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)

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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

pwc

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

REPLY GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

pwc

Independent auditor's report

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

To the shareholders of Reply SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

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

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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.