CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Consolidated Income Statement (*)

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

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Consolidated statement of income are reported in the Annexed tables herein and fully described in Note 38.

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position (*)

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

(*) Pursuant to Consob Regulation No. 15519 of 27 July 2006, the effects of related-party transactions on the Statement of Financial Position are reported in the annexed Tables and further described in Note 38.

Consolidated Statement of Changes in Equity

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/ (LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2022	**4,863**	**(7,220)**	**299,533**	**527,724**	**(1,033)**	**(3,032)**	**(7,566)**	**2,625**	**815,895**
Dividends distributed	-	-	-	(29,760)	-	-	-	(875)	(30,635)
Change in own shares	-	(9,902)	-	-	-	-	-	-	(9,902)
Total profit (loss)	-	-	-	191,016	3,632	(627)	6,963	1,168	202,152
Other changes	-	-	-	(4,301)	-	-	-	(1,340)	(5,641)
On 31 December 2022	**4,863**	**(17,122)**	**299,533**	**684,679**	**2,599**	**(3,659)**	**(603)**	**1,579**	**971,869**

(THOUSAND EUROS)	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVES	EARNING RESERVES	CASH FLOW HEDGE RESERVE	TRANSLATION RESERVE	RESERVE FOR ACTUARIAL GAINS/ (LOSSES)	NON-CONTROLLING INTERESTS	TOTAL
On 1 January 2023	**4,863**	**(17,122)**	**299,533**	**684,679**	**2,599**	**(3,659)**	**(603)**	**1,579**	**971,869**
Dividends distributed	-	-	-	(37,278)	-	-	-	(1,120)	(38,398)
Total profit (loss)	-	-	-	186,699	(849)	(1,146)	(1,150)	1,761	185,315
Other changes	-	-	-	(1,727)	-	-	-	(336)	(2,063)
On 31 December 2023	**4,863**	**(17,122)**	**299,533**	**832,373**	**1,750**	**(4,805)**	**(1,753)**	**1,883**	**1,116,723**

Consolidated Statement of Cash Flows

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

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

Notes to the Financial Statements

Note 1 - General information

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

Note 2 – Accounting principles and basis of consolidation

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

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

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

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

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

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

BASIS OF CONSOLIDATION

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

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

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

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

Investments in associate companies

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

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

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

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

Foreign currency transactions

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

Consolidation of foreign entities

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

The following table summarizes the exchange rates used in translating the 2022 and 2021 financial statements of the foreign companies included in consolidation:

	AVERAGE 2023	ON 31 DECEMBER 2023	AVERAGE 2022	ON 31 DECEMBER 2022
GBP	0.86979	0.86905	0.85276	0.88693
Brazilian Real	5.401	5.3618	5.4399	5.6386
Rumenian Leu	4.9467	4.9756	4.9313	4.9495
US Dollar	1.0813	1.105	1.053	1.0666
Chinese Yuan	7.66	7.8509	7.0788	7.3582
Polish Zloty	4.542	4.3395	4.6861	4.6808
Kuna	-	-	7.5349	7.5345
Hong Kong Dollar	8.465	8.6314	8.2451	8.3163
New Zealand Dollar	1.7622	1.7504	1.6582	1.6798
Singapore Dollar	1.4523	1.4591	1.4512	1.43
Malaysian Ringgit	4.932	5.0775	4.6279	4.6984

Tangible assets

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

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

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

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

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

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

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

Assets held under finance leases, which provide the Group with substantially all the risks and rewards of ownership, are recognized as assets of the Group at their fair value or, if lower, at

the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a debt. The assets are amortized over their estimated useful life or over the duration of the lease contract if lower.
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Goodwill

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

RoU assets

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

Contracts that are within the scope of IFRS 16 relate mainly to:

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

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

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

Other intangible assets

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

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

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

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

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

Intangible assets with indefinite useful lives

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset is the higher of fair value, less disposal costs and its value in use. In assessing its value in use, the pre-tax estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Its value in use is determined net of tax in that this method produces values largely equivalent to those obtained by discounting cash flows net of tax at a pre-tax discount rate derived, through an iteration, from the result of the post-tax assessment. The assessment is carried out for the individual asset or for the smallest identifiable group of cash generating assets deriving from ongoing use, the so-called Cash generating unit.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where the value of the Cash generating unit, inclusive of goodwill, is higher than the recoverable value, the difference is subject to impairment and attributable firstly to goodwill; any exceeding difference is attributed on a pro-quota basis to the assets of the Cash generating unit.

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

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

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

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

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

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

In these cases:

(i) interest income determined using the effective interest rate, foreign exchange differences and any impairment losses (see the accounting policy for "Impairment of financial assets") are recognized in the profit and loss account;

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

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

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

Transfer of financial assets

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

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

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

Work in progress

Work in progress mainly comprises construction contracts; when the result of a specific order can be reliably estimated, proceeds and costs referable to the related order are indicated as proceeds and costs respectively in relation to the state of progress of activities on the date of closure of the financial statement, based on the relationship between costs sustained for activities taking place up to the date of the financial statement and total costs estimated from the order, except for that which is not considered as representative of the state of progress of the order.
Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.
When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Any advance payments are subtracted from the value of work in progress within the limits of the contract revenues accrued; the exceeding amounts are accounted as liabilities.
Product inventories are stated at the lower of cost and net realizable value. Cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Trade payables and receivables and other current assets and liabilities

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

Cash

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

Treasury shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and proceeds of any subsequent sale are presented as movements in equity.

Financial liabilities and equity investments

Financial liabilities and equity instruments issued by the Group are presented according to their substance arising from their contractual obligations and in accordance with the definitions of financial liabilities and equity instruments. The latter are defined as those contractual obligations that give the right to benefit in the residual interests of the Group's assets after having deducted its liabilities.
Financial liabilities, other than derivative instruments, are presented initially at fair value of the sums collected, corrected to any transaction costs directly attributable, and subsequently valued at amortized cost using the effective interest criterion. For short-term liabilities, such as commercial debts, the amortized cost actually coincides with the nominal value.

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

- Bank borrowings

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

- Equity instruments

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

- Non-current financial liabilities.

Liabilities are stated according to the amortization cost.

Derivative financial instruments and other hedging transactions

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

All derivative financial instruments are measured in accordance with IFRS 9 at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to the Group's contractual commitments and forecast transactions are recognized directly in Shareholders' equity, while any ineffective portion is recognized immediately in the Income Statement.

If the hedged company commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognized, associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the income statement in the same period in which the hedge commitment or forecasted transaction affects net profit or loss, for example, when the future sale actually occurs.

For effective hedging against a change in fair value, the hedged item is adjusted by the changes in fair value attributable to the risk hedged with a balancing entry in the Income Statement. Gains and losses arising from the measurement of the derivative are also recognized at the income statement.

Changes in the fair value of derivative financial instruments that no longer qualify as hedge accounting are recognized in the Income Statement of the period in which they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction is no longer expected to occur; the net cumulative gain or loss recognized in equity is transferred to the net profit or loss for the period.

Implicit derivatives included in other financial instruments or in other contractual obligations are treated as separate derivatives, when their risks and characteristics are not strictly related to the underlying contractual obligation and the latter are not stated at fair value with recognition of gains and losses in the Income Statement.

Employee benefits
The scheme underlying the employee severance indemnity of the Italian Group companies (the TFR) was classified as a defined benefit plan up until 31 December 2006. The legislation regarding this scheme was amended by Law No. 296 of 27 December 2006 (the "2007 Finance Law") and subsequent decrees and regulations issued in the first part of 2007. In view of these changes, and with specific reference to those regarding companies with at least 50 employees, this scheme only continues to be classified as a defined benefit plan in the Consolidated financial statements for those benefits accruing up to 31 December 2006 (and not yet settled by the balance sheet date), while after that date the scheme is classified as a defined contribution plan.

For Italian companies with less than 50 employees, severance pay ("TFR") remains a "post-employment benefit", of the "defined benefit plan" type, who's already matured amount must be planned to estimate the amount to settle at the time of annulment of working relations and subsequently updated, using the "Projected unit credit method". Such actuarial methodology is based on an assumption of demographic and financial nature in order to carry out a reasonable estimate of the amount of benefits that each employee had already matured based on his employment performances.

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

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

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

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

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

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

Provisions and reserves for risks

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

Provisions are recognized when the Group has a present commitment arising from a past event and it is probable that it will be required to fulfil the commitment. Provisions are accrued at the best estimate of the expenditure required to settle the liability at the balance sheet date, and are discounted when the effect is significant.

Revenue recognition

Revenues represent the gross flows of economic benefits for the year deriving from the performance of the ordinary business.

Revenue from contracts with customers is recognized on the basis of the following steps pursuant to IFRS 15:

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

A promised good or service is transferred when (or as) the customer obtains control of it. Control can be transferred over time or at a point in time.

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

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

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

In determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. The promised amount of consideration is not adjusted for the effect of the significant financing component if, at contract inception, it is expected that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
Revenue recognition can generate the accounting of an asset or liability deriving from contracts. More specifically:

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

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

Taxation
Income tax represents the sum of the tax currently payable and deferred tax.
The tax currently payable is based on taxable profit for the year. Taxable profit defers from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.
Current income tax is entered for each individual company based on an estimate of taxable income in compliance with existing legislation and tax rates or as substantially approved at the period closing date in each country, considering applicable exemptions and tax credit.

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

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

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

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

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

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

Dividends

Dividends are entered in the accounting period in which distribution is approved.

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

Changes in accounting policies
The accounting standards newly adopted by the Group and their effects are described in the following paragraph " "Newly issued accounting standards". There have been no further changes further to those described in the above paragraph.

Estimations changes and adjustments
At the reporting date there are no significant estimations related to uncertain future events and other causes of uncertainty that could cause significant adjustments to the values of assets and liabilities within the following year.

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

The estimates are mainly referred to:

Goodwill
Checking for the reduction in the value of goodwill is carried out by comparing the book value of the cash flow generating units and their recoverable value; the latter is represented by the greater of the fair value, minus the selling costs, and the value in use of the same unit. This complex valuation process involves, among other things, the use of methods such as discounted cash flow with the related assumptions on the estimation of cash flows and the determination of market multiples. The recoverable value depends on the discount rate used in the discounted cash flow model as well as the expected cash flows in the future and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable value for the different cash flow generating units, including a sensitivity analysis, are detailed in the Goodwill Note.

Equity investments

The fair value of investments in other non-controlling companies is, in line with the provisions of the International Private Equity and Venture Capital valuation guideline (IPEV), determined both by valuation models that also take into account subjective valuations such as, for example, those estimates of cash flows, and on the basis of external information such as multiples and quotes provided by new investment rounds.

Trade receivables and work in progress

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

Business combinations and due to minority shareholders and earn-out

The recognition of business combinations entails the recognition of the assets and liabilities of the acquired company at their fair value on the date of acquisition of control as well as the possible recognition of goodwill. The determination of these values is carried out through a complex estimation process.

Due to minority shareholders and earn-out represents the valuation of the obligations assumed by the Reply Group as part of the acquisitions made. These liabilities are linked either to the commitments to purchase shares from minority shareholders or to the deferred component of the consideration to be paid to the sellers – Earn-out. These liabilities are remeasured at fair value at each balance sheet date and adjusted through the income statement. The fair value of the liabilities is determined on the basis of evaluation models based on the acquisition contracts and on the economic and financial parameters derived from the budgets of the acquired companies. These are therefore also based on subjective assessments such as, for example, estimates of future cash flows.

Lease liabilities and Right of use assets

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

Provisions, contingent liabilities and employee provisions

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

Derivative instruments and equity instruments

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

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

Recently issued accounting standards

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

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

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

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

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

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

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

Accounting standards not yet approved by the European Union

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

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

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

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

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

Note 3 - Risk management

The Group operates at a worldwide level and for this reason its activities are exposed to various types of financial risks: market risk (broken down in exchange risk, interest rate risk on financial flows and on “fair value”, price risk), credit risk and liquidity risk.

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

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

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

Exchange rate and interest rate risk

The Group entered into most of its financial instruments in Euros, which is its functional and presentation currency. Although it operates in an international environment, it has a limited exposure to fluctuations in the exchange rates.
The exposure to interest rate risk arises from the need to fund operating activities and M&A investments, as well as the necessity to deploy available liquidity. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.
The interest rate risk to which the Group is exposed derives from bank loans; to mitigate such risks, the Group, when necessary, has used derivative financial instruments designated as "cash flow hedges".
The use of such instruments is disciplined by written procedures in line with the Group's risk management strategies that do not contemplate derivative financial instruments for trading purposes.

Note 4 - Consolidation

Companies included in consolidation are consolidated on a line-by-line basis.
There are no changes in consolidation compared to 31 December 2022 with exception of the exit of WM Reply LLC.
Furthermore, the list of the Reply Group companies, compared to 31 December 2022, presented as an annex herein include the start-up companies Aim Reply Ltd, Atomic Reply Ltd, Business Reply P.S. S.r.l., Logistics Reply Roma S.rl., Reply Croatia d.o.o., Shield Reply S.r.l., Shield Reply Ltd, Sprint Reply Ltd, Storm Reply LLC, Storm Reply Roma S.rl., Tender Reply S.r.l., WM Reply S.r.l.

Note 5 - Revenue

Revenues from sales and services, including changes in work in progress on contracts, amounted to 2,117,983 thousand Euros (1,891,114 thousand Euros in 2022).
This item includes consulting services, fixed price projects, assistance and maintenance services and other minor revenues.
The following table shows the percentage breakdown of revenues by geographic area. Moreover, the breakdown reflects the business management of the Group by Top Management and the allocation approximates the localization of services provided:

REGION (*)	2023	2022
Region 1	62.1%	63.5%
Region 2	19.9%	19.2%
Region 3	18.0%	17.3%
IoT Incubator	0.0%	0.0%
Total	**100.0%**	**100.0%**

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

Disclosure required by IFRS 8 ("Operating segment") and breakdown of revenues by type are provided in Note 36 herein.

Note 6 - Other revenues

Other revenues, amounted to 23,947 thousand Euros (19,452 thousand Euros in 2022), and referred to miscellaneous income, non-recurring income and R&D contributions.

Note 7 - Purchases

Detail is as follows:

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

Purchases of Software licenses and Hardware licenses for resale are recognized net of any change in inventory.
The item Other includes the purchase of fuel for 4,322 thousand Euros, the purchase of low value assets for 1,248 thousand Euros and the purchase of office stationery for 571 thousand Euros.

Note 8 - Personnel

Detail is as follows:

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

The increase in the cost of employees, amounting to 152,587 thousand Euros, is attributable to the increase in the number of employees due to an overall increase in the Group's business.

Detail of personnel by category is provided below:

(NUMBER)	2023	2022	CHANGE
Directors	436	418	18
Managers	1,724	1,438	286
Staff	12,638	11,611	1,027
Total	**14,798**	**13,467**	**1,331**

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

Note 9 - Service costs

Service costs comprised the following:

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

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

Office expenses include services rendered by related parties referred to service contracts for the use of premises, domiciliation and secretarial services for 4,118 thousand Euros, rent charged by third parties for 5,964 thousand Euros, utility costs for 6,360 thousand Euros, cleaning expenses for 2,846 thousand Euros and maintenance expenses for 1,762 thousand Euros.

Note 10 - Amortization, depreciation and write downs

Depreciation of tangible assets, calculated on the basis of economic-technical rates determined in relation to the residual useful lives of the assets, resulted in an overall charge as at 31 December 2023 of 15,698 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization of intangible assets for the year ended 2023 amounted to an overall loss of 16,220 thousand Euros. Details of depreciation are provided in the notes to tangible assets.

Amortization related to right of use assets arising from the adoption of IFRS 16 amounted to 32,210 thousand Euros.

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

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

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

- Other operating non-recurring income/(expenses): 1,485 thousand Euros related to net negative changes in the provision for risks and charges for contractual, commercial and litigation risks and to provisions allocated to adjust assets. In particular, this item includes the provision of 6,700 thousand Euros, relating to the liability disclosed in the paragraph "Significant events occurring after the end of the financial year" to which reference is made, in relation to such event there is a possible liability, currently unquantifiable linked to any civil actions;
- Other non-operating and non-recurring income/(expenses): positive 15,858 thousand Euros related to the fair value adjustment of the liability relating to the deferred consideration for the purchase of investments in subsidiaries (Business combinations) which, for their nature, did not impact EBITDA.

Note 12 - (Loss)/gain on investments

This item amounting to negative 13,877 thousand Euros is related to the fair value adjustments to equity investments in start-up companies made by the Investment company Breed Reply Investments Ltd.

Note 13 - Financial income/(expenses)

Detail is as follows:

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

Financial income mainly includes positive interest on financial investments amounting to 1,039 thousand Euros, positive interest on convertible loans amounting to 176 thousand Euros and interest on bank deposits amounting to 5,227 thousand Euros.

Interest expenses mainly include expenses related to loans for M&A operations.

The item Other includes:

- the interest expenses arising from the adoption of the International Accounting Standard IFRS 16 for 3,503 thousand Euros (3,000 thousand Euros at 31 December 2022);
- the changes in fair value of financial liabilities pursuant to IFRS 9 in a negative net gain of 2,142 thousand Euros (positive 785 thousand Euros at 31 December 2022);
- the exchange rate differences from the translation of balance sheet items not stated in Euros in a negative net gain of 3,580 thousand Euros (positive 1,542 thousand Euros at 31 December 2022);
- the net changes in fair value of Convertible Loans for negative 341 thousand Euros (positive 416 thousand Euros at 31 December 2022);
- the financial losses related to the fair value adjustments of the investments mainly held by the parent company Reply amounting to 1,063 thousand Euros (negative 3,311 thousand Euros at 31 December 2022).

Note 14 - Income taxes

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

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

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

The reconciliation between the tax charges recorded in the consolidated financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rate in effect in Italy, is the following:

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

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

Note 15 - Earnings per share

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

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

The basic earnings per share and diluted earnings per share are the same as there are no financial instruments potentially convertible in shares (stock options).

Note 16 - Other information

Pursuant to Article 1, paragraph 125 of Law 124/2017, the Group has received the following public contributions in 2023:

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

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

PUBLIC GRANTS

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

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

Note 17 - Tangible assets

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

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

Change in tangible assets during 2023 is summarized below:

(THOUSAND EUROS)	BUILDINGS	PLANT AND MACHINERY	HARDWARE	OTHER	TOTAL
Historical cost	63,130	19,856	54,598	54,562	192,147
Accumulated depreciation	(4,538)	(13,191)	(42,496)	(33,852)	(94,078)
31/12/2022	**58,592**	**6,665**	**12,102**	**20,710**	**98,069**
Historical costs					
Increases	13,884	912	8,672	4,215	27,683
Disposals	(14)	(642)	(13,439)	(5,350)	(19,445)
Change in consolidation	-	-	(214)	(132)	(346)
Other changes	177	(5)	(4)	(1,117)	(949)
Accumulated depreciations					
Increases	(1,143)	(1,891)	(7,692)	(4,974)	(15,700)
Disposals	-	624	13,194	4,139	17,957
Change in consolidation	-	-	162	118	279
Other changes	(62)	96	(289)	904	649
Historical cost	77,177	20,121	49,613	52,179	199,090
Accumulated depreciation	(5,743)	(14,363)	(37,121)	(33,666)	(90,893)
31/12/2023	**71,434**	**5,759**	**12,491**	**18,513**	**108,197**

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

The item Buildings mainly includes:

- the net value of a building owned by the group amounting to 4,760 thousand Euros located in Guetersloh, Germany.
- the real estate complex located in Turin and called "ex Caserma De Sonnaz" in the amount of 41,161 thousand Euros, that after proper renovation will be used to host the offices of the Group.
- the real estate complex located in Turin – Via Nizza 250 – in the amount of 25,513 thousand Euros that hosts the offices of the Group.

Increases in the item Buildings refers to the restructuring costs of the buldings.

Increase in the item Plant and machinery mainly refers to purchases of general devices and to plant systems for the offices in which the Group operates.

Change in the item Hardware is due to investments made by companies included in Region 1 for 4,768 thousand Euros; 3,077 thousand Euros for purchases made by the companies included in Region 2 and 826 thousand Euros for purchases made by the companies included in Region 3.

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

Note 18 - Goodwill

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

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

Goodwill was allocated to the cash generating units ("CGU"), identified in the Region in which the Group operates (Region 1 includes the CGU related to American companies). The breakdown reflects the business management of the Group by Top Management and is summarized as follows:

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

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

The impairment model adopted by the Reply Group is based on future cash flows calculated using the Discounted cash flow analysis.
In applying this model, Management uses different assumptions, which are applied to the single CGU over two years of extrapolation subsequent to the annual budget, in order to estimate:

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

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

The following assumptions, deterimned also with the support of third party expertise, were used in calculating the recoverable value of the Cash Generating Units:

ASSUMPTION	REGION 1	REGION 2	REGION 3
Terminal value growth rates:	2%	2%	2%
Discount rate, net of taxes:	8.71%	6.95%	8.41%
Discount rate, before taxes:	11.56%	9.93%	11.21%
Multiple of EBIT	11.4	11.4	11.4

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

On 31 December 2023 the difference between the headroom estimated and the book value of the net invested capital inclusive of the goodwill initially recognized, is equal to 416.3% for Region 1,79.5% for Region 2 and 49.8% for Region 3.

Reply has also developed a sensitivity analysis of the estimated recoverable value. The Group considers that the growth rate of revenues and the discount rate are key indicators in estimating the fair value and has therefore determined that:

- a decrease of up to 30% of the revenue growth;
- an increase of 100 basis points in the discount rate.

This analysis would not lead to an excess of the carrying value of the CGU compared to its recoverable value, which tends to be always significantly high.

In addition to the above analyses, for Region 1, which includes US company goodwill for a total amount of 153 million Euros, the company carried out a specific impairment test, which did not reveal any indication that such goodwill may have suffered a loss in value.

Please see below the main assumptions used:

ASSUMPTIONS	REGION 1 – US
Terminal value growth rates:	2%
Discount rate, net of taxes:	8.63%
Discount rate, before taxes:	11.51%
Multiple of EBIT	11.4

Finally, it is appropriate to note that the estimates and budget data to which the above mentioned parameters have been applied are those determined by management on the basis of past performance and expectations of developments in the markets in which the Group operates, also pursuant to CONSOB and ESMA recommendations, significant attention has been placed on the planning process to account for the possible impacts deriving from the current geo-political situation, and to the sensitivity analysis of the recoverable value, which is always significantly higher despite increase in key parameters. Moreover, estimating the recoverable amount of the Cash-Generating Units requires discretion and the use of estimates by Management. The Group cannot guarantee that there will be no goodwill impairment in future periods. Circumstances and events which could potentially cause further impairment losses are constantly monitored by Reply management.

Note 19 - Other intangible assets

Net intangible assets as at 31 December 2023 amounted to 81,509 thousand Euros (105,173 thousand Euros on 31 December 2022).

Other intangible assets are detailed as follows:

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

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

(THOUSAND EUROS)	DEVELOPMENT COSTS	SOFTWARE	TRADEMARK	OTHER INTANGIBLE ASSETS	TOTAL
Historical cost	33,580	27,238	537	120,151	181,506
Accumulated depreciation	(31,158)	(22,346)	-	(22,829)	(76,333)
31/12/2022	**2,422**	**4,892**	**537**	**97,323**	**105,173**
Historical costs					
Increases	2,961	2,776	-	182	5,918
Disposals	-	(4,007)	-	(9)	(4,016)
Other changes	-	(23)	-	(846)	(868)
Accumulated depreciations					
Increases and write-downs	(1,618)	(2,378)	-	(23,301)	(27,298)
Disposals	-	2,265	-	-	2,265
Other changes	-	149	-	188	336
Historical cost	36,541	25,984	537	119,477	182,540
Accumulated depreciation	(32,777)	(22,310)	-	(45,943)	(101,030)
31/12/2023	**3,764**	**3,674**	**537**	**73,535**	**81,509**

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

The item Software mainly refers to software licenses purchased and used internally by the Group companies. This item includes 748 thousand Euros related to software development for internal use in 2023.

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

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

Note 20 - Right of use assets

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

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

The net changes mainly refer to the signing of new financial leasing agreements, resulting in an increase in the value of the right of use, the redetermination of certain liabilities, increases in rents and the renegotiation of existing contracts.

Note 21 - Equity investments

The item Equity investments amounts to 41,373 thousand Euros and includes for 41,155 thousand Euros investments in start-up companies principally in the IoT field made by the Investment company Breed Reply Investments Ltd.
Note that the investments in equity investments mainly held through an Investment Entity are designated at fair value and accounted for in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement" Through Profit & Loss. The fair value is determined using the International Private Equity and Venture Capital valuation guideline (IPEV) and any change therein is recognized in profit (loss) in the period in which they occurred.

Detail is as follows:

(THOUSAND EUROS)	VALUE AT 31/12/2022	NET INCREASES/ DISPOSALS	CONVERSION CONVERTIBLE LOANS INTO EQUITY	NET FAIR VALUE ADJUSTMENTS	EXCHANGE DIFFERENCES	VALUE AT 31/12/2023
Investments	50,823	472	4,394	(13,877)	(657)	41,155

Net fair value adjustments
The net fair value adjustment amounting to 13,877 thousand Euros reflects the market values of the last rounds that took place in 2023 on investments already in portfolio.
All fair value assessments shall be part of the hierarchy level 3.

Note 22 - Financial assets

Current and non-current financial assets amounted to 40,320 thousand Euros compared to 42,314 thousand Euros as at 31 December 2022.

Detail is as follows:

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

Short term securities mainly refer to Time Deposit investments.

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

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

Receivables from factor referred to the receivable related to the sale of non-recourse invoices for 2,700 thousand Euros, net of advances received of 900 thousand Euros.

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

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

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

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

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

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

Cash and cash equivalents are disclosed at Note 27.

Note 23 - Deferred tax assets

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

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

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

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

Note 24 - Work in progress

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

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

Any advance payments from customers are deducted from the value of the work in progress, within the limits of the accrued consideration, representing the assets deriving from the contracts; the exceeding amounts, as well as the advance payments related to work in progress not yet started, are accounted as liabilities.
Change in the provision is mainly due to the accrual made during the fiscal year amounting to 11,440 thousand euros and to the release amounting to 8,411 thousand euros.

Note 25 - Trade receivables

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

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

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

The Allowance for doubtful accounts developed in 2023 as follows:

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

It should also be noted that the item includes write-downs for losses on working capital amounts.

Over-due trade receivables and the corresponding allowance for doubtful accounts, compared to 2022, are summarized in the tables below:

Aging at 31/12/2023

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

Aging at 31/12/2022

(THOUSAND EUROS)	TRADE RECEIVABLES	CURRENT	0 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL OVERDUE
Trade receivables	663,173	573,637	71,587	8,591	5,844	3,513	89,536
Allowance for doubtful accounts	(5,605)	(1,618)	(551)	(247)	(793)	(2,396)	(3,987)
Total trade receivables	**657,568**	**572,020**	**71,036**	**8,344**	**5,052**	**1,117**	**85,848**

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

Note 26 - Other receivables and current assets

Detail is as follows:

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

The item Tax receivables mainly includes:

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

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

Note 27 - Cash and cash equivalents

The balance of 383,742 thousand Euros, with an increase of 100,048 thousand Euros compared with 31 December 2022, represents cash and cash equivalents as at the end of the year.

Changes in cash and cash equivalents are fully detailed in the Consolidated statement of cash flow.

Note 28 - Shareholders' equity

Share Capital

On 31 December 2023 the share capital of Reply S.p.A, wholly undersigned and paid up, amounted to 4,863,486 Euros and is composed of n. 37,411,428 ordinary shares with nominal value of 0.13 Euros each.

The number of shares in circulation as at 31 December 2023 totaled 37,278,236, same as at 31 December 2022.

Treasury shares

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

Capital reserves

On 31 December 2023 Capital reserves, amounting to 299,533 thousand Euros, were mainly comprised as follows:

- Treasury share reserve amounting to 17,122 thousand Euros, relating to the shares of Reply S.p.A held by the Parent Company;
- Reserve for the purchase of treasury shares amounting to 282,878 thousand Euros, formed via initial withdrawal from the share premium reserve. By means of a resolution of the Shareholders' Meeting of 20 April 2023 Reply S.p.A. re-authorized it, in accordance with and for the purposes of Article 2357 of the Italian Civil Code, the purchase of a maximum of 300 million Euros of ordinary shares, corresponding to 20% of the share capital, in a lump sum solution or in several solutions within 18 months of the resolution.

Earning reserves

Earnings reserves amounted to 832,373 thousand Euros and were comprised as follows:

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

Other comprehensive income

Other comprehensive income can be analysed as follows:

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

Minority interests

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

Note 29 - Due to minority shareholders and earn-out

Due to minority shareholders and Earn-out as at 31 December 2023 amounted to 114,368 thousand Euros (141,502 thousand Euros on 31 December 2022), of which 27,845 thousand Euros were current.

This item refers to the variable consideration defined in the business combination. The distinction between Due to Minority Shareholders and Earn-Out stems solely from whether or not there is any legal minority interest related to the initial transition.

Detail is as follows:

(THOUSAND EUROS)	31/12/2022	FAIR VALUE ADJUSTMENTS	PAYMENTS	EXCHANGE DIFFERENCES	31/12/2023
Payables to minority shareholders	9,539	640	-	(87)	10,092
Payables for earn-out	131,963	(16,524)	(10,500)	(663)	104,276
Total due to minority shareholders and Earn-out	**141,502**	**(15,884)**	**(10,500)**	**(757)**	**114,368**

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

Total payments made amounted to 10,500 thousand Euros and refer to the consideration paid in relation to the original contracts signed at the time of acquisition.

Due to minority shareholders and Earn-out are included in the invested capital and in the net financial indebtedness.

Note 30 - Financial liabilities

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

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

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

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

Summarized below are the existing contracts entered into for such a purpose:
- On 8 May 2020 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 27 May 2022. As at 31 December 2023 this line had been used for 25,000 thousand Euros.
- On 8 November 2021 Reply S.p.A. entered into a line of credit with Intesa Sanpaolo S.p.A. for a total amount of 75,000 thousand Euros to be used by 31 March 2023. The loan will be reimbursed on a half year basis deferred to commence on 29 September 2023 and will expire on 30 September 2026. As at 31 December 2023 this line had been used for 25,714 thousand Euros.
- On 19 May 2022 Reply S.p.A. entered into a line of credit with Unicredit S.p.A. for a total amount of 50,000 thousand Euros to be used by 29 May 2024. As at 31 December 2023 this line had been used for 500 thousand Euros.
- On 20 February 2023 Reply S.p.A. entered into a line of credit with Banco BPM S.p.A. for a total amount of 50,000 thousand Euros to be used by 1 April 2025. As at 31 December 2023 this line had been used for 500 thousand Euros.

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

As contractually defined, such ratios are as follows:
- Net financial indebtedness/Equity
- Net financial indebtedness/EBITDA

At 31 December 2023 the Covenants under the various contracts were satisfied.

The item Mortgages refers to a financing granted to Tool Reply GmbH by Commerzbank for a total of 2,500 thousand Euros to be used by 30 June 2028. The loan is reimbursed on a quarter-year basis (at 0.99%). As at 31 December 2023 the outstanding amount is 1,185 thousand Euros.

It should also be noted that on 24 May 2018 Reply S.p.A. undersigned with Unicredit S.p.A. a mortgage loan secured by guarantee for the purchase and renovation of the property De Sonnaz for a total amount of 40,000 thousand Euros. On October 23, 2023 an amendment was signed with the same institution, agreeing to extend the period of use from 66 to 78 months (as with the amendment of November 15, 2021), with the possibility to obtain mortgage disbursements till November 30, 2024. The mortgage is disbursed in relation to the progress of the work. Such credit line was used for 25,200 thousand Euros at 31

December 2023.

The item IFRS 16 financial liabilities is related to the financial lease liabilities at 31 December 2023 related to the adoption of the Accounting Standard IFRS 16.

The item Derivative financial instruments refers to several loans established with Unicredit S.p.A. to hedge changes in floating interest rates on loans and/or mortgages; the total underlying notional amounts to 55,000 thousand Euros. The effective component of the instrument is stated in the Statement of changes in net equity whereas the ineffective portion of the Derivative instrument is recorded at the income statement.

The carrying amount of Financial liabilities is deemed to be in line with its fair value.

For further details related to the risk management policies please see Note 37.

Net financial indebtedness

The net financial indebtedness reported below was prepared according to CONSOB communication no. DEM / 6064293 of July 28, 2006, updated with the provisions of ESMA guideline 32-382-1138 of March 4, 2021 as implemented by the CONSOB warning no. 5/21 of 29 April 2021:

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

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

The item Commercial and other non-current liabilities is related to liabilities to minority shareholders and Earn-out assimilated to unpaid debts with a significant implicit financial component.
For further details with regards to the above table see Note 27 as well as Note 30.
Pursuant to the aforementioned recommendations long term financial assets are not included in the net financial indebtedness.
As previous mentioned in Note 29, Due to minority shareholders and Earn-out are included in the invested capital and are not included in the net financial managerial position.

Change in financial liabilities during 2023 is summarized below:

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

Note 31 - Employee benefits

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

Employee severance indemnities

The Employee severance indemnity represents the obligation to employees under Italian law (amended by Law 296/06) that has accrued up to 31 December 2006 and that will be settled when the employee leaves the company. In certain circumstances, a portion of the accrued liability may be given to an employee during his working life as an advance. This is an unfunded defined benefit plan, under which the benefits are almost fully accrued, with the sole exception of future revaluations.

The procedure for the determination of the Company's obligation with respect to employees was carried out by an independent actuary according to the following stages:

- Projection of the Employee severance indemnity already accrued at the assessment date and of the portions that will be accrued until when the work relationship is terminated or when the accrued amounts are partially paid as an advance on the Employee severance indemnities;
- Discounting, at the valuation date, of the expected cash flows that the company will pay in the future to its own employees;

- Re-proportioning of the discounted performances based on the seniority accrued at the valuation date with respect to the expected seniority at the time the company must fulfil its obligations. In order to allow for the changes introduced by Law 296/06, the re-proportioning was only carried out for employees of companies with fewer than 50 employees that do not pay Employee severance indemnities into supplementary pension schemes.

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

The actuarial valuation model is based on the so called technical bases which represent the demographic, economic and financial assumptions underlying the parameters included in the calculation.

The assumptions adopted can be summarized as follows:

DEMOGRAPHIC ASSUMPTIONS	
Mortality	RG 48 survival tables of the Italian population
Inability	INPS tables divided by age and gender
Retirement age	Fulfilment of the minimum requisites provided by the General Mandatory Insurance
Advances on Employee severance indemnities	Annual frequency of advances and employee turnover were assumed from historical data of the company: frequency of advances in 2023: 2.50% frequency of turnover in 2023: 10%

ECONOMIC AND FINANCIAL ASSUMPTIONS	
Annual inflation rate	Average annual rate of 2.00%
Annual discount rate	Calculated with reference to the valuation date of primary shares on the stock market in which the company belongs and with reference to the market yield of Federal bonds. An annual constant rate equal to 3.17% was used for the year 2023.
Annual growth rate of the Employee severance indemnities	Annual increase in the growth rate of the Employee severance indemnities equal to 3.00%
Annual increase in salaries	The annual increase of salaries used was calculated in function of the employee qualifications and the Company's market segment, net of inflation, from 1.0% to 1.50%

From a sensitivity analysis concerning the hypotheses related to the parameters involved in the calculation a:

- change in turnover rate by 1%;
- change in the annual rate of inflation by 1.25%;
- change in the annual discount rate by 1.25%

would not have determined a significant effect on the calculation of the liability.

In accordance with IAS 19, Employment severance indemnities at 31 December 2023 are summarized in the table below:

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

Employee pension funds

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

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

The assumptions adopted were as follows:

Discount rate	3.6% - 3.7%
Rate of future compensation increases	2.2%
Rate of pension increases	1.0% - 2.6%

Directors severance indemnities

This amount is related to Directors severance indemnities paid during the year.
Change amounting to 71 thousand Euros refers to the resolution made by the Shareholders Meeting of several subsidiary companies to pay an additional indemnity to some Members of the Board in 2023.

Other

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

Note 32 - Deferred tax liabilities

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

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

The item Other mainly includes the measurement of contract work in progress, employee benefits, capitalization of development costs and reversal of amortization of intangible assets.

Deferred tax liabilities have not been recognized on retained earnings of the subsidiary companies as the Group is able to control the timing of distribution of said earnings and in the near future does not seem likely.

Note 33 - Provisions

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

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

Employee fidelity provisions refer mainly to provisions made for the employees of some German companies in relation to anniversary bonuses. The liability is determined through actuarial calculations applying a 5.5% rate.
The Provision for risks is related to the accrual of the year referred to the update of this estimate and to new legal ongoing controversies, lawsuits with former employees and other liabilities in Italy and abroad. In particular, this item includes the provision of 6,700 thousand euros, relating to the liability disclosed in the paragraph "Significant events occurring after the end of the financial year" to which reference is made in relation to such event there is a possible liability, currently unquantifiable linked to any civil actions.
Other changes mainly refer to translation differences.

Note 34 - Trade payables

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

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

Trade payables are initially recognised at fair value, adjusted for any transaction costs directly attributable to and are subsequently valued at amortised cost. The amortised cost of current trade payables corresponds to the nominal value.

Note 35 - Other current liabilities

Other current liabilities at 31 December 2023 amounted to 607,705 thousand Euros with an increase of 9,148 thousand Euros with respect to the previous financial year.
Detail is as follows:

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

Due to tax authorities amounting to 79,529 thousand Euros, mainly refers to payables due to tax authorities for withholding tax on employees and professionals' compensation.

Due to social security authorities amounting to 58,058 thousand Euros, is related to both Company and employees contribution payables.

Other payables at 31 December 2023 amount to 470,118 thousand Euros and mainly include:
- amounts due to employees that at the balance sheet date had not yet been paid;
- remuneration of directors recognised as participation in the profits of the subsidiary companies;
- advances received from customers exceeding the value of the work in progress amounting to 201,462 thousand Euros (203,511 thousand Euros as at 31 December 2022).

Accrued Expenses and Deferred Income, that increase in 2023 by 11,154 thousand Euros, mainly relate to advance invoicing in relation to T&M consultancy activities to be delivered in the subsequent financial year.

Other current payables and liabilities are initially recognised at fair value, adjusted for any transaction costs directly attributable to and are subsequently valued at amortised cost. The amortised cost of these liabilities corresponds to the nominal value.

Note 36 - Segment reporting

Segment reporting has been prepared in accordance with IFRS 8, determined as the area in which the services are executed.

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

(THOUSAND EUROS)	REGION 1	%	REGION 2	%	REGION 3	%	IOT INCUBATOR	%	INTERSEGMENT	2022	%
Revenues	**1,223,567**	**100**	**370,040**	**100**	**334,040**	**100**	**29**	**100**	**(36,561)**	**1,891,114**	**100**
Operating costs	(975,815)	(79.8)	(309,520)	(83.6)	(300,489)	(90,0)	(1,540)	(5,380.7)	36,561	(1,550,802)	(82.0)
Gross operating income	**247,752**	**20.2**	**60,520**	**16.4**	**33,551**	**10,0**	**(1,511)**	**(5,280.7)**	**-**	**340,312**	**18.0**
Amortization, depreciation and write-downs	(31,919)	(2.6)	(16,288)	(4.4)	(10,396)	(3,1)	(10)	(34.2)	-	(58,612)	(3.1)
Other non-recurring (costs)/income	4,546	-	(314)	(0.1)	(459)	(0,1)	-	-	-	3,774	-
Operating income	**220,379**	**18,0**	**43,918**	**11.9**	**22,697**	**6,8**	**(1,521)**	**(5,314.9)**	**-**	**285,473**	**15.1**
Gain/(loss) on investments	-	-	-	-	-	-	(12,102)	(42,295.2)	-	(12,102)	(0.6)
Financial income/(loss)	1,660	-	(4,636)	(1.3)	(1,442)	(0,4)	(258)	(902.9)	-	(4,676)	(0.2)
Income before taxes	**222,039**	**18.1**	**39,282**	**10.6**	**21,255**	**6,4**	**(13,881)**	**(48,513.0)**	**-**	**268,695**	**14.2**

Breakdown of revenues by type is as follows:

(TYPE)	REGION 1		REGION 2		REGION 3		IOT INCUBATOR	
BUSINESS LINE	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
T&M	18.9%	18.2%	57.0%	56.4%	56.4%	52.3%	-	-
FIXED PRICE PROJECTS	81.1%	81.8%	43.0%	43.6%	43.6%	47.7%	-	-
OTHER BUSINESS	-	-	-	-	-	-	100.0%	100.0%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

The following table provides a breakdown of net invested capital by Region:

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

(THOUSAND EUROS)	REGION 1	REGION 2	REGION 3	IOT INCUBATOR	INTERSEG.	31/12/2022
Current operating assets	657,942	135,430	115,496	942	(66,534)	843,276
Current operating liabilities	(591,634)	(116,629)	(136,529)	(18,426)	66,534	(796,686)
Net working capital (A)	**66,307**	**18,801**	**(21,033)**	**(17,485)**	**-**	**46,590**
Non current assets	420,089	340,389	250,562	59,531	-	1,070,572
Non financial liabilities long term	(109,781)	(59,850)	(46,460)	227	-	(215,864)
Fixed capital (B)	**310,308**	**280,539**	**204,102**	**59,758**	**-**	**854,708**
Net invested capital (A+B)	**376,615**	**299,340**	**183,069**	**42,274**	**-**	**901,298**

Breakdown of employees by Region is as follows:

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

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

Types of financial risks and corresponding hedging activities

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

Credit risk

The maximum credit risk to which the company is theoretically exposed at 31 December 2023 is represented by the carrying amounts stated for financial assets in the balance sheet.

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

Refer to the note on trade receivables for a quantitate analysis.

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

The two main factors that determine the company's liquidity situation are on one side the funds generated by or used in operating and investing activities and on the other the debt lending period and its renewal features or the liquidity of the funds employed and market terms and conditions.
As described in the Risk management section, Reply S.p.A has adopted a series of policies and procedures whose purpose is to optimize the management of funds and to reduce the liquidity risk, as follows:

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

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

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

Interest rate risk
Reply S.p.A. makes use of external funds obtained in the form of financing and invest in monetary and financial market instruments. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments, and the employment of funds, causing an impact on the level of net financial expenses incurred by the company. To mitigate such risks, the Group, when necessary, has used derivative financial instruments designated as "cash flow hedges".

Sensitivity analysis
In assessing the potential impact of changes in interest rates, the company separates fixed rate financial instruments (for which the impact is assessed in terms of fair value)) from floating rate financial instruments (for which the impact is assessed in terms of cash flows).

Floating rate financial instruments include principally cash and cash equivalents and part of debt.

A hypothetical, unfavorable and instantaneous change of 50 basis points in short-term interest rates at 31 December 2023 applied to floating rate financial assets and liabilities, operations for the sale of receivables and derivatives financial instruments, would have caused increased net expenses before taxes, on an annual basis, of approximately 483 thousand Euros.

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

Fair value assessment hierarchy levels

The IFRS 13 establishes a fair value hierarchy which classifies the input of evaluation techniques on three levels adopted for the measurement of fair value. Fair value hierarchy attributes maximum priority to prices quoted (not rectified) in active markets for identical assets and liabilities (Level 1 data) and the non-observable minimum input priority (Level 3 data). In some cases, the data used to assess the fair value of assets or liabilities could be classified on three different levels of the fair value hierarchy. In such cases, the evaluation of fair value is wholly classified on the same level of the hierarchy in which input on the lowest level is classified, taking account its importance for the assessment.
The levels used in the hierarchy are:

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

The following table presents the assets and liabilities which were assessed at fair value on 31 December 2022, according to the fair value hierarchical assessment level.

(THOUSAND EUROS)	NOTE	LEVEL 1	LEVEL 2	LEVEL 3
Investments	21			41,373
Convertible loans	22			1,298
Financial securities	22	30,755		
Derivative financial assets (IRS)	**22**		**1,983**	
Total financial assets		30,755	1,983	42,671
Liabilities to minority shareholders and earn out	29			114,368
Total finacial liabilities		**-**		**114,368**

The valuation of investments in start-up within the Internet of Things (IoT) business, through the acquisition of equity investments and through the issuance of convertible loans, is based on data not directly observable on active stock markets, and therefore falls under the fair value hierarchical Level 3.

The item Financial securities is related to securities listed on the active stock markets and therefore falls under the fair value hierarchical level 1.

To determine the effect of interest rate derivate financial instruments Reply refers to evaluation deriving from third parties (banks and financial institutes). The latter, in the calculation of their estimates made use of data observed on the market directly (interest rates) or indirectly (interest rate interpolation curves observed directly): consequently, for the purposes of IFRS 7 the fair value used by the Group for the exploitation of hedging derivatives contracts in existence as at 31 December 2023 re-enters under the hierarchy profile in level 2.

The fair value of Liabilities to minority shareholders and earn out was determined by Group management on the basis of the sales purchase agreements for the acquisition of the company's shares and on economic parameters based on budgets and plans of the purchased company. As the parameters are not observable on stock markets (directly or indirectly) these liabilities fall under the hierarchy profile in level 3.
As at 31 December 2023, there have not been any transfers within the hierarchy levels.

Note 38 - Transactions with related parties

In accordance with IAS 24 Related parties are Group companies and persons that are able to exercise control, joint control or have significant influence on the Group and on its subsidiaries.
Transactions carried out by the group companies with related parties that as of the reporting date are considered ordinary business and are carried out at normal market conditions.

The main economic and financial transactions with related parties is summarized below.

(THOUSAND EUROS)			
Financial transactions	**31/12/2023**	**31/12/2022**	**Nature of transaction**
Trade receivables	3	-	Receivables from professional services
Trade payables and other	510	326	Payables for professional services and official rentals offices
Other payables	13,648	13,626	Payables for emoluments to Directors and Managers with strategic responsibilities and Board of Statutory Auditors
Economic transactions	**2023**	**2022**	**Nature of transaction**
Revenues from professional services	19	19	Receivables from professional services
Services from Parent company and related parties	1,488	1,312	Service contracts relating to office rental, and office administration
Personnel	18,178	13,354	Emoluments to Directors and Key Management with strategic responsibilities
Services and other costs	148	148	Emoluments to Statutory Auditors

With reference to the Cash flows statement, the above mentioned transactions impact the change in working capital by 203 thousand Euros.

Reply group main economic and financial transactions
In accordance with IAS 24, emoluments to Directors, Statutory Auditors and Key Management are also included in transactions with related parties (please see the Annual Report on remuneration).

In accordance with Consob Resolution no. 15519 of 27 July 2006 and Consob communication no. DEM/6064293 of 28 July 2006 the financial statements present the Consolidated Income statement and Balance Sheet showing transactions with related parties separately, together with the percentage incidence with respect to each account caption.
Pursuant to Art. 150, paragraph 1 of the Italian Legislative Decree n. 58 of 24 February 1998, no transactions have been carried out by the members of the Board of Directors that might be in potential conflict of interests with the Company.

Note 39 - Emoluments to directors, statutory auditors and key management

The fees of the Directors and statutory Auditors of Reply S.p.A. for carrying out their respective function, including those in other subsidiary companies, are as follows:

(THOUSAND EUROS)	2023	2022
Executive Directors	11,475	7,677
Statutory auditors	148	148
Total	**11,623**	**7,825**

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

Note 40 - Guarantees, commitments and contingent liabilities

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

Commitments
Note that:

- the Domination Agreement contract undersigned in 2010 between Reply Deutschland AG, dominated company, and Reply S.p.A, dominating company, ceased to exist from the date of legal efficacy of the merger for incorporation of Reply Deutschland SE in Reply S.p.A and with this, the obligations taken on by Reply. It is reported that the judgment of the qualified German Court is still pending for deciding on the suitability of the strike value of the acquisition option of shares on request of the minority shareholders of Reply Deutschland AG at a pre-determined price (8.19 euros). On June 2018, the German court took note of the agreement reached between the parties also affected by the agreement related to the merger of the following point. With regard to shareholders who did not join the settlement agreement, in February 2019, the German Court issued a judgment that provides for an increase of 1.81 euros in the price paid per share and an increase of 0.07 euros gross of the dividends paid in 2010-2013. The financial effects on the Group are covered by specific provisions.
- with regards the merger operation for the incorporation of Reply Deutschland SE in Reply S.p.A. the assessment procedures foreseen in the measures of Article 122j of Umwandlungsgesetz find application – German law on extraordinary operations – with

reference to the exchange ratio and the corresponding amount in cash. Within three months from the registration of the merger in the Turin Companies Register, each minority shareholder was able to present a petition for the purpose of commencing, in compliance with German law, before a Judge qualified in Germany – who shall have exclusive jurisdiction – the assessment inherent in the Share Swap ratio and the corresponding amount in cash. Some minority shareholders have commenced the aforementioned procedures and, following exchanges with the minority shareholders and their appointed representative, the Company has reached a settlement agreement where the payment of an additional amount. The expenses arising from this agreement amounting to approximately 5 million Euros is covered by specific provisions (please see Note 33). In relation to the above accruals, as a result of the utilizations, the provision for risks has a residual amount of 87 thousand Euros at 31 December 2023.

Contingent liabilities
As an international company, the Group is exposed to numerous legal risks, particularly in the area of product liability, environmental risks and tax matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could affect the Group financial position and results.

Instead, when it is probable that an overflow of resources embodying economic benefits will be required to settle obligations and this amount can be reliably estimated, the Group recognises specific provision for this purpose.

Note 41 - Events subsequent to 31 December 2022

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

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

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

The Consolidated financial statements at 31 December 2023 were approved by the Board of Directors on March 13, 2024 which authorized the publication within the terms of law.

Annexed Tables

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

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

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

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

List of companies at 31 December 2023

COMPANY NAME	HEADQUARTERS	GROUP INTEREST
Parent company		
Reply S.p.A.	Turin – Corso Francia, 110 - Italy	
COMPANIES CONSOLIDATED ON LINE BY LINE BASIS:		
4brands Reply GmbH & CO. KG. (**)	Minden, Germany	51.00%
Air Reply S.r.l.	Turin, Italy	100.00%
Airwalk Holding Ltd	Kent, United Kingdom	100.00%
Airwalk Consulting Ltd.	Edinburgh, Scotland	100.00%
Airwalk Consulting Ltd. (Hong Kong)	Shueng Wan, Hong Kong	100.00%
AWC Partners Ltd.	London, United Kingdom	100.00%
Alpha Reply GmbH	Guetersloh, Germany	100.00%
Aim Reply Ltd	London, United Kingdom	100.00%
Arlanis Reply S.r.l.	Turin, Italy	100.00%
Arlanis Reply AG	Potsdam, Germany	100.00%
Arlanis Reply Ltd (già Forcology Ltd)	London, United Kingdom	100.00%
Aktive Reply S.r.l.	Turin, Italy	100.00%
Atlas Reply S.r.l.	Turin, Italy	100.00%
Autonomous Reply GmbH	Guetersloh, Germany	100.00%
Auxulus Reply GmbH (già Industrie Reply GmbH)	Munich, Germany	100.00%
Atomic Reply Ltd	London, United Kingdom	100.00%
Avantage Reply Ltd.	London, United Kingdom	100.00%
Avantage Reply (Belgium) Sprl	Brussels, Belgium	100.00%
Avantage Reply (Luxembourg) Sarl	Itzig, Luxembourg	100.00%
Avantage Reply (Netherlands) BV	Amsterdam, Netherlands	100.00%
Avvio Reply Ltd.	London, United Kingdom	100.00%
Blowfish Digital Holdings Ltd.	London, United Kingdom	100.00%
Blue Reply S.r.l.	Turin, Italy	100.00%
Blue Reply GmbH	Guetersloh, Germany	100.00%
Bridge Reply S.r.l.	Turin, Italy	100.00%
Business Elements Group BV	Belgium	100.00%
Business Reply S.r.l.	Turin, Italy	100.00%
Business Reply Public Sector S.r.l.	Turin, Italy	100.00%
Breed Reply Ltd in liquidazione	London, United Kingdom	100.00%
Breed Reply Investment Ltd	London, United Kingdom	100.00%
Canvas Reply GmbH (già Neveling Reply GmbH)	Hamburg, Germany	100.00%
Cluster Reply S.r.l.	Turin, Italy	100.00%
Cluster Reply GmbH & CO. KG	Munich, Germany	100.00%
Cluster Reply Dynamics GmbH	Guetersloh, Germany	100.00%
Cluster Reply Informatica LTDA.	San Paolo, Brazil	100.00%
Cluster Reply Roma S.r.l.	Turin, Italy	100.00%
Comwrap Reply GmbH	Frankfurt, Germany	100.00%
ComSysto D.O.O.	Zagreb, Croazia	100.00%
ComSysto Reply GmbH	Munich, Germany	100.00%
Concept Reply GmbH	Munich, Germany	100.00%

Concept Reply LLC	Michigan, USA	100.00%
Consorzio Reply Public Sector	Turin, Italy	100.00%
Core Reply S.r.l.	Turin, Italy	100.00%
Data Reply S.r.l.	Turin, Italy	100.00%
Data Reply GmbH	Munich, Germany	100.00%
Discovery Reply S.r.l.	Turin, Italy	100.00%
e*finance consulting Reply S.r.l.	Turin, Italy	100.00%
Elbkind Reply GmbH	Hamburg, Germany	100.00%
EOS Reply S.r.l.	Turin, Italy	100.00%
Everlo Reply GmbH	Guetersloh, Germany	100.00%
Fincon Reply GmbH	Hamburg, Germany	100.00%
Forge Reply S.r.l.	Turin, Italy	100.00%
Frank Reply GmbH (già Vivametric Reply GmbH)	Guetersloh, Germany	100.00%
G-Force Demco Ltd	London, United Kingdom	100.00%
Go Reply S.r.l.	Turin, Italy	100.00%
Go Reply GmbH	Guetersloh, Germany	100.00%
Gray Matter Ltd	London, United Kingdom	100.00%
Hermes Reply S.r.l.	Turin, Italy	100.00%
Hermes Reply Consulting (Nanjing) Co. Ltd.	China	100.00%
Industrie Reply LLC	Michigan, USA	100.00%
Infinity Reply GmbH	Düsseldorf, Germany	100.00%
IrisCube Reply S.r.l.	Turin, Italy	100.00%
Ki Reply GmbH	Guetersloh, Germany	100.00%
Laife Reply GmbH	Munich, Germany	100.00%
Leadvise Reply GmbH	Darmstadt, Germany	100.00%
Like Reply S.r.l.	Turin, Italy	100.00%
Like Reply GmbH	Guetersloh, Germany	100.00%
Liquid Reply GmbH	Guetersloh, Germany	100.00%
Live Reply GmbH	Düsseldorf, Germany	100.00%
Logistics Reply S.r.l.	Turin, Italy	100.00%
Logistics Reply GmbH	Munich, Germany	100.00%
Logistics Reply Roma S.r.l.	Turin, Italy	100.00%
Lynx Recruiting Ltd	London, United Kingdom	100.00%
Machine Learning GmbH	Guetersloh, Germany	100.00%
Macros Reply GmbH	Munich, Germany	100.00%
Mansion House Consulting Ltd	London, United Kingdom	100.00%
Mansion House Consulting PTE Limited	Singapore	100.00%
MHC Holding Us Ltd	London, United Kingdom	100.00%
Mansion House Consulting Inc.	Wilmington, USA	100.00%
MCG Systems AG	Cologne, Germany	100.00%
Modcomp GmbH	Cologne, Germany	100.00%
Neo Reply GmbH	Guetersloh, Germany	100.00%
Net Reply LLC	Michigan, USA	100.00%
Net Reply S.r.l.	Turin, Italy	100.00%
Nexi Digital S.r.l.	Turin, Italy	51.00%
Nexi Digital Polska Sp. z o.o.	Warsaw, Poland	51.00%
Next Reply S.r.l.	Turin, Italy	100.00%

Next Reply GmbH	Guetersloh, Germany	100.00%
Open Reply GmbH	Guetersloh, Germany	100.00%
Open Reply S.r.l.	Turin, Italy	100.00%
Pay Reply S.r.l	Turin, Italy	100.00%
Portaltech Reply Ltd.	London, United Kingdom	100.00%
Power Reply S.r.l.	Turin, Italy	100.00%
Power Reply GmbH & CO. KG (**)	Munich, Germany	100.00%
Protocube Reply S.r.l.	Turin, Italy	100.00%
Red Reply GmbH	Frankfurt, Germany	100.00%
Reply Consulting S.r.l.	Turin, Italy	100.00%
Reply Deutschland SE	Guetersloh, Germany	100.00%
Reply GmbH	Zurich, Swiss	100.00%
Reply do Brasil Sistemas de Informatica Ltda	Belo Horizonte, Brazil	100.00%
Reply Inc.	Michigan, USA	100.00%
Reply Ltd.	London, United Kingdom	100.00%
Reply Belgium SA	Mont Saint Guibert, Belgium	100.00%
Reply Croatia d.o.o.	Croatia	100.00%
Reply Digital Experience S.r.l.	Turin, Italy	100.00%
Reply France SAS	Paris, France	100.00%
Reply Sarl	Luxembourg	100.00%
Reply Services S.r.l.	Turin, Italy	100.00%
Reply Polska Sp. z o.o. (già Hermes Reply Polska Sp. z o.o.)	Katowice, Poland	100.00%
Retail Reply S.r.l.	Turin, Italy	100.00%
Ringmaster S.r.l.	Turin, Italy	50.00%
Riverland Reply GmbH	Munich, Germany	100.00%
Roboverse Reply GmbH	Guetersloh, Germany	100.00%
Sagepath LLC (*)	Atlanta, USA	70.00%
Santer Reply S.p.A.	Milan, Italy	100.00%
Security Reply S.r.l.	Turin, Italy	100.00%
Sense Reply S.r.l.	Turin, Italy	100.00%
Sensor Reply S.r.l. (già Envision)	Turin, Italy	100.00%
Shield Reply S.r.l.	Turin, Italy	100.00%
Shield Reply Ltd	London, United Kingdom	100.00%
Solidsoft Reply Ltd.	London, United Kingdom	100.00%
Spark Reply S.r.l.	Turin, Italy	100.00%
Spark Reply GmbH	Germany	100.00%
Spike Reply GmbH	Cologne, Germany	100.00%
Spike Reply Ltd	London, United Kingdom	100.00%
Spike Digital Reply GmbH	Guetersloh, Germany	100.00%
Sprint Reply SA (già Brightknight SA)	Belgium	100.00%
Sprint Reply S.r.l.	Turin, Italy	100.00%
Sprint Reply Ltd	London, United Kingdom	100.00%
Sprint Reply GmbH	Munich, Germany	100.00%
Spot Digital Ltd.	London, United Kingdom	100.00%
Storm Reply S.r.l.	Turin, Italy	100.00%
Storm Reply Roma S.r.l.	Turin, Italy	100.00%
Storm Reply GmbH	Guetersloh, Germany	100.00%

Storm Reply Inc(*)	USA	97.00%
Syskoplan Reply S.r.l.	Turin, Italy	100.00%
Syskoplan Reply GmbH	Guetersloh, Germany	100.00%
Syskoplan Cx Reply S.r.l. (già Portaltech Reply S.r.l.)	Turin, Italy	100.00%
Syskoplan Reply LLC (già Enowa LLC)	Philadelphia, USA	100.00%
Syskoplan IE Reply GmbH	Guetersloh, Germany	100.00%
Sytel Reply Roma S.r.l.	Turin, Italy	100.00%
Sytel Reply S.r.l.	Turin, Italy	100.00%
Target Reply S.r.l.	Turin, Italy	100.00%
Target Reply GmbH	Guetersloh, Germany	100.00%
TamTamy Reply S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Turin, Italy	100.00%
Technology Reply Roma S.r.l.	Turin, Italy	100.00%
Technology Reply S.r.l.	Bucarest, Romania	100.00%
Tender Reply S.r.l.	Turin, Italy	100.00%
TD Reply GmbH	Berlino, Germany	100.00%
TD Marketing Consultants, Beijing Co. Ltd	China	100.00%
Threepipe Reply Ltd.	London, United Kingdom	100.00%
The Spur Group LLC	Seattle, USA	100.00%
Tool Reply GmbH	Guetersloh, Germany	100.00%
Triplesense Reply GmbH	Frankfurt, Germany	100.00%
Up Reply GmbH (già Portaltech Reply Süd GmbH)	Munich, Germany	100.00%
Valorem LLC	Kansas City, USA	100.00%
Valorem Private Ltd	India	99.99%
Valorem GmbH	Zurich, Swiss	100.00%
Vanilla Reply GmbH (già Portaltech Reply GmbH)	Guetersloh, Germany	100.00%
Wemanity Group SAS	Paris, France	100.00%
WM Reply S.r.l.(*)	Turin, Italy	80.00%
WM Reply Inc(*)	Illinois, USA	80.00%
WM Reply Ltd	Auckland, NZ	80.00%
WM Reply Ltd	London, United Kingdom	100.00%
WM Reply GmbH	Guetersloh, Germany	100.00%
WM Reply Malaysia Ltd	Malaysia	100.00%
Whitehall Reply S.r.l.	Turin, Italy	100.00%
Xenia Reply S.r.l.	Turin, Italy	100.00%
Xister Reply S.r.l.	Turin, Italy	100.00%

(*) For these companies an option exists for the acquisition of their minority shares; the exercise of such option in future reporting periods is subject to the achievement of profitability parameters. The accounting reflects Management's best estimate as at the closing date of the 2023 Annual Financial Report.

(**) These companies are exempt from filing statutory financial statements in Germany under the German law § 264b HGB.

COMPANIES CARRIED AT FAIR VALUE		
BlueGrove AS	Norway	11.60%
Canard Drones Ltd	Spain	35.41%
Connecterra BV	Belgium	16.00%
Connecterra Group Ltd	UK	26.14%
Dcbrain SAS	France	8.46%
FoodMarble Digestive Health Ltd	UK	18.50%
Gymcraft Ltd.	UK	0.02%
iNova Design Ltd	UK	27.25%
Iotic Labs Ltd	UK	16.28%
Kokoon Technology Ltd	UK	26.22%
Metron Sas	France	8.32%
RazorSecure Ltd	UK	30.73%
Sensoria Inc.	USA	25.97%
TAG Sensors AS	Norway	19.67%
Ubirch GmbH	Germany	18.51%
We Predict Ltd	UK	16.64%
Zeetta Networks Ltd	UK	24.00%
Yellow Line Parking Ltd	UK	8.94%

Information in accordance with article 149-duodecies issued by Consob

The following table, prepared in accordance with Art. 149-duodecies of Consob's Regulations for Issuers reports the amount of fees charged in 2023 for the audit and audit related services provided by the Independent Auditors and by entities that are part of the Independent Auditors' network.

(THOUSAND EUROS)	SERVICE PROVIDER	GROUP ENTITY	FEE 2023
Audit	PwC S.p.A.	Parent company - Reply S.p.A.	49
	PwC S.p.A.	Subsidiaries	590
	PwC GmbH	Subsidiaries	356
	Total		**995**
Audit related services	PwC S.p.A.	Parent company - Reply S.p.A. (1)	3
	PwC S.p.A.	Parent company - Reply S.p.A. (2)	45
	PwC S.p.A.	Subsidiaries (1)	107
	Total		**156**
Totale			**1,150**

(1) Signed tax forms (Modello Unico, IRAP and Form 770)
(2)DNF

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

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

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

of the administration and accounting procedures applied in the preparation of the Consolidated financial statements for the year ended 2023.

The assessment of the adequacy of administrative and accounting procedures used for the preparation of the statutory financial statements at 31 December 2023 was carried out on the basis of regulations and methodologies defined by Reply prevalently coherent with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, an internationally-accepted reference framework.

The undersigned also certify that:

1 the Consolidated Financial Statements

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

2 the report on operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks and uncertainties to which they are exposed.

Turin, 13 March 2024

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

/s/ Giuseppe Veneziano
Director responsible of drawing up the accounting documents
Giuseppe Veneziano

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

REPLY GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 pwc

Independent auditor's report

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

To the shareholders of Reply SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Reply Group (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the recoverability of goodwill *Note 2 "Accounting principles and basis of consolidation" paragraph "Impairment" and Note 18 "Goodwill" to the consolidated financial statements*	
The goodwill as of 31 December 2023 is equal to Euro 626 million, equal to approximately 26 percent of total assets, and is related to the Region 1's group of cash generating units ("CGU") for Euro 200 million, to the Region 2's CGU for Euro 233 million and to Region 3's CGU for Euro 193 million. Group's management tests the impairment of each identified CGU's goodwill, by comparing the carrying amount with the recoverable amount in accordance with IAS 36 (impairment test), annually or when there is any indication of impairment based on which the value of the goodwill is expected to be recovered with difficulty. Group management, with the support of external experts, performed the annual impairment test as at 31 December 2023 for all the CGU identified. Based on the impairment test performed as at 31 December 2023, the recoverable amount of the Goodwill, determined according to the configuration of the value in use, resulted higher than the carrying values for all the CGU identified. The impairment test involved the usage of complex estimates for instance those related to future cash flows and related normalization, discount rates and growth rate used to estimate the terminal value beyond the projections of the explicit cash flows. We considered the assessment of the recoverability of the book value of goodwill a key matter of the audit activity, considering the significance of the value allocated to the individual CGUs identified, as well as the methods of determining the value in use based on complex assumptions which required on our part, particular attention is paid to the impairment test exercise performed by management.	The audit procedures performed included the analysis of the consistency between the impairment test procedures approved by the board of directors, the requirements of the International Accounting Standard 36 and the impairment test procedure effectively in place. We analysed the key assumptions utilized to determine the net present value of the prospective cash flows. These activities have been performed through discussion held with Group's management, comparing discount rate and growth rate with market benchmark, with indications provided by Directors' external experts and with corresponding assumptions and parameters used in the context of impairment test performed for the previous annual financial report. Additionally, with the support of PwC experts, we evaluated i) the consistency between the expected cash flows used for the impairment test and the economic and financial projections approved by the Board of Directors on February 23, 2024, ii) the mathematical accuracy of underlying calculations, and iii) Group's management sensitivity analyses. Lastly, we verified the adequacy of the financial disclosure based on international financial reporting standards requirements, also considering information and data obtained during our audit, with a particular focus on the description of the impairment test process, disclosure of main assumptions, quantitative results of the impairment test and sensitivity analysis.

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

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

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

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

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

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

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

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

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

- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

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

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

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance, may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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

The directors of Reply SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Reply Group as of 31 December 2023, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Reply Group as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Reply Group as of 31 December 2023 and are prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Reply SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Turin, 29 March 2024

PricewaterhouseCoopers SpA

Signed by

Monica Maggio
(Partner)

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