, Boards of Statutory Auditors, where present, of the companies directly controlled by Reply S.p.A., and from the accounting firm did not report any atypical and/or unusual transactions, including intercompanies or related parties ones, carried out during the 2023 financial year or after the close of the same.

4. Comments and proposals on the remarks and disclosure references contained in the Auditors report of the accounting firm

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

- the reports on its audit of the annual financial statements and the statutory audit of the consolidated financial statements issued on March 29, 2024, pursuant to Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537/2014;
- the additional report issued on March 29, 2024, pursuant to Article 11 of the aforementioned Regulation, to the Board of Statutory Auditors in its capacity as the internal control and audit committee;
- The aforementioned reports highlight that:
- the separate and consolidated financial statements of the Reply Group were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union, in force as of December 31, 2023, as well as in accordance with the provisions issued in implementation of Article 9 of Legislative Decree No. 38/2005 and subsequent amendments and additions;
- the separate and consolidated financial statements of the Reply Group are clear and represent fairly and accurately the financial position, financial performance, and cash flows for the year ended December 31, 2023;
- the separate and consolidated financial statements were prepared in XHTML format in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 on technical regulatory standards regarding the specification of the single electronic reporting format (ESEF - European Single Electronic Format).

Furthermore, in the opinion of the accounting firm, the Management Report and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of Article 123-bis of the Unified Financial Act contained in the Corporate Governance and Ownership Structure Report are consistent with the Annual Financial Report.

Regarding the possible identification of significant errors in the Management Report (Article 14, paragraph 2, letter e) of Legislative Decree No. 39/2010), the accounting firm has declared that there was nothing to report.

With regard to the additional report issued pursuant to Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors verified that it reported:

- the key aspects of the audit of the financial statements;
- the materiality levels for the consolidated financial statements and the separate financial statements;
- the audit plan;
- the consolidation scope and method;
- the audit methodology and use of estimates in the preparation of the consolidated and separate financial statements;
- the key audit matters related to the consolidated financial statements and the separate financial statements;
- the activities carried out by the audit team of the accounting firm.

In the same document, the accounting firm also assured that no significant audit differences were found in the consolidated financial statements and the separate financial statements, nor were significant deficiencies identified in the internal control over financial reporting, listing the mandatory communications made to the corporate bodies, and finally assuring that, from the verification of the regular keeping of the company's accounts and the correct recording of management events in the accounting records, no significant aspects emerged to report.

The Board of Statutory Auditors examined the independence declaration of the accounting firm, pursuant to Article 17 of Legislative Decree No. 39/2010, issued by him on March 29, 2024, which did not highlight situations compromising independence or causes of incompatibility, pursuant to Articles 10 and 17 of the same decree and the related implementing provisions.

5. Reports pursuant to Article 2408 of the Italian Civil Code

The Board of Statutory Auditors did not receive any communications and/or reports, even if qualified as such under Article 2408 of the Civil Code, during the fiscal year or subsequent to its closure.

6. Submission of reports

The company's Directors did not report any submissions addressed to them during the fiscal year or subsequent to its closure.

7. Possible assignment of additional engagements to the accounting firm and related costs

During 2023, in addition to the assignment for the audit of the financial statements as of December 31, 2023, the following assignments for attestation services were conferred to PricewaterhouseCoopers S.p.A.:

INCARICHI	FEES €/000
Subscription of Unico, IRAP, 770 models for Reply S.p.A.	3
Agreed-upon procedures aimed at verifying the credentials declared by Santer Reply S.p.A. and Xenia Reply S.r.l. in the technical offer submitted for a Consip tender.	21
Agreed-upon procedures aimed at verifying the turnover details declared by Consorzio Reply Public Sector in the technical offer submitted for tenders by Poste Italiane	20
Agreed-upon procedures aimed at verifying contributions paid by Eos Reply S.r.l. to the Italian On Line Fund (IOL)	2
Limited examination of the Non-Financial Consolidated Statement for 2023 p ursuant to Legislative Decree 254/2016 of the Reply Group	45

8. Possible assignment of engagements or contracts to entities related to the auditing firm by ongoing relationships, and related costs.

During the fiscal year, no assignments were given to entities related to PricewaterhouseCoopers S.p.A. from ongoing relationships and/or to entities belonging to the same network.

9. Indication of opinions issued pursuant to law during the fiscal year.

During the fiscal year, the opinions requested to the Board of Statutory Auditors as required by law were issued.

10. Frequency and number of meetings of the Board of Directors and the Board of Statutory Auditors.

During the fiscal year, the Board of Directors held 5 meetings, and the Board of Statutory Auditors held 11 meetings. The Board of Directors Control and Risk Committee met 6 times, and the Board of Directors Remuneration Committee met 6 times. The Board of Statutory Auditors attended the meetings of the Board of Directors and, through its Chairman, the meetings of the Board of Directors Control and Risk Committee and Remuneration Committee.

11. Observations on compliance with sound management principles

The Board of Statutory Auditors, having participated in the meetings of the Board of Directors, acknowledges, based on information obtained therein, that, without any opinion rendered on appropriateness and advisability of the single decisions made by said body, the operations carried out and to be carried out by the Company have been based on principles of sound business management, are compliant with the law and the articles of association, are not in conflict with resolutions passed by the shareholders' meetings or compromising the integrity of the company's assets, and have been adequately supported by processes of information, analysis, and verification.

12. Observations on the adequacy of the organizational configurations and structure
The Board of Statutory Auditors has evaluated the timeliness of updates and the completeness of the organizational structure, as well as the alignment of the organizational structure with business and governance needs in terms of both professionalism and the ability to achieve strategic and operational objectives, considering the adequacy of the system of delegations and principles of appropriate "segregation of duties."

In this regard, the Board of the Statutory Auditors has overseen the adequacy of the composition, size, and functioning of the Board of Directors and its committees, attending meetings and analyzing the documentation produced by these bodies in the execution of their duties. In its collegiality, the Board of the Statutory Auditors sees no need to make any observations.

The Board of Statutory Auditors also notes that:
- the Chairman of the Company Board of Directors holds executive delegations substantially similar to those of the Chief Executive Officer;
- the breadth of these delegations allows their holders substantial executive management capacity independent of board of Directors resolutions for all operations that are not considered, based on management evaluation, "price sensitive" in accordance with the law;
- this executive management capacity, in the absence of an approved business plan by the Board of Directors, means that strategic directions are effectively identified and carried out by the company's management.

In the view of the Chairman of the Board of Statutory Auditors, the above limits the guiding role of the Board of Directors, as recommended by the Corporate Governance Code, particularly regarding the definition of the Company's and the Group's strategies as well as the oversight of their implementation. In this context, while recognizing the indispensable role of the Company Executive Directors in driving the success of the Company and the Group, the Chairman of the Board of Statutory Auditors expresses the wish that through the sharing and approval of a business plan, the Board of Directors can exercise the guiding and strategic direction role of the Group, as recommended by the Corporate Governance Code, in a corporate governance logic aimed at fully leveraging all the resources available to the Company. At the same time, with such an approach, the Board of Directors could rely on an essential benchmark to position the returns of the wide delegations assumed by the Chairman and the Chief Executive Officer of the Company.

The other members of the Board of Statutory Auditors note that the Executive Directors promptly report on the activities carried out and on the transactions of greater economic, financial, and asset significance, as provided for by Article 150 of the Unified Financial Law. In accordance with Recommendation No. 13 of the Corporate Governance Code, during 2021, the Board of Directors appointed a Lead Independent Director.
The Board of Statutory Auditors also considered the documentation concerning the additional components of Reply S.p.A.'s overall organizational structure and noted over time the existence of:

- an organizational chart and related corporate documentation reflecting organizational structures;
- a system of delegations of authorities, exercised consistently with the roles and powers assigned to each of the functions/committees involved;
- established corporate practices for governance exercised by Reply S.p.A. in directing, coordinating, and controlling its controlled companies, mainly exercised through: (i) centralized functions governing the principal activities deemed sensitive to the Group (Personnel, Communication, Management Control, Innovation), (ii) constant business monitoring activity by top management, and (iii) the presence of the latter in the Boards of Directors of controlled companies;
- corporate internal procedures for carrying out the activities specific to each managerial function, mainly based on the ISO 9000 procedural model.

Overall, based on the above analysis, these additional components of the organizational structure have been primarily characterized by structured and effective management practices.

13. Observations on the adequacy of the internal control system

The Board of Statutory Auditors, upon noting the resolutions passed by the Board of Directors and reported in the Corporate Governance and Ownership Structures Report regarding the adequacy and effective functioning of the internal control system, examined the 2023 reports from the Internal Audit function.
In particular, the Board of Statutory Auditors notes that:

- during the fiscal year, the necessary functional and informational connection was maintained among the head of the Internal Audit function, the Board of Directors Control and Risks Committee, and the Body overseeing the anticorruption system regarding the methods of performing the assessment, surveillance, and control tasks entrusted to them concerning, within their respective competencies, the adequacy, operability, and effective functioning of the internal control system and risk management, as well as the outcomes of the audit activities carried out by the Internal Audit function, in accordance with the audit plan approved by the Board of Directors and the risk assessment conducted by the Company with the professional support of a specialized Reply Group company. The Company described in the Corporate Governance and Ownership

Structures Report the main characteristics of its internal control and risk management systems and the coordination methods among the entities involved, indicating the national and international reference models and best practices;

- in 2023, the Company updated the ERM model following the guidelines of the latest reference standard (CoSO Framework) and carried out the annual edition of the risk assessment process, involving the relevant corporate functions, which resulted in identifying the main corporate risks. The methodology used this year included defining the Risk Appetite (RA) that the Company's management identified as the level of risk it is willing to assume differently with reference to individual risks. This circumstance led to identifying and evaluating as "Top Risks" those whose residual risk (i.e., after considering the effectiveness self-assessment of the mitigation actions implemented by management) was found to be closer than others to the predefined upper limit RA with reference to the specific risk. The Board of Directors considered the overall results of the risk management process to be compatible with a company management consistent with the Group's strategic objectives. The 2023 Annual Report Management describes, as required by law, the main risk factors, regardless of the mitigation actions implemented by the Group's management.
- The Chief Audit Officer of the Company periodically updated the Board of Statutory Auditors regarding the activities carried out and the main findings of the audits conducted, without highlighting any corrective actions.

The documents presented during the periodic information exchange with the Board of Statutory Auditors summarized the results of the audits, which, for all completed audits, did not reveal 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 assessment of its effectiveness was performed and did not reveal any issues to report.

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

During its oversight, no critical issues were identified, and the integrated quality, environmental, and safety management system is evaluated by the competent parent company function as effective in its concrete operation and adequate.

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

The Board of Statutory Auditors noted that the Data Protection Officer, during the periodic discussions, did not highlight any critical elements to report.

The Board of Statutory Auditors has not received any notifications of violations of the Organizational and Management Model pursuant to Legislative Decree 231/01 from the Anticorruption System Oversight Body.

Overall, while sharing and appreciating the initiatives undertaken by management in the areas of Risk Management and Internal Control System, the Board of Statutory Auditors recommends the timely completion of its implementation with the evolutionary perspective of progressive advancement in its maturity level. In this regard, the Board of Statutory Auditors notes that the introduction of the RA concept on individual risks represents a further step towards completing a path that the Board of Statutory Auditors itself expects will lead to a definition of the nature and level of risk compatible with the company's strategic objectives, so that it can serve as the general reference for all risks to determine their monitoring priorities. The Board of Statutory Auditors also expect that the path taken will lead to the evolution from the current annual cycle of the internal risk assessment project to the establishment of a continuous process integrated with business management decision-making that identifies roles and responsibilities within the organization for its execution and coordination.

The Board of Statutory Auditors finds it useful to note that the external evaluation of compliance with the International Standards for the Professional Practice of Internal Audit (EQR), carried out in 2021, highlighted the need to expand the function's interventions in the areas of operations and anti-fraud, as required by international standards.

In this regard, the Board of Statutory Auditors notes that the Company has initiated a multi-year implementation process for full compliance with international standards and greater conformity with the specific recommendation regarding the Corporate Governance Code to which the Company adheres. At the urging of the Board of Statutory Auditors, Internal Audit conducted a significant initial operational audit intervention in 2023 focusing on the organization and processes related to risks identified by the Company and by the Internal Audit itself as the most relevant. The Board od Statutory Auditors emphasizes the importance of continuing the path taken by integrating it with that related to the risk management process.

In its collegiality, the Board of the Statutory Auditors believes there are no further elements to bring to the attention of the Assembly.

14. Observations on the internal control over financial reporting

The Board of Statutory Auditors examined the internal procedural set concerning the internal control over financial reporting, i.e., the set of activities for identifying risks/controls and procedures adopted to ensure, with reasonable certainty, the achievement of the objectives of reliability, accuracy, reliability, and timeliness of financial reporting. This system is the prerequisite that allows the Company Officer responsible of preparing the accounting and corporate documents, together with the delegated administrative bodies, to issue the attestations required by Article 154-bis of the TUF.

The Board of Statutory Auditors periodically met with the Company Officer responsible of preparing the accounting and corporate documents and the Audit Firm for an exchange of information that also concerned, among other topics, the management and control over financial report model of Reply Group under Law 262/2005.

During these meetings, no significant deficiencies in operational and control processes were reported that could affect the assessment of the adequacy and effective application of administrative-accounting procedures for the correct economic, balance sheet, and financial representation of management events in accordance with international accounting principles.

Similarly, during the periodic information exchange meetings, as well as in the additional report prepared pursuant to Article 19 Legislative Decree 39/2010, the external accounting firm did not, in turn, report significant deficiencies in the internal control system related to the financial reporting process.

The Chairman and the Company Officer responsible of preparing the accounting and corporate documents issued, pursuant to Article 81-ter of Consob Regulation no. 11971/1999 as subsequently amended, the attestation provided for in Article 154-bis, paragraph 5 of Legislative Decree 58/1998, which was analyzed by the Board od Statutory Auditors as evidence of the effectiveness of administrative-accounting processes.

15. Instructions issued by the company to its controlled companies pursuant to Article 114

The instructions issued by Reply S.p.A. to its controlled companies, pursuant to the 2nd paragraph of Article 114 of Legislative Decree 58/1998, appear adequate; also adequate appear the necessary information for timely knowledge of business facts provided by the controlled companies to the parent company.

In this regard, we inform you that to ensure the timely communication of the required news, Dr. Daniele Angelucci, Executive Director and Chief Financial Officer of Reply S.p.A., holds the position of Chairman and/or CEO of all Italian controlled companies, with the exception of Ringmaster S.r.l., as well as Director of Nexi Digital S.r.l., Director of several foreign subsidiaries including in some US companies. He is alsoa member of the Supervisory Board of Reply Deutschland SE.

We also inform you that:

- the Chairman of the Board of Directors of Reply S.p.A., Mr. Mario Rizzante, is a member of the Supervisory Board of Reply Deutschland SE (formerly Reply AG);
- the CEO Eng. Tatiana Rizzante holds, among others, the position of Director of the English subsidiaries Reply Ltd, Airwalk Holdings Reply Limited, Airwalk Consulting Reply Limited, Graymatter Reply Ltd, Arlanis Reply Ltd, Mansion House Consulting Limited, and Managing Director of the German subsidiary Reply Deutschland SE;
- the Executive Dr. Filippo Rizzante holds, among others, the position of Director in some English subsidiaries, as well as the position of Vice Chairman of Ringmaster S.r.l.

16. Relevant aspects emerged during the meetings held with the accounting firm pursuant to Article 150, paragraph 3, Legislative Decree 58/1998.

During the meetings and encounters held with the representatives of the accounting firm, no acts or facts deemed censurable or relevant and worthy of mention and/or specific reporting pursuant to Article 155, paragraph 2, of Legislative Decree 58/1998 emerged.

17. Company's adherence to the code of self-discipline of the Committee for Corporate Governance of listed companies.

The Company has adhered, since the 2000 financial year, to the Corporate Governance Code (formerly the Self-Discipline Code), most recently revised in January 2020 and effective starting from 2021 financial year.

On March 13, 2024, the Board of Directors approved the Corporate Governance and Ownership Structures prepared in accordance with Article 123-bis of Legislative Decree 58/1998.

The Board of Statutory Auditors acknowledged the report on the remuneration policy and compensation paid (Remuneration Report), prepared pursuant to Article 123-ter of Legislative Decree 58/98, Article 84-quater of the Issuers' Regulations, and its annex 3A, 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 considered the remuneration practices prevalent in the reference sector and for companies of similar size.

Regarding the supervision carried out on compliance with the Corporate Governance Code, in addition to what is indicated in the previous paragraphs, the Board of the Statutory Auditors has no observations to make.

18. Proposals, if any, to be submitted to the Assembly pursuant to Article 153 of Legislative Decree 58/1998.

In relation both to the provisions of the second paragraph of Article 153 of Legislative Decree 58/1998, and to the general oversight obligation under Article 149 letter a) of that decree, as well as to the agenda of the General Shareholders Meeting which provides for the discussion of the financial statements, the Board of Statutory Auditors acknowledges having overseen the observance of the procedural and legal rules concerning the preparation of the latter.

We emphasize that the Directors have declared that:

- the Financial Statements as of December 31, 2023 were prepared, in compliance with European Regulation no. 1606/2002 of July 19, 2002, in accordance with international accounting principles (IFRS);
- the annual consolidated Financial Report as of December 31, 2023 was prepared in electronic format, according to the provisions of European Regulation 815/2018 known as "ESEF".

Based on the oversight carried out directly and on the information exchanged with the accounting firm, also taking into account the latter's report, pursuant to Article 14 of Legislative Decree 39/2010, which expresses an unqualified opinion, the Board of Statutory Auditors believes it has neither observations nor proposals on the Financial Statements, the Management Report included in the Annual Report, and the proposals formulated therein, which it consequently considers, within its specific competence, suitable to your approval.

Similarly, with specific reference to the provisions of the second paragraph of Article 153 of Legislative Decree 58/1998, the Board of Statutory Auditors believes it has no proposals to make regarding the other matters within its competence.

On the agenda item concerning the resolution to be taken regarding the purchase and sale of own shares, with reference to what has been stated by the Directors, the Board of the Statutory Auditors notes that the proposed resolution is in compliance with the provisions of Articles 2357, 2357-ter of the Civil Code, those of Article 132 of Legislative Decree 58/1998, as well as those of Article 144-bis of the Consob Regulation adopted by resolution no. 11971 of May 14, 1999.

19. Conclusive evaluations regarding the oversight activity carried out, as well as regarding any omissions, censurable acts, or irregularities detected during the same

The oversight activity carried out by the Board of Statutory Auditors, in addition to what has been stated above, took place through:

- the acquisition of information during meetings with the representatives of the Board of Statutory Auditors, where existing, of the controlled and controlling companies to exchange information on the Group's activities and to coordinate control and oversight activities;
- the collection of additional information in meetings with the Designated Director according to the Procedure for Transactions with Related Parties and the Company Officer in charge of implementing the Code of Conduct on Internal Dealing;
- the analysis of any new laws or Consob communications of interest to the Company.

The Board of the Statutory Auditors has found the organizational prerequisites to respect the statutory, legal, and regulatory provisions governing the matter, in continuous evolution and search for continuous improvement.

Shareholders are informed that the Board of Statutory Auditors:

- overseen the compliance with the law regarding the Procedure for Transactions with Related Parties, initially approved by the Board of Directors of Reply S.p.A. on November 11, 2010, and subsequently amended on 14/05/2015, 02/08/2018, and 21/06/2021, and its observance;
- verified the correct application of the criteria adopted by the Board of Directors in assessing the independence conditions of the "independent directors";
- over seen, where required, compliance with the limitations provided by law on accounting firm non- audit services assigned by Reply S.p.A. and its subsidiaries;
- overseen compliance with the provisions of Article 17, paragraph 4, of Legislative Decree 39/2010 and in this regard, we inform you that the key person in charge of auditing the financial statements of Reply S.p.A. is Dr. Monica Maggio;
- overseen and monitored the independence of the accounting firm PricewaterhouseCoopers S.p.A. in accordance with Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and Article 6 of Regulation (EU) 537/2014;
- overseen the respect by the Company of the obligations related to the "Market abuse" and "Investor protection" regulations regarding corporate information and "Internal Dealing", based on the communications received from the Company.

With regard to the Board of Auditors oversight of censurable acts or irregularities, if any, the Board of Statutory Auditors considers it important to note that, in general terms, the assessment of whether an event or circumstance constitutes an irregularity or a censurable act may depend on aspects subject to non-univocal interpretations, sometimes defined following the ascertainment of facts only at the conclusion of multi-year judicial proceedings.

Based on the supervisory activity carried out during the financial year, the Board of Statutory Auditors:

a) has no contrasting indication of any obstacles to the approval of the financial statements as of December 31, 2023, and to the proposed resolutions formulated by the Board of Directors.
b) has not identified irregularities or censurable acts during its work.

We also remind you that our mandate has expired for the completed three-year term and, thanking you for the trust placed in us, we invite you to take action on this matter.

Rome-Turin, March 29, 2024

THE BOARD OF STATUTORY AUDITORS

CHAIRMAN (Dr. Ciro Di Carluccio)

BOARD MEMBER (Prof. Piergiorgio Re)

BOARD MEMBER (Dr. 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 2023

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 2023, 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 policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, 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 2 "Accounting principles and basis of consolidation" and Note 21 "Equity investments" to the financial statements* The value of equity investments in subsidiaries as of 31 December 2023 amounted to Euro 209 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 and quantify. These complex estimates are especially referred to the determination of market multiples used for the fair value calculation, the definition of expected cash flows, the discount and growth rates used for estimating the terminal value in determining the value in use calculation. Following the test carried out, the recoverable value of all the investments was higher than the related book value. Considering the significance of this items representing approximately 13 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 on February 23, 2024. During the tests performed by us, including those to assess whether the estimation method, those related to the determination of multiples 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 2023, 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 2023 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 2023 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, 29 March 2024

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.

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