REPLY ANNUAL FINANCIAL REPORT 2021

REPLY

This report has been translated into English
from the original Italian version,
in case of doubt the Italian version shall prevail.

Contents

2 Board of Directors and Controlling Bodies
4 The Group's financial highlights
6 Letter to shareholders

8 Reply

53 Report on operations

54 Main risks and uncertainties to which Reply S.p.A and the group are exposed
62 Review of the group's economic and financial position
69 Significant operations in 2021
71 Reply on the stock market
77 The Parent Company Reply S.p.A.
82 Corporate Governance
82 Declaration of non-financial data
83 Other information
86 Events subsequent to 31 December 2021
87 Outlook on operations
88 Motion for the approval of the financial statement and allocation of the result for the financial year

91 Consolidated financial statements as at 31 December 2021

93 Consolidated statement of comprehensive income
95 Consolidated statement of changes in equity
96 Consolidated statement of cash flows
97 Notes to the financial statements
166 Annexed tables
173 Attestation of the Consolidated financial statements in accordance with article 154-bis of legislative decree 58/98
174 Independent auditors' report

183 Financial statements as at 31 December 2021

185 Statement of comprehensive income
187 Statement of changes in equity
188 Statement of cash flows
189 Notes to the financial statements
246 Annexed tables
252 Attestation of the financial statements in accordance with article 154-bis of legislative decree 58/98
253 Report on the statutory auditors to the shareholders' meeting pursuant to article 153 of the legislative decree 58/1998 on the financial statements as at 31 December 2021
270 Independent Auditors' Report

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)	2021	%	2020	%	2019	%
Revenue	1,483,803	100.0	1,250,191	100.0	1,182,528	100.0
Gross operating income	262,784	17.7	207,936	16.6	191,307	16.2
Operating income	209,283	14.1	169,531	13.6	155,324	13.1
Income before taxes	213,279	14.4	162,054	13.0	161,419	13.7
Group net income	150,672	10.2	123,598	9.9	113,858	9.6

FINANCIAL FIGURES (THSD EUROS)	2021	2020	2019
Group equity	813,269	675,039	583,722
Non-controlling interest	2,625	918	3,339
Total assets	1,847,020	1,506,568	1,307,913
Net working capital	(42,614)	(21,565)	74,317
Net invested capital	622,683	517,296	482,030
Cash flow	207,578	229,028	202,793
Net financial managerial position (*)	193,212	158,661	105,031

DATA PER SHARE (EUROS)	2021	2020	2019
Number of shares	37,411,428	37,411,428	37,411,428
Operating income per share	5.59	4.53	4.15
Net income per share	4.03	3.30	3.04
Cash flow per share	5.55	6.12	5.42
Shareholders' equity per share	21.74	18.04	15.60

OTHER INFORMATION	2021	2020	2019
Number of employees	10,579	9,059	8,157

(*) for ESMA net financial indebtedness see Note 30.

Letter to shareholders

Dear Shareholders,

2021 has been a very positive year for Reply: our sales have exceeded 1480 million Euros, with a net profit increase of over 18% in comparison to the 2010 outcome.

In the last few months Reply's strength has been highlighted precisely in our ability to interpret digital innovation and make it functional to suit the needs of companies in different sectors. In 2021 we focused on developing all our main product and service lines: Cloud, IoT and connected products, data platforms, digital experience platforms and cybersecurity solutions.

We have also witnessed an exponential growth in demand for new applications related to the use of artificial intelligence; an area in which Reply has long demonstrated a continued commitment.

All this, however, took place in a challenging, unexpected and, in some ways, revolutionary context. The last two years – very complex ones which have presented unprecedented difficulties – have led to an incredible acceleration in the introduction of innovation in all sectors. Even the most traditional and conservative industries have reacted to the pandemic with large investments in technology - to digitalise their processes and services.

This new way of living and working is irreversible and, for companies such as ours, this awareness opens up new opportunities for growth and development. We are now witnessing the transition from the reaction phase to the planning and rationalisation phase for all future activities.

High-speed communication software infrastructure, e-commerce, new digital experiences and a strong push towards automation will constitute the foundations of the economy in the coming years.

Sectors such as the automotive industry will be moving towards a future that involves automation, connected systems, self-driving vehicles and widespread electricity distribution networks. The banking sector will find it more necessary than ever to develop consolidated models, given the double impetus of the digitalisation of currencies and the increasingly central role of the customer. To do so, this sector will need to invest in technologies such as cloud and AI, including its core systems and to rethink and redesign the sector's legacy architectures and processes.

Even the most advanced sectors that currently use digital technologies – such as retail – will continue to invest in technology, particularly in data-based behavioural

analysis, in customer relationship platforms and in the design of new interfaces based on AR/VR.

This evolution is heading in many different directions. For example, artificial intelligence, robotics and the Internet of Things will change. The change will come not only to the products themselves, but also the way they are designed and manufactured, thus significantly altering today's factories and production, distribution and after-sales processes.

Another factor that will affect all sectors is undoubtedly that of sustainability: a concept that today is still somewhat abstract, but one that will quickly become increasingly more prevalent in the choices and decisions of companies. At Reply, we feel the responsibility towards future generations very strongly and, although we operate in a sector with a low environmental impact, our commitment is unwavering. We are working to both minimise our emissions over the next few years, and to define a series of consultancy and technological services to offer to companies, in order to support their net-zero transition.

Unfortunately, the future is still uncertain at this stage: while the health emergency appears to be under control in the countries where we operate, the recent war outbreak on Europe's eastern borders is heightening tensions in all the major markets, with medium- and long-term consequences that can hardly be foreseen.

More than ever, agility and speed will be the key variables for the success of any business. Our ability to be competitive will thus be closely linked to our capacity to experiment and innovate quickly, to learn rapidly from our company's experience, and in time, to bring new products and services to the market.

The results achieved in 2021, together with the financial solidity of our Group, allow us to confidently look forward to the challenges that the market will present in the coming years. Nevertheless, our commitment is and will continue to be stronger than ever, ensuring that the company can capitalise on each moment of strong discontinuity and translate it into new value for Reply's shareholders, its employees and its customers.

Mario Rizzante




REPLY





Reply is a group that specialises in consulting, system integration and digital services, with a focus on the conception, design and development of solutions based on the new communication channels and digital media.

Composed of a network of companies, Reply partners with key industrial groups in defining business models. This is made possible by the new technological and communication paradigms such as artificial intelligence, big data, cloud computing, digital communication and the Internet of Things.

Reply is characterised by:

- a **culture** focused on technological innovation;
- a flexible **structure** which is able to anticipate market developments and interpret new technological drivers;
- a delivery **methodology** of proven success and scalability;
- a **network** of companies that specialise in specific areas of expertise;
- **teams** composed of specialists, recruited from the best universities;
- a highly experienced **management** team;
- continuous **investment** in research and development;
- long-term **relationships** with its customers.

The organisational model

With over 10,000 employees (as of 31 December 2021), Reply operates through a network of companies that specialise in processes, applications and technologies and are centres of excellence in their respective fields of expertise.

Processes
For Reply, the understanding and use of technology implies the introduction of a new enabling factor for business processes, thanks to an in-depth knowledge of both the market and the specific industrial contexts of implementation.

Applications
Reply designs and implements software solutions aimed at meeting core business requirements, in various industrial sectors.

Technologies
Reply optimises the use of innovative technologies by implementing solutions capable of ensuring maximum efficiency and operational flexibility for its customers.

Reply's services include

Consulting – with a focus on strategy, communication, design, processes and technology;

System Integration – making the best use of the potential of technology, by combining business consulting with innovative technological solutions and high added value;

Digital Services – innovative services based on new communication channels and digital trends.

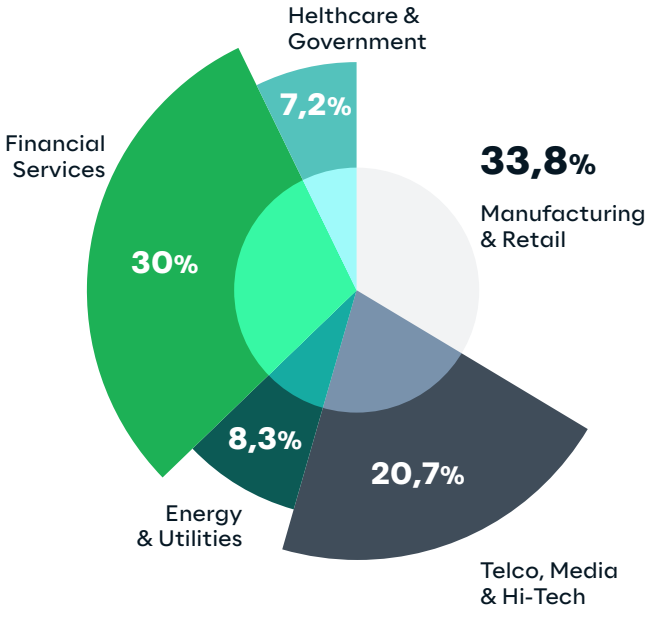
As a leader in digital transformation, Reply promotes the change towards a more sustainable world and conducts its business activities in compliance with environmental and human rights standards and laws, operating in full respect of the highest ethical standards and the rights of future generations.

2021


NEIGHT

MARKET FOCUS

In every market segment in which it operates, Reply combines specific sector expertise with a broad experience in the provision of services and a wealth of advanced technological capabilities.



Automotive

The automotive sector is undergoing a profound evolution, driven by recent technological and environmental changes: electric propulsion, increasingly intelligent, connected vehicles and autonomous driving are the new paradigms of mobility over the next few years. In this context, Reply is contributing to the transformation of the entire supply chain, supporting leading manufacturers not only in production and logistics/distribution activities, but also in the evolution of in-vehicle services, through the design and development of advanced connectivity systems.

In 2021 Reply confirmed its leadership in the logistics and production areas of the automotive sector, implementing integrated projects that cover the end-to-end supply chain: from the logistics of raw materials and finished products to shop floor control, and from production and material planning to quality management, without forgetting transport and after-sales distribution. In particular, Reply has expertly combined, in a holistic vision of the sector, proprietary expertise, tools and technologies – such as LEA Reply (logistics) and Brick Reply (manufacturing execution system) platforms – with ad hoc solutions developed based on the cloud and edge computing paradigms.

On the connectivity front, Reply is engaged in the development of V2I (Vehicle-to-Infrastructure) connectivity platforms, as well as actively studying and prototyping new end-to-end architectures based on edge computing technology to manage the next generation of in-vehicle integrated services. Another important area of specialisation, with several projects under way with leading players in the sector, concerns the development of autonomous driving systems, quality assurance solutions (e.g. remote vehicle diagnostics) and new types of integrated services in the smart city landscape.

In addition, Reply is applying its consolidated expertise with blockchain technology in the automotive sector, with the aim of improving vehicle maintenance processes, aftersales fraud control and vehicle recall campaign management. Lastly, Reply is actively engaged in the increasingly important e-commerce segment, with projects designed specifically for the automotive sector that integrate data-driven marketing solutions and 3D showrooms, allowing users to create customised real-time configurations of the cars and to perform virtual test drives enabled by AR/VR.

Energy & Utilities

The Energy and Utilities market is undergoing a profound transformation, thanks to its key role in achieving global climate neutrality. Indeed, government plans for decarbonisation, particularly in Europe and the USA, are driving operators towards a major overhaul of the way energy is produced and distributed, with a strong push towards the adoption of renewable sources.

All major operators have launched industrial-scale technological innovation projects, with the aim of becoming increasingly flexible and resilient. Among the technologies and platforms available and adaptable in the energy sector, cloud computing is currently the most widespread solution amongst operators while IoT, on the other hand, enables the development of monitoring processes, optimising operations and activating new services and models for interaction with customers.

2021 also saw the growth of investments in advanced analytics, artificial intelligence and edge computing. These investments aim to improve the efficiency of renewable energy production (e.g. wind and photovoltaic farms) and to develop new business models in the energy management field, especially in the industrial context.

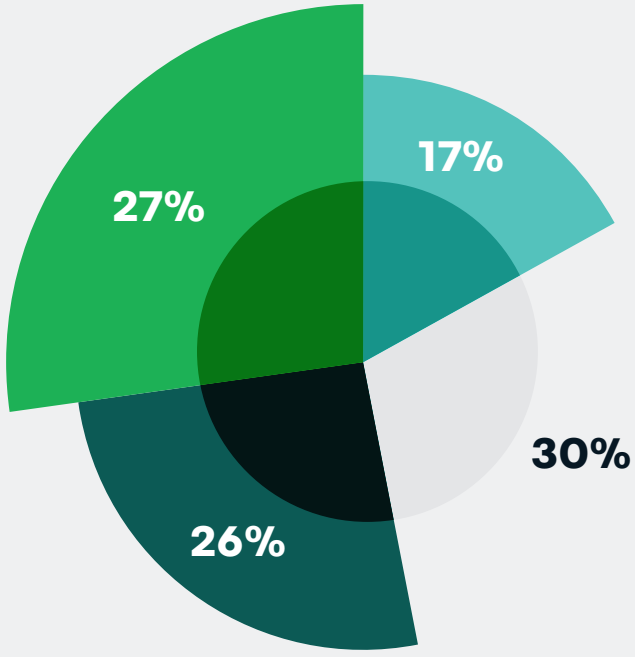
In this scenario, Reply is one of the reference partners for the sector, thanks to its profound knowledge of the market and its ability to design, implement and manage innovative digital solutions and vertical technological platforms, in particular leveraging expertise and solutions in IoT, big data, advanced analytics, data governance and the cloud. These are skills and expertise that Reply has relied upon to implement international-scale projects for leading operators in the sector, ranging from energy and demand management to the management of new mobility and electric car charging services, smart metering, smart grid, asset management and renewable generation solutions.

Financial institutions

The innovations brought about by specialised players such as FinTechs and InsurTechs mean that continuous investments need to be made in the creation and updating of digital channels that support all aspects of the relationship with customers, both commercial and transactional. New products integrating connected services and hardware are gaining the market's favour, particularly in the insurance sector.

Thanks to its acknowledged expertise in the design and implementation of digital channels in the banking and insurance sector, Reply has gained a distinctive positioning in Europe in this context. Indeed, the announcement of the partnership with Nexi for the creation of the Nexi Digital competence centre is part of the innovation

How are financial institutions using cloud services for innovation?



- To develop new applications that will be run on premises
- To develop new applications that will run on the cloud but could run on premises
- To innovate in ways beyond the develoment of applications
- To develop new applications that can only be run on the cloud

From:
"Cloud in Financial Services" research, Reply

path initiated by the Group in areas such as advanced payment, open banking, blockchain, cryptocurrency and digital asset systems.

Reply is supporting financial institutions in their journey to substantially increase their use of cloud solutions, with the adoption of hybrid architectures and the continuous innovation and migration of legacy systems. Cloud-based artificial intelligence solutions are demonstrating great potential in terms of improving the efficiency of operations, with increasing investments in intelligent process automation platforms that simplify internal processes, particularly those relating to back office and customer onboarding.

The Group also boasts extensive expertise in Governance, Risk and Control (GRC) and Wealth and Asset Management. Reply's teams support financial institutions in their compliance needs and in the adoption of new business models, including when it comes to the strong push by the market and by regulators towards sustainability and environmental protection. The Group's consolidated experience in advanced consulting models has been complemented by a growing expertise in the design and implementation of robo-advisory solutions aimed at customers and financial advisors.

Manufacturing & Logistics

Digital transformation has become an integral part of industrial processes, revolutionising not only production, but also the end-to-end supply chain: from procurement to logistics, and from sales to maintenance. Production plants are being transformed into open and flexible ecosystems, capable of also managing communication flows and the distribution chain better, thus generating a virtuous mechanism capable of minimising costs and maximising results.

Reply collaborates with leading European industrial groups in the sector, accompanying them in this complex transformation process that covers a range of different areas. These include supply and purchase management; the design and implementation of control and planning systems based on the new generation of cloud-based ERP, MOM and MES solutions for the planning and control of production processes and integration with supply logistics networks. Thanks to this experience, the IDC has positioned Reply as a Leader in the 'MarketScape European Smart Manufacturing Service Providers 2021 Vendor Assessment'.

The Group's planning and control expertise has been increasingly complemented by knowledge on product lifecycle management, with particular attention to the connected products sphere. Alongside its extensive capabilities in the implementation of vendor suites such as Oracle, SAP and Microsoft, Reply has enriched its portfolio of solutions in the Industry 4.0 realm, thanks to its proprietary Brick Reply (MES) and Axulus Reply (Industrial Internet of Things) solutions.

Markets experienced a significant disruption in supply chains in 2021 – also due to the impact of the ongoing pandemic – with the consequent need to rebuild them in a more resilient and digitised manner. In this context, Reply supported companies from different

sectors with initiatives that have not only enabled new ways of managing just-in-time, industrial shipping and last mile (e.g. e-commerce) processes, but also the adoption of electric and autonomous vehicles in intra-logistics contexts, together with a growing use of robotics and the Internet of Things.

Reply has confirmed its logistics expertise in various sectors including the automotive, healthcare and food industries, where the Group has specialised in the management of logistics flows of raw materials, fleets and automated warehouses. Following the latest market trends, the Group has broadened its horizons, engaging in areas related to the sustainability and decarbonisation of supply chains, omnichannel solutions and the evolution of the different ways of working in logistics and transport.

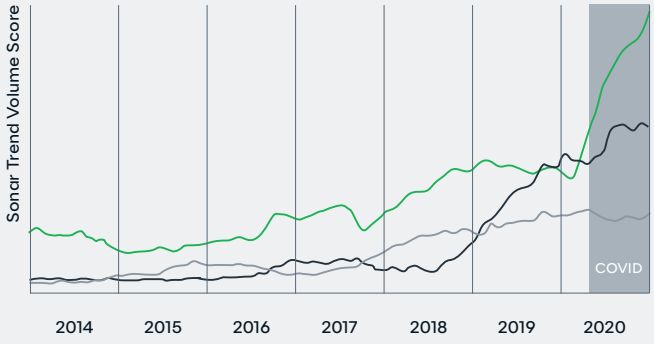
Reply's expertise in the logistics area has been recognised by several analysts, including Gartner, which included the LEA Reply platform in the "Magic Quadrant for Warehouse Management Systems 2021". The features introduced on the platform during the year concerned new services to support the retail market, and in particular dark store and in-store operating processes that leverage algorithms optimisation to improve supply chain efficiency. The Group's various studies and implementations on advanced wearables, computer vision and drones also continued.

Government & Healthcare

Reply is continuing to support national and local public administrations in managing the Covid-19 pandemic, both from a management point of view and in the healthcare sector. After supporting government and healthcare agencies in the monitoring and tracking of infections and in the organisation and management of vaccination campaigns, the Group is now operating in countries where plans for recovery from the economic crisis have been launched, playing the role of a technological partner in innovation, sustainability and resilience initiatives.

In the healthcare and pharmaceutical sectors, Reply's portfolio of products and

Top 3 upcoming trends in logisitcs



From:
"Digitisation of logistics" research, Reply

services has complemented traditional expertise in cost optimisation, process digitalisation, management of medical equipment and logistics, with solutions based on artificial intelligence.

In 2021, Reply strengthened its offering of services and products in the reception and telemedicine realms, anticipating the technological and organisational trends of the new hospital-territory healthcare ecosystem and improving the efficiency of patient journey processes from a connected care perspective. Reply is promoting the adoption of the One-Health model (integration of data collected from people, animals and the environment to establish new diagnosis and treatment processes), working to connect technologies and applications from sectors parallel to healthcare, such as the pharma, genomics and bioinformatics research fields.

Retail

2021 was a year of further growth for the retail sector, following the significant disruptions caused by the pandemic. Reply supported leading European players in the implementation of integrated strategies spanning the online and physical networks. The demand for increasingly 'phygital' experiences has led to several projects in the master data management space. The aim of these projects is to harmonise information about end consumers, products and services, thus providing new insights and KPIs useful for measuring the effectiveness of the various initiatives, as well as identifying areas where the existing offer can be enhanced.

Reply has been involved in numerous initiatives concerning the migration of e-commerce systems to native cloud platforms. In these contexts, the success factor was characterised by the ability to provide technological solutions capable of breaking down business capabilities into re-combinable services, thus enabling the implementation of increasingly sophisticated and channel-independent forms of relationships and sales. Reply has stood out from the crowd for its ability to design truly omnichannel architectures, taking full advantage of the offer of the various cloud platforms and creating real-time order management and inventory solutions.

The Group also supported retailers in reviewing their organisational processes. Reply's profound knowledge of the dynamics of this sector have been instrumental in achieving the transformation and enabling the necessary intra-departmental coordination mechanisms. These capabilities are becoming increasingly important in order to effectively support retail customers towards international openness and experimentation with the new B2B2C and 'consumer to consumer' relationship models that favour growth and a reduction of the time to market.

Telco & Media

In the Telco market, lower operating costs and the introduction of new service lines have led to an organisational tension which, in many contexts, has spilled over and is affecting economic performance. Thanks

to its consolidated expertise in the Telco field, Reply is supporting leading European operators in optimising their technological solutions and the investments needed for the implementation of new generation networks. In the 5G realm in particular, Reply has developed a diverse offer portfolio, based on innovative use cases and the ability to work on the unbundling of networks.

The Group is also supporting large network operators in the development of cloud-based and edge computing solutions. For example, in addition to satisfying companies that use the services and that are able to benefit from technological and economic advantages in terms of a reduction in data transmission latency and costs, public cloud solutions also support business processes in ensuring compliance with local data privacy regulations. These solutions allow companies to reap the benefits of the public cloud, without the need to assume the complexities involved in managing their own private cloud.

In the Media sector, publishers are reacting to the deep crisis experienced by traditional channels, which is paving the way for the development of new digital solutions and products that can meet new customer preferences. Thanks to its profound knowledge of the Telco world, Reply is supporting leading European players in the Media sector towards the convergence of offers, contributing to the design and implementation of new bundles consisting of fixed/mobile broadband connectivity, value-added services and premium editorial and/or television content.

TECHNOLOGICAL TRENDS

Technological innovation is the basis of Reply's growth. The company has always pursued the objective of providing its clients with the tools they need to increase flexibility and efficiency. Reply is involved in a continuous process of research, selection and marketing of innovative solutions for sustaining the creation of value within organisations.

Cloud & Edge Computing

Cloud computing has established itself as the infrastructure standard in all the markets in which Reply operates. The Group has developed significant expertise in supporting companies towards the adoption of solutions relying on Microsoft Azure, AWS, Google Cloud Platform and Oracle Cloud Infrastructure as a Service (IaaS) and Platform as a Service (PaaS). This cross-functional expertise has allowed Reply to support customers in a growing number of multi-cloud and hybrid implementations, where on-premises systems and cloud services are seamlessly integrated into the user experience. The Group has also confirmed its strong architectural capabilities and an ongoing commitment to optimising investments and operating costs.

Its consolidated experience in designing and managing the complexity of multi-cloud solutions has led Reply to develop the CAFFE methodological framework (Cloud Adoption Framework for Enterprise). Thanks to this structured approach, Reply customers can build their Cloud adoption journey and define an efficient operating model with a set of tools that enable the automation of cloud services.

In addition to offering 24/7 operational support services for cloud infrastructures, Reply has significantly expanded its products and services offer with advanced models that take advantage of the edge cloud, distributed cloud and edge computing technologies, to support Telcos and leading industrial groups. These approaches make it possible to design solutions that offer low latency and a high degree of security/privacy, with immediate benefits in the local processing of data, connected to artificial intelligence, machine learning and high-performance computing solutions made available by cloud providers.

At the application level, Reply has adopted the Software as a Service (SaaS) model as its main solution in the development of specific platforms for customers in different industries such as banking, telco, automotive, insurance, energy, retail and healthcare. This approach is complemented by the significant expertise in customising platforms offered by vendors such as Salesforce, SAP and Adobe in different areas, including omni-channel sales, data-driven marketing and industrial and logistics solutions.

Cybersecurity

Alongside cloud computing and artificial intelligence, cybersecurity has established itself as one of the top priorities for the market. The growing number of attacks – both in the industrial and in the consumer sectors – combined with the significant increase in connected devices driven by the success of IoT technologies, makes it necessary for businesses to invest continuously in the prevention, detection and management of incidents.

The activities conducted by Reply for its customers range from the definition and implementation of security and risk management policies, to the development of predictive models, operational cybersecurity monitoring activities, incident management and threat intelligence. Reply has partnered with leading vendors of cloud and legacy security solutions; it is also active in monitoring innovative startups and participating in open source initiatives.

Among the areas that have seen the most significant growth in recent years, the IT security of industrial plants and logistics systems is of particular importance and is one of the main areas of study in Reply's new Cyber Security Lab. In this context, Reply has invested in frameworks to strengthen the test phases of connected industrial devices, attack interception and response, including through the adoption of artificial intelligence and machine learning techniques.

Automate everything

During the course of 2021, the hyperautomation paradigm has been widely embraced, particularly in the business context. Indeed, the drastic changes in the way we work brought on by the pandemic have contributed to a growing interest in robot process automation and intelligent process automation solutions by different sectors, from banking to insurance, and from telco to energy.

Automation technologies have also been used in the development of solutions based on the principles of 'Low-Code' and 'No-Code'. The ability to take advantage of the opportunities offered by the adoption of AI-powered software development techniques, is in fact bringing greater efficiency to the activities conducted by developers – both for Reply and its customers – in the coding, testing and software deployment phases.

AI-powered data automation is being used more and more by Reply teams specialising in machine learning, to improve the efficiency of data preparation and the identification and sharing of insights on large databases. In this context, Reply is supporting customers in evolving their business intelligence and analytics platforms in this direction, making it possible to obtain data and information that is increasingly accurate and valuable for business development, operational management and cybersecurity.

Another area experiencing a strong automation acceleration is robotics. Alongside the modernisation of industrial robots, the emergence of autonomous mobile robots enables companies to obtain benefits in terms of logistics optimisation, building management, plant safety and the protection of workers. Reply covers all the various design, programming and training phases of software and artificial intelligence algorithms that give life to robots, as well as the implementation of cloud-based architectures such as the one developed on the Microsoft Azure stack for the management of Boston Dynamics' Spot robots.

Digital experience

In a world filled with stimuli and in which relationships are often mediated by interactive screens, it is imperative for companies to be able to establish a solid relationship with their audience. To address these trends, Reply helps customers to design and implement a customer journey filled with experiences, using innovative technologies and an in-depth knowledge of the human experience on digital channels. Moreover, the use of artificial intelligence algorithms enables the creation of a richer and more personalised digital experience thanks also to the greater ability to understand, analyse and anticipate customer behaviours, as well as to implement more effective customer engagement actions.

With its consolidated expertise in the design and implementation of marketing automation and CRM platforms, based on the partnership with leading players such as Salesforce, Adobe, Microsoft and Oracle, Reply specialises in developing digital communication solutions and campaigns aimed at increasing engagement,

reducing friction points and improving mutual knowledge between company and customer, with great attention paid to privacy and data security. Reply combines this expertise with the support offered to large multinationals and companies operating in different sectors in building an active and responsible presence on social media.

Alongside the design and implementation of digital platforms in various industries – from banking to energy, insurance and telco – Reply supports the proprietary Sonar Reply, Pulse Reply and Sonar Reply solutions designed to help marketers monitor the international market and track marketing and branding KPIs, as well as the Discovery Reply digital asset management platform.

In 2021, Reply was listed as a leader in Gartner's global 'Magic Quadrant for CRM and Customer Experience Implementation Services 2021'. This prestigious milestone recognises Reply's consolidated expertise in creating customer experiences that integrate CRM, Sales, Service, Marketing and Data Analysis components, joining the numerous other recognitions obtained by Reply agencies in designing integrated and unique digital experiences for brands.

Customer interaction

The strong shift towards digital channels marked the development of relationships between customers and companies during the limitations imposed by the global pandemic. The gradual re-openings subsequently saw the emergence of increasingly hybrid models, characterised by a strong omni-channel focus of the purchasing experiences and new communication and interaction interfaces, both at a commercial and at a customer care level.

Reply has launched international competence centres dedicated to studying new interfaces, designing the best user experiences and subsequently implementing front-end systems and integration with company systems and artificial intelligence engines. Starting from its broad expertise in the mobile interfaces realm and in advanced e-commerce models, the Group has managed initiatives involving the adoption of virtual reality, augmented reality, wearable, touchless and voice interfaces in the B2C and B2B spaces.

Alongside the growing number of implementations and prototypes in areas related to the metaverse, Reply has seen a renewed interest in conversational systems, with a significant increase in platforms and algorithms for the management of chatbots, shopping assistants and digital assistants. Indeed, conversational systems are evolving, both in improving the interaction with the user, and in analysing their style and manner of conversation, to offer an increasingly personalised service.

Reply's expertise ranges from the design of new interfaces, to the integration with customer AI analytics and the creation of omni-channel frameworks. The goal is to build data-driven experiences in which interfaces can autonomously interact with the user. In the case of customer care

services, for example, the aim is to ensure the complete resolution of problems, while human operators remain active as a point of escalation, with complete visibility of the interaction that took place up until that moment.

Hybrid work

After the solutions deployed during the 2020 lockdowns to facilitate remote work and social distancing, companies have faced 2021 by adopting a more structured approach, taking advantage of the technological opportunities available and proactively managing the temporary restrictions on the mobility of customers, employees and sales networks. In recent months, Reply has supported client companies in the design, development and adoption of advanced collaboration and communication tools, which combine the improvement of individual productivity and the effectiveness of teams, regardless of their physical location.

Collaboration and communication solutions are designed by prioritising the adoption of cloud-based tools, which can be used seamlessly by employees whether activities are carried out in the office, on the move or at home. Moreover, thanks to the analysis and management of possible security issues resulting from hybrid working methods, Reply is also supporting companies in the adoption of advanced cybersecurity solutions and of platforms offered by leading vendors in the desktop/mobile management space.
The Reply offer incorporates the experience gained on productivity tools included in digital workplace suites offered by leading vendors, integrated with hardware/software enablers based on artificial intelligence. Intelligent process automation, in particular, is gaining ground as a tool to bring the potential of artificial intelligence and machine learning into the daily lives of workers, by speeding up and simplifying their activities.

Reply is continuing the development of proprietary platforms such as TamTamy ReplyTM, aimed at maintaining and evolving social relationships and training activities, on-site as well as remotely.

In parallel with its technological offer, the Group companies specialising in training, internal communication and human resources development have expanded their portfolio of services aimed at promoting employee engagement and continuous learning.

Communication infrastructures and 5G

The growing number of connected objects, both in the consumer and industrial sectors, enables innovative business models on the one hand, whilst making significant investments in connectivity necessary on the other. In the Operational Technology (OT) space, in particular, the use of drones, robots, autonomous vehicles, connected machines and augmented/virtual reality components requires not only highly reliable connectivity, but also minimum latency and high security/privacy of the data transmitted.

Reply is collaborating with leading European operators to tackle the medium-term scenarios in which companies will experience a radical change in their communication infrastructure, with the creation of fully wireless enterprise W-LANs, designed to provide a connectivity that is always available and highly reliable. These dedicated and specialised communication networks will not only carry data and perform traffic control to connect and manage network nodes and devices, but also code and algorithms.

The line between OTT and public telephone operators will be increasingly blurred. Indeed, the consolidation and maturation of 5G networks will see an affluence of corporate mobile private networks: bubbles isolated from public networks with high service standards managed by so-called digital operators. The new players will support Telcos with specialised offers, guaranteeing connectivity services optimised for the individual building, the single machine or the specific application.

Internet of things

The Internet of Things is one of today's most important technological trends. In fact, use cases cover the adoption of connected technologies in the corporate, consumer and public sectors. The rise in the number of connected platforms leverages, on the one hand, the increasing availability of services by large cloud providers and, on the other, the increase in innovative devices and sensors, both at the industrial and the domestic level.

At consumer level, 'connected products' have been the common thread of the evolution of Reply's offer. The Group is supporting its customers in the launch of new products natively equipped with connected services, in particular in the smart home and smart mobility sectors. The IoT solutions designed and implemented by Reply are characterised by a 'security by design' approach, complemented by highly usable interfaces and innovative service models.

The Industrial IoT has affirmed its crucial role as the linking element between the Industry 4.0 models, thanks to the analysis, predictive and forecasting capabilities enabled by cloud and edge computing technologies and supported by the growing availability of sensors and 5G networks. The projects carried out by Reply primarily concerned large customers in the manufacturing, energy, automotive and logistics sectors. Lastly, the use of connected robots and drones has been successfully implemented in warehouse management and plant safety solutions.

Reply continues to invest in IoT innovation, both by evolving its connected platforms such as Ticuro Reply, and through various studies in the smart city space. Innovation on the Internet of Things is also guaranteed by the monitoring of the start-up and scale-up markets carried out by the Breed Reply incubator, which has continued its selection and investment activities in B2C and B2B companies specialised in IoT and operating in different industries.

REPLY PLATFORMS

Today, networks consist of distributed 'information systems' that provide real-time access to an everincreasing quantity of complex data, information and content. This use of the internet is creating new competitive models, based on approaches to service that depend on three fundamental components: the software platforms involved, the understanding of and expertise in the relevant processes, and the management of the service. Reply supports its customers in this quest for innovation, with services and platforms that are designed to exploit in full the new potential offered by networks and by communication technologies.

Axulus Reply

Axulus Reply is our cloud-based accelerator for the Industrial Internet of Things and the digitalisation of manufacturing companies. The platform offers a modular approach, templates and libraries that make it possible to identify possible use cases, configure the most suitable solutions and implement them through the adoption of scalable workflows, right down to the production environment.

Brick Reply

Brick Reply is our Industry 4.0 platform dedicated to the digital transformation of industrial operations. Thanks to its micro-services based architecture, to a set of vertical applications that can be used in a mobile context and to its advanced connectivity capabilities with machinery and sensors, Brick Reply provides a flexible and reactive solution for the supervision and control of production activities, capable of



going as far as facilitating the predictive management of the shop floor.

China Beats Reply

China Beats Reply is our marketing intelligence and social listening platform solution dedicated to understanding the Chinese market and its broad data ecosystem. It can connect to all major Chinese e-commerce platforms, search engines and social media platforms such as Alibaba, Baidu and Sina Weibo. News flows, patent databases and publicly available open data sources are also integrated. The platform collects relevant data relating to different industries, including the automotive, fashion, consumer goods and technology sectors.

Discovery Reply

Discovery Reply is our platform dedicated to enterprise digital experience management. The platform centralises the management of images, videos, audio and documents in a secure, fast and complete way. Any type of multimedia file is analysed and modified directly on the platform and subsequently published on websites, apps, e-commerce channels, Web TV platforms, digital displays and social media networks, in full compliance with the specific usage rights and ensuring the quality and consistency of communication across all channels.

LEA Reply

LEA Reply is our digital platform designed to enable efficient, agile and connected supply chains. The solution consists of a suite of microservices covering various business processes including the management of warehousing, inventory, distribution, delivery and store logistics. LEA Reply modules are

highly configurable and customisable, and the platform uses technologies such as artificial intelligence, robotics and the Internet of Things to ensure enhanced quality and operational efficiency.

Pulse Reply

Pulse Reply is a data-driven insight solution. The platform combines data science and marketing intelligence within an agile dashboard. Pulse Reply includes advanced data visualisation and modelling capabilities and has been designed to allow users to understand what is happening, but also to enable forecasting. Thanks to the integration of machine learning algorithms, Pulse Reply is able to automatically notify users when changes in a KPI are detected, while also providing evidence of the reasons behind such changes and explaining their potential impact.

Sonar Reply

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

TamTamy Reply™

TamTamy™ is Reply's Enterprise Social Network solution, designed to respond to the need – both B2B and B2C – for communication, collaboration and education through social media. The vertical 'TamTamy Learning Experience Platform' version, developed in 2021, incorporates engagement and gamification dynamics with the aim of being able to offer companies an innovative tool for the implementation of communication and training campaigns, including in the new hybrid work contexts.

Ticuro Reply

Ticuro Reply is designed to enable processes supporting prevention and the continuity of care, on-site as well as remotely, according to the Connected Care model for digital healthcare. Designed based on the SaaS model, the platform relies on IoMT (Internet of Medical Things) technology, thanks to which it is capable of connecting to medical devices, wearable multi-parametric and environmental sensors. The solution thus enables an enhanced and ongoing remote collaboration between patients, caregivers and healthcare personnel, both in the prevention phase and in the more critical phases of treatment and rehabilitation.

X-Rais Reply

X-Rais Reply is the Reply artificial intelligence solution designed to support radiological diagnosis processes through deep learning. The solution is verticalised on different diagnostic methods and on specific anatomical districts and is able to support medical diagnosis processes through medical image recognition techniques. During the course of 2021, the platform has been enhanced with regard to its mammography analysis capabilities, thanks to the implementation of specific algorithms capable of identifying microcalcifications, suspected radiopacities and lesions.


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Reply considers research and continuous innovation to be fundamental assets in supporting its customers as they adopt new technologies.

The crisis linked to the global pandemic appears to have speeded up many significant transformations in target markets, in customers and in society as a whole. Thanks to the creation of international competence centres, Reply monitors the market constantly in order to identify emerging technologies and business opportunities and to anticipate the leading engines for the creation of tomorrow's business value.

Metaverse

Reply has launched several initiatives to support its customers in tackling the heterogeneous mix of technologies and the new operational and organisational methods needed in order to position themselves on the leading metaverse platforms. The main areas of development include 3D modelling, 3D reconstruction of environments, avatar creation, non-fungible tokens (NFTs) and other assets based on the blockchain infrastructure and on virtual, augmented or mixed reality technologies.

The metaverse approach dictates that companies need to rethink the traditional communication paradigms, today predominantly asynchronous on the web and on social media networks. The metaverse is accelerating the displacement

of interaction into the synchronous and real-time communication space. The self-representation of users through avatars involves not only the creation of a 3D model that depicts them, but also the secure and centralised storage of everything that represents them in the digital world: their assets, NFTs, payment instruments, personal data, and the artificial intelligence model built on top of these.

Reply has consolidated expertise in all the core elements of the metaverse – artificial intelligence, blockchain and 3D in real-time – combined with the international experiences gained with Reply Game Studios in the gaming area and in the development of customised 3D applications and AR/VR/MX in the business world. This means the Group is an increasingly important point of reference in helping customers from different industries to orient themselves in these new worlds and to be able to seize the opportunities offered.

Quantum Computing

Quantum computing is the technology with the highest potential in reaching the processing peaks required by today's increasingly powerful artificial intelligence and machine learning systems. In fact, the evolution towards the so-called 'general artificial intelligence' necessitates instructing and training complex machine learning models in a reasonable length of time and with a high degree of accuracy, but also remodelling the algorithms based on the – sometimes continuous – changes in input data.

Reply is supporting large European groups in the adoption of 'quantum-inspired' algorithms. This approach makes it possible to anticipate the future benefits of a mass implementation of quantum computing technologies in specific contexts, such as workforce optimisation and other use cases where a high number of variables need to be combined to obtain timely answers that can be used in daily business management activities.

Other studies followed by Reply concerned the railway sector, where Quadratic Unconstrained Binary Optimisation (QUBO) was used. This is a solution designed to describe optimisation problems that can be solved through quantum technologies. Particular interest was also identified in the finance sector, where complex areas such as investment banking can benefit from accelerated computing to obtain insights from huge databases and input sources with an extremely high refresh rate.

Mobility evolution

The transport sector is undergoing a significant transformation, linked primarily to the development of 'Mobility as a Service' offers. This paradigm is emerging not only based on new consumption models, but also thanks to the technologies that make vehicles more environmentally efficient and connected to roads and smart cities. The changes are also affecting public transport, an area where Reply has launched various projects and studies with different operators, carrying out projects related to the new sustainable and smart mobility.

Attention to the environment is translating into the electrification of all vehicle categories and the optimisation of their life cycle. Batteries are also an area undergoing strong innovation. Indeed, Reply is working on cloud-based models in which Internet of Things solutions monitor and optimise battery consumption, extending their life and generally improving the efficiency of the vehicles using them.

At a technological level, the high availability of software and hardware on board the vehicle makes it possible to improve its safety, efficiency and maintenance. At the same time, the gradual diffusion of high-capacity networks such as 5G is enabling a significant number of support, entertainment, payment and interaction services. New business models see specialised players working alongside historic vehicle manufacturers, and the latter radically renewing their catalogue and digitising their business processes.

Green Technology

Reply has long been committed to making its operations as sustainable as possible, with a primary focus on reducing the Group's ecological footprint. Also thanks to the increasing sensitivity of its customers, Reply has embarked on a path focused on the definition of its project management and code development methodologies based on the principles of energy efficiency and a reduction in the potential waste of resources, especially energy.

Indeed, ICT is currently a significant area when it comes to energy consumption. The global push towards digitalisation, accelerated by the pandemic, is expected to lead to a further increase in data centre consumption, also due to the diffusion of new energy-intensive activities such as training complex machine-learning algorithms. Cloud migration is an opportunity for companies to make their systems 'greener', given that many large vendors are acquiring a big part or all of their energy needs through renewable sources.

The increasing use of connected devices – for example in the Industrial Internet of Things – makes it necessary to optimise energy consumption at the level of a single sensor or connected terminal. Even at software level, writing optimised code can bring benefits in the reduction of the ecological footprint. In this scenario of transformation, Reply has created an international working group with the aim of developing the necessary skills and expertise to be able to adopt, in a significant manner, the use of green computing and green coding both internally and during collaboration with customers' development teams.

PARTNERS ECO SYSTEMS

In order to offer the most appropriate solutions to different business requirements, Reply has established a set of key partnerships with major global vendors. In particular, Reply has achieved top certification levels with regard to leading technologies in the enterprise field, including: Adobe, AWS, Google, Microsoft, Oracle, Salesforce and SAP.

Adobe

The main focus of the partnership between Adobe and Reply is in the creation of digital marketing solutions. The main areas covered include: digital information management (including web portals, e-commerce solutions and mobile apps), digital asset management (with management of the end-to-end life cycle of documents and digital assets) and marketing automation (for the creation, planning, management and optimisation of omni-channel marketing campaigns).

In these domains, Reply is able to develop applications that make it possible to optimise the targeting, personalisation and optimisation of content, while ensuring the efficiency of marketing operations and a high overall level of customer experience for important clients. Today, thanks to the extensive knowledge of the products included in the Adobe Experience Platform, Reply is a Gold Partner and an AEM Specialised Partner at Adobe's EMEA level, with projects under way in Italy, Germany, the UK and the United States. This

continuously expanding coverage allows Reply customers to obtain value-added services and state-of-the-art solutions at both national and international levels.

AWS

Reply is a leading Amazon Web Services (AWS) partner, with whom it collaborates in numerous projects both in the B2B and B2C fields, offering companies cloud computing, content processing and distribution services, together with end-to-end support, ranging from the creation and integration of custom applications and platforms, to the activation of 24/7 maintenance and management. Over the years, the Group has gained specific expertise in the cloud migration of systems of large companies. In 2021, a strategic collaboration agreement was launched between Reply and AWS for the development of solutions dedicated to customers operating in the manufacturing sector, financial services, the automotive industry, retail and the utilities and telecommunications sector, with the aim of supporting customers to accelerate and innovate business processes. Reply has also been included by AWS, for the eighth consecutive year, in the select global circle of Premier Consulting Partners. In 2021, Reply acquired expertise in the Retail and Energy sectors, accorded to partners that have demonstrated technical capabilities and success stories in these two industries. These achievements complement Reply's other certified competencies in Data and Analytics, DevOps, Oracle, Migration, IoT, Industrial Software, SaaS, Machine Learning, Financial Services and Security, in addition to those related to the Managed Service Programme and the Well-Architected Programme.

Google

Reply's expertise in the services and solutions offered by Google has been consolidated over the last five years, leading to its Premier Partner status on the Google Cloud Platform. Reply has in fact carried out numerous successful projects in different countries focused on the design and implementation of cloud solutions in a range of different areas: cloud strategy and migration, cloud hosting, big data, machine learning, PCI/ISO compliance and security management, productivity services and 24/7 service management. In addition to its extensive expertise in the Google Workspace, Reply has also obtained several specialisations on the Google stack, including those of Managed Service Provider Worldwide, Infrastructure and Migration Specialist and Machine Learning Specialist. The Company has also received several recognitions as Partner Expertise in areas including Data Lake Modernisation, Data Warehouse Modernisation and Conversational Design.

Microsoft

Reply is a gold-certified Microsoft partner with specialised companies operating in Europe, the UK, the US and Brazil. It offers consulting and system integration services based on the three Microsoft clouds: Azure, Microsoft 365 and Dynamics 365, all solutions that have been seeing strong growth. Reply develops its business in close collaboration with Microsoft's local branches and, in 2021, it also continued its growth path as a Microsoft Corporation partner within the Multi-Area Partner Orchestration programme. Over the years, Reply has seen the collaboration with Microsoft develop significantly with its services related to



cloud migrations and infrastructures, the development of solutions in the IoT, artificial intelligence and robotics realms, in addition to the specialisation in the deployment of platforms for the modern workplace to support the adoption of hybrid work models. In 2021, Reply confirmed its participation in the select Azure Expert MSP (Managed Service Provider) programme and obtained twelve advanced specialisations in Azure, Business Applications, Modern Work and Security, which have been added to its 16 already certified Gold competencies.

Oracle

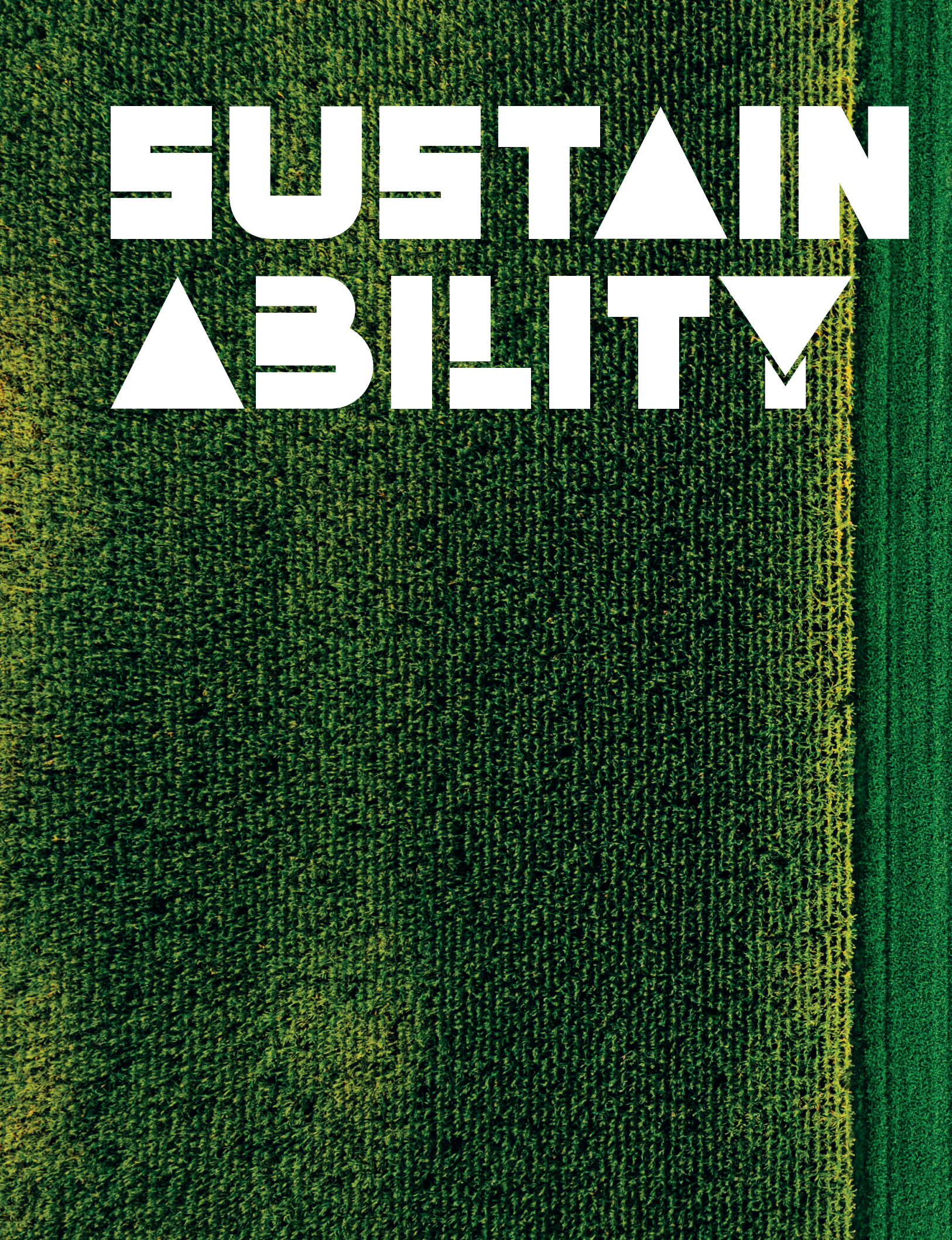
With one of the leading European Competence Centres, Reply in 2021 was confirmed as a leader in Oracle Cloud Computing and obtained the recognition of Service Expertise for the main Oracle Cloud Infrastructure (OCI) and Oracle Cloud Application offer areas. Moreover, for the fourth consecutive year, Reply has been confirmed as an Oracle Cloud Service Provider, representing a reference point for services managed on OCI. Reply has confirmed its leadership in the ERP space, with numerous projects carried out on ERP Cloud and the NetSuite technology. Among these, the first cloud ERP projects carried out in the public and private health sectors. Reply also won the 'NetSuite FY21 Top Innovation Award' for developing and continuing to evolve Nexil, NetSuite's Italian localisation. Lastly, Reply has distinguished itself in the marketing automation and customer experience domains, thanks to various strategic projects based on the Oracle Xstore suite.

Salesforce

Reply is a Salesforce Consulting Partner with certifications in Europe and the USA. Reply's advanced technical competencies cover the entire Salesforce offer: Sales, Service and Marketing, Commerce for B2B and B2C, MuleSoft and Analytics with Tableau. Moreover, Reply's experts work with the various Salesforce extensions for CPQ, Field Service Lightning, Pardot, E-mail Automation and Einstein AI, as well as overseeing the offer on newly-acquired Salesforce products, such as Datorama, Vlocity and Slack. Thanks to its long-standing expertise in Salesforce, Reply is able to provide various models and starter kits for different sectors and processes, such as those related to facility management, healthcare, sustainability and 'return to work' in the pandemic context. Through projects documented by Salesforce and evaluated by customers, Reply was able to obtain a wide range of specialisations in Salesforce products in different industries. In addition to being an expert in the various Salesforce product areas, Reply is one of the few experts worldwide in the automotive sector. Other industry specialisations attributed to Reply by Salesforce include manufacturing, retail, financial services, energy, healthcare and life sciences.

SAP

The partnership between Reply and SAP evolved into a Partner Group Agreement in 2021, accompanied by numerous SAP Recognised Expertise certificates. The international growth of this important partnership has led to the creation of a complete portfolio of consulting and deployable solutions on all SAP products including RISE with SAP (S/4HANA), Digital Supply Chain, Business Technology Platform (BTP), ARIBA and SAP Customer Experience. Distinctive projects also covered the SAP Sales Cloud area. In 2021, Reply received the 'SAP Quality Award' for the eighth consecutive year, in recognition of the quality and relevance of its activities. The Group follows the SAP cloud strategy, contributing to the development of vertical solutions and accelerators for different industries, including ARIBA's verticalisation for the Italian market. Another important pillar was the role in RISE with SAP, which in addition to the development of the S/4HANA solutions, also saw the consolidation of extensions based on the SAP Business Technology Platform and Business Process Intelligence.


SUSTAIN
ABILITY



We believe that sustainability is a responsibility, but also a unique opportunity for all of us.

Climate change and sustainability present challenges as well as opportunities for companies and their stakeholders, and Reply is increasingly committed to conducting its activities while paying close attention to the issues of sustainability. The Group actively integrates key environmental practices into its business strategy and operations, promoting awareness and social and environmental responsibility amongst its employees, customers, suppliers and other business partners.

Understanding and using technology is the foundation of Reply's mission, also confirmed by its commitment to helping customers achieve their sustainability goals through the adoption of cutting-edge technologies. On the domestic front, for several years now Reply has been adopting new models to help reduce the impact of its activities and generate long-term financial growth, with the aim of driving sustainable innovation.

Reply's focus on sustainability issues is also expressed through the commitments made at national, regional and global levels, such as the signing of the United Nations Global Compact. The principles deeply embedded into the Group's culture thus make it possible to contribute to the achievement of Sustainable Development Goals focused on the following aspects:

People

- Raising awareness among Reply's people of a greener and more sustainable working approach;
- Ensuring a positive work environment that fosters diversity and inclusion and that condemns all forms of discrimination;
- Offering Reply's people wellness programmes to promote workers' health;

Customers and suppliers

- Engaging with our customers to support them in the sustainability challenge and in the decarbonisation process;
- Taking into consideration environmental factors in the procurement of goods and services;

Environmental management system

- Maintaining and extending the Company's ISO 14001 global certification, the international standard for environmental management systems, in order to improve and monitor environmental performance;

Energy and emissions

- Developing programmes and initiatives to reduce environmental impact: the purchase of renewable energy, business travel management programmes and promotion of the use of technologies to optimise remote communications;
- Monitoring carbon dioxide emissions arising from energy use in the Company's offices, business travel and other indirect emissions, implementing an improvement programme to reduce our emissions where possible;

Natural resources

- Minimising our consumption of natural resources;
- Reusing and recycling where possible;

Compliance obligations

- Meeting all applicable environmental compliance obligations.

The value of people

Since its inception, Reply has distinguished itself within the market as a network of professionals recruited from the best universities, whose potential is then matured together based on strong shared values. Today, this approach has been applied on a global scale.

In 2020, in an international market context marked by strong turbulence, Reply has vigorously pursued its plan for hiring resources with great potential. In each country in which it operates, Reply builds and grows a strong link with the academic world, gaining access to high-potential talent.

The selection criteria for young graduates is strict and concerns both the importance of the university of origin, as well as the distinctive nature of the candidate's curriculum. Together with professionals recruited in emerging markets in particular, they are asked to fully adhere to Reply's value system.

Excellence is the common thread of this system: the search for quality must be a daily and constant commitment, focused on the continuous improvement of one's work and the benefits delivered to customers. Each year, a strong, merit-based evaluation system makes it possible to recognise and reward excellent results.

The customer is the protagonist of the Reply value system. Reply consultants take the customer's objectives and make them their own, striving to achieve them with a collaborative spirit and with a sense of responsibility and high moral integrity. Each customer is individually sent an annual survey to determine the level of satisfaction in relation to each project.

Innovation must be integrated on a daily basis into projects with customers, based on a pragmatic approach that combines courage in the choices made and the ability to recognise the most suitable solutions to the context, from an IT point of view and beyond. Internal reward systems make it possible to recognise the most innovative ideas and projects.

Over time, speed has proven to be a distinctive feature of Reply's teams on the market. By capitalising of the expertise gained in various sectors and the collaboration with major vendors, Reply is able to respond to customer needs quickly and in a measured way. A strong, shared methodology accelerates design and implementation work.

Teamwork is the glue of the Reply approach. Younger professionals bring the skills gained in their academic career, joining teams led by individuals who have followed the same path and whose seniority, leadership and knowledge transfer capabilities have been progressively recognised.
The result of the integration of a strong, value-based system and constant attention to recognising the value of expertise and knowledge has allowed Reply to continue to grow organically, with people as the protagonists of its offer in the technological, consulting and creative fields.
Mindful of the importance of a diversified, inclusive and rewarding workplace, Reply is constantly investing in the growth and



enhancement of its people, guaranteeing professional development paths and creating the conditions necessary for a collaborative and motivating work environment. Ensuring that everyone feels equally involved and supported is essential for improving the employee's daily work life and creating a work environment where ideas and innovation can flourish. This is precisely why Reply is committed to eliminating discrimination and any kind of difference between its employees, by ensuring equal opportunities and treatment and making everyone feel part of an inclusive and cohesive community.

Horizontal structures, open doors and direct communication are key pillars that guide life at Reply. Moreover, the Company adopts policies that are consistent with the regulatory provisions for protected categories in all the countries in which it operates, promoting their social and work inclusion.

The Corporate Code of Ethics defines, explains and formalises the Reply values and guides all Group members on how to behave and how to act correctly during their daily activities, with customers, suppliers, business partners and their colleagues. Its adoption by all employees makes it possible to create and maintain a common ethical culture among the various teams, allowing everyone to act in line with Reply's values.

To promote cross-country knowledge sharing and corporate welfare activities, Reply has created the **Reply Social Network** structure that engages employees (referred to as 'Replyers') through both informal and formal learning activities and paths, using digital channels and events. At Reply, we pay particular attention to the protection of the health and safety of employees, both by taking the necessary measures to ensure the safety of the workplace, and through training and information activities aimed at effectively preventing and managing professional risks related to the performance of business activities.

The **Reply Wellness** programme, established in 2018, incorporates several activities articulated in three areas: nutrition, fitness and prevention activities. Both annual programmes and specific activities, related to global campaigns or specific events, are developed for each of these categories. Awareness initiatives are also adopted on specific issues such as **Mention for Prevention**, a campaign aimed at cancer prevention through educational and information initiatives, events and challenges.

Since its early days, the Reply Group has adopted policies consistent with the regulatory provisions on protected categories in all the countries in which it operates, striving to promote their social and work inclusion. In particular, in 2021, on an experimental basis, a project called **'Training Island'** was launched, which saw Reply collaborate with a partner specialised in the job placement of neurodivergent people, specifically those with Asperger's Syndrome. The project consists of the completion of a training course aimed at the job placement of candidates in the testing field, an activity particularly well suited to the characteristics of great precision, inclination to repetitiveness and attention to detail that characterise people with Asperger's. Once the experimentation phase has been completed, the goal is to make use of partnership relationships for specific training aimed at specific disabilities, in other and different 'training islands'.

Focusing on people during the Covid-19 emergenciey

The Covid-19 emergency was managed through the adoption of remote working policies to ensure access to work in the safest ways possible, based on the progression of the pandemic in the various countries where Reply operates.

Since remote work is already part of the Group's model, its adoption has not led to significant changes in the Company's normal operations. Support teams were set up in the various countries, with the aim of providing information on personal hygiene precautions, overseeing the sanitisation of the premises, providing the necessary PPE, managing common and travel areas, carrying out health surveillance and reporting isolation measures as needed.

Environmental sustainability

Climate change and environmental sustainability present challenges and opportunities for everyone. In this context, Reply is determined to do its part, driven by the firm belief that the business community plays a key role in making this happen.

With this in mind, Reply is committed to achieving **Carbon Neutrality by 2025** and **Net Zero greenhouse gas emissions by 2030**. In order to reach the ambitious net zero target, Reply is actively working on its carbon reduction programme, which includes a series of actions to optimise energy consumption and reduce the Company's CO2 emissions:

- continuously monitoring emissions as broadly as possible, including indirect emissions;
- Establishing an adequate, sustainable governance model;
- Defining Environmental Policy guidelines to reduce and monitor the impact of business activities on the environment in offices which Reply does not own;
- Switching to 50% renewable electricity in all countries in which it operates by 2025;
- Encouraging the sustainable use of space, by continuously reducing the waste generated and the water used;
- Establishing the Reply Forest to absorb tonnes of CO2 and to support reforestation;
- Evolving towards a greener fleet, with a goal of going from 10% hybrid/electric vehicles in 2020 to 30% hybrid/electric vehicles in 2025;
- Neutralising the impacts of residual emissions with carbon removal offsets. While carbon reduction is the primary objective of our sustainability actions, residual emissions will also need to be offset.

The Reply Group values suppliers who have a proven track record of sustainability in their operations and to do so, it requires them to meet certain ethical and environmental behaviour requirements in order to ensure the sustainability of its supply chain. Moreover, to promote its Sustainable Supply Chain, Reply adopted an environmental policy in 2021 for its main suppliers (e.g. requirements, scoring, remedial actions, sanctions, etc.) and, starting in 2022, the Group will introduce an annual environmental performance assessment for key suppliers.

Although Reply is not a water-intensive company, we minimise water use wherever possible, including the responsible use, reuse, management and discharge of water throughout our offices. To achieve this goal, Reply will develop plans to reduce the impact of floods, droughts and water scarcity by 2025, and will reduce water use in all locations by 2025.



In 2021 Reply launched 'Reply to Earth', an internal communication programme aimed at raising awareness among Replyers about a greener and more sustainable approach to work, promoting sustainable mobility or the use of recycled materials and highlighting the positive effect on the environment that Reply's services have on customers.

Continous improvement

Reply is constantly up to date on the latest information on ESG issues obtained from non-governmental organisations, academia and industry trends, thus enabling the Group to revise its frameworks and best practices and to be at the very forefront of opportunities to help build a more sustainable world. To this end, periodic meetings of the Sustainability Committee are organised to evaluate the results achieved and to discuss new strategies for further improvements through the assessment of opportunities and risks. Reply is also committed to involving its Suppliers in sustainability initiatives aimed at increasing awareness on sustainability issues and brainstorming ideas for internal sustainability projects. Mindful of the importance of exchanging ideas even outside its borders, Reply has launched several programmes with universities and other partners to organise challenges related to the issues of innovation and sustainability.



Horizontal structures, open doors and direct communication are the key pillars shared by more than **10,000** employees across **89** countries worldwide

The **Reply Forest**, set up to support reforestation, absorbs more than **300** tons of CO_2 per year


In accordance with the Net Zero 2030 goal, the **80%** of the electricity consumed comes from 100% renewable source

REPLY ANNUAL FINANCIAL REPORT 2021

REPORT ON OPERATIONS

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

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

External risks

Risks associated with general economic conditions
The informatics consultancy market is strictly related to the economic trend of industrialized countries where the demand for highly innovative products is greater. An unfavourable economic trend at a national and/or international level or high inflation could alter or reduce the growth of demand and consequently could have negative effects on the Group's activities and on the Group's economic, financial and earnings position.
The battle against the Covid-19 pandemic will continue to determine the evolution of the economy at least for the next months. The emergency, at the time this annual report, is still ongoing, with different trends in the countries where Reply is present. Its evolution will depend, to a large extent, on the effectiveness and speed of the vaccination plans that the various countries have begun to activate.
It should also be noted that Russia's recent invasion of Ukraine creates uncertainties and tensions particularly within the Eurozone. Although the relative evolutions and impacts are still uncertain and difficult to assess, the intensification of war hostilities, ongoing geopolitical tensions and trade war, including the imposition of international economic sanctions against companies, banks and Russians, could have significant negative repercussions on the global, international and Italian economy, on the performance of the financial markets and on the energy sector.

Risks related to the evolution of ict-related services

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

Risks associated with competition

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

Risks associated with changes in client needs

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

Risks associated with segment regulations

The Group is subject to the laws and regulations applicable in the countries in which it operates, such as, among the main ones, regulations on the protection of occupational health and safety, the environment and the protection of intellectual property rights, tax regulations, regulations on the protection of privacy, the administrative liability of entities pursuant to Legislative Decree No. 231/01 and responsibilities under Law 262/05.

The Group operates in accordance with applicable legal requirements and has established processes to ensure that it is aware of the specific local regulations in the areas in which it operates and of regulatory changes as they occur.

Violations of these regulations could result in civil, tax, administrative and criminal sanctions, as well as the obligation to carry out regularisation activities, the costs and responsibilities of which could adversely affect the Group's business and its results.

Risks related to the pandemic

The evolving Coronavirus pandemic linked to the spread of SARS-CoV-19 and the emergence of new Coronavirus strains, if not adequately contained, may continue to have significant health, social and economic consequences worldwide.

With regard to employees, for the purposes of emergency management, with the aim of protecting the health and safety of employees and external collaborators, task forces have been set up at Group and local level to monitor the evolution of the situation and ensure coordinated action on the measures to be implemented:

- remote working was foreseen, where possible based on the type of work, and extended to all employees during the emergency phase;
- all events involving a gathering of people were held virtually;
- rules for access to company premises and measures to limit the risk of virus spread were established.

Pandemic risk management impacts the normal execution of processes, both internal and managed through external providers. For the management of the crisis resulting from Covid-19, ad hoc measures were put in place to ensure the continuity of operational processes. In particular, the IT infrastructure was adapted to support the mass use of secure remote working.

Internal risks

Risks associated with key management and loss of know-how

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

Risks associated with relationship with client

The Group offers consulting services mainly to medium and large size companies operating in different market segments (Telco, Manufacturing, Finance, etc.).

A significant part of the Group's revenues, although in a decreasing fashion in the past years, is concentrated on a relatively limited number of clients. If such clients were lost this could have an adverse effect on the Group's activities and on the Group's economic, financial and earnings position.

Risks associated with internationalization

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

Risks related to group development

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

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

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

Risks related to acquisitions and other extraordinary operations

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

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

Risks related to non-fulfilment of contractual commitments

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

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

Risks related to key partnerships

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

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

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

Risks related to the protection of intellectual property rights

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

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

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

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

Cyber security, data management and dissemination risks

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

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

To date, there hasn't been a cybersecurity attack that has had a material effect on the Group, although there is no guarantee that there won't be a material impact in the future.

As the business and cyber security landscape evolves, the Group may also find it necessary to make significant additional investments to protect data and infrastructure.

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

Risks in terms of social and environmental responsibility and business ethics

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

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

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

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

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

Financial risks

Credit risk

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

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

Liquidity risk

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

Exchange rate and interest rate risk

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

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

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

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

Tax risk

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

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

Review of the group's economic and financial position

Foreword

The financial statements commented on and illustrated in the following pages have been prepared on the basis of the Consolidated financial statements as at 31 December 2021 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 2021 with a consolidated turnover of €1,483.8 million, an increase of 18.7% compared to €1,250.2 million in 2020.

All indicators are positive for the period. Consolidated EBITDA was €262.8 million, an increase of 26.4% compared to €207.9 million recorded in 2020.
EBIT, from January to December, was at €209.3 million, which is an increase of 23.4% compared to € 169.5 million in 2020.
The Group net profit was at €150.7 million, an increase of 21.9% compared to the €123.6 million recorded in 2020.

As at 31 December 2021, the Group's net financial managerial position has been positive, at €193.2 million. As at 30 September 2021, the net financial managerial position was positive, at €244.4 million.

2021 was a very good year for the Group, both in terms of revenue and margin growth. In recent months, Reply has continued to invest, gaining additional market share in Europe, England and North America, and has added new components to the leading solutions in cloud computing, artificial intelligence, robotics and connected vehicles.
Today, Reply combines a solid financial position with a wealth of unique expertise on the

market, and top-quality execution and delivery skills.
For the moment, the future is still uncertain: while the health emergency currently seems to be under control in the countries where Reply operates, the recent outbreak of war on Europe's eastern borders has exacerbated signs of stress in all the main markets, with medium and long-term consequences that are difficult to anticipate.
In any case, the process of transformation towards a new digital economy that started in 2020 is now unstoppable and has opened up ample opportunities for growth and development for companies like ours. High-speed communication software infrastructure, e-commerce, new digital experiments and rapid acceleration towards automation and green tech will be the building blocks of the economy over the coming years.

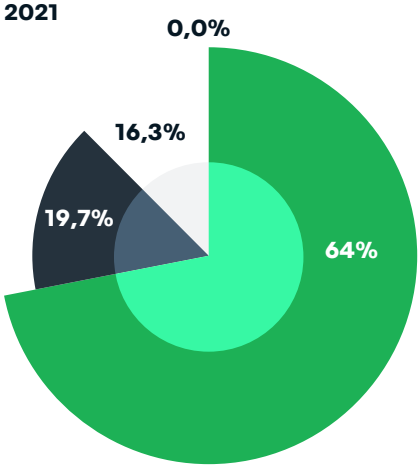
Reclassified consolidated income statement

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

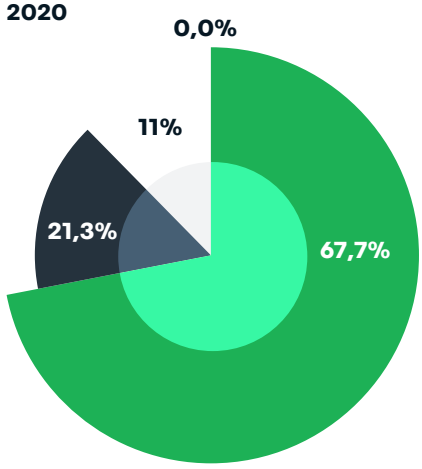
(THOUSAND EUROS)	2021	%	2020	%
Revenues	**1,483,803**	**100**	**1,250,191**	**100.0**
Purchases	(21,500)	(1.4)	(21,510)	(1.7)
Personnel	(759,567)	(51.2)	(621,362)	(49.7)
Services and other costs	(445,147)	(30.0)	(399,830)	(32.0)
Other operating (costs)/income	5,195	0.4	448	-
Operating costs	**(1,221,018)**	**(82.3)**	**(1,042,255)**	**(83.4)**
Gross operating income (EBITDA)	**262,784**	**17.7**	**207,936**	**16.6**
Amortization, depreciation and write-downs	(48,391)	(3.3)	(42,441)	(3.4)
Other non-recurring (costs)/income	(5,110)	(0.3)	4,036	0.3
Operating income (EBIT)	**209,283**	**14.1**	**169,531**	**13.6**
(Loss)/gain on investments	8,164	0.6	1,240	0.1
Financial income/(expenses)	(4,168)	(0.3)	(8,717)	(0.7)
Income before taxes	**213,279**	**14.4**	**162,054**	**13.0**
Income taxes	(60,871)	(4.1)	(37,848)	(3.0)
Net income	**152,408**	**10.3**	**124,206**	**9.9**
Non-controlling interests	(1,735)	(0.1)	(608)	-
Net income of the Parent company	**150,672**	**10.2**	**123,598**	**9.9**

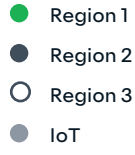
REVENUES BY REGION (*)

2021



2020

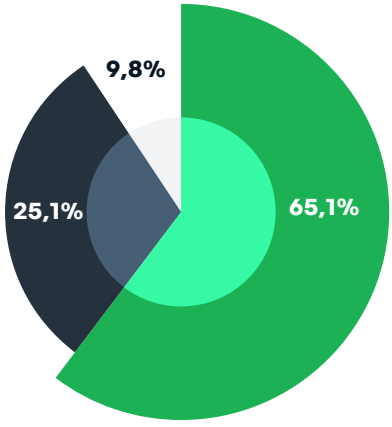




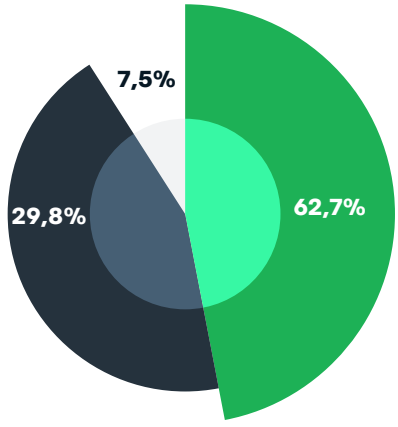
(*)
Region 1: ITA, USA, BRA, POL, ROU, CHN (Nanjing), NZL
Region 2: DEU, CHE, CHN (Beijing), HRV
Region 3: GBR, LUX, BEL, NLD, FRA, BLR, SGP, HKG

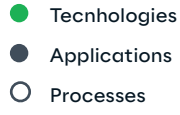
REVENUES BY BUSINESS LINES

2021

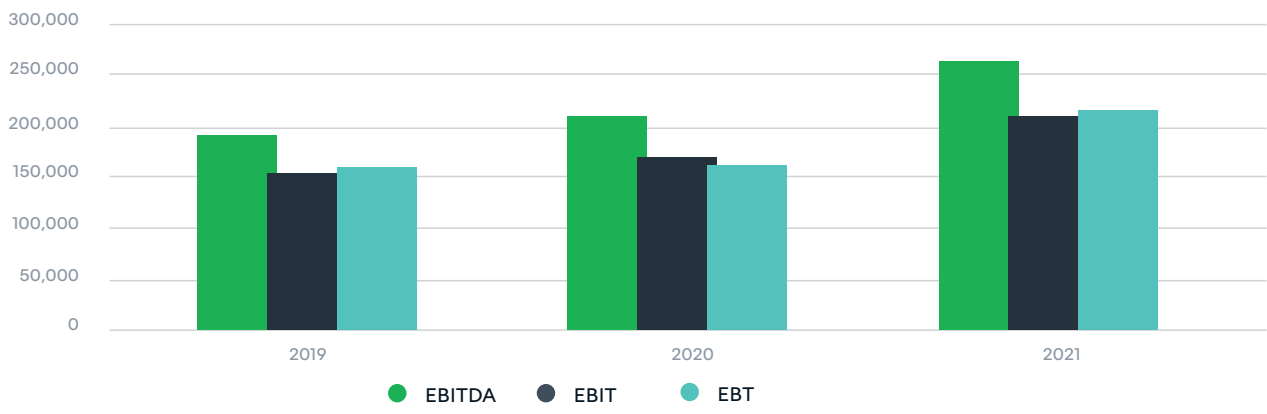


2020





TREND IN KEY ECONOMIC INDICATORS



Analysis of the financial structure

The Group's financial structure is set forth below as at 31 December 2021, compared to 31 December 2020:

(THOUSAND EUROS)	31/12/2021	%	31/12/2020	%	CHANGE
Current assets	623,749		505,790		117,960
Current liabilities	(666,363)		(527,354)		(139,009)
Working capital, net (A)	**(42,614)**		**(21,565)**		**(21,049)**
Non-current assets	862,429		664,852		197,577
Non-current liabilities	(197,132)		(125,991)		(71,141)
Fixed capital (B)	**665,297**		**538,860**		**126,436**
Invested capital, net (A+B)	**622,683**	**100.0**	**517,296**	**100.0**	**105,387**
Shareholders' equity (C)	815,895	131.0	675,957	130.7	139,938
NET FINANCIAL MANAGERIAL POSITION (A+B-C)	**(193,212)**	**(31.0)**	**(158,661)**	**(30.7)**	**(34,550)**

Net invested capital on 31 December 2021, amounting to 622,683 thousand Euros, was funded by Shareholders' equity for 815,895 thousand Euros and by available overall funds of 193,212 thousand Euros.

It is to be noted that net invested capital includes Due to minority shareholders and Earn-out for a total of 129,558 thousand Euros (71,381 thousand Euros at 31 December 2020); 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 the net working capital:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Work in progress	86,787	79,784	7,003
Trade receivables	471,560	344,700	126,860
Other current assets	65,402	81,306	(15,904)
Current operating assets (A)	**623,749**	**505,790**	**117,960**
Trade payables	139,921	114,149	25,772
Other current liabilities	526,442	413,205	113,237
Current operating liabilities (B)	**666,363**	**527,354**	**139,009**
Working capital, net (A-B)	**(42,614)**	**(21,565)**	**(21,049)**
% return on investments	*(2.9%)*	*(1.7%)*	

Net financial managerial position and cash flows statement

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Cash and cash equivalents, net	314,680	332,500	(17,819)
Current financial assets	31,791	2,108	29,683
Due to banks	(406)	(10,815)	10,410
Due to other providers of finance	(904)	(1,495)	590
Financial liabilities IFRS 16	(26,508)	(24,453)	(2,055)
Short-term financial position	**318,653**	**297,844**	**20,809**
Due to banks	(23,313)	(19,735)	(3,578)
Financial liabilities IFRS 16	(102,129)	(119,448)	17,319
M/L term financial position	**(125,442)**	**(139,183)**	**13,741**
Total net financial managerial position	**193,212**	**158,661**	**34,550**

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

(THOUSAND EUROS)	2021
Cash flows from operating activities (A)	207,578
Cash flows from investment activities (B)	(160,092)
Cash flows from financial activities (C)	(65,305)
Change in cash and cash equivalents (D) = (A+B+C)	**(17,819)**
Cash and cash equivalents at beginning of period (*)	332,500
Cash and cash equivalents at year end (*)	314,680
Total change in cash and cash equivalents (D)	**(17,819)**

(*) 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 in the financial statements.

Alternative performance indicators

In addition to conventional financial indicators required by IFRS, presented herein are some alternative performance measures, in order to allow a better understanding of the trend of economic and financial management.
These indicators, that are also presented in the periodical Interim management reports must not, however, be considered as replacements to the conventional indicators required by IFRS.

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

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

Significant operations in 2021

Acquisition of Business Elements Group BV

On May 28, 2021, Reply Sarl acquired 100% of the share capital in Business Elements Group BV, a company established under Belgium law, for an initial consideration amounting to 3,628 thousand Euros. The company is specialized in consulting services and application development on the Microsoft Dynamics CRM platform.

Acquisition of Comwrap GmbH

On October 28, 2021, Reply SE acquired 100% of the share capital in Comwrap GmbH, a company established under Germany law, Europe leader in professional services for cloud-native digital platforms based on Adobe Experience Cloud and Ibexa DXP, for an initial consideration amounting to 9,560 thousand Euros.

Acquisition of G Force Demco Ltd

On 23 December, 2021, Reply Ltd. Acquired 100% of the share capital in G Force Demco Ltd Group (which holds Gray Matter and Forcology Ltd.) for an initial consideration amounting to 4,500 thousand Pounds. The companies are specialized in marketing strategies and solutions to develop B2B sales in the automotive industry and support customers in using the standard components of the Salesforce suite and provide solutions based primarily on configuration.

Acquisition of Enowa LLC

On December 27, 2021, Reply Inc. acquired 100% of the share capital in Enowa LLC, a company established under American law, specialized in consulting and solutions development SAP technology, for an initial consideration amounting to 35,225 thousand Dollars.
Enowa LLC, based in Philadelphia, is leader in cloud design and value-added services on SAP technology and counts among its customers some of the largest American groups active in the chemical, healthcare, energy and consumer services sectors.

Acquisition of The Spur Group

On 31 December, 2021, Reply Inc. acquired 100% of the share capital in The Spur Group, a company established under American law, leader in sales and marketing consulting, for an initial consideration amounting to 33,821 thousand Dollars.
The Spur Group, based in Bellevue (Seattle), works with leading Tech Giants and global brands, including Cisco, Microsoft, Rockwell Automation, Qlik and VMWare in defining go-to-market and digital positioning strategies, combining strategy, marketing, data analysis and operating models.

Reply on the stock market

Reply share performance

Even though shares have recently been in reverse gear due to the worsening pandemic situation, investors can look back on 2021 with satisfaction. The Euro Stoxx 600, for example, gained 20%, which is anything but a meagre performance. The fact that dividend stocks were the right choice in the past year becomes even clearer when one looks at the investment alternative, i.e. the interest rate market. The bond performance is particularly poor on a global scale. Government bonds have caused global investors a loss of almost 6%. The first half of 2021 was dominated by the success of biotechnology and pharmaceutical companies, having been able to make effective Corona vaccines available in the fall of 2020.

Driven by the hope that the vaccination campaigns could overcome the pandemic and thus create the conditions for a normalization of social and economic life, share prices rose sharply, also thanks to the expectation of gigantic fiscal packages from governments. Consequently, a strong economic recovery had also set in, as shown by the substantial increase in profits of many companies.

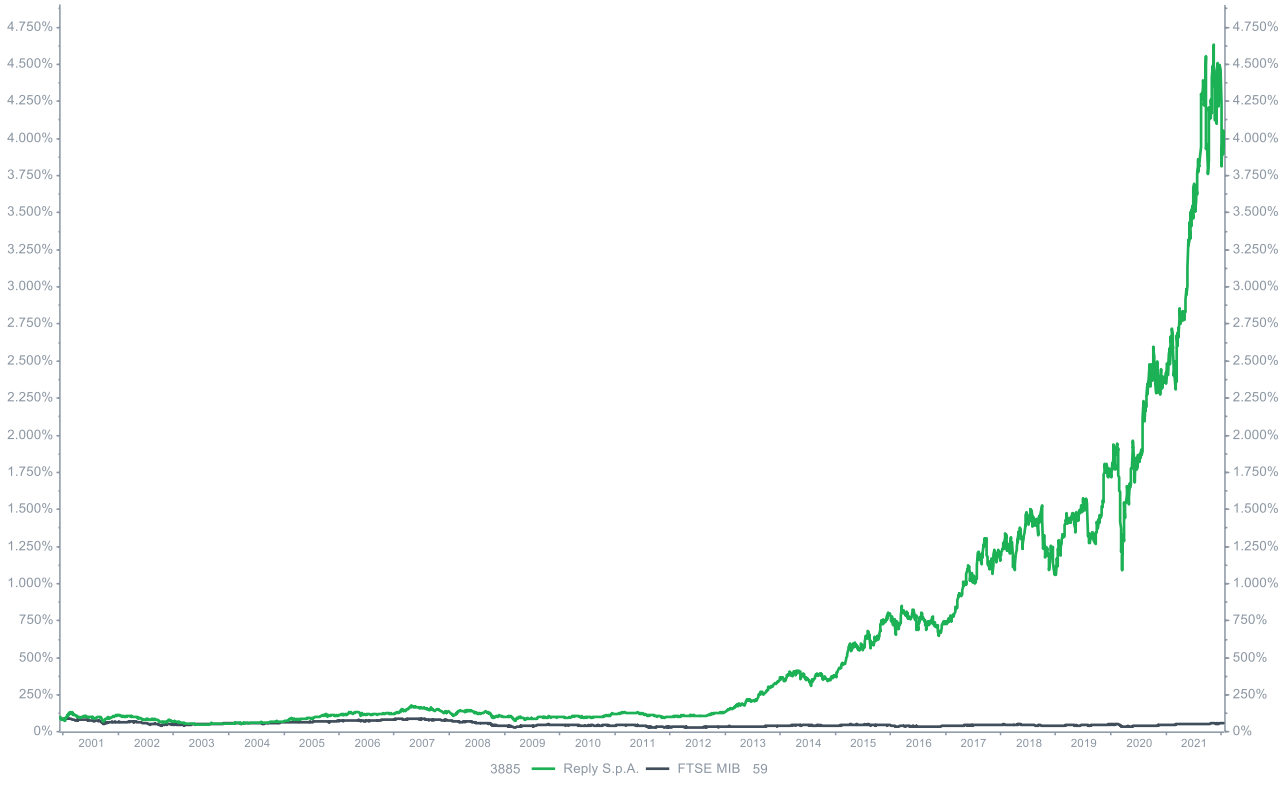
But that was the end of the good part of the stock market year. Although the stock markets continued their record chase, the upward trend flattened out. A large number of interrelated negative factors put the brakes on the stock markets' soaring performance.

For Reply 2021 was another excellent stock exchange year. Apart from a brief period of weakness at the beginning of March 2021 where the share reached its low-level for the year of EUR 92.50 the Reply share entered into a steady upwards trend which induced a price increase of 91% until beginning of September. Upcoming concerns about new virus variants and inflation levels then led to a phase of significant volatility increases. A sharp decline of the share price at the beginning of October was overcompensated, and the Reply share saw its maximum performance in the middle of November reaching its high-level for the year of EUR 185.50. This outperformance was not entirely maintained during the rest of the year, and the share closed the year with a value increase of 88%. The market capitalization of Reply reached a new record level of EUR 6.7 billion.



In January 2022 the Reply share joined the severe market turbulences in the wake of the corona mutant Omikron, inflation and interest rate turnaround. At the time of writing, Reply shares were trading 10.5% below their 2021 year-end value.

As well the relative performance of the Reply share was very strong in 2021. Throughout the year Reply outperformed all Italian indices (MIB: +23%, FTSE Italy STAR: +45%), all European sector indices, including the EuroSTOXX Technology (+37%), and the S&P 500/IT (+33%). Taking December 6, 2000, the date of the Reply IPO, as a reference, the Italian main index MIB improved significantly in 2021 but is still at 60% of its starting. In the same period Reply increased its IPO value by nearly 4,400%. In 2021 Reply nearly doubled the value creation adding 2,085 percentage points to the out-performance versus the MIB.



The strong increase of the Reply share price induced significant improvements as at the index memberships. Since the third quarter 2021 Reply is part of the Euro STOXX 600 index and the FTSE Euro Mid index. In December 2021 Reply became part of the newly defined MIB ESG index, a blue-chip index for Italy dedicat-ed to ESG best practices, made operational by Euronext and Vigeo Eiris - Moody's ESG Solutions.

Share liquidity

Following the very strong share price increases 2021 marked new records for the trading of the Reply share, regarding the counter value of all traded shares. The trading volume in the Reply share amounted to EUR 1.8 billion, an increase of 52% compared to the year before. The effects of the increased share price overcompensated the reduction of the number of shares traded, which fell by 17%.
Due to the strong upside development, the Reply share traded at a valuation premium, compared to the participants of the peer group, when profitability measures are taken into account. Enterprise value to EBITDA and enterprise value to EBIT at the end of 2021 were 40% higher than the average value of the peer group constituents. Measured upon revenue, Reply traded 27% above the average valuation of the peer group at the end of 2021.

Dividend

Performance-based compensation is an essential pillar of the partnership-oriented business model of Reply. Like employees the Reply shareholders shall – in form of dividends - participate in the sustainable operational performance of the group. Each year this principle is balanced with the need of internal financing to fund the investments of Reply (in new start-up companies, new technologies and potential acquisitions to further elaborate the Reply offering portfolio in Germany, UK, US, France as the strategic Reply regions). In 2021 Reply achieved earnings per share of EUR 4.03, an increase of 22.1% compared to 2020. For the financial year 2021 the corporate bodies of Reply propose to the shareholders' meeting to approve the payment of a dividend of EUR 0.80 (dividend 2020: EUR 0.56). Referred to the share price of Reply at the end of 2020 this corresponds to a dividend yield of 0.45%. Assuming the approval of the shareholders' meeting, Reply will pay to its shareholders a dividend sum of EUR 29.9 million. In 2020 EUR 21 million were distributed.

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

		2021	2020	2019	2018	2017
Share price						
Year-end	Euro	178.70	95.30	69.45	44.08	46.17
High for the year	Euro	185.50	105.50	74.80	61.30	53.50
Low for the year	Euro	92.50	43.30	42.20	42.00	28.93
Trading						
Number of shares traded (year)	# thousand	13,005.5	15,669.5	11,360.1	12,587.7	14,894.2
Number of shares traded (day)	# thousand	50.4	59.9	44.9	48.2	57.1
Trading volume (year)	Euro million	1,834.2	1,203.4	668.9	591.0	590.6
Trading volume (day)	Euro million	7.109	4.611	2.623	2.548	2.492
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	4.863	4.863	4.863	4.863	4.863
Free Float	%	53.4	53.4	53.4	53.4	52.8
Market capitalization	Euro million	6,660.1	3,565.3	2,598.2	1,650.0	1,727.3
Allocation of net income						
Earnings per share	Euro	4.03	3.30	3.04	2.38	2.05
Dividend [1]	Euro	0.8000	0.5600	0.5200	0.4000	0.3280
Dividend payment	Euro million	29.872	20.911	19.454	16.835	12.271
Dividend yield [2]	%	0.45	0.59	0.75	1.0	0.8

(1) Amount proposed for shareholder approval for 2021
(2) Related to year-end closing price

The shareholders base

At the end of 2021 43% of the Reply shares were owned by the founders of Reply, institutional shareholders owned 40% while retail shareholders owned 17% of the shares. The institutional shareholders' base of Reply saw some significant changes. US investors, the most important investor country in Reply, slightly increased their ownership in Reply to 26% of institutional holdings versus 23% in the previous year. UK investors increased significantly and now rank number 2, owning around 20% (2020: 6%). Also, Italian investors raised their positions to 20% of institutional holdings (2020: 16%). The Nordic investors reduced their

position to 6.5% of the shares, coming from 12% in 2020.
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 2021, eight (8) analysts covered the Reply share on a regular base. The reduction by 1 analyst is due to a merger of 2 European banks. Because of the stellar share price development, the covering analysts took a more cautious position on Reply. 2 ratings remained on "outperform" while 5 analysts took a "neutral" stance on the share. One analyst saw an underperforming share price development. All Reply analysts on average in Jan. 2021 foresaw a target price of EUR 175.30.

Dialog with the capital markets

An active and open communication policy ensuring prompt and continuous information dissemination is a major component of the Reply IR strategy. In 2021 Reply maintained its high level of activities with the capital markets. During 27 conferences Reply actively explained its equity story. Due to the pandemic no roadshows were conducted. Especially with French investors the communication contacts were increased by 29%. In 2021 – unchanged to the previous year - 87% of the investor meetings were held virtually. 11 brokers were involved in the IR activities of Reply. In the Institutional Investor Survey 2021 Reply ranked third among the best IR teams of developed Europe Small and Mid-Cap Issuers.

The Parent Company Reply S.p.A.

Introduction

The tables presented and disclosed below were prepared on the basis of the financial statements as at 31 December 2021 to which reference should be made, prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the regulations implementing Article 9 of Legislative Decree No. 38/2005.

Reclassified income statement

The Parent Company Reply S.p.A. mainly carries out the operational co-ordination and the technical and quality management services for the Group companies as well as the administration, finance and marketing activities.
As at 31 December 2021 the Parent Company had 95 employees (93 employees in 2020).
Reply S.p.A. also carries out commercial fronting activities 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)	2021	2020	CHANGE
Revenues from operating activities	105,500	85,627	19,873
Pass-through revenues	514,599	458,481	56,118
Purchases, services and other expenses	(582,455)	(508,829)	(73,625)
Personnel and related expenses	(27,693)	(25,956)	(1,737)
Other unusual operating (expenses)/income	2,367	55	2,311
Amortization, depreciation and write-downs	(3,037)	(1,978)	(1,059)
Operating income	**9,280**	**7,400**	**1,880**
Financial income/(expenses)	23,485	(7,278)	30,762
Gain on equity investments	87,689	78,246	9,443
Loss on equity investments	(322)	(4,540)	4,218
Income before taxes	**120,132**	**73,829**	**46,303**
Income taxes	(8,888)	(422)	(8,467)
NET INCOME	**111,244**	**73,407**	**37,836**

Revenues from operating activities mainly refer to:

- royalties on the Reply trademark for 44,180 thousand Euros (35,433 thousand Euros in the financial year 2020);
- shared service activities in favour of its subsidiaries for 40,881 thousand Euros (33,777 thousand Euros in the financial year 2020);
- management services for 13,323 thousand Euros (11,656 thousand Euros in the financial year 2020).

Operating income 2021 marked a positive result of 9,280 thousand Euros after having deducted write-downs and amortization expenses of 3,037 thousand Euros (of which 178 thousand Euros referred to tangible assets, 2,431 thousand Euros to intangible assets and 428 thousand Euros related to right of use assets arising from the adoption of IFRS 16).
Financial income amounted to 23,485 thousand Euros and included interest income on bank accounts for 7,936 thousand Euros, interest expenses for 1,107 thousand Euros mainly relating to financing for the M&A operations and the non-effective portion of the IRS for positive 1,148 thousand Euros. Such result also includes net positive exchange rate differences amounting to 15,547 thousand Euros.
Income from equity investments which amounted to 87,689 thousand Euros refers to dividends received from subsidiary companies in 2021.
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 2021, amounted to 111,244 thousand Euros after income taxes of 8,888 thousand Euros.

Financial structure

Reply S.p.A.'s financial structure as at 31 December 2021, compared to that as at 31 December 2020, is provided below:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Tangible assets	311	333	(23)
Intangible assets	7,690	6,733	957
RoU assets	616	755	(139)
Equity investments	140,758	144,528	(3,770)
Other fixed assets	6,723	6,576	147
Non-current liabilities	(8,513)	(7,651)	(862)
Fixed capital	**147,584**	**151,274**	**(3,690)**
Net working capital	**28,278**	**31,845**	**(3,567)**
NET INVESTED CAPITAL	**175,862**	**183,119**	**(7,257)**
Shareholders' equity	551,043	467,514	83,529
Net financial managerial position	**(375,181)**	**(284,395)**	**(90,786)**
TOTAL SOURCES	**175,862**	**183,119**	**(7,257)**

The net invested capital on 31 December 2021, amounting to 175,862 thousand Euros, was funded by Shareholders' equity in the amount of 551,043 thousand Euros and by available overall funds of 375,181 thousand Euros.
Changes in balance sheet items are fully analysed 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 2021, compared to 31 December 2020, is detailed as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Cash and cash equivalents, net	172,541	184,012	(11,471)
Financial loans to subsidiaries	52,797	27,066	25,731
Financial investments	29,631	-	29,631
Loans to third party	231	283	(52)
Due to banks	(82)	(10,552)	10,470
Due to subsidiaries	(192,868)	(145,699)	(47,168)
Financial liabilities IFRS 16	(325)	(374)	49
Net financial position short term	**61,926**	**54,736**	**7,190**
Long term financial assets	335,317	248,067	87,251
Due to banks	(21,769)	(18,024)	(3,744)
Financial liabilities IFRS 16	(294)	(384)	90
Net financial position long term	**313,255**	**229,659**	**83,596**
Total net financial managerial position	**375,181**	**284,395**	**90,786**

Change in the net financial position is analysed 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.

	31/12/2021		31/12/2020	
(THOUSAND EUROS)	**NET EQUITY**	**NET INCOME**	**NET EQUITY**	**NET INCOME**
Reply S.p.A.'s separate financial statements	**551,043**	**111,244**	**467,514**	**73,407**
Results of the subsidiary companies, net of minority interest	438,844	195,570	314,186	133,828
Cancellation of the carrying value of investments in consolidated companies net of any write-offs	(142,100)	-	(85,668)	-
Cancellation of dividends from subsidiary companies	-	(97,835)	-	(87,749)
Adjustments to accounting principles and elimination of unrealized intercompany gains and losses, net of related tax effect	(29,267)	(56,571)	(19,156)	4,720
Non-controlling interests	(2,625)	(1,735)	(918)	(608)
Net Group consolidated financial statement	**815,895**	**150,672**	**675,957**	**123,598**

Corporate Governance

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

In compliance with regulatory obligations the annually drafted "Report on Corporate Governance and Ownership Structures" contains a general description of the corporate governance system adopted by the Group, reporting information on ownership structures and compliance with the Code, including the main governance practices applied and the characteristics of the risk management and internal control system also with respect to the financial reporting process.
The aforementioned Report, related to 2021, 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 2021, drafted in accordance with the "GRI Standards" reporting standard, is available on the Group website www.reply.com.

Other information

Research and development activities

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

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

Human resources

Human resources constitute a primary asset for Reply which bases its strategy on the quality of products and services and places continuous attention on the growth of personnel and in-depth examination of professional necessities with consequent definitions of needs and training courses.
The Reply Group is comprised of professionals originating from the best universities and polytechnics. The Group intends to continue investing in human resources by bonding special relations and collaboration with major universities with the scope of attracting highly qualified personnel.
The people who work at Reply are characterized by enthusiasm, expertise, methodology, team spirit, initiative, the capability of understanding the context they work in and of clearly communicating the solutions proposed. The capability of imagining, experimenting and studying new solutions enables more rapid and efficient innovation.
The group intends to maintain these distinctive features by increasing investments in training and collaboration with universities.
At the end of 2021 the Group had 10,579 employees compared to 9,059 in 2020.

General Data Protection Regulation (GDPR)

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

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

Transactions with related parties and group companies

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

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

Treasury shares

At the balance sheet date, the Parent Company holds 70,028 treasury shares amounting to 7,219,996 Euros, nominal value equal to 9,208 Euros; at the balance sheet item net equity, the company has posted an unavailable reserve for the same amount.
At the date of this report the Company does not hold shares of other holding companies.

Financial instruments

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

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

Events subsequent to 31 December 2021

Despite the complexity of the current situation, since the beginning of the year Reply has further consolidated its leadership in new technologies and digital transformation, investing in new skills and extending its geographical presence.
In particular, Reply has worked alongside key customers with projects aimed not only at helping them overcome the crisis more quickly, but also at seizing new business opportunities brought by a much more digital, connected and automated world. The paths of evolution are numerous and touch all sectors. For example, artificial intelligence, robotics and the Internet of Things are revolutionizing not only products, but also the way they are conceived, manufactured and sold, significantly changing factories, production processes and entire value chains.

Sustainability is impacting all sectors: a concept that today is still often abstract, but has become increasingly predominant in the choices of companies. As Reply we feel this responsibility towards future generations and, although belonging to a sector with low environmental impact, our commitment is total, both in working to minimize our emissions in the future, and in defining a series of consulting and technological services able to support companies in a process of transition to net-zero.

Finally, the first months of 2022 were characterized by a sudden acceleration of the crisis on eastern European borders, resulting in a war that is putting a strain on the economy, civil society and the very stability of economic systems. In this regard, it should be noted that the organizational structure (including the ecosystem of suppliers), the financial solidity of the Group, the diversification of the business in various countries, markets and industrial sectors, has allowed, to date, to absorb all the indirect effects, thanks to the implementation of local actions aimed at minimizing the impacts on operating activities.

Outlook on operations

The future scenario is still uncertain: if the health emergency appears at the moment under control in the countries where we are present, the recent outbreak of the war on the eastern borders of Europe is increasing a situation of tension on all the main markets with medium and long-term consequences that are difficult to anticipate. In any case, the process of transformation towards a new digital economy, which began in 2020, is now unstoppable and opens up ample opportunities for growth and development for companies like Reply. High-speed communication software infrastructures, e-commerce, new digital experiences and a strong acceleration towards automation and green tech continue to represent the founding elements of the economy in the coming years.

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

The financial statements at year end 2021 of Reply S.p.A. prepared in accordance with International Financial Reporting Standards (IFRS), recorded a net income amounting to 111,243,694 Euros and net shareholders' equity on 31 December 2021 amounted to 551,042,871 Euros thus formed:

(IN EUROS)	**31/12/2021**
Share Capital	4,863,486
Legal reserve	972,697
Reserve for treasury shares on hand	7,219,996
Other reserves	426,742,998
Total share capital and reserves	**439,799,177**
Net income	111,243,694
Total	**551,042,871**

The Board of Directors in submitting to the Shareholders the approval of the financial statements (Separate Statements) as at 31 December 2021 showing a net result of 111,243,694 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 111,243,694 Euros;
- to approve the motion to allocate the net result of 111,243,694 as follows:
  - a unit dividend to shareholders amounting to 0,80 Euros for each ordinary share with a right, therefore excluding treasury shares, with payment date fixed on 4 May 2022, coupon cut-off date 2 May 2022 and record date, determined in accordance with Article 83-terdecies of Legislative Decree no. 58/1998 set on 4 May 2021;
  - 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 3,783,000.00 Euros.

Turin, 15 March 2022

/s/ Mario Rizzante

For the Board of Directors

The Chairman

Mario Rizzante

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

Consolidated income statement (*)

(THOUSAND EUROS)	NOTE	2021	2020
Revenues	5	1,483,803	1,250,191
Other income	6	17,631	19,405
Purchases	7	(21,500)	(21,510)
Personnel	8	(759,567)	(621,362)
Service costs	9	(462,779)	(419,235)
Amortization, depreciation and write-downs	10	(48,391)	(42,441)
Other operating and non-recurring (cost)/income	11	85	4,484
Operating income		**209,283**	**169,531**
(Loss)/gain on investments	12	8,164	1,240
Financial income/(expenses)	13	(4,168)	(8,717)
Income before taxes		213,279	162,054
Income taxes	14	(60,871)	(37,848)
Net income		**152,408**	**124,206**
Non-controlling interest		(1,735)	(608)
Net result of the Parent company		**150,672**	**123,598**
Earnings per share and diluted	*15*	*4.03*	*3.30*

(*) 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	2021	2020
Profit of the period (A)		**152,408**	**124,206**
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) from employee benefit plans		(763)	(887)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**28**	**(763)**	**(887)**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		407	1,089
Gains/(losses) on exchange differences on translating foreign operations		16,957	(14,254)
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**17,364**	**(13,165)**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**28**	**16,601**	**(14,052)**
Total comprehensive income (A)+(B)		169,008	110,154
Total comprehensive income attributable to:			
Parent company		167,273	109,546
Non-controlling interests		1,735	608

Consolidated statement of financial position (*)

(THOUSAND EUROS)	NOTE	31/12/2021	31/12/2020
Tangible assets	17	80,919	51,782
Goodwill	18	474,118	330,749
Intangible assets	19	44,036	25,758
RoU Assets	20	119,549	137,645
Equity investments	21	66,361	56,421
Other financial assets	22	8,556	9,577
Deferred tax assets	23	68,889	52,921
Non-current assets		**862,429**	**664,852**
Inventories	24	86,787	79,784
Trade receivables	25	471,560	344,700
Other receivables and current assets	26	65,402	81,306
Financial assets	22	31,791	2,108
Cash and cash equivalents	22, 27	329,051	333,819
Current assets		**984,592**	**841,716**
TOTAL ASSETS		**1,847,020**	**1,506,568**
Share Capital		4,863	4,863
Other reserves		657,733	546,578
Net result of the period		150,672	123,598
Equity of the Parent company	**28**	**813,269**	**675,039**
Non-controlling interest	28	2,625	918
NET EQUITY	**28**	**815,895**	**675,957**
Due to minority shareholders and earn-out	29	107,493	53,010
Financial liabilities	30	23,313	20,387
Financial liabilities from RoU	30	102,129	118,796
Employee benefits	31	48,601	46,112
Deferred tax liabilities	32	24,113	16,117
Provisions	33	16,925	10,753
Non-current liabilities		**322,573**	**265,174**
Due to minority shareholders and earn-out	29	22,066	18,370
Financial liabilities	30	15,681	13,629
Financial liabilities from RoU	30	26,508	24,453
Trade payables	34	139,921	114,149
Other current liabilities	35	502,990	394,110
Provisions	33	1,387	724
Current liabilities		**708,552**	**565,437**
TOTAL LIABILITIES		**1,031,126**	**830,611**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,847,020**	**1,506,568**

(*)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 2020	**4,863**	**(25)**	**122,836**	**470,228**	**(2,529)**	**(5,735)**	**(5,916)**	**3,339**	**587,061**
Dividends distributed	-	-	-	(20,093)	-	-	-	(798)	(20,891)
Increase for acquisition of treasury shares	-	-	76,697	(76,697)	-	-	-	-	-
Total profit (loss)	-	-	-	123,598	1,089	(14,254)	(887)	608	110,154
Other changes	-	-	-	1,865	-	-	-	(2,231)	(366)
On 31 December 2020	**4,863**	**(25)**	**199,533**	**498,899**	**(1,440)**	**(19,989)**	**(6,803)**	**918**	**675,957**

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/ (LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2021	**4,863**	**(25)**	**199,533**	**498,899**	**(1,440)**	**(19,989)**	**(6,803)**	**918**	**675,957**
Dividends distributed	-	-	-	(20,911)	-	-	-	(710)	(21,621)
Change in own shares	-	(7,195)	-	-	-	-	-	-	(7,195)
Increase for acquisition of treasury shares	-	-	100,000	(100,000)	-	-	-	-	-
Total profit (loss)	-	-	-	150,672	407	16,957	(763)	1,735	169,008
Other changes	-	-	-	(937)	-	-	-	682	(225)
On 31 December 2021	**4,863**	**(7.220)**	**299,533**	**527,724**	**(1,033)**	**(3,032)**	**(7,566)**	**2,625**	**815,895**

Consolidated statement of cash flows

(THOUSAND EUROS)	2021	2020
Group net income	152,408	124,206
Income taxes	60,871	37,848
Amortization and depreciation	48,391	42,441
Other non-monetary expenses/(income)	(3,653)	(10,026)
Change in inventories	(7,003)	(4,455)
Change in trade receivables	(111,145)	87,540
Change in trade payables	25,772	(5,802)
Change in other assets and liabilities	80,514	2,738
Income tax paid	(37,848)	(44,829)
Interest paid	(791)	(788)
Interest collected	63	154
Net cash flows from operating activities (A)	**207,578**	**229,028**
Payments for tangible and intangible assets	(37,122)	(16,366)
Payments for financial assets	(29,812)	(3,019)
Payments for the acquisition of subsidiaries net of cash acquired	(93,157)	(57,166)
Net cash flows from investment activities (B)	**(160,092)**	**(76,550)**
Dividends paid	(21,621)	(20,891)
Shares issued	(7,195)	-
In payments from loans	3,900	1,457
Financial liabilities for leasing	(29,970)	(26,506)
Repayment of loans	(10,419)	(13,609)
Net cash flows from financing activities (C)	**(65,305)**	**(59,549)**
Net cash flows (D) = (A+B+C)	**(17,819)**	**92,929**
Cash and cash equivalents at the beginning of period	332,500	239,571
Cash and cash equivalents at period end	314,680	332,500
Total change in cash and cash equivalents (D)	**(17,819)**	**92,929**

DETAIL OF CASH AND CASH EQUIVALENTS	2021	2020
(THOUSAND EUROS)		
Cash and cash equivalents at beginning of period:	**332,500**	**239,571**
Cash and cash equivalents	333,819	240,943
Bank overdrafts	(1,320)	(1,372)
Cash and cash equivalents at period end:	**314,680**	**332,500**
Cash and cash equivalents	329,051	333,819
Bank overdrafts	(14,371)	(1,320)

Notes to the financial statements

General information	NOTE 1	General information
	NOTE 2	Accounting principles and basis of consolidation
	NOTE 3	Risk management
	NOTE 4	Consolidation
Income statement	NOTE 5	Revenue
	NOTE 6	Other revenues
	NOTE 7	Purchases
	NOTE 8	Personnel
	NOTE 9	Service costs
	NOTE 10	Amortization, depreciation and write-downs
	NOTE 11	Other operating and non-recurring (cost)/income
	NOTE 12	(Loss)/gain on investments
	NOTE 13	Financial income/(expenses)
	NOTE 14	Income taxes
	NOTE 15	Earnings per share
	NOTE 16	Other information
Statement of financial position - Assets	NOTE 17	Tangible assets
	NOTE 18	Goodwill
	NOTE 19	Other intangible assets
	NOTE 20	RoU Assets
	NOTE 21	Equity Investments
	NOTE 22	Financial assets
	NOTE 23	Deferred tax assets
	NOTE 24	Work-in-progress
	NOTE 25	Trade receivables
	NOTE 26	Other receivables and current assets
	NOTE 27	Cash and cash equivalents
Statement of financial position - Liabilities and equity	NOTE 28	Shareholders' equity
	NOTE 29	Due to minority shareholders and Earn-out
	NOTE 30	Financial liabilities
	NOTE 31	Employee benefits
	NOTE 32	Deferred tax liabilities
	NOTE 33	Provisions
	NOTE 34	Trade payables
	NOTE 35	Other current liabilities
Other information	NOTE 36	Segment Reporting
	NOTE 37	Additional disclosures to financial instruments and risk management policies
	NOTE 38	Transactions with related parties
	NOTE 39	Emoluments to Directors, Statutory Auditors and Directors with Key responsibilities
	NOTE 40	Guarantees, commitments and contingent liabilities
	NOTE 41	Events subsequent to 31 December 2021
	NOTE 42	Approval of the Consolidated financial statements and authorization to publish

Note 1 - General information

Reply specialises in the implementation of solutions based on new communication channels and digital media. Reply, consisting of a network of specialist companies, supports important European industries belonging to the Telco & Media, Manufacturing & Retail, Bank & Insurances and Public Administration segments, in defining and developing new business models utilizing Big Data, Cloud Computing, CRM, Mobile, Social Media and Internet of Things paradigms. Reply offers consultancy, system integration and application management and business process outsourcing (www.reply.com).

Note 2 – Accounting principles and basis of consolidation

Compliance with international accounting principles

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

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

General principles

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

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

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

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

BASIS OF CONSOLIDATION

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

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

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

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

Investments in associate companies

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

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

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

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

Foreign currency transactions

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

Consolidation of foreign entities

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

The following table summarizes the exchange rates used in translating the 2021 and 2020 financial statements of the foreign companies included in consolidation:

	AVERAGE 2021	ON 31 DECEMBER 2021	AVERAGE 2020	ON 31 DECEMBER 2020
GBP	0.8596	0.84028	0.8897	0.89903
Brazilian Real	6.3779	6.3101	5.8943	6.3735
Rumanian Leu	4.9215	4.949	4.8383	4.8683
Belarusian Rubble	3.0045	2.886	2.7928	3.1646
US Dollar	1.1827	1.1326	1.1422	1.2271
Chinese Yuan	7.6282	7.1947	7.8747	8.0225
Polish Zloty	4.5652	4.5969	4.443	4.5597
Kuna	7.5284	7.5156	7.5384	7.5519
Hong Kong Dollar	9.1932	8.8333	8.8587	9.5142
New Zealand Dollar	1.6724	1.6579	1.7561	1.6984
Singapore Dollar	1.5891	1.5279	1.5742	1.6218

Tangible assets

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

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

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

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

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

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

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

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

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

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:
- land and buildings for office use;
- long term car-rental.

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

specific items in the financial position;
- any component relating to the services included in the leasing fees is generally excluded from IFRS 16.

Other intangible assets

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

An internally-generated intangible asset arising from the Group's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met:
- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably.

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

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

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

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

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

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

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

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

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

Current and non current financial assets
Financial assets are classified, on the basis of both contractual cash flow characteristics and the entity's business model for managing them, in the following categories:
(i) financial assets measured at amortized cost;
(ii) financial assets measured at fair value through other comprehensive income (hereinafter also OCI);
(iii) financial assets measured at fair value through profit or loss.

At initial recognition, a financial asset is measured at its fair value; at initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price. After initial recognition, financial assets whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (the so-called hold to collect business model). For financial assets measured at amortized cost, interest income determined using the effective interest rate, foreign exchange differences and any impairment losses (see the accounting policy for "Impairment of financial assets") are recognized in the profit and loss account.
Conversely, financial assets that are debt instruments are measured at fair value through OCI (hereinafter also FVTOCI) if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the so-called hold to collect and sell business model).
In these cases:
(i) interest income determined using the effective interest rate, foreign exchange differences and any impairment losses (see the accounting policy for "Impairment of financial assets") are recognized in the profit and loss account;

(ii) changes in fair value of the instruments are recognized in equity, within other comprehensive income.

The accumulated changes in fair value, recognized in the equity reserve related to other comprehensive income, is reclassified to the profit and loss account when the financial asset is derecognized. A financial asset represented by a debt instrument that is neither measured at amortized cost nor at FVTOCI, is measured at fair value through profit or loss (hereinafter FVTPL); financial assets held for trading fall into this category. Interest income on assets held for trading contributes to the fair value measurement of the instrument and is recognized in "Finance income (expense)", within "Net finance income (expense) from financial assets held for trading".

When the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, the transaction is accounted for on the settlement date.

Transfer of financial assets

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

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

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

Work in progress
Work in progress mainly comprise construction contracts and are related to the activities deriving from the contract generated by the orders in progress; 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 analysed 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".

Through actuarial valuation, current service costs are recognized as "personnel expenses" in the Income Statement and represent the amount of rights matured by employees at the reporting date, and the interest cost is recognized as "Financial gains or losses" and represents the figurative expenditure the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities ("TFR").
Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders' equity without being ever included in the consolidated income statement.

Pension plans
According to local conditions and practices, some employees of the Group benefit from pension plans of defined benefits and/or a defined contribution.

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

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

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

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

Provisions are recognized when the Group has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions

are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

Revenue recognition
Revenues represent the gross flows of economic benefits for the year deriving from the performance of the ordinary business.
Revenue from contracts with customers is recognized on the basis of the following steps pursuant to IFRS 15:

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

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

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

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

In determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the

transfer of goods or services to the customer. The promised amount of consideration is not adjusted for the effect of the significant financing component if, at contract inception, it is expected that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
Revenue recognition can generate the accounting of an asset or liability deriving from contracts. More specifically:

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

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 "Other accounting standards, amendments and interpretations applied from 1 January 2021". 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.

New standards and interpretations acknowledged by the European Union and adopted since January 1st, 2021

The Group adopted for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.
The nature and the impact of each amendment is described below:

Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16
In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

COVID-19 related rent concessions (amendment to IFRS 16)
On May 28, 2020, the IASB issued an amendment to IFRS 16 - Leases to make it easier for lessees to account for COVID-19 related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications.

The adoption of these amendments/interpretations had no impact on the Financial Statements ad December 31, 2021.

Standards issued by the IASB but not yet effective

Annual improvements to IFRS standards 2018- 2020 cycle
On May 14, 2020 the IASB issued the Annual Improvements to IFRS 2018-2020 Cycle. The most important topics addressed in these amendments are: (i) on IFRS 9 - Financial Instruments clarifying which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability; and (ii) on IFRS 16 - Leases removing the illustration of the reimbursement of leasehold improvements. These improvements are effective from January 1, 2022.

Amendments to IAS 16 "property, plant and equipment: proceeds before intended use": they prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use and clarifying the meaning of "testing whether an asset is functioning properly". These amendments are effective retrospectively from January 1, 2022.

Amendments to IAS 37 "onerous contracts - cost of fulfilling a contract": they specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, including both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments are effective retrospectively from January 1, 2022.

Amendments to IFRS 3 "reference to the conceptual framework": the amendments to IFRS 3 – Business combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective on or after January 1, 2022.

Accounting standards and interpretations issued by the IASB and not yet approved by the European Union

IFRS 17 – Insurance contracts: on May 18, 2017 the IASB issued IFRS 17 – Insurance Contracts that will replace IFRS 4 – Insurance contracts. The new principle for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. The new standard and amendments are effective on or after January 1, 2022.

Amendments to IFRS 10 and IAS 28: the IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.
The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). The IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

Amendments to IAS 1 presentation of financial statements: classification of liabilities as current or non-current: on January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1), which affects the requirements in IAS 1 for the presentation of liabilities, including clarifying one of the criteria for classifying a liability as non-current. More specifically the amendments issued (i) the conditions existing at the end of the period are those to be used to determine whether there is a right to defer the settlement of a liability; (ii) management expectations regarding events after the balance sheet date are not relevant; (iii) clarify situations which are considered to be the settlement of a liability. The IASB deferred the effective date of this amendment to January 1, 2023.

Amendments to IAS 1 and to IFRS practice statement 2: the IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The IASB deferred the effective date of this amendment to January 1, 2023.

Amendments to IAS 8: the amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The IASB deferred the effective date of this amendment to January 1, 2023.

Amendments to IAS 12: the amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The IASB deferred the effective date of this amendment to January 1, 2023.

The Group does not expect any significant effects on its consolidated financial statements deriving from the new Standards/Interpretations.

Note 3 - Risk management

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

Liquidity risk
The group is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.
The cash flows, funding requirements and liquidity of the Group companies are monitored and centrally managed under the control of the Group Treasury. The aim is to guarantee the efficiency and effectiveness of the management of current and perspective capital resources (maintaining an adequate level of reserves of liquidity and availability of funds via a suitable amount of committed credit lines).
The difficult economic situation of the markets and of financial markets necessitates special attention being given to the management of the liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and maintaining an adequate level of liquid assets. The Group therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

Exchange rate and interest rate risk
The Group entered into most of its financial instruments in Euros, which is its functional and presentation currency. Although it operates in an international environment, it has a limited exposure to fluctuations in the exchange rates.
The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market

interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, the Group, when necessary, has used derivative financial instruments designated as "cash flow hedges".
The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

Note 4 - Consolidation

Companies included in consolidation are consolidated on a line-by-line basis.

Change in consolidation compared to 31 December 2020 is related to:

- Business Elements Group BV, a company established under Belgium law, acquired in the month of May 2021 of which Reply Sarl holds 100% of the share capital, specialized in consulting services and application development on the Microsoft Dynamics CRM platform.
- Comwrap GmbH, a company established under German law, acquired in the month of October 2021, of which Reply SE holds 100% of the share capital, European leader in professional services for cloud-native digital platforms based on Adobe Experience Cloud and Ibexa DXP.
- Enowa LLC, a company established under American law, acquired at the end of December 2021, of which Reply Inc. holds 100% of the share capital, specialized in consulting and solutions development SAP technology.
- The Spur Group, a company established under American law, acquired at the end of December 2021, of which Reply Inc. holds 100% of the share capital, leader in sales and marketing consulting.
- G Force Demco Ltd Group, of which Reply Ltd. Holds 100% of the share capital, specialized in marketing strategies and solutions to develop B2B sales in the automotive industry and support customers in using the standard components of the Salesforce suite and provide solutions based primarily on configuration.

It should be noted that Enowa LLC, The Spur Group and G Force Demco Ltd Group, as they were acquired near year-end, were consolidated only for balance sheet purposes and did not contribute to the Group's economic result.

Change in the consolidation as at December 31, 2021 affected Group's revenues by 5.6% and profits before tax by 3.1%.

Furthermore, the list of the Reply Group companies, presented as an annex herein include the start-up companies, compared to 31 December 2020, Cluster Dynamics Reply GmbH, Concept Reply LLC, Lid Reply GmbH, Like Reply GmbH, Liquid Reply GmbH, Net Reply LLC, Machine Learning Reply GmbH, Roboverse Reply GmbH, Syskoplan IE Reply GmbH, Target Reply GmbH, Vivametric Reply GmbH, WM Reply Ltd (NZ) e Xenia Reply S.r.l..

Note 5 - Revenue

Revenues from sales and services, including changes in work in progress on contracts, amounted to 1,483,803 thousand Euros (1,250,191 thousand Euros in 2020).
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 (*)	2021	2020
Region 1	64.00%	67.70%
Region 2	19.70%	21.30%
Region 3	16.30%	11.00%
IoT Incubator	0.00%	0.00%
Total	**100.0%**	**100.0%**

(*)
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

Disclosure required by IFRS 8 (“Operating segment”) is provided in Note 36 herein.

Note 6 - Other revenues

Other revenues, amounted to 17,631 thousand Euros (19,405 thousand Euros in 2020), refer to miscellaneous income, non-recurring income and R&D contributions.

Note 7 - purchases

Detail is as follows:

(THOUSAND EUROS)	2021	2020	CHANGE
Software licenses for resale	15,181	16,364	(1,183)
Hardware for resale	1,937	1,053	884
Other	4,382	4,093	289
Total	**21,500**	**21,510**	**(10)**

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 2,087 thousand Euros and the purchase of consumption material for 756 thousand Euros.

Note 8 - Personnel

Detail is as follows:

(THOUSAND EUROS)	2021	2020	CHANGE
Payroll employees	683,934	590,176	93,758
Executive Directors	75,633	31,187	44,446
Total	**759,567**	**621,362**	**138,204**

The increase in the cost of employees, amounting to 138,204 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)	2021	2020	CHANGE
Directors	364	320	44
Managers	1,288	1,115	173
Staff	8,927	7,624	1,303
Total	**10,579**	**9,059**	**1,520**

On 31 December 2021 the Group had 10,579 employees compared with 9,059 at the end of 2020.
Change in consolidation brought an increase of 513 employees.
The average number of employees in 2021 was 9,704 marking an increase with respect to 8,578 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)	2021	2020	CHANGE
Commercial and technical consulting	341,069	259,604	81,465
Travelling and professional training expenses	20,470	20,531	(61)
Other services costs	66,524	51,176	15,347
Office expenses	14,211	13,266	945
Lease and rentals	4,688	3,852	836
Other	15,816	70,805	(54,989)
Total	**462,779**	**419,235**	**43,544**

The change in Services and other costs, amounting to 43,544 Euros, is aligned to an overall increase in the Group's business.

It is to be noted that the change in the item Other is mainly attributable to an extraordinary accrual that management considered necessary in 2020 subsequent to the economic effects in relation to Covid-19 with contra-entry offsetting working capital items.

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

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and provision of secretarial services for 749 thousand Euros and rent charged by third parties for 1,207 thousand Euros, utility costs for 8,279 thousand Euros, cleaning expenses for 2,234 thousand Euros and maintenance expenses for 850 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 2021 of 10,859 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the year ended 2021 amounted to an overall loss of 8,608 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 28,925 thousand Euros.

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

Other operating and non-recurring net income, related to events and transactions that do not occur in the regular course of business, amounted to 85 thousand Euros (4,484 thousand Euros in 2020) and refer to:

- a positive charge of 5,202 thousand Euros in relation to provisions for risks and charges for contractual, commercial and legal disputes and to provisions made to adjust asset items;
- a positive charge of 5,110 thousand Euros in relation to the fair value adjustment of the liability referred to the deferred consideration for the acquisition of shareholdings in subsidiary companies (Due to minority shareholders and Earn-out).

Note 12 - (Loss)/gain on investments

This item amounting to positive 8,164 thousand Euros is related to the fair value adjustments to equity investments in start-up companies made by the Investment company Breed Investments Ltd. for 6,444 thousand euros and the gains realised on the disposal of investments for 1,720 thousand euros.

Note 13 - Financial income/(expenses)

Detail is as follows:

(THOUSAND EUROS)	2021	2020	CHANGE
Financial income	772	888	(115)
Interest expenses	(1,426)	(1,501)	76
Other	(3,514)	(8,103)	4,588
Total	**(4,168)**	**(8,717)**	**4,549**

Financial gains mainly include interest on bank accounts amounting to 63 thousand Euros, interest on financial investments amounting to 230 thousand Euros and interest on convertible loans amounting to 323 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 3,367 thousand Euros (2,976 thousand Euros at 31 December 2020);
- the Exchange rate differences from the translation of balance sheet items not stated in Euros in a net gain of 447 thousand Euros (negative 161 thousand Euros at 31 December 2020);
- the changes in fair value of financial liabilities pursuant to IFRS 9 in a net gain of 173 thousand Euros (negative 4,096 thousand Euros at 31 December 2020);
- the net changes in fair value of Convertible Loans including capitalized interest amounting to negative 246 thousand Euros (negative 469 thousand Euros at 31 December 2020);
- the financial losses related to the fair value adjustments of the investments purchased by Reply in 2021 amounting to 351 thousand Euros.

Note 14 - Income taxes

Income taxes for the financial year ended 2021 amounted to 60,871 thousand Euros and is detailed as follows:

(THOUSAND EUROS)	2021	2020	CHANGE
IRES and other taxes	66,179	60,656	5,523
IRAP (Italy)	9,310	7,876	1,434
Current taxes	**75,489**	**68,532**	**6,957**
Deferred tax expenses	2,861	(7,277)	10,138
Deferred tax income	**(18,539)**	**(20,459)**	**1,919**
Deferred taxes	(15,679)	(27,736)	12,057
Corporate tax - previous years	1,061	(2,947)	4,008
Total income taxes	**60,871**	**37,848**	**23,023**

The tax burden on the result before taxes was equivalent to 28.5% (23.4% in the financial year of 2020).

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	**213,279**	
Theoretical income taxes	51,187	24.0%
Effect of fiscal permanent differences	(1,008)	
Effect of difference between foreign tax rates and the theoretical Italian tax rate	1,382	
Current and deferred income tax recognized in the financial statement excluding IRAP	**51,561**	**24.2%**
IRAP current and deferred	9,310	4.4%
Current and deferred income recognized in the financial statements	**60,871**	**28.5%**

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

Note 15 - Earnings per share

The basic and diluted earnings per share as at 31 December 2021 was calculated on the basis of the Group's net result amounting to 150,672 thousand Euros (123,598 thousand Euros as at 31 December 2020) divided by the weighted average number of shares, net of treasury shares, as at 31 December 2021 which amounted to 37,356,344 (37,407,400 as at 31 December 2020).

(EUROS)	2021	2020
Group net result	150,672,000	123,598,000
Average no. shares	37,356,344	37,407,400
Earnings per share	4.03	3.30

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

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 Group has received the following public contributions:

CLIENT	AMOUNT
AZIENDA REGIONALE PER L'INNOVAZIONE E GLI ACQUISTI SPA	15,161
SOGEI S.P.A. AND OTHER PUBLIC ENTITIES	12,352
AGENZIA DELLE ENTRATE-RISCOSSIONE	1,448
AZIENDA SOCIO SANITARIA TERRITORIALE	1,312
FOUNDATIONS	1,164
ENTE PUBBLICO NAZIONALE DI RICERCA	1,134
UNIVERSITIES	964
MINISTRIES	782
PREVIDENZA SOCIALE	751
AGENZIA DI TUTELA DELLA SALUTE REGIONALE	529
BANCHE	514
AZIENDA ZERO	480
ENI	386
ANAS S.P.A.	265
REGIONI E PROVINCE	230
AZIENDA ULSS	171
ARMA DEI CARABINIERI	78
ARPA-AGENZIA REGIONALE PROTEZIONE AMBIENTE	40
CONSIGLIO DI STATO - SEGRETARIATO GENERALE	37
CENTRO PER GLI STUDI DI TECNICA NAVALE CETENA S.P.A.	25
NSA GROUP S.R.L.	13
AGENZIA REGIONALE PER LA PROTEZIONE DELL'AMBIENTE	13
Total	**37,852**

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

ENTITY	AMOUNT
COMMISSION EUROPEENNE	799
MIUR	607
REGIONE LOMBARDIA	433
REGIONE PIEMONTE	396
EIT DIGITAL ITALY	106
TOTAL	**2,341**

The beneficiary companies are: Reply S.p.A., Consorzio Reply Public Sector, Santer Reply S.p.A., Reply Consulting S.r.l., Eos Reply S.r.l., Storm Reply S.r.l., Sytel Reply Roma S.r.l., Xister S.r.l., Cluster Reply Roma S.r.l., Cluster Reply S.r.l., Forge Reply S.r.l., Ekip Reply S.r.l., Go Reply S.r.l. and Whitehall Reply S.r.l.. For further details, please refer to the individual company's 2021 annual report.

Note 17 - Tangible assets

Tangible assets as at 31 December 2021 amounted to 80,919 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Buildings	48,892	22,070	26,822
Plant and machinery	6,164	6,219	(55)
Hardware	8,810	6,470	2,340
Other	17,053	17,022	31
Total	**80,919**	**51,782**	**29,137**

Change in tangible assets during 2021 is summarized below:

(THOUSAND EUROS)	BUILDINGS	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical cost	25,222	16,526	44,436	41,427	127,610
Accumulated depreciation	(3,152)	(10,307)	(37,965)	(24,405)	(75,828)
31/12/2020	**22,070**	**6,219**	**6,470**	**17,022**	**51,782**
Historical costs					
Increases	27,109	1,590	7,236	3,067	39,002
Disposals	-	(106)	(1,313)	(313)	(1,732)
Change in consolidation	-	2	804	1,094	1,900
Other changes	2	-	366	962	1,330
Accumulated depreciations					
Increases	(257)	(1,673)	(4,863)	(4,066)	(10,859)
Disposals	-	86	758	301	1,144
Change in consolidation	-	-	(487)	(747)	(1,234)
Other changes	(33)	46	(160)	(267)	(414)
Historical cost	52,333	18,013	51,528	46,236	168,110
Accumulated depreciation	(3,441)	(11,849)	(42,718)	(29,184)	(87,191)
31/12/2021	**48,892**	**6,164**	**8,810**	**17,053**	**80,919**

During the financial year the Group carried out total investments for 39,002 thousand Euros (13,722 thousand Euros at 31 December 2020).

The item Buildings mainly includes:

- the net value of a building owned by the group amounting to 4,792 thousand Euros located in Guetersloh, Germany.
- the real estate complex located in Turin and called "ex Caserma De Sonnaz" in the amount of 18,489 thousand Euros, that after proper innovation will be used to host the offices of the Group.
- the real estate complex located in Turin – Via Nizza 250 – in the amount of 24,000 thousand Euros that hosts the offices of the Group.

Increases in the item Buildings refers to the purchase of the building located in Turin - Via Nizza 250 in addition to the restructuring costs of the same.

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 4,211 thousand Euros, 2,110 thousand Euros for purchases made by the companies included in Region 2 and 915 thousand Euros for purchases made by the companies included in Region 3. The item Other as at 31 December 2021 mainly includes office furniture. The increase of 3,067 thousand Euros mainly refers to the purchase of office furniture for 1,843 thousand Euros, the purchase of other assets for 521 thousand Euros and leasehold improvements for 479 thousand Euros.

Other changes mainly refer to translation differences.

As at 31 December 2021 tangible assets were depreciated by 51.9% of their value, compared to 59.4% at the end of 2020.

Note 18 - Goodwill

This item includes goodwill arising from consolidation of subsidiaries purchased against payment made by some Group companies.

Goodwill in 2021 developed as follows:

(THOUSAND EUROS)	
Beginning balance	**330,749**
Increases	149,012
Other changes	(16,825)
Impairment	-
Total	**462,935**
Exchange rate differences	11,183
Ending balance	**474,118**

Increase in Goodwill compared to 31 December 2020 owes to:

- the acquisition of Business Elements Group BV, a company established under Belgium law, incorporated by Reply Sarl, specialized in consulting services and application development on the Microsoft Dynamics CRM platform.
- the acquisition of Comwrap GmbH, a company established under German law, incorporated by Reply SE, European leader in professional services for cloud-native digital platforms based on Adobe Experience Cloud and Ibexa DXP.
- the acquisition of Enowa LLC, a company established under American law, incorporated by Reply Inc., specialized in consulting and solutions development SAP technology.
- the acquisition of The Spur Group, a company established under American law,

incorporated by Reply Inc., leader in sales and marketing consulting.

- the acquisition of G Force Demco Ltd Group and its subsidiaries incorporated by Reply Ltd..

The item Other Changes refers to the allocation of a portion of the goodwill to intangible assets following the completion of the PPA process of Airwalk Holdings Ltd. and its subsidiaries and Mansion House Consulting Ltd. and its subsidiaries. The fair value allocation of assets and liabilities was completed in 2021 with the substantial confirmation of the originally defined values, identifying as a difference only the value of the customer list acquired respectively amounting to 10,144 thousand Euros and 6,681 thousand Euros.

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

(THOUSAND EUROS)	BUSINESS ELEMENTS GROUP	COMWRAP	ENOWA	THE SPUR GROUP	G FORCE GROUP	FAIR VALUE (*)
Tangible and intangible assets	233	129	-	4,443	211	5,016
Trade receivables and other current assets	2,022	2,198	5,805	3,282	2,408	15,715
Cash and cash equivalents	5,481	794	2,652	924	887	10,738
Financial liabilities, net	-	(166)	-	(3,493)	-	(3,659)
Trade payables and other current liabilities	(10,702)	(1,294)	(5,880)	(2,556)	(2,387)	(22,819)
Deferred tax liabilities, net	-	(462)	-	-	(7)	(469)
Net assets acquired (A)	**(2,966)**	**1,199**	**2,577**	**2,600**	**1,112**	**4,522**
Transaction value including the deferred component (B)	9,225	27,554	57,920	48,928	11,064	154,692
Difference allocated to other intangible assets (C)	1,158	-	-	-	-	1,158
Goodwill (B-A+C)	**11,033**	**26,355**	**55,343**	**46,328**	**9,952**	**149,012**

(*) book value is equal to fair value

The above situation is to be considered definitive only for Business Elements Group whereas for the others the allocation of goodwill is temporary, the process will be completed within the limits of 12 months.
The fair value allocation of assets and liabilities related to Business Elements Group was completed with the substantial confirmation of the originally defined values, identifying as a difference only the value of the customer list acquired amounting to 1,158 thousand Euros.

Goodwill was allocated to the cash generating units ("CGU"), identified in the Region in which the Group operates. Moreover, the breakdown reflects the business management of

the Group by Top Management and is summarized as follows:

(THOUSAND EUROS)	AT 31/12/2020	INCREASES	OTHER CHANGES	TRANSLATION DIFFERENCES	AT 31/12/2021
Region 1	112,149	101,671	-	3,366	217,186
Region 2	108,885	26,354	-	-	135,239
Region 3	109,714	20,987	(16,825)	7,817	121,693
Total	**330,749**	**149,012**	**(16,825)**	**11,183**	**474,118**

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

The impairment model adopted by the Reply Group is based on future cash flows calculated using the Discounted cash flow analysis.

In applying this model, Management uses different assumptions, which are applied to the single CGU over two years of extrapolation subsequent to the annual budget, in order to estimate:

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

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

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

ASSUMPTION	REGION 1	REGION 2	REGION 3
Terminal value growth rates:	1%	1%	1%
Discount rate, net of taxes:	6.35%	4.23%	5.84%
Discount rate, before taxes:	9.25%	5.98%	7.27%
Multiple of EBIT	13.7	13.7	13.7

As to all CGUs subject to the impairment tests at 31 December 2021 no indications emerged that such businesses may have been subject to impairment.

On 31 December 2021 the positive difference between the headroom, based on the value in use, and the book value of the net invested capital inclusive of the goodwill initially recognized, is equal to 401.7% for Region 1, 245.4% for Region 2 and 54.0% 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.

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 pandemic and the current geo-political situation, and to the sensitivity analysis of the recoverable value, which is always significantly higher despite a 30% increase in key parameters (reduction of turnover and discount rate).
Moreover, estimating the recoverable amount of the Cash-Generating Units requires discretion and the use of estimates by Management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events which could potentially cause further impairment losses are constantly monitored by Reply management.

Note 19 - Other intangible assets

Net intangible assets as at 31 December 2021 amounted to 44,036 thousand Euros (25,758 thousand Euros on 31 December 2020) and are detailed as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Development costs	1,853	2,259	(405)
Software	5,272	5,704	(432)
Trademark	537	537	-
Other intangible assets	36,374	17,259	19,155
Total	**44,036**	**25,758**	**18,278**

Change in intangible assets during 2021 is summarized in the table below:

(THOUSAND EUROS)	DEVELOPMENT COSTS	SOFTWARE	TRADEMARK	OTHER INTANGIBLE ASSETS	TOTAL
Historical cost	30,656	29,727	537	22,678	83,599
Accumulated depreciation	(28,398)	(24,023)	-	(5,420)	(57,840)
31/12/2020	**2,259**	**5,704**	**537**	**17,259**	**25,758**
Historical costs					
Increases	1,105	1,934	-	22,403	25,442
Disposals	-	(997)	-	-	(997)
Change in consolidation	-	279	-	261	540
Other changes	7	59	-	1.711	1,776
Accumulated depreciations					
Increases	(1,517)	(2,364)	-	(4,727)	(8,608)
Disposals	-	1,002	-	-	1,002
Change in consolidation	-	(254)	-	(10)	(263)
Other changes	(1)	(91)	-	(523)	(614)
Historical cost	31,768	31,002	537	47,053	110,361
Accumulated depreciation	(29,915)	(25,730)	-	(10,679)	(66,324)
31/12/2021	**1,853**	**5,272**	**537**	**36,374**	**44,036**

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

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 1,687 thousand Euros related to software development for internal use in 2021.

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

The change in the item Other intangible assets is related to the completion of the PPA procedure of Airwalk Holdings Ltd and its subsidiaries, Mansion House Consulting Ltd and its subsidiaries and Business Elements, as described in note 18.

Note 20 - Right of use assets

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

(THOUSAND EUROS)	31/12/2020	NET CHANGES	AMORTIZATION	EXCHANGE DIFFERENCE	31/12/2021
Buildings	127,279	1,111	(22,646)	1,738	107,482
Vehicles	9,385	7,330	(5,993)	5	10,726
Office equipment	981	641	(285)	5	1,341
Total	**137,645**	**9,081**	**(28,925)**	**1,748**	**119,549**

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, increases in rents, the renegotiation of existing contracts and to the change in consolidation due to The Spur Group.

Note 21 - Equity investments

The item Equity investments amounts to 66,361 thousand Euros and includes investments in start-up companies principally in the IoT field made by the Investment company Breed Investments Ltd.

Note that the investments in equity investments mainly held through an Investment Entity are designated at fair value and accounted for in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement" Through Profit & Loss. The fair value is determined using the International Private Equity and Venture Capital valuation guideline (IPEV) and any change therein is recognized in profit (loss) in the period in which they occurred.

Detail is as follows:

(THOUSAND EUROS)	VALUE AT 31/12/2020	NET FAIR VALUE ADJUSTMENTS	NET GAIN ON DISPOSAL	NET INCREASES/ DISPOSALS	EXCHANGE DIFFERENCES	VALUE AT 31/12/2021
Investments	56,409	6,444	1,720	(1,488)	3,277	66,361

Net fair value adjustments

The net fair value adjustment amounting to 8,164 thousand Euros reflects the market values of the last rounds that took place in 2021 on investments already in portfolio.

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

Note 22 - Financial assets

Current and non-current financial assets amounted to a total of 40,347 thousand Euros with compared to 11,685 thousand Euros as at 31 December 2020.

Detail is as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Short term securities	1,913	1,815	98
Financial investments	29,631	-	29,631
Loans to third parties	247	293	(45)
Total current financial assets	**31,791**	**2,108**	**29,683**
Receivables from insurance companies	3,186	3,144	42
Guarantee deposits	1,118	1,099	19
Other financial assets	328	1,848	(1,520)
Convertible loans	3,925	3,486	439
Total non-current financial assets	**8,556**	**9,577**	**(1,021)**
Total financial assets	**40,347**	**11,685**	**28,662**

Short term securities mainly refer to Time Deposit investments.

The item Financial investments refers to bonds purchased by the parent company Reply S.p.A. during 2021. The valuation of these short-term investments, based on their fair value at 31 December 2021, showed a negative difference amounting to 351 thousand Euros compared to the purchase cost of the same.

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

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

(THOUSAND EUROS)	VALUE AT 31/12/2020	INCREASES	CAPITALIZED INTERESTS	NET FAIR VALUE ADJUSTMENTS	EXCHANGE DIFFERENCES	VALUE AT 31/12/2021
Convertible loans	3,486	77	324	(151)	189	3,925

Cash and cash equivalents at 31 December 2021 are detailed as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Bank accounts	329,010	333,765	(4,755)
Cash	42	54	(12)
Total	**329,051**	**333,819**	**(4,768)**

Cash and cash equivalents is disclosed at Note 27.

Note 23 - Deferred tax assets

Deferred tax assets, amounting to 68,889 thousand Euros, of which 22,421 thousand Euros are current, as at 31 December 2021 (52,921 thousand Euros as at 31 December 2020), 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)	31/12/2020	ACCRUALS	UTILIZATION	OTHER CHANGES	31/12/2021
Prepaid tax on costs that will become deductible in future years	8,525	2,736	(1,113)	-	10,147
Prepaid tax on greater provisions for doubtful accounts	23,103	6,118	(1,967)	-	27,254
Deferred fiscal deductibility of amortisation	2,053	385	(269)	-	2,169
Consolidation adjustments and other items	19,240	13,964	(5,043)	1,158	29,320
Total	**52,921**	**23,202**	**(8,392)**	**1,158**	**68,889**

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 86,787 thousand Euros, is recognized net of a provision amounting to 43,539 thousand euros (23,848 thousand euros at 31 December 2020) detailed as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Contract work in progress	131,680	121,551	10,130
Advance payments from customers	(44,893)	(41,767)	(3,126)
Total	**86,787**	**79,784**	**7,003**

Any advance payments from customers are deducted from the value of the inventories, within the limits of the accrued consideration, representing the assets deriving from the contracts; the exceeding amounts, as well as the advance payments related to work in progress not yet started, are accounted as liabilities.
Change in the provision is mainly due to the accrual made during the fiscal year amounting to 19,691 thousand euros.

Note 25 - Trade receivables

Trade receivables as at 31 December 2021 amounted to 471,560 thousand Euros with a net increase of 126,860 thousand Euros.

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Domestic clients	322,742	236,140	86,603
Foreign trade receivables	157,368	113,382	43,986
Credit notes to be issued	(4,414)	(11)	(4,403)
Total	**475,696**	**349,510**	**126,186**
Allowance for doubtful accounts	(4,136)	(4,811)	675
Total trade receivables	**471,560**	**344,700**	**126,860**

Trade receivables are shown net of allowances for doubtful accounts, calculated by using the expected credit loss approach pursuant to IFRS 9, amounting to 4,136 thousand Euros on 31 December 2021 (4,811 thousand Euros at 31 December 2020), and of allowances for Covid amounting to 46,794 thousand euros (57,435 thousand Euros at 31 December 2020). This latter represents managements best estimate of the effects of the pandemic on the recoverability of the credit portfolio at the closing date and was partially reversed in the amount of 10,640 thousand euros.

The Allowance for doubtful accounts developed in 2021 as follows:

(THOUSAND EUROS)	31/12/2020	ACCRUALS	UTILIZATION	REVERSAL	31/12/2021
Allowance for doubtful accounts	4,811	621	(223)	(1,072)	4,136

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 2020, are summarized in the tables below:

Aging at 31/12/2021

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

Aging at 31/12/2020

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	349,510	288,433	46,058	8,605	3,014	3,401	61,078
Allowance for doubtful accounts	(4,811)	(530)	(664)	(327)	(925)	(2,365)	(4,281)
Total trade receivables	**344,700**	**287,903**	**45,394**	**8,278**	**2,089**	**1,036**	**56,797**

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)	31/12/2021	31/12/2020	CHANGE
Tax receivables	35,960	44,925	(8,965)
Advances to employees	168	78	91
Accrued income and prepaid expenses	20,155	17,551	2,604
Other receivables	9,119	18,752	(9,633)
Total	**65,402**	**81,306**	**(15,904)**

The item Tax receivables mainly includes:

- credits to the Treasury for VAT amounting to 27,504 thousand Euros (38,571 thousand Euros at 31 December 2020);
- income tax prepayments net of the allocated liability amounting to 4,667 thousand Euros (2,522 thousand Euros at 31 December 2020);
- receivables for withholding tax amounting to 1,704 thousand Euros (1,544 thousand Euros at 31 December 2020.

The change compared to the previous year, mainly attributable to the VAT balance, is a temporary phenomenon due to the dynamics of receiving and posting invoices in the last month of the fiscal year.

The item Other receivables mainly includes the contributions receivable in relation to research projects for 5,198 thousand Euros (5,232 thousand Euros at 31 December 2020).

Note 27 - Cash and cash equivalents

The balance of 329,051 thousand Euros, with a decrease of 4,768 thousand Euros compared with 31 December 2020, 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 2021 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 2021 totalled 37,340,600 (37,407,400 as at 31 December 2020).

Treasury shares

The value of the Treasury shares, amounting to 7,220 thousand Euros, refers to the shares of Reply S.p.A. held by the parent company, that at 31 December 2021 were equal to n. 70,828 (4,028 as at 31 December 2020).

During 2021 Reply S.p.A. acquired 66,800 treasury shares and change in treasury shares was entirely attributed to equity.

Capital reserves

On 31 December 2021 Capital reserves, amounting to 299,533 thousand Euros, were mainly comprised as follows:

- Treasury share reserve amounting to 7,220 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 292,780 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 26 April 2021 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 527,724 thousand Euros and were comprised as follows:

- Reply S.p.A.'s Legal reserve amounted to 973 thousand Euros;
- Retained earnings amounted to 376,078 thousand Euros (retained earnings amounted to 374,329 thousand Euros on 31 December 2020);
- Profits attributable to shareholders of the Parent Company amounted to 150,672 thousand Euros (123,598 thousand Euros as on 31 December 2020).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(THOUSANDS EUROS)	31/12/2021	31/12/2020
Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax:		
Actuarial gains/(losses) from employee benefit plan	(763)	(887)
Total Other comprehensive income that will not be classified subsequently to profit or loss, net of tax (B1):	**(763)**	**(887)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	407	1,089
Gains/(losses) from the translation of assets in foreign currencies	16,957	(14,254)
Total Other comprehensive income that may be classified subsequently to profit or loss, net of tax (B2):	**17,364**	**(13,165)**
Total other comprehensive income, net of tax (B) = (B1) + (B2):	**16,601**	**(14,052)**

Note 29 - Due to minority shareholders and earn-out

Due to minority shareholders and Earn-out as at 31 December 2021 amounted to 129,558 thousand Euros (71,381 thousand Euros on 31 December 2020), of which 22,066 thousand Euros are 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)	31/12/2020	INCREASES	FAIR VALUE ADJUSTMENTS	PAYMENTS	EXCHANGE DIFFERENCES	31/12/2021
Payables to minority shareholders	26,969	-	(82)	(10,652)	1,724	17,959
Payables for earn-out	44,413	75,188	5,015	(15,225)	2,211	111,601
Total due to minority shareholders and Earn-out	**71,381**	**75,188**	**4,933**	**(25,877)**	**3,935**	**129,558**

The increase in this item amounting to 75,188 thousand Euros reflects the best estimate of future considerations for earn-outs in relation to the original contracts signed.
In particular:

- in the month of May 2021 Reply Sarl acquired Business Elements Group BV, of which it holds 100% of share capital, specialized in consulting services and application development on the Microsoft Dynamics CRM platform.

- in the month of October 2021 Reply Se acquired Comwrap GmbH, of which it holds 100% of share capital, Europe leader in professional services for cloud-native digital platforms based on Adobe Experience Cloud and Ibexa DXP.
- in the month of December 2021 Reply Inc. acquired Enowa LLC, of which it holds 100% of share capital, specialized in consulting and solutions development SAP technology.
- in the month of December 2021 Reply Inc. acquired The Spur Group, of which it holds 100% of share capital, leader in sales and marketing consulting.
- in the month of December 2021 Reply Ltd. Acquired G Force Demco Ltd Group, of which it holds 100% of share capital, specialized in marketing strategies and solutions to develop B2B sales in the automotive industry and support customers in using the standard components of the Salesforce suite and provide solutions based primarily on configuration.

The item Fair value adjustments in 2021 amounted to 4,933 thousand Euros with a balancing entry in Profit and loss, reflects the best estimate in relation to the deferred consideration originally posted at the time of acquisition.
Total payments made amounted to 25,877 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.
Due to minority shareholders and Earn-out are included in the invested capital and in the net financial indebtedness.

Note 30 - Financial liabilities

Detail is as follows:

	31/12/2021			31/12/2020		
(THOUSAND EUROS)	**CURRENT**	**NON-CURRENT**	**TOTAL**	**CURRENT**	**NON-CURRENT**	**TOTAL**
Bank overdrafts	14,371	-	14,371	1,320	-	1,320
Bank loans	406	23,313	23,718	10,815	19,735	30,550
Total due to banks	**14,776**	**23,313**	**38,089**	**12,135**	**19,735**	**31,870**
Other financial borrowings	904	-	904	1,495	651	2,146
IFRS 16 financial liabilities	26,508	102,129	128,637	24,453	118,796	143,250
Total financial liabilities	**42,188**	**125,442**	**167,630**	**38,083**	**139,183**	**177,266**

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

	31/12/2021				31/12/2020			
(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	14,371	-	-	14,371	1,320	-	-	1,320
M&A loans	83	417	-	500	9,071	500	-	9,571
Mortgage loans	323	8,827	11,916	21,066	1,709	6,836	8,729	17,274
Other financial borrowings	904		-	904	1,495	651	-	2,146
IFRS 16 financial liabilities	26,508	78,833	23,296	128,637	24,453	81,120	37,677	143,250
Derivative financial instruments	-	430	1,722	2,152	35	734	2,936	3,705
Total	**42,188**	**88,508**	**36,934**	**167,630**	**38,083**	**89,841**	**49,342**	**177,266**

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 2021 this line had been used for 500 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 May 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 2021 this line had not been used.

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 2021 the Covenants under the various contracts were satisfied.

The item Mortgages refers to:

- financing granted to Tool Reply GmbH by Commerzbank for a total amount amounting to 2,500 thousand Euros to be used by 30 June 2028. The loan is reimbursed on a quarter-year basis (at 0.99%);
- financing granted to Comwrap GmbH for a total amount amounting to 350 thousand Euros to be used by 30 July 2024. The loan is reimbursed on a monthly basis (at 3.50%).

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 and for a maximum duration of 156 months (13 years). The mortgage is disbursed in relation to the progress of the work. Such credit line was used for 19,200 thousand Euros at 31 December 2021.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2021 related to the adoption of the new 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 38,000 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 the Financial Liabilities approximates the value determined through the application of the amortised cost method.

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. The following table represents the representation of the Group, in light of the current guidelines and interpretations available.

(THOUSAND EUROS)		31/12/2021	31/12/2020	CHANGE
A	Cash	329,052	333,819	(4,768)
B	Cash equivalents	29,347	-	29,347
C	Current financial assets	2,443	2,108	336
D	**Cash (A+B+C)**	**360,842**	**335,927**	**24,915**
E	Current financial liabilities	41,782	27,302	14,480
F	Short-term portion of long term financial liability	407	10,780	(10,374)
G	**Financial liabilities short-term (E+F)**	**42,189**	**38,083**	**4,106**
H	**Net financial debt short-term (G-D)**	**(318,653)**	**(297,844)**	**(20,809)**
I	Financial liabilities long-term	123,289	135,513	(12,223)
J	Financial instruments	2,152	3,670	(1,518)
K	Other liabilities long-term	129,558	71,381	58,178
L	**Financial debt long-term (I+J+K)**	**255,000**	**210,564**	**44,436**
Total financial debt		**(63,653)**	**(87,281)**	**23,627**

Net financial indebtedness includes IFRS 16 financial liabilities amounting to 128,637 thousand Euros, of which 102,129 thousand Euros were non-current and 26,508 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 2021 is summarized below:

(THOUSAND EUROS)	
Total financial liabilities 2020	**177,266**
Bank overdrafts	(1,320)
IRS	(3,706)
Non-current financial liabilities 2020	**172,240**
IFRS 16 financial liabilities	(14,613)
Cash flows	(6,520)
Total non-current financial liabilities 2021	**151,107**
Bank overdrafts	14,371
IRS	2,152
Total financial liabilities 2021	**167,630**

Note 31 - Employee benefits

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Employee severance indemnities	35,417	32,607	2,811
Employee pension funds	11,569	11,961	(392)
Directors severance indemnities	1,599	1,528	71
Other	16	16	-
Total	**48,601**	**46,112**	**2,489**

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 2021: 2.50% frequency of turnover in 2021: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS	
Annual discount rate	Average annual rate of 1.75%
Annual growth rate of the Employee severance indemnities	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 0.98% was used for the year 2021.
Annual increase in salaries	Annual increase in salaries equal to 2.81%
Annual inflation rate	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 2021 are summarized in the table below:

(THOUSAND EUROS)	
Balance at 31/12/2020	**32,607**
Change in consolidation	-
Cost relating to current (service cost) work	5,519
Actuarial gain/loss	1,085
Interest cost	178
Indemnities paid during the year	(3,972)
Balance at 31/12/2021	**35,417**

Employee pension funds

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

(THOUSAND EUROS)	31/12/2021	31/12/2020
Present value of liability	11,961	12,348
Fair value of plan assets	(392)	(387)
Net liability	**11,569**	**11,961**

The amounts recognized for defined benefit plans is summarized as follows:

(THOUSAND EUROS)	
Present value at beginning of the year	**12,348**
Service cost	46
Interest cost	48
Actuarial gains/(losses)	(465)
Indemnities paid during the year	(408)
Present value at year end	**11,569**

The assumptions adopted were as follows:

Discount rate	0.9%
Rate of future compensation increases	2.0%
Rate of pension increases	1.0% - 1.5% - 1.75%

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 2021.

Note 32 - Deferred tax liabilities

Deferred tax liabilities at 31 December 2021 amounted to 24,113 thousand Euros, of which 12,027 thousand Euros are current, and are referred mainly to the fiscal effects arising from temporary differences deriving from statutory income and taxable income related to deferred deductibility.

(THOUSAND EUROS)	31/12/2021	31/12/2020
Deductible items off the books	4,098	875
Other	20,015	15,242
Total	**24,113**	**16,117**

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 18,312 thousand Euros (of which 16,925 thousand Euros are non-current).

Change in 2021 is summarized in the table below:

(THOUSAND EUROS)	BALANCE AT 31/12/2020	ACCRUALS	UTILIZATION	REVERSALS	OTHER CHANGES	BALANCE AT 31/12/2021
Fidelity fund	650	187	(85)	-	-	752
Provision for risks	10,827	12,909	(1,902)	(4,426)	152	17,651
Total	**11,477**	**13,096**	**(1,986)**	**(4,426)**	**152**	**18,312**

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

Note 34 - Trade payables

Trade payables at 31 December 2021 amounted to 139,921 thousand Euros and are detailed as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Domestic suppliers	111,671	93,998	17,673
Foreign suppliers	29,130	20,508	8,622
Advances to suppliers	(879)	(356)	(523)
Total	**139,921**	**114,149**	**25,772**

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 2021 amounted to 502,990 thousand Euros with an increase of 108,879 thousand Euros with respect to the previous financial year.
Detail is as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020	CHANGE
Income tax payable	11,533	30,518	(18,985)
VAT payable	36,039	27,860	8,179
Withholding tax and other	9,579	8,888	691
Total due to tax authorities	**57,152**	**67,266**	**(10,116)**
National social insurance payable	41,050	41,491	(441)
Other	3,923	3,333	591
Total due to social securities	**44,973**	**44,824**	**150**
Employee accruals	108,898	93,799	15,099
Other payables	241,711	160,616	81,095
Accrued expenses and deferred income	50,257	27,606	22,651
Total other payables	**400,865**	**282,021**	**118,845**
Other current liabilities	**502,990**	**394,110**	**108,879**

Due to tax authorities amounting to 57,152 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 44,973 thousand Euros, is related to both Company and employees' contribution payables.

Other payables at 31 December 2021 amount to 400,865 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 157,841 thousand Euros.

Accrued Expenses and Deferred Income, that increase in 2021 by 22,651 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	TOTAL 2021	%
Revenues	**967,148**	**100**	**298,269**	**100**	**246,541**	**100**	**118**	**100**	**(28,273)**	**1,483,803**	**100**
Operating costs	(793,596)	(82.1)	(240,544)	(80.6)	(213,317)	(86.5)	(1,835)	(1,559.7)	28,273	(1,221,018)	(82.3)
Gross operating income	**173,552**	**17.9**	**57,725**	**19.4**	**33,224**	**13.5**	**(1,717)**	**(1,459.7)**	**-**	**262,784**	**17.7**
Amortization, depreciation and write-downs	(27,398)	(2.8)	(12,189)	(4.1)	(8,796)	(3.6)	(8)	(6.9)		(48,391)	(3.3)
Other non-recurring (costs)/income	(95)	-	(698)	(0.2)	(4,318)	(1.8)	-	-		(5,110)	(0.3)
Operating income	**146,059**	**15.1**	**44,838**	**15.0**	**20,111**	**8.2**	**(1,725)**	**(1,466.7)**		**209,283**	**14.1**
Gain/(loss) on investments	-	-	-	-	-	-	8,164	6,940		8,164	0.6
Financial income/(loss)	4,648	0.5	(2,779)	(0.9)	(3,959)	(1.6)	(2,078)	(1,766.3)		(4,168)	(0.3)
Income before taxes	**150,708**	**15.6**	**42,059**	**14.1**	**16,152**	**6.6**	**4,360**	**3,706.7**		**213,279**	**14.4**

(THOUSAND EUROS)	REGION 1	%	REGION 2	%	REGION 3	%	IOT INCUBATOR	%	INTERSEGMENT	TOTAL 2020	%
Revenues	**859,443**	**100**	**270,568**	**100**	**139,223**	**100**	**123**	**100**	**(19,165)**	**1,250,191**	**100**
Operating costs	(718,721)	(83.6)	(217,842)	(80.5)	(124,253)	(89.2)	(603)	(490.4)	19,165	(1,042,255)	(83.4)
Gross operating income	**140,721**	**16.4**	**52,726**	**19.5**	**14,969**	**10.8**	**(480)**	**(390.4)**	**-**	**207,936**	**16.6**
Amortization, depreciation and write-downs	(24,989)	(2.9)	(11,162)	(4.1)	(6,271)	(4.5)	(19)	(15.7)		(42,441)	(3.4)
Other non-recurring (costs)/income	(3,414)	(0.4)	3,289	1.2	4,161	2.9	-	-		4,036	0.3
Operating income	**112,318**	**13.1**	**44,853**	**16.6**	**12,860**	**9.2**	**(500)**	**(406.1)**		**169,531**	**13.6**
Gain/(loss) on investments	-	-	-	-	-	-	1,241	1,008		1,240	-
Financial income/(loss)	(3,036)	(0.4)	(4,196)	(1.6)	(419)	(0.3)	(1,067)	(866.8)		(8,717)	(0.7)
Income before taxes	**109,282**	**12.7**	**40,657**	**15.0**	**12,441**	**8.9**	**(326)**	**(264.7)**		**162,054**	**13.0**

Breakdown of revenues by type is as follows:

(TYPE)	REGION 1		REGION 2		REGION 3		IOT INCUBATOR	
BUSINESS LINE	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
T&M	17.9%	17.0%	49.5%	54.8%	57.2%	43.8%	-	-
FIXED PRICE PROJECTS	82.1%	83.0%	50.5%	45.2%	42.8%	56.2%	-	-
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.	31/12/2021
Current operating assets	483,229	103,028	76,849	191	(39,547)	623,749
Current operating liabilities	(514.,92)	(108.,03)	(65,569)	(17,446)	39,547	(666,363)
Net working capital (A)	**(31,464)**	**(5,175)**	**11,280**	**(17,255)**	**-**	**(42,614)**
Non-current assets	406,878	210,962	174,273	70,315	862,429	
Non-financial liabilities long term	(123,946)	(30,552)	(42,634)	-	(197,132)	
Fixed capital (B)	**282,932**	**180,410**	**131,639**	**70,315**	**-**	**665,297**
Net invested capital (A+B)	**251,468**	**175,235**	**142,919**	**53,060**	**-**	**622,683**

(THOUSAND EUROS)	REGION 1	REGION 2	REGION 3	IOT INCUBATOR	INTERSEG.	31/12/2020
Current operating assets	402,470	81,835	53,361	718	(32,595)	505,790
Current operating liabilities	(395,280)	(87,102)	(62,099)	(15,469)	32,595	(527,354)
Net working capital (A)	**7,191**	**(5,267)**	**(8,738)**	**(14,750)**	**-**	**(21,565)**
Non-current assets	268,630	187,209	147,488	61,525	-	664,852
Non-financial liabilities long term	(62,062)	(40,512)	(23,416)	-	-	(125,991)
Fixed capital (B)	**206,568**	**146,696**	**124,071**	**61,525**	**-**	**538,860**
Net invested capital (A+B)	**213,759**	**141,430**	**115,333**	**46,775**	**-**	**517,296**

Breakdown of employees by Region is as follows:

REGION	2021	2020	CHANGE
Region 1	7,376	6,319	1,057
Region 2	1,952	1,775	177
Region 3	1,246	962	284
IoT Incubator	5	3	2
Total	**10,579**	**9,059**	**1,520**

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

Types of financial risks and corresponding hedging activities

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

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

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

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

Credit risk

The maximum credit risk to which the company is theoretically exposed at 31 December 2021 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, unfavourable and instantaneous change of 50 basis points in short-term interest rates at 31 December 2021 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 130 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 2021, according to the fair value hierarchical assessment level.

(THOUSAND EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Investments	21	-	-	66,361
Convertible loans	22	-	-	3,925
Financial securities	22	31,544	-	-
Total financial assets		**31,544**	**-**	**70,286**
Derivative financial liabilities (IRS)	30		2,152	
Liabilities to minority shareholders and earn out	29	-	-	129,558
Total financial liabilities		**-**	**2,152**	**129,558**

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 2021 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 2021, 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	**31/12/2021**	**31/12/2020**	**Nature of transaction**
Trade receivables	4	183	Receivables from professional services
Trade payables and other	128	258	Payables for professional services and official rentals offices
Other payables	11,692	7,927	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**2021**	**2020**	**Nature of transaction**
Revenues from professional services	19	30	Receivables from professional services
Services from Parent company and related parties	1,304	1,604	Service contracts relating to office rental, and office administration
Personnel	13,790	12,592	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	148	152	Emoluments to Statutory Auditors

With reference to the Cash flows statement, the above mentioned transactions impact the change in working capital by 3,814 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)	2021	2020
Executive Directors	8,268	7,615
Statutory auditors	148	152
Total	**8,416**	**7,767**

Emoluments to Key management amounted to approximately 5,522 thousand Euros (4,977 thousand Euros at 31 December 2020).

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 AG in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euros). On June 2018, the German court took note of the agreement reached between the parties also affected by the agreement related to the merger of the following point. With regard to shareholders who did not join the settlement agreement, in February 2019, the German Court issued a judgment that provides for an increase of 1.81 euros in the price paid per share and an increase of 0.07 euros gross of the dividends paid in 2010-2013. The financial effects on the Group are covered by specific provisions.
- with regards the merger operation for the incorporation of Reply Deutschland AG 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 2021.

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 2021

The first months of 2022 were characterized by a sudden acceleration of the crisis in East Europe, resulting in a war that is putting a strain on the economy, civil society and the stability of economic systems. In this regard, it should be noted that the organizational structure (including the ecosystem of suppliers), the financial solidity of the Group, the diversification of the business in various countries, markets and industrial sectors, has allowed to absorb all the indirect effects, thanks to the implementation of local actions aimed at minimizing the impacts on operating activities.

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

The Consolidated financial statements at 31 December 2021 were approved by the Board of Directors on March 15, 2022 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)	2021	OF WHICH WITH RELATED PARTIES	%	2020	OF WHICH WITH RELATED PARTIES	%
Revenues	**1,483,803**	**19**	**0%**	**1,250,191**	**30**	**-**
Other income	17,631			19,405		
Purchases	(21,500)			(21,510)		
Personnel	(759,567)	(13,790)	1.8%	(621,362)	(12,592)	2.0%
Service costs	(462,779)	(1,452)	0.3%	(419,235)	(1,756)	0.4%
Amortization, depreciation and write-downs	(48,391)			(42,441)		
Other unusual (cost)/income	85			4,484		
Operating income	**209,283**			**169,531**		
(Loss)/gain on investments	8,164			1,240		
Financial income/(expenses)	(4,168)			(8,717)		
Income before taxes	**213,279**			**162,054**		
Income taxes	(60,871)			(37,848)		
Net income	**152,408**			**124,206**		
Non-controlling interest	(1,735)			(608)		
Net result of the Parent company	**150,672**			**123,598**		

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

(THOUSAND EUROS)	31/12/2021	OF WHICH WITH RELATED PARTIES	%	31/12/2020	OF WHICH WITH RELATED PARTIES	%
Tangible assets	80,919	-	-	51,782	-	-
Goodwill	474,118	-	-	330,749	-	-
Intangible assets	44,036	-	-	25,758	-	-
RoU Assets	119,549	-	-	137,645	-	-
Equity investments	66,361	-	-	56,421	-	-
Other financial assets	8,556	-	-	9,577	-	-
Deferred tax assets	68,889	-	-	52,921	-	-
Non-current assets	**862,429**	**-**	**-**	**664,852**	**-**	**-**
Inventories	86,787	-	-	79,784	-	-
Trade receivables	471,560	-	-	344,700	183	0.1%
Other receivables and current assets	65,402	-	-	81,306	-	-
Financial assets	31,791	-	-	2,108	-	-
Cash and cash equivalents	329,051	-	-	333,819	-	-
Current assets	**984,592**	**-**	**-**	**841,716**	**-**	**-**
TOTAL ASSETS	**1,847,020**	**-**	**-**	**1,506,568**	**-**	**-**
Share Capital	4,863	-	-	4,863	-	-
Other reserves	657,733	-	-	546,578	-	-
Net result of the period	150,672	-	-	123,598	-	-
Equity of the Parent company	**813,269**	**-**	**-**	**675,039**	**-**	**-**
Non-controlling interest	2,625	-	-	918	-	-
NET EQUITY	**815,895**	**-**	**-**	**675,957**	**-**	**-**
Due to minority shareholders and Earn-out	107,493	-	-	53,010	-	-
Financial liabilities	23,313	-	-	20,387	-	-
Financial liabilities from RoU	102,129	-	-	118,796	-	-
Employee benefits	48,601	-	-	46,112	-	-
Deferred tax liabilities	24,113	-	-	16,117	-	-
Provisions	16,925	-	-	10,753	-	-
Non-current liabilities	**322,573**	**-**	**-**	**265,174**	**-**	**-**
Due to minority shareholders and Earn-out	22,066	-	-	18,370	-	-
Financial liabilities	15,681	-	-	13,629	-	-
Financial liabilities from RoU	26,508	-	-	24,453	-	-
Trade payables	139,921	128	0.1%	114,149	258	0.2%
Other current liabilities	502,990	11,692	2.3%	394,110	7,927	2.0%
Provisions	1,387	-	-	724	-	-
Current liabilities	**708,552**	**-**	**-**	**565,437**	**-**	**-**
TOTAL LIABILITIES	**1,031,126**	**-**	**-**	**830,611**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,847,020**	**-**	**-**	**1,506,568**	**-**	**-**

List of companies at 31 December 2021

COMPANY NAME	HEADQUARTERS	GROUP INTEREST
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS		
4brands Reply GmbH & CO. KG. (**)	Minden, Germany	51.00%
Air Reply S.r.l. (*)	Turin, Italy	85.00%
Airwalk Holding Ltd.	Kent, United Kingdom	100.00%
Airwalk Consulting Ltd.	Edinburgh, Scotland	100.00%
Airwalk Consulting Ltd. (Hong Kong)	Shueng Wan, Hong Kong	100.00%
AWC Partners Ltd.	London, United Kingdom	100.00%
Alpha Reply GmbH	Guetersloh, Germany	100.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
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%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sprl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherland	100.00%
Avvio Reply Ltd.	London, United Kingdom	100.00%
Avvio Reply S.r.l.	Turin. Italy	100.00%
Blowfish Digital Holdings Ltd.	London, United Kingdom	100.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Blue Reply GmbH	Guetersloh, Germany	100.00%
Bridge Reply S.r.l.	Turin, Italy	60.00%
Business Elements Group BV	Belgium	100,00%
Business Reply S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd.	London, United Kingdom	92.50%
Breed Reply Investment Ltd.	London, United Kingdom	92.50%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Cluster Reply Informatica LTDA.	San Paolo, Brazil	100.00%
Cluster Reply Roma S.r.l.	Turin, Italy	100.00%
Comwrap Reply GmbH	Frankfurt, Germany	100.00%
Comsysto D.O.O.	Zagreb, Croatia	100.00%
ComSysto Reply GmbH	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	100.00%
Concept Reply LLC	Michigan, USA	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Core Reply S.r.l.	Turin, Italy	90.00%
Data Reply S.r.l.	Turin, Italy	100.00%
Data Reply GmbH	Munich, Germany	100.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%

e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Ekip Reply S.r.l.	Turin, Italy	100.00%
Elbkind Reply GmbH	Hamburg, Germany	100.00%
Enowa LLC	Philadelphia, USA	100.00%
Eos Reply S.r.l.	Turin, Italy	100.00%
Forcology Ltd	London, United Kingdom	100.00%
Forge Reply S.r.l.	Turin, Italy	100.00%
France Reply Ltd.	London, United Kingdom	100.00%
G-Force Demco Ltd	London, United Kingdom	100.00%
Go Reply S.r.l.	Turin, Italy	100.00%
Go Reply GmbH	Guetersloh, Germany	100.00%
Gray Matter Ltd	London, United Kingdom	100.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Consulting (Nanjing) Co. Ltd.	China	100.00%
Hermes Reply Polska zo.o	Katowice, Poland	100.00%
Industrie Reply GmbH	Munich, Germany	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%
Laife Reply GmbH	Munich, Germany	100.00%
Leadvise Reply GmbH	Darmstadt, Germany	100.00%
Lid Reply GmbH	Guetersloh, Germany	100.00%
Like Reply GmbH	Guetersloh, Germany	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Logistics Reply S.r.l.	Turin, Italy	100.00%
Logistics Reply GmbH	Munich, Germany	100.00%
Lynx Recruiting Ltd.	London, United Kingdom	100.00%
Machine Learning GmbH	Guetersloh, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Mansion House Consulting Ltd	London, United Kingdom	100.00%
Mansion House Consulting PTE Limited	Singapore	100.00%
MHC Holding Us Ltd.	London, United Kingdom	100.00%
Mansion House Consulting Inc.	Wilmington, USA	100.00%
MCG Systems AG	Colony, Germany	100.00%
Modcomp GmbH	Colony, Germany	100.00%
Neveling.net GmbH	Hamburg, Germany	100.00%
Net Reply LLC	Michigan, USA	100.00%
Open Reply GmbH	Guetersloh, Germany	100.00%
Open Reply S.r.l.	Turin, Italy	100.00%
Pay Reply S.r.l	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Portaltech Reply S.r.l.	Turin, Italy	100.00%
Portaltech Reply GmbH	Guetersloh, Germany	100.00%
Portaltech Reply Süd GmbH	Munich, Germany	100.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG. (**)	Munich, Germany	100.00%

Protocube Reply S.r.l.	Turin, Italy	70.00%
Red Reply GmbH	Frankfurt, Germany	100.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply Deutschland SE (formerly Reply AG)	Guetersloh, Germany	100.00%
Reply GmbH	Zurich, Switzerland	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium Sprl	Mont Saint Guibert, Netherland	100.00%
Reply Digital Experience S.r.l.	Turin, Italy	100.00%
Reply France Sarl	Paris, France	100.00%
Reply NL Ltd.	London, United Kingdom	100.00%
Reply Sarl	Luxembourg	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Reply Verwaltung GmbH	Guetersloh, Germany	100.00%
Retail Reply S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%
Risk Reply Ltd.	London, United Kingdom	100.00%
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	90.00%
Sensor Reply S.r.l. (formerly Envision)	Turin, Italy	100.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Spark Reply S.r.l.	Turin, Italy	100.00%
Spark Reply GmbH	Germany	100.00%
Spike Reply GmbH	Colony, Germany	100.00%
Sprint Reply SA (formerly Brightknight SA)	Belgium	100.00%
Sprint Reply S.r.l.	Turin, Italy	100.00%
Sprint Reply GmbH	Munich, Germany	100.00%
Spot Digital Ltd.	London, United Kingdom	100,00%
Storm Reply S.r.l.	Turin, Italy	100.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH & CO. KG	Guetersloh, Germany	100.00%
Syskoplan IE Reply GmbH	Guetersloh, Germany	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%
Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
Target Reply GmbH	Guetersloh, Germany	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply Roma S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Bucharest, Romania	100.00%
TD Reply GmbH	Berlin, Germany	100.00%

TD Marketing Consultants, Beijing Co. Ltd.	China	100.00%
Threepipe Reply Ltd.	London, United Kingdom	100,00%
The Spur Group LLC	Seattle,1 USA	100.00%
Tool Reply GmbH	Guetersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germany	100.00%
Valorem LLC	Kansas City, USA	100.00%
Valorem Private Ltd	India	99.99%
Valorem GmbH	Zurich, Switzerland	100.00%
Vivametric Reply GmbH	Guetersloh, Germany	100.00%
WM Reply Inc.	Illinois, USA	80.00%
WM Reply Ltd	Auckland, NZ	100.00%
WM Reply LLC	Minsk, Belarus	100.00%
WM Reply Ltd	London, United Kingdom	100.00%
WM Reply Malaysia Ltd	Malesia	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 2021 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		
Amiko Digital Health Ltd	England	4.92%
BlueGrove AS (formerly CageEye AS)	Norway	11.83%
Callsign Inc.	England	3.61%
Canard Drones Ltd	Spain	35.41%
Connecterra BV	Belgium	16.00%
enModus Ltd.	England	19.18%
FoodMarble Digestive Health Ltd	England	18.05%
iNova Design Ltd	England	31.14%
Iotic Labs Ltd	England	16.28%
Kokoon Technology Ltd	England	26.22%
Metron Sas	France	8.46%
RazorSecure Ltd	England	29.73%
Senseye Ltd	England	12.58%
Sensoria Inc.	USA	24.00%
TAG Sensors AS	Norway	19.67%
Ubirch GmbH	Germany	18.51%
We Predict Ltd	England	16.64%
Yellow Line Parking Ltd	England	8.94%
Zeetta Networks Ltd	England	24.00%

Information in accordance with article 149-duodecies issued by Consob

The following table, prepared in accordance with Art. 149-duodeciesof Consob's Regulations for Issuers reports the amount of fees charged in 2021 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 2021
Audit	PwC S.p.A.	Parent company - Reply S.p.A.	52
	PwC S.p.A.	Subsidiaries	388
	PwC GmbH	Subsidiaries	239
	PwC LLP - US	Subsidiaries	115
	Total		**793**
Audit related services	PwC S.p.A.	Parent company - Reply S.p.A. (1)	12
	PwC S.p.A.	Parent company - Reply S.p.A. 2)	32
	PwC S.p.A.	Subsidiaries (1)	49
	PwC GmbH	Subsidiaries (1)	19
	Total		112
Other services	PwC LLP - US	Subsidiaries (3)	18
	Total		**18**
Total			**923**

(1) Signed tax forms (Modello Unico, IRAP and Form 770 and other attestations)
(2) DNF
(3) Activities finalized to the audit of Incentive Plan

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 2021.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2021 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 Statement

- 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, 15 March 2022

/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 2021

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 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the recoverability of goodwill *Note 18 to the consolidated financial statements "Goodwill"* The goodwill as of 31 December 2021 is equal to Euro 474 million, related to the Region 1's cash generating unit ("CGU") for Euro 217 million, to the Region 2's CGU for Euro 135 million and to Region 3's CGU for Euro 122 million. Goodwill represents approximately 26% of total assets, therefore is a significant line item of the consolidated financial statements. Group's management tests the impairment of each identified CGU's goodwill, by comparing the carrying amount with the recoverable amount in accordance with IAS 36 (impairment test), annually or when there is any indication of impairment based on which the value of the goodwill is expected to be recovered with difficulty. Group management with the support of external experts, performed the annual impairment test as at 31 December 2021 for all the CGU identified. Based on the impairment test performed as at 31 December 2021 the recoverable amounts of all the CGU identified resulted higher than the carrying values. The impairment test involved the usage of complex estimates for instance those related to future cash flows and related normalization, discount rates and growth rate used to estimate the terminal value beyond the projections of the explicit cash flows. This was an area of particular audit focus because of the CGU's goodwill materiality and the complexity of the assumptions used to determine the value in use.	The audit procedures performed included the analysis of the consistency between the impairment test procedures approved by the board of directors, the requirements of the International Accounting Standard 36 and the impairment test procedure effectively in place. We analysed the key assumptions utilized to determine the net present value of the prospective cash flows. These activities have been performed through discussion held with Group's management, comparing discount rate and growth rate with market benchmark, with indications provided by external experts and with corresponding assumptions and parameters used in the context of impairment test performed for the previous annual financial report. Additionally, we evaluated the consistency between the expected cash flows used for the impairment test and the ones approved by the Board of Directors and we verified the accuracy of underlying calculations. These activities have been integrated with the support of PwC experts with the review of Group's management sensitivity analyses performed on risk factors identified, and on some parameters used in the impairment test like discount rate and growth rate. Lastly, we verified the adequacy of the financial disclosure based on international financial reporting standards requirements, also considering information and data obtained during our audit, with a particular focus on the description of the impairment test process, disclosure of main assumptions, quantitative results of the impairment test and sensitivity analysis.



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

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

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

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

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

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

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

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

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

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

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

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.

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 2021, 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 2021 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 2021 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, 31 March 2022

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 2021

Income statement (*)

(EUROS)	NOTE	2021	2020
Revenue	**5**	**604,160,429**	**531,223,744**
Other income	6	15,938,379	12,884,123
Purchases	7	(28,463,783)	(24,819,193)
Personnel	8	(27,693,075)	(25,955,930)
Services and other costs	9	(553,990,835)	(484,010,216)
Amortization, depreciation and write-downs	10	(3,037,301)	(1,977,953)
Other unusual operating income/(expenses)	11	2,366,500	55,433
Operating income		**9,280,313**	**7,400,007**
Gain/(loss) on equity investments	12	87,367,000	73,706,187
Financial income/(expenses)	13	23,484,746	(7,277,504)
Income before taxes		**120,132,059**	**73,828,690**
Income taxes	14	(8,888,365)	(421,464)
Net income		**111,243,694**	**73,407,227**
Net and diluted income per share	15	2.98	1.96

(*) 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	2021	2020
Profit of the period (A)		**111,243,694**	**73,407,227**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) from employee benefit plans	28	(15,149)	(24,045)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):		**(15,149)**	**(24,045)**
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges	28	406,646	1,089,317
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):		**406,646**	**(1,089,317)**
Total other comprehensive income, net of tax (B) = (B1) + (B2):		**391,497**	**1,065,272**
Total comprehensive income (A)+(B)		**111,635,191**	**74,472,498**

Statement of financial position (*)

(EUROS)	NOTE	31/12/2021	31/12/2020
Tangible assets	17	310,808	333,489
Goodwill	18	86,765	86,765
Intangible assets	19	7,603,348	6,646,657
Right of Use Assets	20	615,816	755,027
Equity investments	21	140,757,778	144,527,525
Other financial assets	22	335,871,495	248,530,974
Deferred tax assets	23	6,169,056	6,112,288
Non-current assets		**491,415,065**	**406,992,725**
Trade receivables	24	400,894,555	320,790,536
Other receivables and current assets	25	57,379,333	72,109,275
Financial assets	26	82,659,515	27,349,313
Cash and cash equivalents	27	182,545,754	184,012,136
Current assets		**723,479,157**	**604,261,260**
TOTAL ASSETS		**1,214,894,222**	**1,011,253,985**
Share Capital		4,863,486	4,863,486
Other reserves		434,935,691	389,243,196
Net income		111,243,694	73,407,227
NET EQUITY	**28**	**551,042,871**	**467,513,909**
Financial liabilities	29	21,768,594	18,024,304
IFRS 16 financial liabilities	29	294,318	383,955
Employee benefits	30	817,905	810,266
Deferred tax liabilities	31	4,003,473	776,201
Provisions	34	3,691,780	6,065,000
Non-current liabilities		**30,576,071**	**26,059,725**
Financial liabilities	29	202,954,457	156,251,633
IFRS 16 financial liabilities	29	324,727	373,712
Trade payables	32	358,497,709	289,681,517
Other current liabilities	33	70,618,388	61,373,490
Provisions	34	880,000	10,000,000
Current liabilities		**633,275,281**	**517,680,351**
TOTAL LIABILITIES		**663,851,351**	**543,740,076**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,214,894,222**	**1,011,253,985**

(*)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 2020	**4,863,486**	**(24,502)**	**129,183,600**	**281,031,221**	**(2,529,268)**	**(31,278)**	**412,493,259**
Dividends distributed	-	-	-	(19,451,848)	-	-	(19,451,848)
Increase for acquisition of treasury shares	-	-	76,697,308	(76,697,308)	-	-	-
Total profit	-	-	-	73,407,227	1,089,317	(24,045)	74,472,498
Balance at							
31 December 2020	**4,863,486**	**(24,502)**	**205,880,909**	**258,289,291**	**(1,439,951)**	**(55,323)**	**467,513,909**

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

Statement of cash flows

(EUROS)	2021	2020
Result	111,243,694	73,407,227
Income taxes	8,888,365	421,464
Amortization and depreciation	3,037,301	1,977,953
Other non-monetary expenses/(income)	186,260	1,214,697
Change in trade receivables	(80,104,019)	32,721,173
Change in trade payables	68,816,192	(23,970,675)
Change in other assets and liabilities	7,963,828	(32,972,780)
Income tax paid	(421,464)	(1,540,684)
Interest paid	(774,374)	(2,596,763)
Interest cashed	3,410	18,633
Net cash flows from operating activities (A)	**118,839,194**	**48,680,245**
Payments for tangible and intangible assets	(3,543,120)	(3,653,037)
Payments for financial assets<	(116,919,511)	(73,942,893)
Change in right of use assets<	2,435,746	(2,755,765)
Payments for the acquisition of subsidiaries net of cash acquired	(118,026,885)	(80,351,695)
Net cash flows from investment activities (B)	**(20,910,735)**	**(19,451,848)**
Shares issued	(7,195,494)	-
In payments from treasury shares	3,900,000	500,000
Payment of financial liabilities	(9,071,428)	(12,928,571)
Change in financial liabilities from RoU IFRS 16	(442,419)	(445,188)
Other changes	(33,720,076)	(32,325,608)
Net cash flows from financing activities (C)	**(32,907,768)**	**(63,997,058)**
Net cash flows (D) = (A+B+C)	**65,378,907**	**129,375,965**
Cash and cash equivalents at the beginning of period	32,471,139	65,378,907
Cash and cash equivalents at period end	**(32,907,768)**	**(63,997,058)**

DETAIL OF CASH AND CASH EQUIVALENTS

(EUROS)		
Cash and cash equivalents at beginning of period:	**65,378,907**	**129,375,965**
Cash and cash equivalents	184,012,136	161,330,565
Transaction accounts – surplus	27,066,257	47,493,994
Transaction accounts - overdraft	(145,699,486)	(79,448,593)
Bank overdrafts	**32,471,139**	**65,378,907**
Cash and cash equivalents at the end of the year:	182,545,754	184,012,136
Cash and cash equivalents	52,797,469	27,066,257
Transaction accounts - surplus	(192,867,526)	(145,699,486)
Bank overdrafts	(10,004,558)	-

Notes to the financial statements

General information	NOTE 1	General information
	NOTE 2	Accounting principles
	NOTE 3	Financial risk management
	NOTE 4	Other
Income statement	NOTE 5	Revenues
	NOTE 6	Other revenues
	NOTE 7	Purchases
	NOTE 8	Personnel
	NOTE 9	Services and other costs
	NOTE 10	Amortization, depreciation and write-downs
	NOTE 11	Other operating and non-recurring income/(expenses)
	NOTE 12	Gain/(loss) on equity investments
	NOTE 13	Financial income/(expenses)
	NOTE 14	Income taxes
	NOTE 15	Earnings per share
	NOTE 16	Contributions
Financial position- Assets	NOTE 17	Tangible assets
	NOTE 18	Goodwill
	NOTE 19	Other intangible assets
	NOTE 20	Right of Use Assets
	NOTE 21	Equity Investments
	NOTE 22	Non-current financial assets
	NOTE 23	Deferred tax assets
	NOTE 24	Trade receivables
	NOTE 25	Other receivables and current assets
	NOTE 26	Current financial assets
	NOTE 27	Cash and cash equivalents
Financial position- Liabilities and shareholders' equity	NOTE 28	Shareholders' equity
	NOTE 29	Financial liabilities
	NOTE 30	Employee benefits
	NOTE 31	Deferred tax liabilities
	NOTE 32	Trade payables
	NOTE 33	Other current liabilities
	NOTE 34	Provisions
Other information	NOTE 35	Transactions with related parties
	NOTE 36	Additional disclosures to financial instruments and risk management policies
	NOTE 37	Significant non-recurring transactions
	NOTE 38	Transactions resulting from unusual and/or abnormal operations
	NOTE 39	Guarantees, commitments and contingent liabilities
	NOTE 40	Emoluments to Directors, Statutory Auditors and Directors with Key responsibilities
	NOTE 41	Events subsequent to 31 December 2021
	NOTE 42	Approval of the financial statements and authorization for publication

Note 1 – general information

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

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

Note 2 - accounting principles and basis of consolidation

Compliance with international accounting principles
The 2021 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 analysed for any impairment indicators.
Under IFRS 9, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it from the moment of its origination or acquisition.

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

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

Treasury shares
Treasury shares are presented as a deduction from equity. All gains and losses from the sale of treasury shares are recorded in a special Shareholders' equity reserve.

Financial liabilities and equity investments

Financial liabilities and equity instruments issued by the Company are presented according to their substance arising from their contractual obligations and in accordance with the definitions of financial liabilities and equity instruments. The latter are defined as those contractual obligations that give the right to benefit in the residual interests of the Company's assets after having deducted its liabilities.

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

- Bank borrowings

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

- Equity instruments

Equity instruments issued by the Company are stated at the proceeds received, net of direct issuance costs.

- Non-current financial liabilities

Liabilities are stated according to the amortization cost.

Derivative financial instruments and other hedging transactions

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

In accordance with IFRS 9, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and sufficient documentation that the hedge is highly effective and that its effectiveness can be reliably measured. The hedge must be highly effective throughout the different financial reporting periods for which it was designated.

All derivative financial instruments are measured in accordance with IFRS 9 at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to Company commitments and forecasted transactions are recognized directly in Shareholder's equity, while the ineffective portion is immediately recorded in the Income Statement. If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.
For effective hedging against a change in fair value, the hedged item is adjusted by the changes in fair value attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.
Changes in the fair value of derivative financial instruments that no longer qualify as hedge accounting are recognized in the Income Statement of the period in which they arise.

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

Employee benefits
The scheme underlying the employee severance indemnity of the Italian Group companies (the TFR) was classified as a defined benefit plan up until 31 December 2006. The legislation regarding this scheme was amended by Law No. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the Financial Statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.
Employee termination indemnities ("TFR") are classified as a "post-employment benefit", falling under the category of a "defined benefit plan"; the amount already accrued must be projected in order to estimate the payable amount at the time of employee termination and subsequently be discounted through the "projected unit credit method", an actuarial method based on demographic and finance data that allows the reasonable estimate of the extent of benefits that each employee has matured in relation to the time worked.
Through actuarial measurement, interest cost is recognized as financial gains or losses and represents the figurative expenditure that the Company would bear by securing a market loan for an amount corresponding to the Employee Termination Indemnities ("TFR").

Actuarial income and losses that reflect the effects resulting from changes in the actuarial assumptions used are directly recognized in Shareholders' equity.

Share-based payment plans

The Company has applied the standard set out by IFRS 2 "Share-based payment".
Share-based payments are measured at fair value at granting date. Such amount is recognized in the Income Statement, with a balancing entry in Shareholders' equity, on a straight-line basis and over the (vesting period). The fair value of the option, measured at the granting date, is assessed through actuarial calculations, taking into account the terms and conditions of the options granted.
The stock options resolved in the previous financial years have been exercised and therefore the Company does not have existing stock option plans.

Provisions and reserves for risks

Provisions for risks and liabilities are costs and liabilities having an established nature and the existence of which is certain or probable that at the reporting date the amount cannot be determined or the occurrence of which is uncertain. Such provisions are recognized when a commitment actually exists arising from past events of legal or contractual nature or arising from statements or company conduct that determine valid expectations from the persons involved (implicit obligations).
Provisions are recognized when the Company has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

Revenue recognition

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

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

A promised good or service is transferred when (or as) the customer obtains control of it. Control can be transferred over time or at a point in time.
Revenue is measured at the fair value of the consideration to which the Company expects to be entitled in exchange for transferring promised goods and/or services to a customer, excluding amounts collected on behalf of third parties. Therefore, revenue is recognized

when control over the goods or services is transferred to the customer either "over time" or "at a point in time".
Revenues from services include the activities the Company carries out directly with respect to some of its major clients in relation to their businesses. These activities are also carried out in exchange for services provided by other Group companies, and the costs for such services are recognized as Services and other costs.

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

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

Taxation
Income tax represents the sum of the tax currently payable and deferred tax.
The tax currently payable is based on taxable profit for the year. Taxable profit defers from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax is entered for each individual company based on an estimate of taxable income in compliance with existing legislation and tax rates or as substantially approved at the period closing date in each country, considering applicable exemptions and tax credit.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on

investments in subsidiaries and associates and interests arising in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In the event of changes to the accounting value of deferred tax assets and liabilities deriving from a change in the applicable tax rates and relevant legislation, the resulting deferred tax amount is entered in income statement, unless it refers to debited or credited amounts previously recognized to Shareholders' equity.

Earnings per share
Basic earnings per share is calculated with reference to the profit for the period of the Company and the weighted average number of shares outstanding during the year. Treasury shares are excluded from this calculation.
Diluted earnings per share is determined by adjusting the basic earnings per share to take account of the theoretical conversion of all potential shares, being all financial instruments that are potentially convertible into ordinary shares, with diluting effect.

Use of estimations

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

Equity investments

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

Trade receivables and work in progress

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

Leasing liabilities and right of use assets

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

Provisions, contingent liabilities and employee provisions

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

Derivative instruments and equity instruments

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

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

Estimations changes and reclassifications

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

New standards, interpretations and amendments adopted by the company from 1 January 2021

Reply S.p.A. applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. Reply S.p.A. has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.
The nature and the impact of each amendment is described below:

Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16
In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

COVID-19 related rent concessions (amendment to IFRS 16)
On May 28, 2020, the IASB issued an amendment to IFRS 16 - Leases to make it easier for lessees to account for COVID-19 related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications.

The adoption of these amendments/interpretations had no impact on the Financial Statements at December 31, 2021.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

Annual improvements to IFRS standards 2018- 2020 cycle
On May 14, 2020 the IASB issued the Annual Improvements to IFRS 2018-2020 Cycle.
The most important topics addressed in these amendments are: (i) on IFRS 9 - Financial Instruments clarifying which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability; and (ii) on IFRS 16 - Leases removing the illustration of the reimbursement of leasehold improvements. These improvements are effective from January 1, 2022.

Amendments to IAS 16 "property, plant and equipment: proceeds before intended use": they prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use and clarifying the meaning of "testing whether an asset is functioning properly". These amendments are effective retrospectively from January 1, 2022.

Amendments to IAS 37 "onerous contracts - cost of fulfilling a contract": they specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, including both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments are effective retrospectively from January 1, 2022.

Amendments to IFRS 3 "reference to the conceptual framework": the amendments to IFRS 3 – Business combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective on or after January 1, 2022.

IFRS 17 – insurance contracts: on May 18, 2017 the IASB issued IFRS 17 – Insurance Contracts that will replace IFRS 4 – Insurance contracts. The new principle for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. The new standard and amendments are effective on or after January 1, 2022.

Amendments to IFRS 10 and IAS 28: the IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.
The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). The IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

Amendments to IAS 1 presentation of financial statements: classification of liabilities as current or non-current: on January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1), which affects the requirements in IAS 1 for the presentation of liabilities, including clarifying one of the criteria for classifying a liability as non-current. More specifically the amendments issued (i) the conditions existing at the end of the period are those to be used to determine whether there is a right to defer the settlement of a liability; (ii) management expectations regarding events after the balance

sheet date are not relevant; (iii) clarify situations which are considered to be the settlement of a liability. The IASB deferred the effective date of this amendment to January 1, 2023.

Amendments to IAS 1 and to IFRS practice statement 2: the IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The IASB deferred the effective date of this amendment to January 1, 2023.

Amendments to IAS 8: the amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The IASB deferred the effective date of this amendment to January 1, 2023.

Amendments to ias 12: the amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and
decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The IASB deferred the effective date of this amendment to January 1, 2023.

The Company does not expect any significant effects on its financial statements deriving from the new Standards/Interpretations.

Note 3 – Risk management

Reply S.p.A. operates at a world-wide level and for this reason its activities are exposed to various types of financial risks: market risk (broken down in exchange risk, interest rate risk on financial flows and on "fair value", price risk), credit risk and liquidity risk.
To minimize risks Reply utilizes derivative financial instruments. At a central level it manages the hedging of principle operations. Reply S.p.A. does not detain derivate financial instruments for negotiating purposes.

Credit risk
For business purposes, specific policies are adopted in order to guarantee that clients honour payments.
With regards to financial counterparty risk, the company does not present significant risk in credit-worthiness or solvency. For newly acquired clients, the Company accurately verifies

their capability in terms of facing financial commitments. Transactions of a financial nature are undersigned only with primary financial institutions.

Liquidity risk

The Company is exposed to funding risk if there is difficulty in obtaining finance for operations at any given point in time.

The cash flows, funding requirements and liquidity of companies are monitored and managed on a centralized basis through the Group Treasury. The aim of this centralized system is to optimize the efficiency and effectiveness of the management of the Group's current and future capital resources (maintaining an adequate level of cash and cash equivalents and the availability of reserves of liquidity that are readily convertible to cash and committed credit).

The difficulties both in the markets and in the financial markets require special attention to the management of liquidity risk, and in that sense particular emphasis is being placed on measures taken to generate financial resources through operations and on maintaining an adequate level of available liquidity. The Company therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

Risks associated with fluctuations in currency and interest rates

As the company operates mainly in a "Euros area" the exposure to currency risks is limited.

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

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

Note 4 – Other information

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

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

Note 5 – Revenue

Revenues amounted to 604,160,429 Euros and are detailed as follows:

(EUROS)	2021	2020	CHANGE
Revenues from services	514,598,880	458,481,101	56,117,779
Royalties on "Reply" trademark	44,179,519	35,432,545	8,746,974
Intercompany services	27,519,041	24,992,376	2,526,665
Other intercompany revenues	17,862,988	12,317,721	5,545,267
Total	**604,160,429**	**531,223,744**	**72,936,685**

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 56,117,779 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 2021 amounted to 15,938,379 Euros (12,884,123 Euros at 31 December 2020) 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)	2021	2020	CHANGE
Software licenses for resale	15,482,864	13,011,444	2,471,420
Hardware for resale	12,606,258	11,339,767	1,266,491
Other	374,662	467,982	(93,321)
Total	**28,463,783**	**24,819,193**	**3,644,590**

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 (154,876 Euros) and fuel (207,864 Euros).

Note 8 – Personnel expenses

Personnel expenses amounted to 27,693,075 Euros, with an increase of 1,737,144 Euros and are detailed in the following table:

(EUROS)	2021	2020	CHANGE
Payroll employees	19,761,476	18,444,043	1,317,433
Directors	7,931,599	7,511,887	419,711
Total	**27,693,075**	**25,955,930**	**1,737,144**

Detail of personnel by category is provided below:

(NUMBER)	2021	2020	CHANGE
Directors	76	74	2
Managers	6	6	-
Staff	13	13	-
Total	**95**	**93**	**2**

The average number of employees in 2021 was 96 (in 2020 91).

Note 9 – Services and other costs

Service and other costs comprised the following:

(EUROS)	2021	2020	CHANGE
Commercial and technical consulting	5,145,309	4,285,502	859,807
Travelling and training expenses	1,711,449	1,593,746	117,704
Professional services from group companies	500,994,779	441,659,977	59,334,802
Marketing expenses	4,824,047	2,237,797	2,586,250
Administrative and legal services	3,258,839	3,321,887	(63,048)
Statutory auditors and Independent auditors fees	244,521	280,432	(35,911)
Leases and rentals	1,129,994	965,694	164,301
Office expenses	3,214,294	2,978,538	235,757
Other services from group companies	15,162,355	13,683,273	1,479,082
Expenses incurred on behalf of group companies	11,992,828	8,225,983	3,766,845
Other	6,312,418	4,777,388	1,535,030
Total	**553,990,835**	**484,010,216**	**69,980,619**

Professional Services from Group companies, which increased during the year by 59,334,802 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 2021 to an overall cost of 178,303 Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets amounted in 2021 to an overall cost of 2,430,808 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 428,191 thousand Euros.

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

Other operating and non-recurring expenses, related to events and transactions that do not occur in the regular course of business, amounted to 2,366,500 and refer to provisions for risks and reversal in relation to contractual, commercial and legal disputes.

Note 12 – Gain/(losses) on equity investments

Detail is as follows:

(EUROS)	2021	2020	CHANGE
Dividends	87,689,000	78,246,187	9,442,813
Net losses on equity investments	(322,000)	(4,540,000)	4,218,000
Total	**87,367,000**	**73,706,187**	**13,660,813**

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

Detail is as follows:

(EUROS)	2021
Aktive Reply S.r.l.	900,000
Arlanis Reply S.r.l.	570,000
Atlas Reply S.r.l.	555,000
Blue Reply S.r.l.	7,125,000
Bridge Reply S.r.l.	240,000
Business Reply S.r.l.	1,800,000
Cluster Reply S.r.l.	7,925,000
Cluster Reply Roma S.r.l.	960,000
Data Reply S.r.l.	1,385,000
Discovery Reply S.r.l.	1,255,000
E*finance Consulting S.r.l.	3,265,000
Eos Reply S.r.l.	315,000
Go Reply S.r.l.	2,020,000
Hermes Reply S.r.l.	625,000
Hermes Reply Polska Zo.o.	585,000
Iriscube Reply S.r.l.	8,185,000
Logistics Reply S.r.l.	1,880,000
Open Reply S.r.l.	2,300,000
Pay Reply S.r.l.	1,210,000
Portaltech Reply S.r.l.	320,000
Power Reply S.r.l.	2,965,000
Reply Consulting S.r.l.	730,000
Reply Digital Experience S.r.l.	260,000
Retail Reply S.r.l.	1,080,000
Ringmaster S.r.l.	550,000
Santer Reply S.p.A.	3,135,000
Security Reply S.r.l.	5,565,000
Storm Reply S.r.l.	10,045,000
Syskoplan Reply S.r.l.	1,099,000
Sytel Reply S.r.l	7,205,000
Tamtamy Reply S.r.l.	685,000
Target Reply S.r.l.	1,740,000
Technology Reply S.r.l.	7,065,000
Technology Reply Roma S.r.l.	550,000
Whitehall Reply S.r.l.	1,595,000
Total	**87,689,000**

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

For further details, see Note 21 herein.

Note 13 – Financial income/(expenses)

Detail is as follows:

(EUROS)	2021	2020	CHANGE
Interest income from subsidiaries	7,932,069	6,325,110	1,606,959
Interest income on bank accounts	3,410	18,633	(15,223)
Interest expenses	(1,016,979)	(1,169,522)	152,543
Other	16,566,246	(12,451,725)	29,017,971
Total	**23,484,746**	**(7,277,504)**	**30,762,250**

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

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

The item Other mainly includes:

- positive 15,547,257 Euros related to the gain on exchange rate differences arising from the translation of balance sheet items not recorded in Euros (negative 10,670,600 Euros at 31 December 2020);
- positive 1,148,201 Euros related to the non-effective portion of the IRS (negative 1,846,631 Euros at 31 December 2020);
- the financial losses related to the fair value adjustments of the bonds purchased by Reply in 2021 amounting to 351,430 Euros;
- 206,932 Euros related to interests referred to financial investments.

Note 14 – Income taxes

The details are provided below:

(EUROS)	2021	2020	CHANGE
IRES	4,898,947	2,837,541	2,061,406
IRAP	611,000	585,000	26,000
Corporate tax - previous years	207,914	(225,862)	433,776
Current taxes	**5,717,861**	**3,196,679**	**2,521,182**
Deferred tax liabilities	3,227,272	(2,201,915)	5,429,187
Deferred tax assets	(56,768)	(573,300)	516,532
Deferred taxes	**3,170,504**	**(2,775,216)**	**5,945,719**
Total income taxes	**8,888,365**	**421,464**	**8,466,901**

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	**120,132,059**	
Theoretical tax rate	**24.0%**	**28,831,694**
Temporary differences, net	(100,699,203)	
Taxable income	**19,432,856**	
Total IRES		**4,669,000**
Start-up replacement tax fee – controlling stake	230,642	
Benefit arising from the National Fiscal Consolidation	695	
Total current IRES		**4,898,947**

Temporary differences, net refer to:

- deductible differences amounting to 109,095 thousand Euros arising mainly from the non-taxable share of the dividends received in the financial year (83,305 thousand Euros), earnings on valuation changes (13,622 thousand Euros), Directors' fees to be paid (3,150 thousand Euros), the income from provision taxed in previous years (3,103 thousand Euros) and the deduction of the implicit goodwill of the investment in Xister (1,442 thousand Euros);
- non-deductible differences amounting to 8,396 thousand Euros owing mainly to write-down/losses of equity investments (1,313 thousand Euros) and Directors' fees to be paid (6,045 thousand Euros).

Calculation of taxable IRAP

(EUROS)	TAXABLE INCOME	TAX
Difference between value and cost of production	**9,280,313**	
IRAP net	5,701,197	
Taxable IRAP	**14,981,510**	
Total IRAP		**611,000**

Temporary differences, net refer to:

- non-deductible differences amounting to 10,417 thousand Euros mainly due to emoluments to Directors (7,390 thousand Euros) and to bank fees (1,134 thousand Euros);
- deductible differences amounting to 4,716 thousand Euros mainly due to proceeds from provisions (3,013 thousand Euros) and the implicit goodwill of the investment in Xister (1,442 thousand Euros).

Note 15 – Earnings per share

Basic earnings and diluted earnings per share as at 31 December 2021 was calculated with reference to the net profit which amounted to 111,243,694 Euros (73,407,227 Euros at 31 December 2020) divided by the weighted average number of shares outstanding as at 31 December 2021, net of treasury shares, which amounted to 37,356,344 (37,407,400 at 31 December 2020).

(EUROS)	2021	2020
Net profit of the year	11,243,694	73,407,227
Weighted number of shares	37,356,344	37,407,400
Basic earnings per share	2.98	1.96

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

Note 16 – Contributions

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

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

ENTITY (EUROS)	2021
ENI GAS E LUCE SPA	92,448
ENI SPA	293,687
FONDAZIONE ISTITUTO ITALIANO DI TECNOLOGIA	4,000
MINISTERO DELL'INTERNO	11,975
MINISTERO DELLO SVILUPPO ECONOMICO DGROB DIVISIONE V - SISTEMI INFORMATIVI	32,000
MINISTERO PER I BENI E LE ATTIVITA' CULTURALI E PER IL TURISMO– ICAR	10,000
TOTAL	**444.110**

Note 17 - Tangible assets

Tangible assets as at 31 December 2021 amounted to 310,808 Euros are detailed as follows:

(EUROS)	31/12/2021	31/12/2020	CHANGE
Plant and machinery	87,628	116,188	(28,560)
Hardware	79,421	63,596	15,825
Other tangible assets	143,759	153,705	(9,946)
Total	**310,808**	**333,489**	**(22,681)**

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

Change in Tangible assets during 2021 is summarized below:

(EUROS)	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical cost	880,218	1,753,095	1,401,321	4,034,634
Accumulated depreciation	(764,030)	(1,689,499)	(1,247,616)	(3,701,145)
31/12/2020	**116,188**	**63,596**	**153,705**	**333,489**
Historical cost				
Increases	22,379	84,748	61,835	168,962
Disposals	-	(20,665)	(52,985)	(73,650)
Accumulated depreciation				
Depreciation	(50,939)	(56,088)	(71,276)	(178,303)
Utilized	-	7,830	52,480	60,310
Historical cost	902,597	1,817,178	1,410,171	4,129,946
Accumulated depreciation	(814,969)	(1,737,757)	(1,266,412)	(3,819,138)
31/12/2021	**87,628**	**79,421**	**143,759**	**310,808**

During the year under review the Company made investments amounting to 168,962 Euros, which mainly refer to hardware and mobile phones.

The disposals are mainly related to the transfer of vehicles.

Note 18 - Goodwill

Goodwill as at 31 December 2021 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 2021 amounted to 7,603,348 Euros (6,646,657 Euros at 31 December 2020) and are detailed as follows:

(IN EUROS)	31/12/2021	31/12/2020	CHANGE
Software	7,067,284	6,110,593	956.691
Trademark	536,064	536,064	-
Total	**7.603.348**	**6,646,657**	**956.691**

Change in intangible assets in 2021 is summarized in the table below:

(EUROS)	SOFTWARE	TRADEMARK	TOTAL
Historical cost	14,787,465	536,064	15,323,529
Accumulated amortization	(8,676,872)	-	(8,676,872)
31/12/2020	**6,110,593**	**536,064**	**6,646,657**
Historical cost			
Increases	3,387,498	-	3,387,498
Accumulated amortization			
Amortisation	(2,430,808)	-	(2,430,808)
Historical cost	18,174,964	536,064	18,711,028
Accumulated amortization	(11,107,680)	-	(11,107,680)
31/12/2021	**7,067,284**	**536,064**	**7,603,348**

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)	31/12/2020	NET CHANGES	AMORTIZATION	31/12/2021
Vehicles	755,027	288,979	(428,191)	615,815

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

Note 21 - Equity investments

The item Equity investments at 31 December 2021 amounted to 140,757,778 Euros, with a decrease of 3,769,746 Euros compared to 31 December 2020.

(EUROS)	BALANCE AT 31/12/2020	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSAL	WRITE DOWNS	DISPOSALS	BALANCE AT 31/12/2021	INTEREST
Air Reply S.r.l.	558,500					558,500	85.00%
Aktive Reply S.r.l.	512,696					512,696	100.00%
Arlanis Reply S.r.l.	588,000					588,000	100.00%
Atlas Reply S.r.l.	12,575					12,575	100.00%
Avvio Reply S.r.l.	164,000		282,000			446,000	100.00%
Avantage Ltd	2,743,102				(2,743.102)	-	-
Blue Reply S.r.l.	527,892					527,892	100.00%
Breed Reply Investment Ltd.	1,888,887	192,556				2,081,443	92.50%
Bridge Reply S.r.l.	6,000					6,000	60.00%
Business Reply S.r.l.	268,602					268,602	100.00%
Cluster Reply S.r.l.	2,540,848					2,540,848	100.00%
Cluster Reply Roma S.r.l.	296,184					296,184	100.00%
Consorzio Reply Public Sector	32,500	7,000				39,500	25.57%
Core Reply S.r.l.	9,000					9,000	90.00%
Data Reply S.r.l.	317,662					317,662	100.00%
Discovery Reply S.r.l.	1,311,669					1,311,669	100.00%
e*finance Consulting Reply S.r.l.	3,076,385					3,076,385	100.00%
Ekip Reply S.r.l.	30,000					30,000	100.00%
Eos Reply S.r.l.	495,369					495,369	100.00%
Forge Reply S.r.l.	1,000		2,703,000	(2,703,000)		1,000	100.00%
Go Reply S.r.l.	1,920,000					1,920,000	100.00%
Hermes Reply Polska Zo.o.	10,217					10,217	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		157,000	(157,000)		87,317	100.00%
Logistics Reply S.r.l.	1,049,167					1,049,167	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%
Portaltech Reply S.r.l.	106,000		2,418,000	(2,418,000)		106,000	100.00%
Power Reply S.r.l.	2,708,265					2,708,265	100.00%
Protocube Reply S.r.l.	1,000					1,000	70.00%

(EUROS)	BALANCE AT 31/12/2020	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSAL	WRITE DOWNS	DISPOSALS	BALANCE AT 31/12/2021	INTEREST
Reply Consulting S.r.l.	3,518,434					3,518,434	100.00%
Reply Deutschland SE	57,835,781	19,800				57,855,581	100.00%
Reply Digital Experience S.r.l.	4,227,019					4,227,019	100.00%
Reply do Brasil Sistemas de Informatica Ltda	206,816					206,816	98.56%
Reply Inc	2,814,625					2,814,625	100.00%
Reply Ltd.	11,657,767					11,657,767	100.00%
Reply Sarl	12,000					12,000	100.00%
Reply Services S.r.l.	1,000		2,400.,00	(2,400,000)		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.	15,700					15,700	90.00%
Sensor Reply S.r.l. (formerly Envision)	1,578,800	50,000	41,000	(1,657,000)		12,800	100.00%
Spark Reply S.r.l.	1,042,500		87,000	(87,000)		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 S.r.l.	986,000					986,000	100.00%
Syskoplan Reply S.r.l.	949,571					949,571	100.00%
Sytel Reply S.r.l.	5,513,232					5,513,232	100.00%
Sytel Reply Roma S.r.l.	894,931					894,931	100.00%
Tamtamy Reply S.r.l.	263,471					263,471	100.00%
Target Reply S.r.l.	600,338					600,338	100.00%
Technology Reply Roma	10,000					10,000	100.00%
Technology Reply S.r.l.	216,658					216,658	100.00%
Technology Reply S.r.l. (Romania)	9,919					9,919	100.00%
Whitehall Reply S.r.l.	160,212					160,212	100.00%
Xenia Reply S.r.l.	-	10,000	20,000	(20,000)		10,000	100.00%
Xister Reply S.r.l.	9,150,465					9,150,465	100.00%
Total	**144,527,524**	**307,356**	**8,108,000**	**(9,442,000)**	**(2,743,102)**	**140,757,778**	

Acquisitions and subscriptions

Xenia Reply S.r.l.
In the month of November 2021 Xenia Reply S.r.l. was constituted, a company in which Reply S.p.A, holds 100% of the share capital.

Lid Reply GmbH
In the month of March 2021 100% of the share capital of Lid Reply GmbH, a company established under the Germany law, for an amount for 28,000 Euros.

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

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

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

Disposals
During the fiscal year the company sold the investment in Avantage Reply Ltd to its subsidiary Reply Ltd for a total value of 2,750,000 euros, realizing a gain of 6,898 euros.

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)	2021	2020	CHANGE
Guarantee deposits	241,058	251,061	(10,003)
Loans to subsidiaries	335,317,437	248,066,913	87,250,524
Investments in other parties	313,000	213,000	100,000
Total	**335,871,495**	**248,530,974**	**87,340,521**

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

COMPANY	AMOUNT
Breed Reply Investments Ltd	53,919,670
Cluster do Brasil	1,215,000
Core Reply	300,000
Hermes Reply Polska Zo.o.	319,500
Lid GmbH	9,900,000
Reply Sarl	25,837,400
Reply do Brazil Sistemas De Informatica Ltda	2,181,740
Reply Inc.	141,458,100
Reply Ltd	80,527,763
Reply Services	19,158,264
Sense Reply	300,000
Technology Reply S.r.l. Romania	200,000
Total	**335,317,437**

Note 23 - Deferred tax assets

This item amounted to 6,169,056 Euros at 31 December 2021 (6,112,288 Euros at 31 December 2020), 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 31/12/2020	**24,024,054**	**6,112,288**
Accrued	6,904,829	1,678,024
Utilization	(6,265,586)	(1,621,256)
Total deferred tax assets at 31/12/2021	**24,663,298**	**6,169,056**
Of which:		
- directors fees and employee bonuses accrued but not yet paid	8,667,000	2,080,080
- unrealized foreign exchange losses	8,960,294	2,150,471
- taxable amounts greater than book value	7,036,004	1,938,505
Total	**24,663,298**	**6,169,056**

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 2021 amounted to 400,894,555 Euros and are all collectible within 12 months.

Detail is as follows:

(EUROS)	31/12/2021	31/12/2020	CHANGE
Third party trade receivables	235,820,081	186,165,891	49,654,190
Credit notes to be issued	(4,413,950)	(11,254)	(4,402,696)
Allowance for doubtful accounts	(753,535)	(681,593)	(71,942)
Third party trade receivables	**230,652,596**	**185,473,045**	**45,179,551**
Receivables from subsidiaries	170,238,515	135,291,174	34,947,341
Receivables from Parent Company	3,444	26,317	(22,873)
Trade receivables from subsidiaries and Parent Company	**170,241,959**	**135,317,491**	**34,924,467**
Total trade receivables	**400,894,555**	**320,790,536**	**80,104,019**

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 45,179,551 Euros.

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

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

In 2021 the provision for doubtful accounts, following a specific risk analysis of all the trade receivables, was increased by 71,942 Euros and calculated by using the expected credit loss approach pursuant to IFRS 9; detail is as follows:

BALANCE AT 31/12/2020	ACCRUAL	BALANCE AT 31/12/2021
681,593	71,942	753,535

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)	31/12/2021	31/12/2020	CHANGE
Tax receivables	1,811,745	29,707,798	(29,308,896)
Other receivables from subsidiaries	28,673,559	23,980,005	4,693,555
Other receivables	2,103,416	1,521,165	1,995,094
Accrued income and prepaid expenses	24,790,613	16,900,307	7,890,306
Total	**57,379,333**	**72,109,275**	**(14,729,942)**

The item Tax receivables includes VAT receivables net amounting to 8,903 Euros (29,520,278 Euros at 31 December 2020). The change compared to the previous year is a temporary phenomenon due to the dynamics of receiving and posting invoices in the last month of the fiscal year.

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 value of Other receivables and current assets is deemed to be in line with its fair value. 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 82,659,515 Euros (27,349,313 Euros at 31 December 2020) 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 52,797,469 Euros (27,066,257 at 31 December 2020); the interest yield on these accounts is in line with current market conditions.
- the bonds purchased by Reply in 2021 for 29,347,423 Euros. The valuation of short-term investments, based on market valuations at 31 December 2021, showed a negative difference of 351,430 Euros compared to the purchase cost of the same.

Note 27 - Cash and cash equivalents

This item amounted to 182,545,754 Euros, with a decrease of 1,466,382 Euros compared to 31 December 2020 and is referred to cash at banks and on hand at year-end.

Note 28 – Shareholders' equity

Share capital

As at 31 December 2021 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 2021 totalled 37,340,600 (37,407,400 as at 31 December 2020).

Treasury shares

The value of the Treasury shares, amounting to 7,219,996 Euros, refers to the shares of Reply S.p.A. that at 31 December 2021 were equal to no. 70,828 (4,028 as at 31 December 2020). During 2021 Reply S.p.A. acquired 66,800 treasury shares and change in treasury shares was entirely attributed to equity.

Capital reserves

At 31 December 2021 amounted to 305,880,909 Euros, and included the following:

- Treasury share reserve amounting to 7,219,996 Euros, relating to the shares of Reply S.p.A. which at 31 December 2021 were equal to no. 70,828.
- Reserve for the purchase of treasury shares amounting to 292,780,004 Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 26 April 2021 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 248,662,250 Euros and were comprised as follows:

- The Legal reserve amounting to 972,697 Euros (972,697 Euros at 31 December 2020);
- Extraordinary reserve amounting to 133,583,157 Euros (181,086,666 Euros at 31 December 2020);
- Retained earnings amounting to 2,822,701 Euros (2,822,701 Euros at 31 December 2020);
- Net result totalling 111,243,694 Euros (73,407,227 Euros at 31 December 2020).

Other comprehensive income

Other comprehensive income can be analysed as follows:

(THOUSAND EUROS)	31/12/2021	31/12/2020
Other comprehensive income that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) from employee benefit plans	(15,149)	(24,045)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1):	**(15,149)**	**(24,045)**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Gains/(losses) on cash flow hedges	406,646	1,089,317
Total Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax (B2):	**406,646**	**1,089,317**
Total Other comprehensive income, net of tax (B) = (B1) + (B2)	**391,497**	**1,065,272**

Note 29 – Financial liabilities

Detail is as follows:

	31/12/2021			31/12/2020		
(EUROS)	**CURRENT**	**NON-CURRENT**	**TOTAL**	**CURRENT**	**NON-CURRENT**	**TOTAL**
Bank overdrafts	10,004,558	-	10,004,558	-	-	-
Bank loans	83,333	19,616,667	19,700,000	10,517,429	14,354,000	24,871,429
Transaction accounts	192,866,566	-	192,866,566	145,699,486	-	145,699,486
Derivative financial instruments	-	2,151,927	2,151,927	34,718	3,670,304	3,705,022
IFRS 16 financial liabilities	324,727	294,318	619,045	373,712	383,955	757,667
Total financial liabilities	**203,279,184**	**22,062,912**	**225,342,095**	**156,625,345**	**18,408,259**	**175,033,604**

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

	31/12/2021				31/12/2020			
(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	10,004,558	-	-	10,004,558				
Bank loans	83,333	416,667	-	500,000	9,071,429	500,000	-	9,571,429
Mortgage loans	-	7,680,000	11,520,000	19,200,000	1,446,000	5,784,000	8,070,000	15,300,000
Transaction accounts	192,866,566	-	-	192,866,566	145,699,486	-	-	145,699,486
Derivative financial instruments	324,727	294,318	-	619,045	373,712	383,955	-	757,667
IFRS 16 financial liabilities	-	430,544	1,721,383	2,151,927	34,718	734,450	2,935,853	3,705,022
Total	**203,729,184**	**8,821,528**	**13,241,383**	**225,342,095**	**156,625,345**	**7,402,405**	**11,005,853**	**175,033,603**

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:

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 50,000,000 Euros to be used by 27 May 2022. As at 31 December 2021 this line had been used for 500,000 Euros.
- On 8 November 2021 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 75,000,000 Euros to be used by 31 May 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 2021 this line had not been used.

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 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 and for a maximum duration of 156 months (13 years). The mortgage is disbursed in relation to the progress of the work. Such credit line was used for 19,200,000 Euros at 31 December 2021.
The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2021 related to the adoption of IFRS 16 starting from 1st January 2019.

The item Derivative financial instruments refers to several loans established with Unicredit S.p.A. to hedge changes in floating interest rates on loans and/or mortgages; the total underlying notional amounts to 38,000,000 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 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. This table represents the representation of Reply S.p.A., in light of the current guidelines and interpretations available.

	(EUROS)	31/12/2021	31/12/2020	CHANGE
A	Cash	182,545,754	184,012,136	(1,466,382)
B	Cash equivalents	29,347,423	-	29,347,423
C	Current financial assets	53,312,092	27,349,313	25,962,779
D	**Cash (A+B+C)**	**265,205,269**	**211,361,449**	**53,843,820**
E	Current financial liabilities	203,195,851	146,107,917	57,087,934
F	Short-term portion of long term financial liability	83,333	10,517,429	(10,434,096)
G	**Financial liabilities short-term (E+F)**	**203,279,184**	**156,625,345**	**46,653,838**
H	**Net financial debt short-term (G-D)**	**(61,926,086)**	**(54,736,104)**	**(7,189,982)**
I	Financial liabilities long-term	19,910,985	14,737,955	5,173,030
J	Financial instruments	2,151,927	3,670,304	(1,518,377)
K	Other liabilities long-term	-	-	-
L	**Financial debt long-term (I+J+K)**	**22,062,912**	**18,408,258**	**3,654,654**
Total financial debt		**(39,863,174)**	**(36,327,846)**	**(3,535,328)**

Net financial debt includes IFRS 16 financial liabilities amounting to 619,045 thousand Euros, of which 294,318 thousand Euros were non-current and 324,727 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 2021 is summarized below:

(EUROS)	
Total financial liabilities 2020	**175,033,603**
Transaction accounts, liability	(145,699,486)
Fair value IRS	(3,705,023)
IFRS 16 financial liabilities	(757,667)
Non-current financial liabilities 2020	**24,871,427**
Cash flows	(5,171,428)
Non-current financial liabilities 2021	**19,699,999**
Bank overdrafts	10,004,558
Transaction accounts, liability	192,866,566
Fair value IRS	2,151,927
IFRS 16 financial liabilities	619,045
Total financial liabilities 2021	**225,342,096**

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 2021: 2.50% frequency of turnover in 2021: 10%

Economic and financial assumptions

Annual discount rate	Constant average annual rate equal to 1.75%
Annual growth rate of the Employee severance indemnities	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 2021 was 0.98%
Annual increase in salaries	Annual increase in salaries equal to 2.81%
Annual inflation rate	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 2021 is summarized in the table below:

31/12/2020	**810,266**
Actuarial gains/(losses)	15,148
Interest cost	4,511
Indemnities paid	(19,242)
Transfers	7,221
31/12/2021	**817,905**

Note 31 – Deferred tax liabilities

Deferred tax liabilities at 31 December 2021 amounted to 4,003,473 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 31/12/2020	**3,132,962**	**776,201**
Accruals	13,622,095	3,269,304
Utilizations	(175,128)	(42,031)
Total at 31/12/2021	16,579,929	4,003,473
- deduction allowance for doubtful accounts	718,806	172,514
- different goodwill/trademark measurements	622,828	173,770
- gains on unrecognized differences and other minor differences	15,238,295	3,657,189
Total at 31/12/2021	**16,579,929**	**4,003,473**

Note 32 – Trade payables

Trade payables at 31 December 2021 amounted to 358,497,709 Euros with an increase of 68,816,192 Euros.

Detail is as follows:

(EUROS)	31/12/2021	31/12/2020	CHANGE
Due to suppliers	10,033,294	10,346,442	(313,148)
Due to subsidiaries	244,375,642	202,024,225	42,351,417
Due to Parent company	128,100	128,100	-
Advance payments from customers - asset	103,960,672	77,182,750	26,777,923
Total	**358,497,709**	**289,681,517**	**68,816,192**

Due to suppliers mainly refers to services from domestic suppliers.

Due to subsidiaries recorded a change of 42,351,417 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)	31/12/2021	31/12/2020	CHANGE
Income tax payable	4,713,241	7,328,468	(2,615,227)
Withholding tax and other	14,464,151	22,593,378	(8,129,227)
Total payable to tax authorities	**19,177,392**	**29,921,846**	**(10,744,454)**
INPS (National Italian insurance payable)	1,309,984	1,236,308	73,675
Other	353,254	345,059	8,195
Total social security payable	**1,663,238**	**1,581,367**	**81,870**
Employee accruals	5,267,846	2,836,709	2,431,137
Payable to subsidiary companies	4,373,457	2,072,621	2,300,836
Miscellaneous payables	18,290,220	11,922,058	6,368,161
Accrued expenses and deferred income	21,846,237	13,038,888	8,807,349
Total other payables	**49,777,759**	**29,870,277**	**19,907,482**
Total other current liabilities	**70,618,388**	**61,373,490**	**9,244,899**

Due to tax authorities mainly refers, tax payables, VAT payables and 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 2021 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 4,571,780 Euros is summarized as follows:

(EUROS)	31/12/2020	ACCRUALS	REVERSAL	31/12/2021
Provision for risks	6,065,000	640,000	(3,013,219)	3,691,780
Provision for losses on equity investments	10,000,000	880,000	(10,000,000)	880,000
Total	**16,065,000**	**1,520,000**	**(13,013,219)**	**4,571,789**

The item Provision for risks reflects the best estimate of contingent liabilities deriving from ongoing legal litigations; at 31 December 2021 an accrual of 640,000 Euros and a reversal of 3,013,219 Euros was made.

Following the impairment test, the item Provision for losses on equity investments was reversed for 10,000,000 Euros and an accrual of 880,000 Euros was made.

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 2021 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	**31/12/2021**		**31/12/2020**		
Financial receivables	335,317	-	248,067	-	Financial loans
Guarantee deposits	-	80	-	80	Guarantee deposits
Transaction accounts, net	(140,070)	-	(118,633)	-	Transaction accounts held by the Parent company
Trade receivables and other	198,912	3	159,271	171	Royalties, administration services, marketing, quality management services and office rental
Trade payables and other	248,749	128	204,096	128	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other payables	-	3,783	-	6,963	Compensation paid to Directors and Key Management
Economic transactions	**2021**		**2020**		
Revenues from Royalties	44,180	-	35,433	-	Licensing of the "Reply" trademark consisting in a 3% fee on third party revenues
Revenues from services	57,272	18	42,415	18	Administrations services, marketing, quality management and office rental
Revenues from management services	7,786	-	7,816	-	Strategic management services
Costs for professional services	542,734	-	480,264	-	Services carried out in relation to contracts signed by the Parent company and subsequently committed to subsidiary companies
Other services	1,831	420	1,741	482	Services related to office rental and office of the secretary
Personnel	-	8,268	-	7,615	Emoluments to Directors and Key Management
Interest income, net	7,932	-	6,325	-	Interest on financial loans: 3 month Euribor + spread of 3 percentage points

With reference to the Cash flows statement, the above mentioned transactions impact the change in working capital by 8,089 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 2021 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 2021 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 114 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 2021, according to the fair value hierarchical assessment level.

(THOUSANDS EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Financial securities		-	-	-
Other assets		-	-	-
Financial investments	26	29,631	-	-
Total Assets		**29,631**	**-**	**-**
Derivative financial liabilities (IRS)	29	-	2,152	
Total Liabilities		**-**	**2,152**	**-**

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 2021 re-enters under the hierarchy profile in level 2.

As at 31 December 2021, 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 2021.

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

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

Note 39 - Guarantees, commitments and contingent liabilities

Guarantees

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

Commitments

Note that:

- the Domination Agreement contract undersigned in 2010 between Reply Deutschland 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 AG in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euros). On June 2018, the German court took note of the agreement reached between the parties also affected by the agreement related to the merger of the following point. With regard to shareholders who did not join the settlement agreement, in February 2019, the German Court issued a judgment that provides for an increase of 1.81 euros in the price paid per share and an increase of 0.07 euros gross of the dividends paid in 2010-2013. The financial effects on the Group are covered by specific provisions.
- with regards the merger operation for the incorporation of Reply Deutschland AG 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 2021.

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 2021

The first months of 2022 were characterized by a sudden acceleration of the crisis in East Europe, resulting in a war that is putting a strain on the economy, civil society and the stability of economic systems. In this regard, it should be noted that the organizational structure (including the ecosystem of suppliers), the financial solidity of the company, the diversification of the business in various countries, markets and industrial sectors, has allowed to absorb all the indirect effects, thanks to the implementation of local actions aimed at minimizing the impacts on operating activities.
It should also be noted that in the first months of 2022 the company purchased treasury shares for a total value of 14,450,101 euros.

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

The financial statements for the year-ended 31 December 2021 were approved by the Board of Directors on March 15, 2022 which approved publication.

Annexed tables

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

(EUROS)	2021	OF WHICH RELATED PARTIES	%	2020	OF WHICH RELATED PARTIES	%
Revenues	604,160,429	101,413,783	16.8%	531,223,744	80,769,231	15.2%
Other income	15,938,379	13,423,191	84.2%	12,884,123	8,828,896	68.5%
Purchases	(28,463,783)	(26,144,914)	91.9%	(24,819,193)	(24,351,211)	98.1%
Personnel	(27,693,075)	(8,268,000)	29.9%	(25,955,930)	(7,615,000)	29.3%
Services and other costs	(553,990,835)	(518,839,255)	93.7%	(484,010,216)	(458,073,297)	94.6%
Amortisation and depreciation	(3,037,301)			(1,977,953)		
Other operating and non-recurring						
income/(expenses)	2,366,500			55,433		
Operating income (EBIT)	**9,280,313**			**7,400,007**		
Gain/(loss) on equity investments	87,367,000			73,706,187		
Financial income/(loss)	23,484,746	7,932,069	33.8%	(7,277,504)	6,325,110	86.9%
Income before taxes	**120,132,059**			**73,828,690**		
Income taxes	(8,888,365)			(421,464)		
Net income	**111,243,694**			**73,407,227**		
Net and diluted income per share	*2.98*			*1.96*		

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

(EUROS)	31/12/2021	OF WHICH RELATED PARTIES	%	31/12/2020	OF WHICH RELATED PARTIES	%
Tangible assets	310,808			333,489		
Goodwill	86,765			86,765		
Intangible assets	615,815			755,027		
RoU Assets	7,603,348			6,646,657		
Equity investments	140,757,778			144,527,524		
Other financial assets	335,871,495	335,317,437	99.8%	248,530,974	248,066,913	99.8%
Deferred tax assets	6,169,056			6,112,288		
Non-current assets	**491,415,065**			**406,992,725**		
Trade receivables	400,894,555	170,241,959	42.5%	320,790,536	135,317,028	42.2%
Other receivables and current assets	57,379,333	49,868,641	86.9%	72,109,275	36,747,851	51.0%
Financial assets	82,659,515	52,797,469	63.9%	27,349,313	27,066,257	99.0%
Cash and cash equivalents	182,545,754			184,012,136		
Current assets	**723,479,157**			**604,261,260**		
TOTAL ASSETS	**1,214,894,222**			**1,011,253,985**		
Share Capital	4,863,486			4,863,486		
Other reserves	434,935,691			389,243,196		
Net income	111,243,694			73,407,227		
NET EQUITY	**551,042,871**			**467,513,909**		
Financial liabilities	21,768,594			18,024,304		
IFRS 16 financial liabilities	294,318			383,955		
Employee benefits	817,905			810,266		
Deferred tax liabilities	4,003,473			776,201		
Provisions	3,691,780			6,065,000		
Non-current liabilities	**30,576,071**			**26,059,725**		
Financial liabilities	202,954,457	192,867,526	95.0%	156,251,633	145,699,486	93.2%
IFRS 16 financial liabilities	324,727			373,712		
Trade payables	358,497,709	244,503,742	68.2%	289,681,517	202,151,932	69.8%
Other current liabilities	70,618,388	13,535,796	19.2%	61,373,490	9,227,991	15.0%
Provisions	880,000			10,000,000		
Current liabilities	**633,275,281**			**517,680,351**		
TOTAL LIABILITIES	**663,851,351**			**543,740,076**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,214,894,222**			**1,011,253,985**		

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 31/12/2021
Air Reply S.r.l.	Turin	€	10,000	746,726	529,941	85.00%	558,500
Arlanis Reply S.r.l.	Turin	€	10,000	1,514,132	1,193,682	100.00%	588,000
Aktive Reply S.r.l.	Turin	€	10,000	2,635,441	2,530,118	100.00%	512,696
Atlas Reply S.r.l.	Turin	€	10,000	934,714	861,982	100.00%	12,575
Avvio Reply S.r.l.	Turin	€	10,000	11,165	(281,081)	100.00%	446,000
Blue Reply S.r.l.	Turin	€	10,000	10,917,283	10,850,861	100.00%	527,892
Breed Reply Investment Ltd.	London	GBP	100	2,519,588	4,099,851	92.50%	2,081,443
Bridge Reply S.r.l.	Turin	€	10,000	539,010	496,027	60.00%	6,000
Business Reply S.r.l.	Turin	€	78,000	3,654,186	3,503,432	100.00%	268,602
Cluster Reply S.r.l.	Turin	€	139,116	14,481,023	14,241,537	100.00%	2,540,848
Cluster Reply Roma S.r.l.	Turin	€	10,000	1,298,213	1,251,674	100.00%	296,184
Consorzio Reply Public Sector	Turin	€	154,500	92,320	-	25.57%	39,500
Core Reply S.r.l.	Turin	€	10,000	951,919	895,203	90.00%	9,000
Data Reply S.r.l.	Turin	€	10,000	3,179,828	3,136,973	100.00%	317,662
Discovery Reply S.r.l.	Turin	€	10,000	4,494,560	2,287,436	100.00%	1,311,669
e*finance Consulting Reply S.r.l.	Turin	€	34,000	4,480,455	4,333,486	100.00%	3,076,385
Ekip Reply S.r.l.	Turin	€	10,400	41,304	20,622	100.00%	30,000
Eos Reply S.r.l.	Turin	€	200,000	1,159,398	900,873	100.00%	495,369
Forge Reply S.r.l.	Turin	€	10,000	1,793	(2,702,393)	100.00%	1,000
Go Reply S.r.l.	Turin	€	50,000	1,339,812	1,240,338	100.00%	1,920,000
Hermes Reply Polska Zo.o.	Katowice-Poland	ZLT	40,000	10,965,524	2,724,621	100.00%	10,217
Hermes Reply S.r.l.	Turin	€	10,000	1,847,355	1,465,016	100.00%	199,500
Hermes Reply Consulting Nanjing Co.	China	CNY	7,932,875	11,269,784	533,304	100.00%	1,000,000
IrisCube Reply S.r.l.	Turin	€	651,735	7,027,908	6,142,745	100.00%	6,724,952
Lid Reply GmbH	Germania	€	25,000	235,351	210,351	100.00%	28,000
Like Reply S.r.l.	Turin	€	10,000	14,160	(156,571)	100.00%	87,317
Logistics Reply S.r.l.	Turin	€	78,000	12,736,158	2,059,810	100.00%	1,049,167
Open Reply S.r.l.	Turin	€	10,000	4,461,131	4,328,151	100.00%	1,625,165
Pay Reply S.r.l.	Turin	€	10,000	461,813	426,332	100.00%	10,000
Portaltech Reply S.r.l.	Turin	€	10,000	25,819	(2,417,589)	100.00%	106,000
Power Reply S.r.l.	Turin	€	10,000	3,641,218	3,422,647	100.00%	2,708,265

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2021
Protocube Reply S.r.l.	Turin	€	10,200	69,905	56,125	70.00%	1,000
Reply Consulting S.r.l.	Turin	€	10,000	1,431,514	1,377,243	100.00%	3,518,434
Reply Deutschland SE	Guetersloh	€	120,000	70,828,415	(26,600,624)	100.00%	57,855,581
Reply Services S.r.l.	Turin	€	10,000	73,726	(2,835,598)	100.00%	1,000
Reply Inc	Michigan - USA	$	3,406,420	7,440,543	4,098,313	100.00%	2,814,625
Reply Ltd.	London	GBP	54,175	19,840,748	12,543,378	100.00%	11,657,767
Reply Digital Experience S.r.l.	Turin	€	29,407	1,789,867	1,742,277	100.00%	4,227,019
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte - Brasil	R$	650,000	5,086,376	(2,628,278)	98.56%	206,816
Reply Sarl	Luxembourg	€	-	(866,923)	(866,923)	100.00%	12,000
Ringmaster S.r.l.	Turin	€	10,000	1,466,122	1,372,681	50.00%	5,000
Santer Reply S.p.A.	Milan	€	2,209,500	14,716,481	7,802,489	100.00%	11,386,966
Security Reply S.r.l.	Turin	€	50,000	10,589,104	10,421,910	100.00%	392,866
Sense Reply S.r.l.	Turin	€	10,000	2,358,856	1,722,305	90.00%	15,700
Sensor Reply S.r.l. (formerly Envision)	Turin	€	10,000	13,273	(40,184)	100.00%	12,800
Retail Reply S.r.l.	Turin	€	10,000	1,907,280	1,868,755	100.00%	100,000
Spark Reply S.r.l.	Turin	€	10,000	12,039	(86,306)	100.00%	1,042,500
Sprint Reply S.r.l.	Turin	€	10,000	986,160	973,471	100.00%	155,000
Storm Reply S.r.l.	Turin	€	10,000	5,056,887	4,954,719	100.00%	986,000
Syskoplan Reply S.r.l.	Turin	€	3,942	2,074,468	1,956,978	100.00%	949,571
Sytel Reply S.r.l.	Turin	€	115,046	8,924,332	8,399,232	100.00%	5,513,232
Sytel Reply Roma S.r.l.	Turin	€	10,000	4,452,666	4,440,569	100.00%	894,931
TamTamy Reply S.r.l.	Turin	€	10,000	2,221,167	829,286	100.00%	263,471
Target Reply S.r.l.	Turin	€	10,000	2,922,937	2,839,304	100.00%	600,338
Technology Reply Roma	Turin	€	10,000	1,980,531	1,648,495	100.00%	10,000
Technology Reply S.r.l.	Turin	€	79,743	10,456,043	10,157,017	100.00%	216,658
Technology Reply S.r.l. (Romania)	Romania	RON	44,000	2,652,408	1,430,335	100.00%	9,919
Whitehall Reply S.r.l.	Turin	€	21,224	2,975,270	2,839,941	100.00%	160,212
Xenia Reply S.r.l.	Turin	€	10,000	128	(19,872)	100.00%	10,000
Xister Reply S.r.l.	Rome	€	10,000	3,607,189	512,135	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 AMOUNTS USED IN THE PRIOR THREE FISCAL YEARS	
NATURE/DESCRIPTION	**AMOUNT**	**POSSIBILITY OF UTILIZATION**	**AVAILABLE**	**FOR COVERAGE OF LOSSES**	**OTHER**
Capital	4,863,486				
Capital reserve					
Reserve for treasury shares	7,219,996				
Reserve for treasury shares	79,050,601	A,B,C	79,050,601		
Income reserves					
Legal reserve	972,697	B			
Extraordinary reserve	133,583,157	A,B,C	133,583,157		
Surplus merger reserve	6,347,964	A,B,C	6,347,964		
Retained earnings	674,740	A,B,C	674,740		
Reserve for purchases of treasury shares	213,729,403	A,B,C	213,729,403		
Total			**433,385,865**		
Not available amount			**-**		
Residual available amount			**433,385,865**		
Reserves from transition to IAS/IFRS					
FTA reserve	303,393				
Retained earnings	2,147,961				
Reserve for cash flow hedge	(1,033,305)				
Reserve for treasury shares	(7,219,996)				
IAS reserve	(70,471)				
Accounting expenses according to IAS 32	(770,448)				
	(6,642,866)				

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

Disclosures pursuant to article 149-duodecies by Consob

The following table, prepared in accordance with Art. 149-duodecies of the Regolamento Emittenti issued by Consob, reports the amount of fees charged in 2021 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	2021 FEES
Audit	PwC S.p.A.	51,825
Audit related services	PwC S.p.A. (1)	12,200
	PwC S.p.A. (2)	32,000
TOTAL		**96,025**

(1) Attestation of tax forms (tax return, IRAP and Form 770 and other attestations)
(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 2021.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2021 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 as well as a description of the main risks and uncertainties to which it is exposed.

Turin, 15 March 2022

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

/s/ Giuseppe Veneziano
Director in charge of signing the financial statements
Giuseppe Veneziano

Report on the statutory auditors to the shareholders' meeting

pursuant to article 153 of the legislative decree 58/1998 on the financial statements as at 31 December 2021

Dear Shareholders,

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

The undersigned Board of Statutory Auditors was appointed by the Shareholders' Meeting on 26 April 2021, the previous mandate having come to an end. The assignment lasts three years and more specifically until the approval of the financial statements for the year that will end on December 31, 2023.

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

In particular, the Board of Statutory Auditors has supervised: (i) compliance with the law and the articles of association, (ii) compliance with the principles of proper administration, (iii) the adequacy of the Company's organizational structure, the internal control and risk management system and the administrative-accounting system, as well as the reliability of the latter in correctly representing the management facts, (iv) the methods of concrete implementation of the governance rules adopted by the Company in adherence to the Corporate Governance Code of Listed Companies, (v) on the adequacy of the indications

given to subsidiaries pursuant to art. 114, paragraph 2°, TUF, and (vi) on the obligations relating to non-financial information referred to in Legislative Decree 254/2016.

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

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

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

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

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

The Control and Risk Committee examined the results of the impairment test at 31 December 2021 prepared in application of the aforementioned procedure. The Board of Directors therefore approved the results of the application of the impairment procedure, including the 2022-2024 prospective financial statements used.

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

The Board of Statutory Auditors also requested the statutory auditor to provide support for the assessment of the quality of the audit, with particular focus on the quantitative and

qualitative dimensions of the audit service, on the assessment of the necessary skills of the auditor and on the safeguards implemented by the auditor in terms of independence. Some indicators were therefore requested by the Board of Statutory Auditors regarding the professional experience of the members of the reviewing team, the training followed by them over time and the involvement of senior team members. The levels of involvement of staff with specialist skills were also monitored, as well as the independence of the auditor with regard to the remuneration received for services other than audit.

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

Supervisory activities on the non-financial reporting process

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

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

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

Self-assessment of the Board of Statutory Auditors

On the occasion of its initiation, the Board of Statutory Auditors assessed, judging it adequate, its composition verifying, in particular, compliance with the requirements of independence, professionalism, integrity, diversity, competence and limits to the accumulation of assignments, and communicating the results of these assessments to the Board of Directors and to the market.

During the first months of 2022, the Board of Statutory Auditors put in place the annual evaluation process, the outcome of which must be transmitted to the Board of Directors so that it can include the related conclusions in the Report on Corporate Governance and Ownership Structure.

To this end, the Board requested and acquired information from the individual members, collected individual statements and prepared a questionnaire with regard to the document "The Self-Assessment of the Board of Statutory Auditors – Rules of Conduct of the Board of Statutory Auditors of listed companies – Rule Q.1.1", of the National Council of Chartered Accountants and Accounting Experts.

During the self-assessment activities, the Board of Statutory Auditors verified and confirmed to all its members the continued ownership of:

- the independence requirements provided for both by law (Article 148, paragraph 3, TUF) and by the Corporate Governance Code (Article 2, Recommendation No. 7). Mrs. Ada Alessandra Garzino Demo was considered independent despite having held the position of statutory auditor for more than nine years and this because of the authority, reputation, moral stature, as well as the professionalism and balance shown in the performance of the office. The Board of Statutory Auditors has prepared its own Memorandum of Conduct to identify specific corrective measures to be taken to adequately address any circumstances that may compromise the independence of its members;
- the requirements of professionalism, integrity, competence and experience in accordance with articles 1 and 2 of the Ministry of Justice Decree of 30 March 2000, n. 162;
- the requirements of the Articles of Association.

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

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

* * *

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

1. Transactions of greater economic and financial importance.

We have obtained timely and adequate information from the Directors regarding the most important economic, financial and equity transactions carried out by the Company and/or its subsidiaries during the 2021 financial year or following year-end.

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

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

The documents submitted for your approval, the information received during the meetings of the Board of Directors and those received from the Chairman and the Chief Executive Officer, the management, the Boards of Statutory Auditors, where present, of the companies directly controlled by Reply S.p.A. and the independent auditor, have not shown the existence of atypical and/or unusual transactions, including intra-group transactions or with related parties, implemented in the 2021 financial year, nor after the year-end close.

With reference to intra-group transactions, we inform you that during the 2021 financial year Reply S.p.A.:

- has purchased professional services related to revenue related contracts signed with third-party customers from group companies;
- issued guarantees in favour of subsidiaries;
- S.p.A. has granted its subsidiaries loans without constraint of purpose aimed at supporting their activities;
- provided subsidiaries with strategic management services, administrative services, marketing and quality management, management services;
- centrally managed the group treasury of Italian companies through transaction accounts in name of the individual subsidiaries;
- has granted the companies of the group the use of the proprietor "REPLY" trademark;
- has acquired from subsidiaries "office services" (equipped office spaces and secretarial services).

The transactions with other related parties during 2021 relate to compensation to directors, statutory auditors, and managers with strategic responsibilities and to "office services" for the use of the building of the Turin office, Corso Francia 110, provided by Alika S.r.l..

For these transactions, the Procedure for Transactions with Related Parties has not been applied as they are exempt transactions as defined respectively by articles 4.1 and 4.4 of the Procedure.

Between the end of 2021 and the beginning of 2022, a transaction of minor importance, as defined pursuant to the Procedure, concerning the use of a property located in London, was submitted to the Committee for examination.

The procedure for transactions with related parties, adopted by Reply's Board of Directors on 11 November 2010, was updated by Board resolution of 21 June 2021 to take into account the amendments made to the Related Party Transactions Regulation by Consob resolution no. 21624 of 10 December 2020.

3. Information provided in the annual report on atypical and/or unusual transactions, including intra-group and related transactions.

The information provided by the Directors in the Report on Operations accompanying the Financial Statements as at 31 December 2021 and in the Notes to the Consolidated Financial Statements of the Reply Group and to the Financial Statements as at 31 December 2021 regarding the most significant transactions from an economic, financial and earnings standpoint, as well as transactions with subsidiaries, associated companies and related parties, are adequate.

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

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

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

- the reports on the audit of the financial statements and on the audit of the consolidated financial statements issued on 31 March 2022 pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) No 537/2014;
- the additional report issued, on 31 March 2022, pursuant to Article 11 of the aforementioned Regulation, to the Board of Statutory Auditors as internal control and audit committee
- The aforementioned audit reports show that:
- the separate financial statements and consolidated financial statements of the Reply Group have been prepared in accordance with the international accounting standards IAS/IFRS issued by the International Accounting Standards Board and adopted by the European Union, in force on 31 December 2021, as well as in accordance with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 and subsequent amendments and additions;
- the separate financial statements and the consolidated financial statements of the Reply Group are clearly prepared and represent truthfully and fairly the financial position, the economic result and cash flows for the year ended 31 December 2021;
- the separate financial statements and the consolidated financial statements have been

prepared in XHTML format in accordance with the provisions of delegated Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the Single Electronic Format (ESEF).

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

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

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

- the main aspects of the audit;
- the levels of significance for the consolidated and separate financial statements;
- the audit plan;
- the area and method of consolidation;
- the auditing methodology and valuation methods applied in the consolidated and separate financial statements;
- the areas of focus relating to the consolidated financial statements and the separate financial statements;
- the activities carried out by the audit team.

In the same document, the independent auditor also attested that no significant audit differences were detected on the consolidated and separate financial statements, nor have significant deficiencies in the internal control system in relation to the financial reporting process been identified, listing the mandatory disclosures made to the corporate bodies, and finally acknowledging that, from the checks on the regular bookkeeping and the correct detection of management facts in the accounting records, no significant aspects have emerged to be reported.

The Board of Statutory Auditors examined the declaration on the independence of the independent auditor, in accordance to Article 17 of Legislative Decree 39/2010, issued on 31 March 2022, which does not highlight situations that have compromised independence or causes of incompatibility, pursuant to articles 10 and 17 of the same decree and the related implementing provisions.

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

No complaints have been acknowledged pursuant to Article 2408 of the Italian Civil Code in 2020 and at the date of this report.

6. Filed complaints/lawsuits.

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

7. Possible assignment of further tasks to the company in charge of the statutory audit and related costs.

During 2021, in addition to the statutory audit of the financial statements at 31 December 2021, PricewaterhouseCoopers S.p.A. was appointed with the following assignments for audit related services:

ASSIGNMENT	FEE €/000
Attestation of tax returns (Modelli Unico, IRAP, 770) of Reply S.p.A.	3.2
Attestation of tax returns for Reply S.p.A.'s subsidiaries (modelli Redditi, IRAP, 770)	28.5
Limited review of the Consolidated Disclosure of Non-Financial information ex D.Lgs. 254/2016	32
Report on the prospectus of The Research and Development costs of Logistics Reply S.r.l for the financial year 2020	18.5
Agreed verification procedures aimed at confirming compliance with Reply S.p.A.'s accounting records of the turnover details declared in the technical offer formulated for Poste Italiana's tender	9
Agreed verification procedures aimed at confirming compliance with the accounting records of Reply Public Sector Consortium of the turnover details declared in the technical offer formulated for Poste Italiana's tender	1.5

8. Possible assignments to subjects linked to the company in charge of the statutory audit, from ongoing relationships and related costs.

During 2021, the following were assigned:

ASSIGNMENT	FEE €/000
PricewaterhouseCoopers US has been appointed to support Reply Inc for the identification of incentive plans for the management of companies subject to acquisition.	18
PricewaterhouseCoopers GmbH has been appointed to issue an ISAE 3000 report on Reply AG's capital cover for its transformation into a European Company.	10
PricewaterhouseCoopers GmbH has been appointed to issue an ISAE 3000 report on the Capital Cover of Cluster Reply GmbH & Ko. KG for the transformation of the same from the corporate form of "partnership" to the corporate form of "corporation"	9

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

10. Indication of the frequency and number of meetings of the Board of Directors and the Board of Statutory Auditors.
During the year, the Board of Directors held 6 meetings and the Board of Statutory Auditors held 16 meetings.

The Control and Risk Committee met no. 5 times, the Remuneration Committee no. 5 times, the Committee for Transactions with Related Parties (identified within the Control and Risk Committee) met no. 1 time.

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

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

12. Considerations on the adequacy of the organisational structure
The Board assessed the timeliness of updating and the completeness of the organizational structure as well as the correspondence of the organizational structure to the needs of business and governance in terms of both professionalism and ability to achieve strategic and operational objectives, taking into account the adequacy of the delegation system and the principles of adequate "separation of duties".
In this sense, the Board has supervised the adequacy of the composition, size and functioning of the Board of Directors and the Board Committees, participating in the meetings and analysing the documentation produced by these bodies in the performance of their functions and in its collegiality considers that it does not have to make comments on the matter.
The Board of Statutory Auditors also points out that:

- the Chairman of the Company is the recipient of executive powers substantially similar to

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

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

The Standing Auditors acknowledge that the executive directors report promptly on the activities carried out and on the transactions of greater economic and financial importance as provided for in Article 150 of the TUF. In accordance with the provisions of Recommendation no. 13 of the Corporate Governance Code, the Board of Directors has appointed an Independent Lead Director.
The Board of Statutory Auditors has also examined the documentation concerning the additional components of the overall organisational structure of Reply S.p.A. and took note of the existence of:
- of an organization chart and the related company documentation that shows the organizational structures;
- a system of delegations, exercised in accordance with the roles and powers assigned to each of the functions/committees involved;
- consolidated corporate practices for the exercise of governance by Reply S.p.A. as part of its functions of guidance, coordination and control of subsidiaries, mainly exercised through: (i) centralized functions to govern the main activities considered sensitive for the Group (Personnel, Communication, Management Control, Innovation), (ii) a constant monitoring of the business by top management and (iii) the presence of the latter in the Boards of Directors of the subsidiaries;
- company regulations for the performance of the activities of each managerial function mainly based on the ISO 9000 procedural model.

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

13. Considerations on the adequacy of the internal control system

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

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

- during the year, the head of the Internal Audit function, the Control and Risk Committee and the Supervisory Body maintained the necessary functional and informative relations on the methods of carrying out the evaluation, supervision and control tasks entrusted to them concerning, as far as their respective competences are concerned, the adequacy, operation and effective functioning of the internal control and risk management system, as well as the results of the verification activities carried out by the Internal Audit function, in accordance with the audit plan approved by the Board of Directors, and the risk assessment carried out by the Company with the support of a specialised Reply Group company;
- the Company has described in the Report on corporate governance and ownership structures, the main characteristics of the internal control and risk management system and the methods of coordination between the subjects involved, indicating the national and international models and best practices of reference;
- the Company carried out the annual edition of the risk assessment process, with the involvement of the company departments concerned, which involved the identification of the main corporate risks. The methodology used made it possible to identify and evaluate what have been defined as "Top Risks" that the Board of Directors has considered, net of the mitigation actions proposed by the Management, compatible with a management of the company consistent with the Group's strategic objectives. During the year, the analyses were enriched by benchmarking on the so-called "risk factors" publicly declared in financial reports by non-Italian companies comparable with Reply both in size and in business sector. This analysis found and confirmed the results of the internal project, at the same time allowing to refine the perimeter of some risks and the analysis of the related containment actions in place. The 2021 Annual Report describes, as required by law, the main risk factors of the Reply Group.

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

The documents presented during the periodic exchange of information with the Board of Statutory Auditors summarized the results of the audits which, for all the completed audits,

did not highlight any findings, suggestions or recommendations.

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

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

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

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

The Board of Statutory Auditors has taken note that the Data Protection Officer, during the periodic discussions, has not highlighted any critical elements to be reported in this report. The Board has not received any news of reporting violation of the Organization and Management Model pursuant to Legislative Decree 231/01 by the Supervisory Body. Overall, in sharing and appreciating the initiatives launched by management in the field of Risk Management and Internal Control System, the Board recommends the timely completion of its implementation with a view to the evolution of a progressive advancement of its development. The Board considers that there are no further elements to be brought to the attention of the Shareholders- Meeting.

The Board of Statutory Auditors points out that the Chairman, favourable with the initiative of the Control and Risk Committee, has promoted the request to proceed with an external assessment of the degree of adherence to the International Standards for the professional practice of Internal Audit (EQR) whose version in Italian is published by the Italian Internal Audit Association (AIIA).

The Board of Statutory Auditors considers it useful to note that the EQR external evaluation has shown the need to expand the function's interventions in the areas of "operations" and anti-fraud, provided for by international standards. The Board recommends the implementation of a gradual and timely structured plan, in order to fully comply with international standards and greater compliance with the specific recommendation

regarding the Corporate Governance Code to which the Company has adhered. Finally, the Board entirely agrees with the recommendation that emerged from the external evaluation to attribute the hierarchical dependence of the Head of Internal Audit to an Independent Director with specific knowledge of Internal Audit and Risk Management methodologies and techniques, in order to guarantee substantial independence from the company management and the allocation of the resources necessary for the performance of the mandate.

14. Considerations on the administrative accounting system

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

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

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

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

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

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

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

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

We further advise you that:

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

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

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

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

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

On March 15, 2022, the Board of Directors approved the annual report commenting on the Corporate Governance and Ownership Structure prepared pursuant to art. 123-bis of Legislative Decree 58/1998.

In this regard, the Board acknowledges that during 2021, in a progressive manner over time, the Company has started the process of adapting to the new recommendations provided for by the Code and, in particular, the Board of Directors:

- approved a Regulation for the functioning of the Board of Directors;
- adopted its ESG Green Approach;
- established the Board of Sustainability Committee;
- approved the document entitled "Succession plans for the Chief Executive Officers, the CFO and the executive directors and top management";
- adopted a Policy for the management of discussions with all shareholders;
- appointed the Secretary of the Board of Directors.

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

As recommended by the Corporate Governance Code, in defining the remuneration of executive directors, the Board of Directors took into account the remuneration practices widespread in the reference sector and for companies of similar size and also considered comparable foreign experience using, on the proposal of the Remuneration Committee and with the incentive of the Board of Statutory Auditors, of an independent consultant.

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

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

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

We note that:

- the Financial Statements as at 31 December 2021 were prepared in compliance with European Regulation No. 1606/2002 of 19 July 2002, in compliance with International Financial Reporting Standards (IAS/IFRS).
- the Consolidated Annual Financial Report at 31 December 2021 was prepared in electronic format, in accordance with the provisions of European Regulation 815/2018 so-called "ESEF".

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

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

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

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

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

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

The Board acknowledges the existence of the organizational conditions for compliance with the statutory rules, law and regulations governing the matter, and the continuous evolution and search for improvement.
In particular, it is made known to shareholders that:

- we have supervised compliance with the law of the Procedure for Transactions with Related Parties, initially approved by the Board of Directors of Reply S.p.A. on 11 November 2010 and subsequently amended on 14/05/2015, 02/08/2018 and 21/06/2021, and supervised its compliance;
- we have verified the correct application of the criteria adopted by the Board of Directors in assessing the existence of the conditions of independence of the "independent directors";

- we monitored, when requested, compatibility with legal restrictions on services other than the audit of the annual and consolidated accounting records provided by the Independent Auditor to Reply S.p.A. and to its subsidiaries;
- we monitored compliance with the provisions of art. 17, paragraph 4, of Legislative Decree 39/2010 and in this regard, we inform you that the new key manager for the review of the financial statements of Reply S.p.A. is Mrs. Monica Maggio;
- we verified and monitored the independence of the independent auditing firm PricewaterhouseCoopers S.p.A. pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and article 8 of Regulation (EU) 537/2014;
- we have verified the correct fulfilment of the obligations related to the Covid-19 health emergency;
- We verified compliance with the laws on "Market abuse" and "Protection of savings" in matters of corporate disclosures of information and "Internal Dealings" based on the information provided by the Company.

On the basis of the supervisory activities carried out during the year, the Board does not identify reasons impeding the approval of the financial statements at 31 December 2021 and the resolution proposals formulated by the Board of Directors.

Rome-Turin, 31 March 2022

THE STATUTORY AUDITORS

(Dott. Ciro Di Carluccio)

(Prof. Piergiorgio Re)

(Dott.ssa Ada Alessandra Garzino Demo)



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

REPLY SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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 2021, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the recoverability of equity investments in subsidiaries *Note 21 to the financial statements "Equity investments"* The value of equity investments in subsidiaries as of 31 December 2021 amounted to Euro 141 million. These investments are carried at cost adjusted for impairment losses. Company's management tests the equity investments for potential impairment by comparing the carrying amount with the recoverable amount in accordance with IAS 36 (impairment test), when there is any indication of impairment based on which the value of the investments is expected to be recovered with difficulty. The assessment required Company's management to perform with the support of external experts, complex estimations which are mainly based on assumptions affected by economic and market conditions which are hard to foresee, especially in relation to the determination of market multiples, expected cash flows, discount and growth rates to be used for estimating the terminal value. Considering the significance of this items representing approximately 12% 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 and 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 ones approved by the Board of Directors. During the tests performed by us, including those to assess whether the estimation method and the discount and growth rates used by management complied with the previsions of IAS 36 and the standard evaluation practice, we were supported by PwC network experts. Lastly, we verified the adequacy of the financial disclosure based on international financial reporting standards requirements, also considering information and data obtained during our audit.

pwc

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, related safeguards.

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 2021, 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 2021 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 2021 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, 31 March 2022

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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