FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

Income statement (*)

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

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

Statement of comprehensive income

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

Statement of financial position (*)

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

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

Statement of changes in equity

(EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	RESERVE FOR ACTUARIAL GAINS/ (LOSSES)	TOTAL
Balance at 1 January 2020	**4,863,486**	**(24,502)**	**129,183,600**	**281,031,221**	**(2,529,268)**	**(31,278)**	**412,493,259**
Dividends distributed	-	-	-	(19,451,848)	-	-	(19,451,848)
Increase for acquisition of treasury shares	-	-	76,697,308	(76,697,308)	-	-	-
Total profit	-	-	-	73,407,227	1,089,317	(24,045)	74,472,498
Balance at							
31 December 2020	**4,863,486**	**(24,502)**	**205,880,909**	**258,289,291**	**(1,439,951)**	**(55,323)**	**467,513,909**

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

Statement of cash flows

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

DETAIL OF CASH AND CASH EQUIVALENTS

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

Notes to the financial statements

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

Note 1 – general information

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

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

Note 2 - accounting principles and basis of consolidation

Compliance with international accounting principles
The 2021 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the provisions implementing Article 9 of Legislative Decree No. 38/2005.
The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

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

General principles

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

Financial statements

The Financial Statements include statement of income, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the explanatory notes.
The income statement format adopted by the company classifies costs according to their nature, which is deemed to properly represent the company's business.
The Statement of financial position is prepared according to the distinction between current and non-current assets and liabilities. The statement of cash flows is presented using the indirect method.
The most significant items are disclosed in a specific note in which details related to the composition and changes compared to the previous year are provided.

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

Tangible assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.
Goods made up of components, of significant value, that have different useful lives are considered separately when determining depreciation.
In compliance with IAS 36 – Impairment of assets, the carrying value is immediately remeasured to the recoverable value, if lower.

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

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

Ordinary maintenance costs are fully expensed as incurred. Incremental maintenance costs are allocated to the asset to which they refer and depreciated over their residual useful lives.
Improvement expenditures on rented property are allocated to the related assets and depreciated over the shorter between the duration of the rent contract or the residual useful lives of the relevant assets.
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Goodwill

Goodwill is an intangible asset with an indefinite life, deriving from business combinations recognized using the purchase method, and is recorded to reflect the positive difference between purchase cost and the Company’s interest at the time of acquisition of the fair value of the assets, liabilities and identifiable contingent liabilities attributable to the subsidiary.
Goodwill is not amortized, but is tested for impairment annually or more frequently if specific events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Impairment losses are recognized immediately as expenses that cannot be recovered in the future.
Goodwill deriving from acquisitions made prior to the transition date to IFRS are maintained at amounts recognized under Italian GAAP at the time of application of such standards and are subject to impairment tests at such date.

Other intangible assets

Intangible fixed assets are those lacking an identifiable physical aspect, are controlled by the company and are capable of generating future economic benefits.

Other purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.

Such assets are measured at purchase or manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives.

Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably.

In case of intangible fixed assets purchased for which availability for use and relevant payments are deferred beyond normal terms, the purchase value and the relevant liabilities are discounted by recording the implicit financial charges in their original price.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development costs can be capitalized on condition that they can be measured reliably and that evidence is provided that the asset will generate future economic benefits.

An internally-generated intangible asset arising from the company's e-business development (such as informatics solutions) is recognized only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably.

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

Development costs	33%
Software	33%

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

Right of use Assets

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

Contracts that are within the scope of IFRS 16 relate mainly to long term car-rental.

With reference to the options and exemptions provided by IFRS 16, the Company has made the following choices:

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

Intangible assets with indefinite useful life

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

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset is the higher of fair value less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market

assessments of the time value of money and the risks specific to the asset. Its value in use is determined net of tax in that this method produces values largely equivalent to those obtained by discounting cash flows net of tax at a pre-tax discount rate derived, through an iteration, from the result of the post-tax assessment. The assessment is carried out for the individual asset or for the smallest identifiable group of cash generating assets deriving from ongoing use, (the so-called Cash generating unit). With reference to goodwill, Management assesses return on investment with reference to the smallest cash generating unit including goodwill.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. When the recognition value of the Cash generating unit, inclusive of goodwill, is higher than the recoverable value, the difference is subject to impairment and attributable firstly to goodwill; any exceeding difference is attributed on a pro-quota basis to the assets of the Cash generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset, (or cash-generating unit), with the exception of goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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

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

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

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

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

The accumulated changes in fair value, recognized in the equity reserve related to other comprehensive income, is reclassified to the profit and loss account when the financial asset is derecognized. A financial asset represented by a debt instrument that is neither measured at amortized cost nor at FVTOCI, is measured at fair value through profit or loss (hereinafter FVTPL); financial assets held for trading fall into this category. Interest income on assets held for trading contributes to the fair value measurement of the instrument and is recognized in "Finance income (expense)", within "Net finance income (expense) from financial assets held for trading".
When the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, the transaction is accounted for on the settlement date.

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

- If the Company has not maintained control, it derecognizes the financial asset from its Financial Statements and recognizes separately as assets or liabilities any rights or obligations originated or maintained through the transfer;
- If the Company has maintained control, it continues to recognize the financial asset to the extent of its residual involvement with such financial asset.

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

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

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

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

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

Financial liabilities and equity investments

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

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

- Bank borrowings

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

- Equity instruments

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

- Non-current financial liabilities

Liabilities are stated according to the amortization cost.

Derivative financial instruments and other hedging transactions

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

In accordance with IFRS 9, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and sufficient documentation that the hedge is highly effective and that its effectiveness can be reliably measured. The hedge must be highly effective throughout the different financial reporting periods for which it was designated.
All derivative financial instruments are measured in accordance with IFRS 9 at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to Company commitments and forecasted transactions are recognized directly in Shareholder's equity, while the ineffective portion is immediately recorded in the Income Statement. If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.

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

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

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

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

Share-based payment plans

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

Provisions and reserves for risks

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

Revenue recognition

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

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

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

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

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

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

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interests arising in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

Use of estimations

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

Equity investments

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

Trade receivables and work in progress

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

Leasing liabilities and right of use assets

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

Provisions, contingent liabilities and employee provisions

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

Derivative instruments and equity instruments

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

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

Estimations changes and reclassifications

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

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

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

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

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

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

Standards issued but not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

Note 3 – Risk management

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

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

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

Liquidity risk

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

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

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

Risks associated with fluctuations in currency and interest rates

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

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

Note 4 – Other information

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

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

Note 5 – Revenue

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

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

Reply manages business relationships on behalf of some of its major clients. Such activities were recorded in the item Revenues from services to third parties which increased by 56,117,779 Euros.

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

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

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

Note 6 – Other income

Other revenues that as at 31 December 2021 amounted to 15,938,379 Euros (12,884,123 Euros at 31 December 2020) mainly refer to expenses incurred by Reply S.p.A. and recharged to the Group companies and include expenses for social events, telephone and training courses.

Note 7 – Purchases

Detail is as follows:

(EUROS)	2021	2020	CHANGE
Software licenses for resale	15,482,864	13,011,444	2,471,420
Hardware for resale	12,606,258	11,339,767	1,266,491
Other	374,662	467,982	(93,321)
Total	**28,463,783**	**24,819,193**	**3,644,590**

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

The item Other mainly includes the purchase of supplies, e-commerce material, stationary and printed materials (154,876 Euros) and fuel (207,864 Euros).

Note 8 – Personnel expenses

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

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

Detail of personnel by category is provided below:

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

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

Note 9 – Services and other costs

Service and other costs comprised the following:

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

Professional Services from Group companies, which increased during the year by 59,334,802 Euros, are mainly related to revenues from services to third parties.
Reply S.p.A. carries out commercial fronting activities for some of its major clients, whereas delivery is carried out by the operational companies.
Office expenses include services rendered by related parties in connection with service contracts for the use of premises, legal domicile and secretarial services, as well as utility costs.

Note 10 – Amortization, depreciation and write-downs

Depreciation of tangible assets was calculated on the basis of technical-economic rates determined in relation to the residual useful lives of the assets, and which amounted in 2021 to an overall cost of 178,303 Euros. Details of depreciation are provided at the notes to tangible assets.

Amortization of intangible assets amounted in 2021 to an overall cost of 2,430,808 Euros. Details of depreciation are provided at the notes to intangible assets.

Amortization related to right of use assets arising from the application of IFRS 16 amounted to 428,191 thousand Euros.

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

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

Note 12 – Gain/(losses) on equity investments

Detail is as follows:

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

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

Detail is as follows:

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

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

For further details, see Note 21 herein.

Note 13 – Financial income/(expenses)

Detail is as follows:

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

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

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

The item Other mainly includes:

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

Note 14 – Income taxes

The details are provided below:

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

Ires theoretical rate

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

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

Temporary differences, net refer to:

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

Calculation of taxable IRAP

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

Temporary differences, net refer to:

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

Note 15 – Earnings per share

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

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

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

Note 16 – Contributions

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

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

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

Note 17 - Tangible assets

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

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

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

Change in Tangible assets during 2021 is summarized below:

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

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

The disposals are mainly related to the transfer of vehicles.

Note 18 - Goodwill

Goodwill as at 31 December 2021 amounted to 86,765 Euros and refers to the value of business branches (consulting activities related to Information Technology and management support) acquired in July 2000.

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

Note 19 - Other intangible assets

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

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

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

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

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

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

Note 20 –Right of use assets

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

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

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

Note 21 - Equity investments

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

(EUROS)	BALANCE AT 31/12/2020	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSAL	WRITE DOWNS	DISPOSALS	BALANCE AT 31/12/2021	INTEREST
Air Reply S.r.l.	558,500					558,500	85.00%
Aktive Reply S.r.l.	512,696					512,696	100.00%
Arlanis Reply S.r.l.	588,000					588,000	100.00%
Atlas Reply S.r.l.	12,575					12,575	100.00%
Avvio Reply S.r.l.	164,000		282,000			446,000	100.00%
Avantage Ltd	2,743,102				(2,743.102)	-	-
Blue Reply S.r.l.	527,892					527,892	100.00%
Breed Reply Investment Ltd.	1,888,887	192,556				2,081,443	92.50%
Bridge Reply S.r.l.	6,000					6,000	60.00%
Business Reply S.r.l.	268,602					268,602	100.00%
Cluster Reply S.r.l.	2,540,848					2,540,848	100.00%
Cluster Reply Roma S.r.l.	296,184					296,184	100.00%
Consorzio Reply Public Sector	32,500	7,000				39,500	25.57%
Core Reply S.r.l.	9,000					9,000	90.00%
Data Reply S.r.l.	317,662					317,662	100.00%
Discovery Reply S.r.l.	1,311,669					1,311,669	100.00%
e*finance Consulting Reply S.r.l.	3,076,385					3,076,385	100.00%
Ekip Reply S.r.l.	30,000					30,000	100.00%
Eos Reply S.r.l.	495,369					495,369	100.00%
Forge Reply S.r.l.	1,000		2,703,000	(2,703,000)		1,000	100.00%
Go Reply S.r.l.	1,920,000					1,920,000	100.00%
Hermes Reply Polska Zo.o.	10,217					10,217	100.00%
Hermes Reply S.r.l.	199,500					199,500	100.00%
Hermes Reply Consulting Nanjing Co.	1,000,000					1,000,000	100.00%
IrisCube Reply S.r.l.	6,724,952					6,724,952	100.00%
Lid Reply GmbH	-	28,000				28,000	100.00%
Like Reply S.r.l.	87,317		157,000	(157,000)		87,317	100.00%
Logistics Reply S.r.l.	1,049,167					1,049,167	100.00%
Open Reply S.r.l.	1,625,165					1,625,165	100.00%
Pay Reply S.r.l.	10,000					10,000	100.00%
Portaltech Reply S.r.l.	106,000		2,418,000	(2,418,000)		106,000	100.00%
Power Reply S.r.l.	2,708,265					2,708,265	100.00%
Protocube Reply S.r.l.	1,000					1,000	70.00%

(EUROS)	BALANCE AT 31/12/2020	ACQUISITIONS AND SUBSCRIPTIONS	DISPOSAL	WRITE DOWNS	DISPOSALS	BALANCE AT 31/12/2021	INTEREST
Reply Consulting S.r.l.	3,518,434					3,518,434	100.00%
Reply Deutschland SE	57,835,781	19,800				57,855,581	100.00%
Reply Digital Experience S.r.l.	4,227,019					4,227,019	100.00%
Reply do Brasil Sistemas de Informatica Ltda	206,816					206,816	98.56%
Reply Inc	2,814,625					2,814,625	100.00%
Reply Ltd.	11,657,767					11,657,767	100.00%
Reply Sarl	12,000					12,000	100.00%
Reply Services S.r.l.	1,000		2,400.,00	(2,400,000)		1,000	100.00%
Retail Reply S.r.l.	100,000					100,000	100.00%
Ringmaster S.r.l.	5,000					5,000	50.00%
Santer Reply S.p.A.	11,386,966					11,386,966	100.00%
Sense Reply S.r.l.	15,700					15,700	90.00%
Sensor Reply S.r.l. (formerly Envision)	1,578,800	50,000	41,000	(1,657,000)		12,800	100.00%
Spark Reply S.r.l.	1,042,500		87,000	(87,000)		1,042,500	100.00%
Security Reply S.r.l.	392,866					392,866	100.00%
Sprint Reply S.r.l.	155,000					155,000	100.00%
Storm Reply S.r.l.	986,000					986,000	100.00%
Syskoplan Reply S.r.l.	949,571					949,571	100.00%
Sytel Reply S.r.l.	5,513,232					5,513,232	100.00%
Sytel Reply Roma S.r.l.	894,931					894,931	100.00%
Tamtamy Reply S.r.l.	263,471					263,471	100.00%
Target Reply S.r.l.	600,338					600,338	100.00%
Technology Reply Roma	10,000					10,000	100.00%
Technology Reply S.r.l.	216,658					216,658	100.00%
Technology Reply S.r.l. (Romania)	9,919					9,919	100.00%
Whitehall Reply S.r.l.	160,212					160,212	100.00%
Xenia Reply S.r.l.	-	10,000	20,000	(20,000)		10,000	100.00%
Xister Reply S.r.l.	9,150,465					9,150,465	100.00%
Total	**144,527,524**	**307,356**	**8,108,000**	**(9,442,000)**	**(2,743,102)**	**140,757,778**	

Acquisitions and subscriptions

Xenia Reply S.r.l.

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

Lid Reply GmbH

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

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

Financial loan remission

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

Write-downs

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

Disposals

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

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

Note 22 – Non-current financial assets

Detail is as follows:

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

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

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

Note 23 - Deferred tax assets

This item amounted to 6,169,056 Euros at 31 December 2021 (6,112,288 Euros at 31 December 2020), and included the fiscal charge corresponding to the temporary differences on statutory income and taxable income related to deferred deductible items.

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

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

Note 24 - Trade receivables

Trade receivables at 31 December 2021 amounted to 400,894,555 Euros and are all collectible within 12 months.

Detail is as follows:

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

Reply manages business relationships on behalf of some of its major clients. This activity is reflected in the item Third party trade receivables which increased by 45,179,551 Euros.

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

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

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

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

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

Note 25 - Other receivables and current assets

Detail is as follows:

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

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

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

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

The carrying value of Other receivables and current assets is deemed to be in line with its fair value. The carrying amount of Other receivables, that at initial recognition is equal to its fair value adjusted for attributable transaction costs, is subsequently valued at the amortised cost appropriately adjusted to take into account any write-downs.

Note 26 - Current financial assets

This item amounted to 82,659,515 Euros (27,349,313 Euros at 31 December 2020) and mainly refers to:

- the total of interest yielding cash pooling accounts of subsidiaries included in the centralized pooling system of the Parent Company Reply S.p.A. for 52,797,469 Euros (27,066,257 at 31 December 2020); the interest yield on these accounts is in line with current market conditions.
- the bonds purchased by Reply in 2021 for 29,347,423 Euros. The valuation of short-term investments, based on market valuations at 31 December 2021, showed a negative difference of 351,430 Euros compared to the purchase cost of the same.

Note 27 - Cash and cash equivalents

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

Note 28 – Shareholders' equity

Share capital

As at 31 December 2021 the fully subscribed paid-in share capital of Reply S.p.A., amounted to 4,863,486 Euros and is made up of no. 37,411,428 ordinary shares having a nominal value of euro 0.13 each.

The number of shares in circulation as at 31 December 2021 totalled 37,340,600 (37,407,400 as at 31 December 2020).

Treasury shares

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

Capital reserves

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

- Treasury share reserve amounting to 7,219,996 Euros, relating to the shares of Reply S.p.A. which at 31 December 2021 were equal to no. 70,828.
- Reserve for the purchase of treasury shares amounting to 292,780,004 Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 26 April 2021 Reply S.p.A. re-authorized it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 300 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.
- Reserves arising from the merger operation of Reply Deutschland AG. in Reply S.p.A, and include:
  - Share swap surplus reserve amounting to 3,445,485 Euros;
  - Surplus annulment reserve amounting to 2,902,479 Euros.

Earnings Reserve

Earning reserves amounted to 248,662,250 Euros and were comprised as follows:

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

Other comprehensive income

Other comprehensive income can be analysed as follows:

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

Note 29 – Financial liabilities

Detail is as follows:

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

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

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

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

Following and summarized by main features the ongoing contracts entered into for such a purpose:

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

- On 8 May 2020 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000,000 Euros to be used by 27 May 2022. As at 31 December 2021 this line had been used for 500,000 Euros.
- On 8 November 2021 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 75,000,000 Euros to be used by 31 May 2023. The loan will be reimbursed on a half year basis deferred to commence on 29 September 2023 and will expire on 30 September 2026. As at 31 December 2021 this line had not been used.

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

As contractually defined, such ratios are as follows:

- Net financial indebtedness/Equity
- Net financial indebtedness/EBITDA

At the balance sheet date, Reply fulfilled the Covenants under the various contracts.

It should be noted that on 24 May 2018 Reply S.p.A. undersigned with Unicredit S.p.A. a mortgage loan secured by guarantee for the purchase and renovation of the property De Sonnaz for a total amount of 40,000,000 Euros and for a maximum duration of 156 months (13 years). The mortgage is disbursed in relation to the progress of the work. Such credit line was used for 19,200,000 Euros at 31 December 2021.
The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2021 related to the adoption of IFRS 16 starting from 1st January 2019.

The item Derivative financial instruments refers to several loans established with Unicredit S.p.A. to hedge changes in floating interest rates on loans and/or mortgages; the total underlying notional amounts to 38,000,000 Euros. The effective component of the instrument is stated in the Statement of changes in net equity whereas the ineffective portion of the Derivative instrument is recorded at the income statement.

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

Net financial indebtedness

The net financial indebtedness reported below was prepared according to CONSOB communication no. DEM / 6064293 of July 28, 2006, updated with the provisions of ESMA guideline 32-382-1138 of March 4, 2021 as implemented by the CONSOB warning no. 5/21 of 29 April 2021. This table represents the representation of Reply S.p.A., in light of the current guidelines and interpretations available.

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

Net financial debt includes IFRS 16 financial liabilities amounting to 619,045 thousand Euros, of which 294,318 thousand Euros were non-current and 324,727 were current.
Pursuant to the aforementioned recommendations long term financial assets are not included in the net financial position.

For further details with regards to the above table see Notes 26 and 27 as well as Note 29.
Change in Financial liabilities during 2021 is summarized below:

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

Note 30 – Employee benefits

The Employee severance indemnity represents the obligation to employees under Italian law (amended by Law no. 296/06) accrued by employees up to 31 December 2006 which will be paid when the employee leaves the company. In certain circumstances, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.
The procedure for the determination of the Company's obligation with respect to employees was carried out by an independent actuary according to the following stages:

- Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;
- Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;
- Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations.

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

The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation.
The assumptions adopted can be summarized as follows:

Demographic assumptions

Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2021: 2.50% frequency of turnover in 2021: 10%

Economic and financial assumptions

Annual discount rate	Constant average annual rate equal to 1.75%
Annual growth rate of the Employee severance indemnities	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. The annual discount used for 2021 was 0.98%
Annual increase in salaries	Annual increase in salaries equal to 2.81%
Annual inflation rate	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

In accordance with IAS 19, Employment severance indemnities at 31 December 2021 is summarized in the table below:

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

Note 31 – Deferred tax liabilities

Deferred tax liabilities at 31 December 2021 amounted to 4,003,473 Euros and are referred mainly to the fiscal effects arising from temporary differences between the statutory income and taxable income.

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

Note 32 – Trade payables

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

Detail is as follows:

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

Due to suppliers mainly refers to services from domestic suppliers.

Due to subsidiaries recorded a change of 42,351,417 Euros, and refers to professional services in connection to third party agreements with Reply S.p.A..
Reply S.p.A. carries out commercial fronting activities for some of its major clients, whereas delivery is carried out by the operational companies.

Advance payments from customers include amounts invoiced to customers for contracts

subcontracted to subsidiary companies, which at the balance sheet date were not yet completed.
Trade payables are initially recognised at fair value, adjusted for any transaction costs directly attributable to and are subsequently valued at amortised cost. The amortised cost of current trade payables corresponds to the nominal value.

Note 33 – Other current liabilities

Detail is as follows:

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

Due to tax authorities mainly refers, tax payables, VAT payables and to payables due for withholding tax on employees and free lancers' compensation.

Due to social security authorities is related to both Company and employees' contribution payables.

Employee accruals mainly include payables to employees for remunerations due but not yet paid at year-end.

Due to subsidiary companies represents the liability on tax losses recorded by subsidiaries under national tax consolidation for 2021 and for the tax credits that subsidiaries transferred to Reply S.p.A. as part of the tax consolidation.

Miscellaneous payables mainly refer to remuneration and bonus of directors recognized as participation in the profits of the company.

Accrued expenses and deferred income are mainly related to advance invoicing in relation to fronting activities carried out for subsidiaries.
Other current payables and liabilities are initially recognised at fair value, adjusted for any transaction costs directly attributable to and are subsequently valued at amortised cost. The amortised cost of these liabilities corresponds to the nominal value.

Note 34 – Provisions

The item Provisions amounting to 4,571,780 Euros is summarized as follows:

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

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

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

Note 35 - Transactions with related parties

With reference to CONSOB communications no. DAC/RM 97001574 of 20 February 1997 and no. DAC/RM 98015375 of 27 February 1998 concerning relations with related parties, the economic and financial effects on Reply S.p.A.'s year ended 2021 Financial Statements related to such transactions are summarised below.
Transactions carried out by Reply S.p.A. with related parties are considered ordinary business and are carried out at normal market conditions.
Financial and business transactions among the Parent Company Reply S.p.A. and its subsidiaries and associate companies are carried out at normal market conditions.

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

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

With reference to the Cash flows statement, the above mentioned transactions impact the change in working capital by 8,089 thousand Euros.

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

Pursuant to art. 150, paragraph 1 of the Italian Legislative Decree n. 58 of 24 February 1998, no transactions have been carried out by the members of the Board of Directors that might be in potential conflict of interests with the Company.

Nota 36 – Additional disclosure to financial instruments and risk management policies

Types of financial risks and corresponding hedging activities
Reply S.p.A. has determined the guide lines in managing financial risks. In order to maximize costs and the resources Reply S.p.A. has centralized all of the groups risk management. Reply S.p.A. has the task of gathering all information concerning possible risk situations and define the corresponding hedge.
As described in the section "Risk management", Reply S.p.A. constantly monitors the financial risks to which it is exposed, in order to detect those risks in advance and take the necessary action to mitigate them.
The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the company.
The quantitative data reported in the following do not have any value of a prospective nature, in particular the sensitivity analysis on market risks, is unable to reflect the complexity of the market and its related reaction which may result from every change which may occur.

Credit risk
The maximum credit risk to which the company is theoretically exposed at 31 December 2021 is represented by the carrying amounts stated for financial assets in the balance sheet.

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

Liquidity risk

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

The two main factors that determine the company's liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.

As described in the Risk management section, Reply S.p.A has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

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

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

Currency risk

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

Interest rate risk

Reply S.p.A. makes use of external funds obtained in the form of financing and invest in monetary and financial market instruments. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the company.

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

Sensitivity analysis

In assessing the potential impact of changes in interest rates, the company separates fixed rate financial instruments (for which the impact is assessed in terms of fair value) from floating rate financial instruments (for which the impact is assessed in terms of cash flows). Floating rate financial instruments include principally cash and cash equivalents and part of debt.

A hypothetical, unfavourable and instantaneous change of 50 basis points in short-term interest rates at 31 December 2021 applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 114 thousand Euros.

This analysis is based on the assumption that there is a general and instantaneous change of 50 basis points in interest rates across homogeneous categories. A homogeneous category is defined on the basis of the currency in which the financial assets and liabilities are denominated.

Fair value hierarchy levels

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

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

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2021, according to the fair value hierarchical assessment level.

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

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The latter, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently, for the purposes of IFRS7 the fair value used by Reply for the exploitation of hedging derivatives contracts in existence as at 31 December 2021 re-enters under the hierarchy profile in level 2.

As at 31 December 2021, there have not been any transfers within the hierarchy levels.

Note 37 - Significant non-recurring transactions

Pursuant to Consob communication no. 6064293 of 28 July 2006, there were no significant non-recurring transaction during 2021.

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

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

Note 39 - Guarantees, commitments and contingent liabilities

Guarantees

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

Commitments

Note that:

- the Domination Agreement contract undersigned in 2010 between Reply Deutschland AG, dominated company, and Reply S.p.A, dominating company, ceased to exist from the date of legal efficacy of the merger for incorporation of Reply Deutschland AG in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euros). On June 2018, the German court took note of the agreement reached between the parties also affected by the agreement related to the merger of the following point. With regard to shareholders who did not join the settlement agreement, in February 2019, the German Court issued a judgment that provides for an increase of 1.81 euros in the price paid per share and an increase of 0.07 euros gross of the dividends paid in 2010-2013. The financial effects on the Group are covered by specific provisions.
- with regards the merger operation for the incorporation of Reply Deutschland AG in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122j of Umwandlungsgesetz find application – German law on extraordinary operations – with reference to the exchange ratio and the corresponding amount in cash. Within three months from the registration of the merger in the Turin Companies Register, each minority shareholder was able to present a petition for the purpose of commencing, in compliance with German law, before a Judge qualified in Germany – who shall have exclusive jurisdiction – the assessment inherent in the Share Swap ratio and the corresponding amount in cash. Some minority shareholders have commenced the aforementioned procedures and, following exchanges with the minority shareholders and their appointed representative, the Company has reached a settlement agreement where the payment of an additional amount. The expenses arising from this agreement amounting to approximately 5 million Euros is covered by specific provisions (please see Note 33). In relation to the above accruals, as a result of the utilizations, the provision for risks has a residual amount of 87 thousand Euros at 31 December 2021.

Contingent liabilities

As an international company, Reply is exposed to numerous legal risks, particularly in the area of product liability, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Company financial position and results. Instead, when it is probable that an overflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Company recognises specific provision for this purpose.

Note 40 - Emoluments to directors, statutory auditors and key management

The fees of the Directors and Statutory Auditors of Reply S.p.A. for carrying out their respective functions, including those in other consolidated companies, are fully explained in the Annual Report on Remuneration annexed herein in the related table.

Note 41 - Events subsequent to 31 december 2021

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

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

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

Annexed tables

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

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

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

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

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

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

COMPANY	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET RESULT	INTEREST	CARRYING VALUE AT 31/12/2021
Protocube Reply S.r.l.	Turin	€	10,200	69,905	56,125	70.00%	1,000
Reply Consulting S.r.l.	Turin	€	10,000	1,431,514	1,377,243	100.00%	3,518,434
Reply Deutschland SE	Guetersloh	€	120,000	70,828,415	(26,600,624)	100.00%	57,855,581
Reply Services S.r.l.	Turin	€	10,000	73,726	(2,835,598)	100.00%	1,000
Reply Inc	Michigan - USA	$	3,406,420	7,440,543	4,098,313	100.00%	2,814,625
Reply Ltd.	London	GBP	54,175	19,840,748	12,543,378	100.00%	11,657,767
Reply Digital Experience S.r.l.	Turin	€	29,407	1,789,867	1,742,277	100.00%	4,227,019
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte - Brasil	R$	650,000	5,086,376	(2,628,278)	98.56%	206,816
Reply Sarl	Luxembourg	€	-	(866,923)	(866,923)	100.00%	12,000
Ringmaster S.r.l.	Turin	€	10,000	1,466,122	1,372,681	50.00%	5,000
Santer Reply S.p.A.	Milan	€	2,209,500	14,716,481	7,802,489	100.00%	11,386,966
Security Reply S.r.l.	Turin	€	50,000	10,589,104	10,421,910	100.00%	392,866
Sense Reply S.r.l.	Turin	€	10,000	2,358,856	1,722,305	90.00%	15,700
Sensor Reply S.r.l. (formerly Envision)	Turin	€	10,000	13,273	(40,184)	100.00%	12,800
Retail Reply S.r.l.	Turin	€	10,000	1,907,280	1,868,755	100.00%	100,000
Spark Reply S.r.l.	Turin	€	10,000	12,039	(86,306)	100.00%	1,042,500
Sprint Reply S.r.l.	Turin	€	10,000	986,160	973,471	100.00%	155,000
Storm Reply S.r.l.	Turin	€	10,000	5,056,887	4,954,719	100.00%	986,000
Syskoplan Reply S.r.l.	Turin	€	3,942	2,074,468	1,956,978	100.00%	949,571
Sytel Reply S.r.l.	Turin	€	115,046	8,924,332	8,399,232	100.00%	5,513,232
Sytel Reply Roma S.r.l.	Turin	€	10,000	4,452,666	4,440,569	100.00%	894,931
TamTamy Reply S.r.l.	Turin	€	10,000	2,221,167	829,286	100.00%	263,471
Target Reply S.r.l.	Turin	€	10,000	2,922,937	2,839,304	100.00%	600,338
Technology Reply Roma	Turin	€	10,000	1,980,531	1,648,495	100.00%	10,000
Technology Reply S.r.l.	Turin	€	79,743	10,456,043	10,157,017	100.00%	216,658
Technology Reply S.r.l. (Romania)	Romania	RON	44,000	2,652,408	1,430,335	100.00%	9,919
Whitehall Reply S.r.l.	Turin	€	21,224	2,975,270	2,839,941	100.00%	160,212
Xenia Reply S.r.l.	Turin	€	10,000	128	(19,872)	100.00%	10,000
Xister Reply S.r.l.	Rome	€	10,000	3,607,189	512,135	100.00%	9,150,465

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

				SUMMARY OF THE AMOUNTS USED IN THE PRIOR THREE FISCAL YEARS	
NATURE/DESCRIPTION	AMOUNT	POSSIBILITY OF UTILIZATION	AVAILABLE	FOR COVERAGE OF LOSSES	OTHER
Capital	4,863,486				
Capital reserve					
Reserve for treasury shares	7,219,996				
Reserve for treasury shares	79,050,601	A,B,C	79,050,601		
Income reserves					
Legal reserve	972,697	B			
Extraordinary reserve	133,583,157	A,B,C	133,583,157		
Surplus merger reserve	6,347,964	A,B,C	6,347,964		
Retained earnings	674,740	A,B,C	674,740		
Reserve for purchases of treasury shares	213,729,403	A,B,C	213,729,403		
Total			**433,385,865**		
Not available amount			-		
Residual available amount			**433,385,865**		
Reserves from transition to IAS/IFRS					
FTA reserve	303,393				
Retained earnings	2,147,961				
Reserve for cash flow hedge	(1,033,305)				
Reserve for treasury shares	(7,219,996)				
IAS reserve	(70,471)				
Accounting expenses according to IAS 32	(770,448)				
	(6,642,866)				

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

Disclosures pursuant to article 149-duodecies by Consob

The following table, prepared in accordance with Art. 149-duodecies of the Regolamento Emittenti issued by Consob, reports the amount of fees charged in 2021 for the audit and audit related services provided by the Audit Firm and by entities that are part of the Audit Firm network. There were no services provided by entities belonging to its network.

(EUROS)	SERVICE PROVIDER	2021 FEES
Audit	PwC S.p.A.	51,825
Audit related services	PwC S.p.A. (1)	12,200
	PwC S.p.A. (2)	32,000
TOTAL		**96,025**

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

Financial statements as at 31 December 2021

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

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

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

of the administration and accounting procedures applied in the preparation of the financial statements for the year ended 2021.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2021 was carried out on the basis of regulations and methodologies defined by Reply prevalently coherent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, an internationally-accepted reference framework.

The undersigned also certify that:

1 the Financial Statements

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

2 the Report on operations includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Turin, 15 March 2022

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

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

Report on the statutory auditors to the shareholders' meeting

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

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

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

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

Supervisory activities on the non-financial reporting process

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

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

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

Self-assessment of the Board of Statutory Auditors

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

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

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

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

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

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

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

* * *

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

1. Transactions of greater economic and financial importance.
We have obtained timely and adequate information from the Directors regarding the most important economic, financial and equity transactions carried out by the Company and/or its subsidiaries during the 2021 financial year or following year-end.
These transactions, for which the Board has no observations, are adequately indicated in the documentation concerning the financial statements submitted for your approval.

2. Possible existence of atypical and/or unusual transactions, including intra-group and related party transactions
The documents submitted for your approval, the information received during the meetings of the Board of Directors and those received from the Chairman and the Chief Executive Officer, the management, the Boards of Statutory Auditors, where present, of the companies directly controlled by Reply S.p.A. and the independent auditor, have not shown the existence of atypical and/or unusual transactions, including intra-group transactions or with related parties, implemented in the 2021 financial year, nor after the year-end close.

With reference to intra-group transactions, we inform you that during the 2021 financial year Reply S.p.A.:

- has purchased professional services related to revenue related contracts signed with third-party customers from group companies;
- issued guarantees in favour of subsidiaries;
- S.p.A. has granted its subsidiaries loans without constraint of purpose aimed at supporting their activities;
- provided subsidiaries with strategic management services, administrative services, marketing and quality management, management services;
- centrally managed the group treasury of Italian companies through transaction accounts in name of the individual subsidiaries;
- has granted the companies of the group the use of the proprietor "REPLY" trademark;
- has acquired from subsidiaries "office services" (equipped office spaces and secretarial services).

The transactions with other related parties during 2021 relate to compensation to directors, statutory auditors, and managers with strategic responsibilities and to "office services" for the use of the building of the Turin office, Corso Francia 110, provided by Alika S.r.l..

For these transactions, the Procedure for Transactions with Related Parties has not been applied as they are exempt transactions as defined respectively by articles 4.1 and 4.4 of the Procedure.
Between the end of 2021 and the beginning of 2022, a transaction of minor importance, as defined pursuant to the Procedure, concerning the use of a property located in London, was submitted to the Committee for examination.

The procedure for transactions with related parties, adopted by Reply's Board of Directors on 11 November 2010, was updated by Board resolution of 21 June 2021 to take into account the amendments made to the Related Party Transactions Regulation by Consob resolution no. 21624 of 10 December 2020.

3. Information provided in the annual report on atypical and/or unusual transactions, including intra-group and related transactions.
The information provided by the Directors in the Report on Operations accompanying the Financial Statements as at 31 December 2021 and in the Notes to the Consolidated Financial Statements of the Reply Group and to the Financial Statements as at 31 December 2021 regarding the most significant transactions from an economic, financial and earnings standpoint, as well as transactions with subsidiaries, associated companies and related parties, are adequate.

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

4. Considerations and proposals on the notes and requests for information contained in the Report of the Independent Auditor.
The Board of Statutory Auditors examined the following reports prepared by the statutory auditor PricewaterhouseCoopers S.p.A.:

- the reports on the audit of the financial statements and on the audit of the consolidated financial statements issued on 31 March 2022 pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) No 537/2014;
- the additional report issued, on 31 March 2022, pursuant to Article 11 of the aforementioned Regulation, to the Board of Statutory Auditors as internal control and audit committee
- The aforementioned audit reports show that:
- the separate financial statements and consolidated financial statements of the Reply Group have been prepared in accordance with the international accounting standards IAS/IFRS issued by the International Accounting Standards Board and adopted by the European Union, in force on 31 December 2021, as well as in accordance with the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 and subsequent amendments and additions;
- the separate financial statements and the consolidated financial statements of the Reply Group are clearly prepared and represent truthfully and fairly the financial position, the economic result and cash flows for the year ended 31 December 2021;
- the separate financial statements and the consolidated financial statements have been

prepared in XHTML format in accordance with the provisions of delegated Regulation (EU) 2019/815 of the European Commission on regulatory technical standards relating to the specification of the Single Electronic Format (ESEF).

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

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

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

- the main aspects of the audit;
- the levels of significance for the consolidated and separate financial statements;
- the audit plan;
- the area and method of consolidation;
- the auditing methodology and valuation methods applied in the consolidated and separate financial statements;
- the areas of focus relating to the consolidated financial statements and the separate financial statements;
- the activities carried out by the audit team.

In the same document, the independent auditor also attested that no significant audit differences were detected on the consolidated and separate financial statements, nor have significant deficiencies in the internal control system in relation to the financial reporting process been identified, listing the mandatory disclosures made to the corporate bodies, and finally acknowledging that, from the checks on the regular bookkeeping and the correct detection of management facts in the accounting records, no significant aspects have emerged to be reported.

The Board of Statutory Auditors examined the declaration on the independence of the independent auditor, in accordance to Article 17 of Legislative Decree 39/2010, issued on 31 March 2022, which does not highlight situations that have compromised independence or causes of incompatibility, pursuant to articles 10 and 17 of the same decree and the related implementing provisions.

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

No complaints have been acknowledged pursuant to Article 2408 of the Italian Civil Code in 2020 and at the date of this report.

6. Filed complaints/lawsuits.

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

7. Possible assignment of further tasks to the company in charge of the statutory audit and related costs.

During 2021, in addition to the statutory audit of the financial statements at 31 December 2021, PricewaterhouseCoopers S.p.A. was appointed with the following assignments for audit related services:

ASSIGNMENT	FEE €/000
Attestation of tax returns (Modelli Unico, IRAP, 770) of Reply S.p.A.	3.2
Attestation of tax returns for Reply S.p.A.'s subsidiaries (modelli Redditi, IRAP, 770)	28.5
Limited review of the Consolidated Disclosure of Non-Financial information ex D.Lgs. 254/2016	32
Report on the prospectus of The Research and Development costs of Logistics Reply S.r.l for the financial year 2020	18.5
Agreed verification procedures aimed at confirming compliance with Reply S.p.A.'s accounting records of the turnover details declared in the technical offer formulated for Poste Italiana's tender	9
Agreed verification procedures aimed at confirming compliance with the accounting records of Reply Public Sector Consortium of the turnover details declared in the technical offer formulated for Poste Italiana's tender	1.5

8. Possible assignments to subjects linked to the company in charge of the statutory audit, from ongoing relationships and related costs.

During 2021, the following were assigned:

ASSIGNMENT	FEE €/000
PricewaterhouseCoopers US has been appointed to support Reply Inc for the identification of incentive plans for the management of companies subject to acquisition.	18
PricewaterhouseCoopers GmbH has been appointed to issue an ISAE 3000 report on Reply AG's capital cover for its transformation into a European Company.	10
PricewaterhouseCoopers GmbH has been appointed to issue an ISAE 3000 report on the Capital Cover of Cluster Reply GmbH & Ko. KG for the transformation of the same from the corporate form of "partnership" to the corporate form of "corporation"	9

9. Indication of the existence of opinions issued in accordance with the law during the financial year.

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

10. Indication of the frequency and number of meetings of the Board of Directors and the Board of Statutory Auditors.

During the year, the Board of Directors held 6 meetings and the Board of Statutory Auditors held 16 meetings.

The Control and Risk Committee met no. 5 times, the Remuneration Committee no. 5 times, the Committee for Transactions with Related Parties (identified within the Control and Risk Committee) met no. 1 time.

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

11. Considerations on compliance with the principles of sound administration

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

12. Considerations on the adequacy of the organisational structure

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

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

The Board of Statutory Auditors also points out that:

- the Chairman of the Company is the recipient of executive powers substantially similar to those of the Chief Executive Officer;

- the extension of these delegations allows their holders a substantial executive capacity to manage independent of board resolutions;
- this executive management capacity, in the absence of a strategic industrial plan approved by the Board of Directors, implies that the strategic guidelines are in fact dictated by the company management.

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

The Standing Auditors acknowledge that the executive directors report promptly on the activities carried out and on the transactions of greater economic and financial importance as provided for in Article 150 of the TUF. In accordance with the provisions of Recommendation no. 13 of the Corporate Governance Code, the Board of Directors has appointed an Independent Lead Director.
The Board of Statutory Auditors has also examined the documentation concerning the additional components of the overall organisational structure of Reply S.p.A. and took note of the existence of:

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

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

13. Considerations on the adequacy of the internal control system

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

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

- during the year, the head of the Internal Audit function, the Control and Risk Committee and the Supervisory Body maintained the necessary functional and informative relations on the methods of carrying out the evaluation, supervision and control tasks entrusted to them concerning, as far as their respective competences are concerned, the adequacy, operation and effective functioning of the internal control and risk management system, as well as the results of the verification activities carried out by the Internal Audit function, in accordance with the audit plan approved by the Board of Directors, and the risk assessment carried out by the Company with the support of a specialised Reply Group company;
- the Company has described in the Report on corporate governance and ownership structures, the main characteristics of the internal control and risk management system and the methods of coordination between the subjects involved, indicating the national and international models and best practices of reference;
- the Company carried out the annual edition of the risk assessment process, with the involvement of the company departments concerned, which involved the identification of the main corporate risks. The methodology used made it possible to identify and evaluate what have been defined as "Top Risks" that the Board of Directors has considered, net of the mitigation actions proposed by the Management, compatible with a management of the company consistent with the Group's strategic objectives. During the year, the analyses were enriched by benchmarking on the so-called "risk factors" publicly declared in financial reports by non-Italian companies comparable with Reply both in size and in business sector. This analysis found and confirmed the results of the internal project, at the same time allowing to refine the perimeter of some risks and the analysis of the related containment actions in place. The 2021 Annual Report describes, as required by law, the main risk factors of the Reply Group.

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

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

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

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

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

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

The Board of Statutory Auditors has taken note that the Data Protection Officer, during the periodic discussions, has not highlighted any critical elements to be reported in this report. The Board has not received any news of reporting violation of the Organization and Management Model pursuant to Legislative Decree 231/01 by the Supervisory Body. Overall, in sharing and appreciating the initiatives launched by management in the field of Risk Management and Internal Control System, the Board recommends the timely completion of its implementation with a view to the evolution of a progressive advancement of its development. The Board considers that there are no further elements to be brought to the attention of the Shareholders- Meeting.

The Board of Statutory Auditors points out that the Chairman, favourable with the initiative of the Control and Risk Committee, has promoted the request to proceed with an external assessment of the degree of adherence to the International Standards for the professional practice of Internal Audit (EQR) whose version in Italian is published by the Italian Internal Audit Association (AIIA).

The Board of Statutory Auditors considers it useful to note that the EQR external evaluation has shown the need to expand the function’s interventions in the areas of “operations” and anti-fraud, provided for by international standards. The Board recommends the implementation of a gradual and timely structured plan, in order to fully comply with international standards and greater compliance with the specific recommendation regarding the Corporate Governance Code to which the Company has adhered. Finally, the Board entirely agrees with the recommendation that emerged from the external evaluation to attribute the hierarchical dependence of the Head of Internal Audit to an Independent Director with specific knowledge of Internal Audit and Risk Management methodologies and techniques, in order to guarantee substantial independence from the company management and the allocation of the resources necessary for the performance of the mandate.

14. Considerations on the administrative accounting system

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

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

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

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

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

15. Instructions given by the company to its subsidiaries pursuant to art. 114, paragraph 2 of Legislative Decree 58/1998.
The instructions given by Reply S.p.A. to subsidiaries, pursuant to the second paragraph of Article 114 of Legislative Decree 58/1998 appear to be adequate; similarly, the subsidiaries provided the Parent Company with the necessary information for its timely knowledge of the business situation.

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

We further advise you that:
- the Chairman of Reply S.p.A.'s Board of Directors, Mr. Mario Rizzante, is the Director of the English subsidiaries Reply Ltd., Breed Reply Ltd, Breed Reply Investments Ltd., Director of the American subsidiary Valorem Reply LLC and is also a member of the Supervisory Board of Reply Deutschland SE (formerly Reply AG);
- Tatiana Rizzante, Chief Executive Officer, is Director of the English subsidiary Reply Ltd, Airwalk Holdings Reply Limited, Airwalk Consulting Reply Limited, AWC Partners Reply Limited and Managing Director of the German subsidiaries and the subsidiary Reply Deutschland SE (formerly Reply AG).;
- Filippo Rizzante, Executive Director holds office as Vice President of Ringmaster S.r.l. among other offices as Director in several English companies.

16. Significant issues that emerged during the meetings held with the Independent Auditor pursuant to Article 150 paragraph 3 of Legislative Decree 58/1998.
During the meetings held with the representatives of the auditing firm, no acts or facts deemed to be reprehensible or relevant emerged or are worthy of mention pursuant to art. 155, paragraph 2, of Legislative Decree 58/1998.

17. Compliance of the company to the corporate governance code of the Committee for the Corporate Governance of Listed Companies.
Since 2000, the Company has adhered to the Corporate Governance Code, which was last revised in January 2020 and entered into force in 2021.

On March 15, 2022, the Board of Directors approved the annual report commenting on the Corporate Governance and Ownership Structure prepared pursuant to art. 123-bis of Legislative Decree 58/1998.

In this regard, the Board acknowledges that during 2021, in a progressive manner over time, the Company has started the process of adapting to the new recommendations provided for by the Code and, in particular, the Board of Directors:

- approved a Regulation for the functioning of the Board of Directors;
- adopted its ESG Green Approach;
- established the Board of Sustainability Committee;
- approved the document entitled "Succession plans for the Chief Executive Officers, the CFO and the executive directors and top management";
- adopted a Policy for the management of discussions with all shareholders;
- appointed the Secretary of the Board of Directors.

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

As recommended by the Corporate Governance Code, in defining the remuneration of executive directors, the Board of Directors took into account the remuneration practices widespread in the reference sector and for companies of similar size and also considered comparable foreign experience using, on the proposal of the Remuneration Committee and with the incentive of the Board of Statutory Auditors, of an independent consultant.

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

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

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

We note that:

- the Financial Statements as at 31 December 2021 were prepared in compliance with European Regulation No. 1606/2002 of 19 July 2002, in compliance with International Financial Reporting Standards (IAS/IFRS).
- the Consolidated Annual Financial Report at 31 December 2021 was prepared in electronic format, in accordance with the provisions of European Regulation 815/2018 so-called "ESEF".

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

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

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

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

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

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

The Board acknowledges the existence of the organizational conditions for compliance with the statutory rules, law and regulations governing the matter, and the continuous evolution and search for improvement.
In particular, it is made known to shareholders that:

- we have supervised compliance with the law of the Procedure for Transactions with Related Parties, initially approved by the Board of Directors of Reply S.p.A. on 11 November 2010 and subsequently amended on 14/05/2015, 02/08/2018 and 21/06/2021, and supervised its compliance;
- we have verified the correct application of the criteria adopted by the Board of Directors in assessing the existence of the conditions of independence of the "independent directors";

- we monitored, when requested, compatibility with legal restrictions on services other than the audit of the annual and consolidated accounting records provided by the Independent Auditor to Reply S.p.A. and to its subsidiaries;
- we monitored compliance with the provisions of art. 17, paragraph 4, of Legislative Decree 39/2010 and in this regard, we inform you that the new key manager for the review of the financial statements of Reply S.p.A. is Mrs. Monica Maggio;
- we verified and monitored the independence of the independent auditing firm PricewaterhouseCoopers S.p.A. pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and article 8 of Regulation (EU) 537/2014;
- we have verified the correct fulfilment of the obligations related to the Covid-19 health emergency;
- We verified compliance with the laws on "Market abuse" and "Protection of savings" in matters of corporate disclosures of information and "Internal Dealings" based on the information provided by the Company.

On the basis of the supervisory activities carried out during the year, the Board does not identify reasons impeding the approval of the financial statements at 31 December 2021 and the resolution proposals formulated by the Board of Directors.

Rome-Turin, 31 March 2022

THE STATUTORY AUDITORS

(Dott. Ciro Di Carluccio)

(Prof. Piergiorgio Re)

(Dott.ssa Ada Alessandra Garzino Demo)

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 SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

Independent auditor's report

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

To the shareholders of Reply SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reply SpA (the "Company"), which comprise the statement of financial position as of 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

www.pwc.com/it

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the recoverability of equity investments in subsidiaries *Note 21 to the financial statements "Equity investments"* The value of equity investments in subsidiaries as of 31 December 2021 amounted to Euro 141 million. These investments are carried at cost adjusted for impairment losses. Company's management tests the equity investments for potential impairment by comparing the carrying amount with the recoverable amount in accordance with IAS 36 (impairment test), when there is any indication of impairment based on which the value of the investments is expected to be recovered with difficulty. The assessment required Company's management to perform with the support of external experts, complex estimations which are mainly based on assumptions affected by economic and market conditions which are hard to foresee, especially in relation to the determination of market multiples, expected cash flows, discount and growth rates to be used for estimating the terminal value. Considering the significance of this items representing approximately 12% of Company's total assets and taking into account the complexity of the evaluation process, we identified the evaluation of equity investment's recoverability as a key audit matter.	We gained an understanding and assessed the procedures adopted by management in order to verify the compliance with the requirements of IAS 36. We analysed the Company's management expert report with a focus on market multiples. We also verified the reasonability of Company's management assumptions used to estimate the expected cash flows and the mathematical accuracy of the calculations performed to determine the equity investments fair value and value in use. We then verified the coherence of the expected cash flows used in the impairment test with the ones approved by the Board of Directors. During the tests performed by us, including those to assess whether the estimation method and the discount and growth rates used by management complied with the previsions of IAS 36 and the standard evaluation practice, we were supported by PwC network experts. Lastly, we verified the adequacy of the financial disclosure based on international financial reporting standards requirements, also considering information and data obtained during our audit.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

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

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

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

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

The directors of Reply SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Reply SpA as of 31 December 2021, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Reply SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Reply SpA as of 31 December 2021 and are prepared in compliance with the law.

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

Turin, 31 March 2022

PricewaterhouseCoopers SpA

Signed by

Monica Maggio
(Partner)

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

CORPORATE INFORMATION

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

CORPORATE DATA
Capitale Sociale: Euro 4.863.485,64 i.v.
Codice Fiscale e R.I. di Torino n. 97579210010
Partita IVA 08013390011
REA di Torino 938289

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

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