

REPORT ON OPERATIONS

MAIN RISKS AND UNCERTAINTIES TO WHICH REPLY S.P.A AND THE GROUP ARE EXPOSED

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

The risk factors described in the paragraphs below must be jointly read with the other information disclosed in the Annual Report.

EXTERNAL RISKS

RISKS ASSOCIATED WITH GENERAL ECONOMIC CONDITIONS

The informatics consultancy market is strictly related to the economic trend of industrialized countries where the demand for highly innovative products is greater. An unfavourable economic trend at a national and/or international level or high inflation could alter or reduce the growth of demand and consequently could have negative effects on the Group's activities and on the Group's economic, financial and earnings position.

The battle against the Covid-19 pandemic will continue to determine the evolution of the economy at least for the next months. The emergency, at the time of this annual report, is still ongoing, with different trends in the countries where Reply is present. Its evolution will depend, to a large extent, on the effectiveness and speed of the vaccination plans that the various countries have begun to activate.

RISKS ASSOCIATED WITH EVOLUTION IN ICT SERVICES

The ICT service segment in which the Group operates is characterized by rapid and significant technological changes and by constant evolution of the composition of the professionalism and skills to be combined in the realization of such services, with the need to continuously develop and update new products and services. Therefore, future development of Group activities will also depend on the capability of anticipating the technological evolutions and contents of the Group's services even through significant investments in research and development activities.

RISKS ASSOCIATED WITH COMPETITION

The ICT market is highly competitive. Competitors could expand their market share squeezing out and consequently reduce the Group's market share. Moreover the intensification of the level of competition is also linked with possible entry of new entities endowed with human resources and financial and technological capacities in the Group's reference sectors, offering largely competitive prices which could condition

the Group's activities and the possibility of consolidating or amplifying its own competitive position in the reference sectors, with consequent repercussions on business and on the Group's economic, earnings and financial situation.

RISKS ASSOCIATED WITH INCREASING CLIENT NEEDS

The Group's solutions are subject to rapid technological changes that, together with the increasing needs of customers and their need to improve informatics, which results in a request of increasingly complex development activities, sometimes requires excessive efforts that are not proportional to the economic aspects. This in some cases could result in negative effects on the Group's activities and on the Group's economic, financial and earnings position.

RISKS ASSOCIATED WITH SEGMENT REGULATIONS

The activities carried out by the Group are not subject to any particular segment regulation.

INTERNAL RISKS

RISKS ASSOCIATED WITH KEY MANAGEMENT

The Group's success is largely dependent on some key figures that have made a decisive contribution to its development, such as the Chairman and the Executive Directors of the Parent Company Reply S.p.A..

Reply also has a leadership team (Senior Partner, Partner) with many years of experience in the sector with a decisive role in the management of the Group's business.

The loss of any of these key figures without an adequate replacement or the inability to attract and retain new, qualified personnel could therefore have an adverse effect upon the Group's business prospects, earnings and financial position.

Management deems that in any case the Company has a sufficient operational and managerial structure capable of guaranteeing continuity in the running of the business.

RISKS ASSOCIATED WITH RELATIONSHIP WITH CLIENT

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

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

RISKS ASSOCIATED WITH INTERNATIONALIZATION

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

These could negatively influence the Group's growth expectations abroad.

RISKS ASSOCIATED WITH CONTRACTUAL OBLIGATIONS

The Group develops solutions with a high technological content of significant value; the underlying related contracts can provide for the application of penalties in relation to timeliness and the qualitative standards agreed upon.

The application of such penalties could have adverse effects on the Group's economic, financial and earnings position.

The Group has undersigned adequate precautionary insurance contracts against any risk that could arise under professional responsibility for an annual maximum amount deemed to be adequate in respect of the actual risk.

Should the insurance coverage not be adequate and the Group is called to compensate damages greater than the amount covered, the Group's economic, financial and earnings position could be deeply jeopardized.

RISKS ASSOCIATED WITH THE ONGOING PANDEMIC

With regards to employees, for the purposes of managing the pandemic, task forces have been activated at Group and local levels with the aim of monitoring the evolution of the situation and ensuring coordinated actions on the measures to be implemented:

- Where possible and compatible to the types of activities, remote working was implemented and extended to all employees during the emergency phase;
- all events involving the aggregation of people were carried out virtually and digitally;
- rules and measures were established to access the company offices and to limit the risk of spreading the virus.

Managing the pandemic has impacted the normal execution of business processes, both internal and those managed through external suppliers. For the Covid-19 crisis, ad hoc measures have been put in place to ensure the continuity of operational processes. In particular, IT infrastructure has been adapted to support the massive use of remote work in a secure mode.

The extended use of remote working has also led to an intensification of cyber threats. For this reason, it is necessary to constantly monitor the evolutions of attacks and to adjust the existing controls in order to timely detect attacks and to manage the most appropriate and suitable responses.

FINANCIAL RISKS

CREDIT RISK

For business purposes, specific policies are adopted to assure its clients' solvency.

With regards to financial counterparty risk, the Group does not present significant risk in credit-worthiness or solvency.

The Group's exposure to credit risk is the potential losses that could result from non-fulfilment of the obligations assumed by both commercial and financial counterparties. In order to measure this risk over time, as part of the impairment of its financial assets (including trade receivables), the Group has applied a model based on expected credit losses pursuant to IFRS.

This exposure is mainly due to general economic and financial items, the possibility of specific insolvency situations of some debtor counterparties and more strictly technical-commercial or administrative elements. The maximum theoretical exposure to credit risk for the Group is the book value of financial assets and trade receivables. The risk related to trade receivables is managed through the application of specific policies aimed to ensure the solvency of customers.

Provisions to the allowance for doubtful accounts are made specifically on creditor positions with specific risk elements. On creditor positions which do not have such characteristics, provisions are made on the basis of the average default estimated on the basis of statistical indicators.

LIQUIDITY RISK

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

The cash flows, funding requirements and liquidity of the Group's companies are monitored or centrally managed under the control of the Group Treasury, with the objective of guaranteeing effective and efficient management of capital resources (maintaining an adequate level of liquid assets and funds obtainable via an appropriate committed credit line amount).

The difficult economic and financial context of the markets requires specific attention as regards the management of liquidity risk and in such a way that particular attention is given to shares tending to generate financial resources with operational management and to maintaining an adequate level of liquid assets.

The Group therefore plans to meet its requirements to settle financial liabilities as they fall due and to cover expected capital expenditures by using cash flows from operations and available liquidity, renewing or refinancing bank loans.

EXCHANGE RATE AND INTEREST RATE RISK

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

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

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

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

REVIEW OF THE GROUP'S ECONOMIC AND FINANCIAL POSITION

FOREWORD

The financial statements commented on and illustrated in the following pages have been prepared on the basis of the Consolidated financial statements as at 31 December 2020 to which reference should be made, prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, as well as with the provisions implementing Article 9 of Legislative Decree No. 38/2005.

TREND OF THE PERIOD

The Reply Group closed 2020 with a consolidated turnover of €1,250.2 million, an increase of 5.7% compared to €1,182.5 million in 2019.

All indicators are positive for the period. Consolidated EBITDA was €207.9 million, an increase of 8.7% compared to €191.3 million recorded at December 2019.

EBIT, from January to December, was at €169.5 million, which is an increase of 9.1% compared to €155.3 million at December 2019.

The Group net profit was at €123.6 million, an increase of 8.6% compared to the €113.9 million recorded in 2019.

As at 31 December 2020, the Group's net financial position has been positive, at €158.7 million. As at 30 September 2020, the net financial position was positive, at €135.6 million, and, as at 31 December 2019, was positive, at €105.0 million,

This year was a year marked by one of the most complex economic and social crises in contemporary history. Reply was able to react to this unimaginable moment of discontinuity by closing a financial year in growth. In recent months, despite the difficulties experienced in the various lockdowns, Reply has continued to invest, gaining additional market share in Europe, the UK and in North America, and has added new expertise to its core offers in cloud, artificial intelligence, 5g, robotics and connected vehicles.

The future is still uncertain, the emergency is still ongoing, with different trends in the countries where Reply operates and, much depends on the effectiveness and speed of the vaccination plans.

The pandemic is, in any case, handing us back a profoundly changed world compared to the one we were used to just twelve months ago. All sectors, even the more traditional ones, have had to reconfigure themselves, digitalising processes and divisions and, at times, reinventing entire business models. This transformation is irreversible and, albeit dramatic for some, it opens up new opportunities for growth and development for companies like Reply. High-speed communication software infrastructure, e-commerce, new digital experiences and a strong boost in automation will be the key elements of the economy over the coming years.

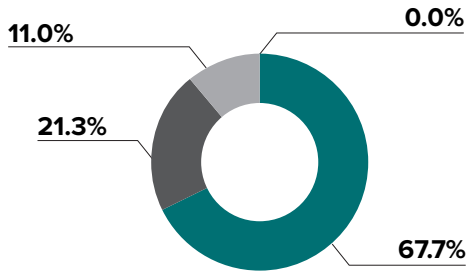
RECLASSIFIED CONSOLIDATED INCOME STATEMENT

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

(THOUSAND EUROS)	2020	%	2019	%
Revenues	1,250,191	100.0	1,182,528	100.0
Purchases	(21,510)	(1.7)	(21,250)	(1.8)
Personnel	(621,362)	(49.7)	(578,263)	(48.9)
Services and other costs	(399,830)	(32.0)	(390,918)	(33.1)
Other operating (costs)/income	448	-	(790)	(0.1)
Operating costs	(1,042,255)	(83.4)	(991,221)	(83.8)
Gross operating income (EBITDA)	207,936	16.6	191,307	16.2
Amortization, depreciation and write-downs	(42,441)	(3.4)	(37,239)	(3.1)
Other non-recurring (costs)/income	4,036	0.3	1,256	0.1
Operating income (EBIT)	169,531	13.6	155,324	13.1
(Loss)/gain on investments	1,240	0.1	11,364	1.0
Financial income/(expenses)	(8,717)	(0.7)	(5,268)	(0.4)
Income before taxes	162,054	13.0	161,419	13.7
Income taxes	(37,848)	(3.0)	(44,829)	(3.8)
Net income	124,206	9.9	116,590	9.9
Non-controlling interests	(608)	-	(2,732)	(0.2)
Group net income	123,598	9.9	113,858	9.6

REVENUES BY REGION^(*)

2020



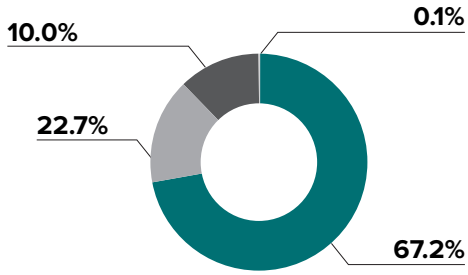
- Region 1
- Region 2
- Region 3
- IoT Incubator

(*) Region 1:
ITA, USA,
BRA, POL,
ROU, CHN
(Nanjing)

Region 2:
DEU, CHE,
CHN (Beijing),
HRV

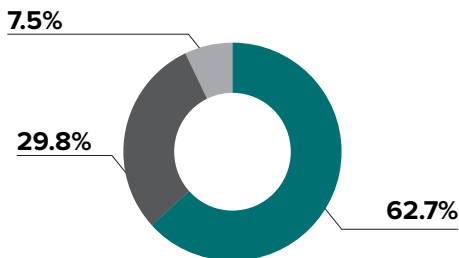
Region 3:
GBR, LUX,
BEL, NLD,
FRA, BLR

2019



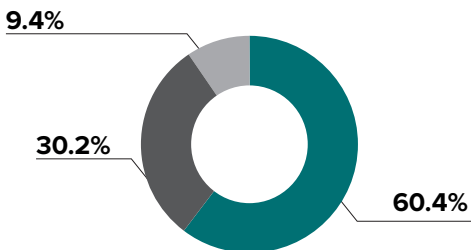
REVENUES BY BUSINESS LINES

2020

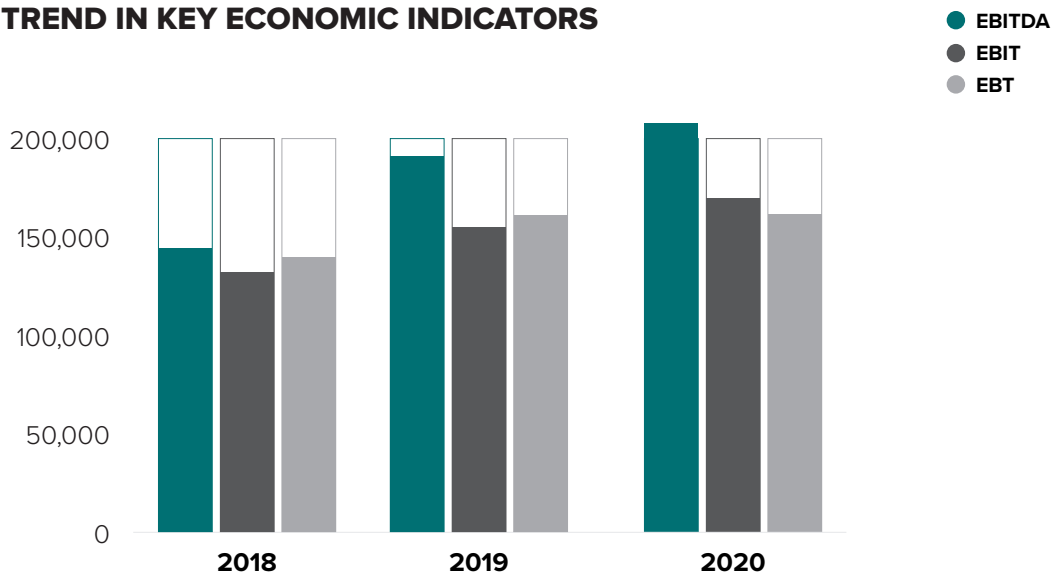


- Technologies
- Applications
- Processes

2019



TREND IN KEY ECONOMIC INDICATORS



ANALYSIS OF THE FINANCIAL STRUCTURE

The Group's financial structure is set forth below as at 31 December 2020, compared to 31 December 2019:

(THOUSAND EUROS)	31/12/2020	%	31/12/2019 (*)	%	CHANGE
Current assets	505,790		547,134		(41,344)
Current liabilities	(527,354)		(472,817)		(54,537)
Working capital, net (A)	(21,565)		74,317		(95,882)
Non-current assets	664,852		518,170		146,682
Non-current liabilities	(125,991)		(110,457)		(15,534)
Fixed capital (B)	538,860		407,713		131,148
Invested capital, net (A+B)	517,296	100.0	482,030	100.0	35,266
Net equity (C)	675,957	130.7	587,061	121.8	88,897
NET FINANCIAL POSITION (A+B-C)	(158,661)	(30.7)	(105,031)	(21.8)	(53,630)

(*) It is to be noted that the item Due to minority shareholders and Earn-out short-term has been reclassified in the net working capital.

Net invested capital on 31 December 2020, amounting to 517,296 thousand Euros, was funded by Shareholders' equity for 675,957 thousand Euros and by overall available funds of 158,661 thousand Euros.

It is to be noted that net invested capital includes the item Due to minority shareholders and Earn-out for a total of 71,381 thousand Euros (51,468 thousand Euros at 31 December 2019); this item is not included in the net financial position.

The following table provides a breakdown of net working capital:

(THOUSAND EUROS)	31/12/2020	31/12/2019 (*)	CHANGE
Work in progress	79,784	75,328	4,455
Trade receivables	344,700	432,240	(87,540)
Other current assets	81,306	39,566	41,741
Current operating assets (A)	505,790	547,134	(41,344)
Trade payables	114,149	119,951	(5,802)
Other current liabilities	413,205	352,866	60,339
Current operating liabilities (B)	527,354	472,817	54,537
Working capital, net (A-B)	(21,565)	74,317	(95,882)
<i>% return on investments</i>	<i>(1.7%)</i>	<i>6.3%</i>	

(*) It is to be noted that the short-term portion of the item Due to minority shareholders and Earn-out has been reclassified in the net working capital.

NET FINANCIAL POSITION AND CASH FLOWS STATEMENT

(THOUSAND EUROS)	31/12/2020	31/12/2019	CHANGE
Cash and cash equivalents, net	332,500	239,571	92,929
Current financial assets	2,108	1,666	442
Due to banks	(10,815)	(16,648)	5,833
Due to other providers of finance	(1,495)	(537)	(957)
Financial liabilities IFRS 16	(24,453)	(20,454)	(3,999)
Short-term financial position	297,844	203,598	94,246
Due to banks	(19,735)	(25,846)	6,110
Financial liabilities IFRS 16	(119,448)	(72,722)	(46,726)
M/L term financial position	(139,183)	(98,567)	(40,616)
Total net financial position	158,661	105,031	53,630

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

(THOUSAND EUROS)	2020
Cash flows from operating activities (A)	229,028
Cash flows from investment activities (B)	(76,550)
Cash flows from financial activities (C)	(59,549)
Change in cash and cash equivalents (D) = (A+B+C)	92,929
Cash and cash equivalents at beginning of period (*)	239,571
Cash and cash equivalents at year end (*)	332,500
Total change in cash and cash equivalents (D)	92,929

(*) Liquid assets and cash equivalents net are net of current account overdrafts

The complete consolidated cash flow statement and the details of cash and other cash equivalents net are set forth below in the financial statements.

ALTERNATIVE PERFORMANCE INDICATORS

In addition to conventional financial indicators required by IFRS, presented herein are some alternative performance measures, in order to allow a better understanding of the trend of economic and financial management.

These indicators, that are also presented in the periodical Interim management reports must not, however, be considered as replacements to the conventional indicators required by IFRS.

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

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

SIGNIFICANT OPERATIONS IN 2020

ACQUISITION OF SAGEPATH LLC

In August 2020 Reply Inc. acquired 70% of the share capital of Sagepath LLC, for an initial consideration amounting to 31 million dollars.

With headquarters in Atlanta (GE), Sagepath is a company specializing in Digital Transformation, Ecommerce and Digital Customer Experience and provides services to enterprise-class to blue-chip companies (Coca-Cola, Doosan, Georgia-Pacific, Hunter Fan, Krispy Kreme, MarineMax, NAPA AUTO PARTS). Sagepath's services portfolio includes the full-stack development of e-commerce and Digital Marketing solutions as well as mobile application on the main technology platforms on the market today. Sagepath has built reliable partnerships with leading market leaders including Adobe, Sitecore, Epi, Kentico, Salesforce, Marketo, and Hubspot.

In accordance to the commitments between Reply and the shareholders of Sagepath LLC regarding the future transfer of the shares, the accounting effects of the business aggregation have been defined in relation to an economic interest of 100% of the acquired company and in accordance to IFRS 3.

ACQUISITION OF BRIGHTKNIGHT SA

In the month of September 2020 Reply Ltd. Acquired 100% of the share capital in Brightknight SA, a company incorporated under Belgium law, specializing in Robotic Process Automation, for an initial consideration amounting to 500.000 Euros.

ACQUISITION OF AIRWALK HOLDINGS LTD. AND ITS SUBSIDIARIES

In the month of October 2020 Reply Ltd. acquired Airwalk Holdings Ltd. and its subsidiaries, for an initial consideration amounting to 15.9 million pounds. The company, incorporated under English law, is specialized in innovative services based on design and consulting models declined according to the paradigms of Cloud Computing.

ACQUISITION OF MANSION HOUSE CONSULTING LTD. AND ITS SUBSIDIARIES

In the month of November 2020 Reply Ltd. acquired Mansion House Consulting Ltd. and its subsidiaries, for an initial consideration in the amount of 12 million pounds. The company, incorporated under English law, is specialized in digital transformation in the financial field.

REPLY ON THE STOCK MARKET

REPLY SHARE PERFORMANCE

There are stock years like 1929, 1987, 2000 and 2008/2009 that stick in investors' memories for a long time. With 2020 comes another such year. The force with which the Corona pandemic and the economic shock it triggered hit the world also shook up the financial markets, causing extreme volatility and movements. The crash in March was followed by a no less surprising bull market, which took many stock indices to record levels at the end of the year. 2020 will also be remembered as the year of technology stocks. This had a lot to do with the economic consequences of the virus outbreak, which ensured accelerated digitization of the economy and boosted demand for the products and services of technology companies.

At the same time, there has rarely been a year in which the gap between the economic development and the development on the stock markets has been as wide as in 2020. While the OECD, for example, expects a decline in the global gross domestic product of around four percent due to the coronavirus crisis, share prices rose globally by more than five percent in euro terms. For a dollar investor, even more than 14 percent. But there are also big differences on the stock markets themselves. While US technology stocks rose by 30 percent in euro terms, European stocks recorded average losses of five percent. Value or dividend stocks lost an average of 8.5 percent, while growth stocks gained 22 percent worldwide.

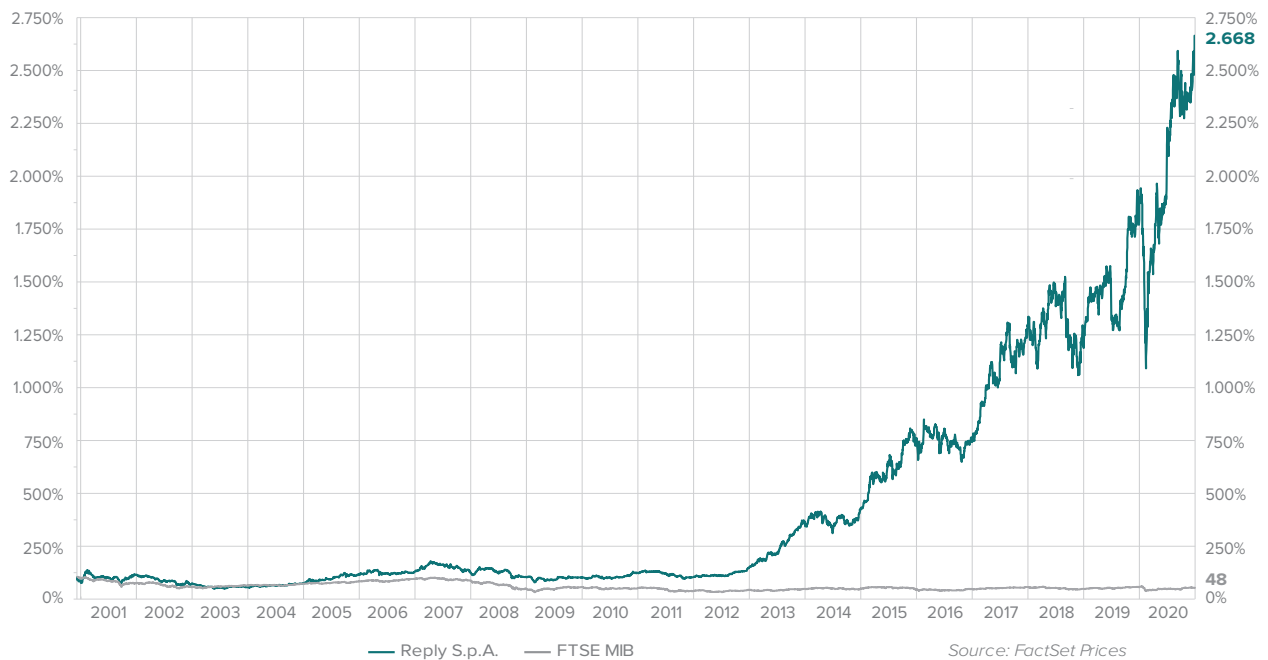
The resulting disconnect between share price performance and economic reality is only a perceived contradiction. For through the massive purchases of government and corporate bonds, the important central banks have not only paved the way for extensive government aid, but also abolished interest rates. And the zero interest rate policy will not remain a temporary phenomenon thanks to the exploding national debt. As a result, the lack of alternatives for investing in equities compared to bonds is becoming overwhelming. Since waiting for an upswing is not rewarded by interest rates on the bond markets, it is rational to shift investment capital into shares as early as possible, as long as one can bear the risk of short-term fluctuations - currently triggered by the mutation of the coronavirus. The record increase in money holdings in deposit accounts shows that there is still more than enough investment capital available thanks to the liquidity provided by the central banks.

For Reply 2020 was another excellent stock exchange year. While the year started well for the Reply share, the emergence of the Covid crisis caused a sharp decline – in parallel to all relevant indices – to EUR 43.30, a level of 62% of the initial 2020 share value. Since the end of March the Reply share moved inwards a steady upward corridor whose trend even accelerated on the communication of the Q1 2020 and H1 2020 results. In October the share reached its maximum value, a new record share price of EUR 105.50. In November the share entered into a sideways movement that continued until the end of the year – reflecting new concerns about the course of the pandemic posing new risk for the economies. The year 2020 ended for the Reply share at EUR 95.20, an increase of 37%, adding another billion to the market capitalization that reached a new record value of EUR 3.6 billion.

In the first month of 2021 the development continued, bringing the Reply performance to + 54% (02/02/2021) and the market capitalization to EUR 4.0 billion.



As good was the relative performance of the Reply share. Throughout the year Reply outperformed all Italian indices (MIB: -19%, FTSE Italy STAR: +16%) and the EuroSTOXX Technology (+18%). Only the S&P 500/IT developed slightly stronger with an increase of +48%.



Taking December 6, 2000, the date of the Reply IPO, as a reference, the Italian main index MIB continued to perform unsatisfactorily. It lost 52% of its starting value and never recovered substantially from the lows reached during the financial crisis. In the same period Reply increased its IPO value by nearly 2,700%. In 2020 Reply further increased the value creation adding 930 percentage points to the outperformance versus the MIB.

SHARE LIQUIDITY

2020 marked new records for the trading of the Reply share, regarding the number of traded shares as well as the counter value of all traded shares. The trading volume in the Reply share amounted to EUR 1.2 billion, an increase of 80% compared to the year before. The increased share price accelerated the impact of the number of shares traded, which increased by 37%. In 2020 15.7 million shares were traded versus 11.5 million shares in 2019. Due to the strong upside development, the Reply share is traded at a valuation premium, compared to the participants of the peer group, when profitability measures are taken into account. Enterprise to EBITDA and enterprise value to EBIT at the end of 2020 were 19% and 16% higher than the average value of the peer group constituents. Measured upon revenue, Reply now roughly trades at the valuation levels of its peer group (+3%).

DIVIDEND

Performance-based compensation is an essential pillar of the partnership-oriented business model of Reply. Like employees the Reply shareholders shall – in form of dividends - participate in the sustainable operational performance of the group. Each year this principle is balanced with the need of internal financing to fund the investments of Reply (in new start-up companies, new technologies and potential acquisitions to further elaborate the Reply offering portfolio in Germany, UK, US, France, and – newly - Belgium). In 2020 Reply achieved earnings per share of EUR 3.3, an increase of 8.6% compared to 2019. For the financial year 2020 the corporate bodies of Reply propose to the shareholders' meeting to approve the payment of a dividend of EUR 0.56 (dividend 2019: EUR 0.52). Referred to the share price of Reply at the end of 2020 this corresponds to a dividend yield of 0.59%. Assuming the approval of the shareholders' meeting, Reply will pay to its shareholders a dividend sum of EUR 21 million. In 2019 EUR 19.5 million were distributed.

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

		2020	2019	2018	2017	2016
Share price						
Year-end	Euro	95.30	69.45	44.08	46.17	29.50
High for the year	Euro	105.50	74.80	61.30	53.50	34.08
Low for the year	Euro	43.30	42.20	42.00	28.93	25.03
Trading						
Number of shares traded (year)	# thousand	15,339.1	11,360.1	12,587.7	14,894.2	9,419.3
Number of shares traded (day)	# thousand	59.9	44.9	48.2	57.1	36.1
Trading volume (year)	Euro million	797.1	668.9	591.0	590.6	282.6
Trading volume (day)	Euro million	3.054	2.623	2.548	2.492	1.095
Capital structure						
Number of shares	# thousand	37,411.4	37,411.4	37,411.4	37,411.4	9,352.9
Share capital	Euro million	4.864	4.864	4.864	4.864	4.864
Free Float	%	53.4	53.4	53.4	52.8	42.0
Market capitalization	Euro million	3,565.3	2,598.2	1,650.0	1,727.3	1,103.6
Allocation of net income						
Earnings per share	Euro	3.30	3.04	2.38	2.05	1.81
Dividend ¹⁾	Euro	0.5600	0.5200	0.4000	0.3280	0.2875
Dividend payment	Euro million	20.950	19.454	16.835	12.271	10.756
Dividend yield ²⁾	%	0.59	0.75	1.0	0.8	1.0

¹⁾ Amount proposed for shareholder approval for 2020

²⁾ Related to year-end closing price

THE SHAREHOLDERS BASE

Following the placement of 2 million Reply shares via an accelerated book building procedure in June 2020, today 39.8% of the Reply shares are owned by the founders of Reply. Institutional shareholders owned 43% at the end of 2020 while retail shareholders owned 13% of the shares. The institutional shareholders' base of Reply saw some significant changes. US investors, the most important investor country in Reply, slightly reduced their ownership in Reply to 23% of institutional holdings versus 24% in the previous year. Italian investors increased and now rank number 2, owning around 16% (2019: 15%). French investors reduced their positions in Reply to 16% of the institutional shareholdings after 21% in 2019. The Nordics increased their position to 12% of the shares, coming from 10% in 2019.

ANALYSTS

2020 saw a stable analyst coverage situation for the Reply share. 9 European analysts are currently commenting the Reply share.

DIALOG WITH THE CAPITAL MARKETS

An active and open communication policy ensuring prompt and continuous information dissemination is a major component of the Reply IR strategy. In 2020 Reply maintained its high level of activities with the capital markets while the pandemic totally changed the communication channels. During 25 conferences and 4 roadshows Reply actively explained its equity story. Strong emphasis was laid on the US, UK, and Italian markets where Reply increased its investor contacts by 46%, 45% and 32% respectively. Newly, 87% of the investor meetings were held virtually, significantly reducing the road days of Investor Relations in Reply. The number of brokers who were involved in the IR activities of Reply reduced by 1 to 10 brokers in 2020. Our specialist and 2 other brokers (France, UK) were most active in working with Reply on investor targeting and communicating the value of the Reply story for shareholders.

THE PARENT COMPANY REPLY S.P.A.

INTRODUCTION

The tables presented and disclosed below were prepared on the basis of the financial statements as at 31 December 2020 to which reference should be made, prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union, as well as with the regulations implementing Article 9 of Legislative Decree No. 38/2005.

RECLASSIFIED INCOME STATEMENT

The Parent Company Reply S.p.A. mainly carries out the operational co-ordination and the technical and quality management services for the Group companies as well as the administration, finance and marketing activities.

As at 31 December 2020 the Parent Company had 93 employees (88 employees in 2019).

Reply S.p.A. also carries out commercial fronting activities (pass-through revenues) for some major customers, whereas delivery is carried out by the operational companies. The economic results achieved by the Company are therefore not representative of the Group’s overall economic trend and the performances of the markets in which it operates. Such activity is instead reflected in the item Pass-through revenues of the Income Statement set forth below.

The Parent Company’s income statement is summarized as follows:

(THOUSAND EUROS)	2020	2019	CHANGE
Revenues from operating activities	85,627	83,772	1,855
Pass-through revenues	458,481	464,569	(6,088)
Purchases, services and other expenses	(508,829)	(513,660)	4,830
Personnel and related expenses	(25,956)	(22,681)	(3,275)
Other unusual operating (expenses)/income	55	(2,102)	2,157
Amortization, depreciation and write-downs	(1,978)	(1,379)	(599)
Operating income	7,400	8,519	(1,119)
Financial income/(expenses)	(7,278)	9,709	(16,986)
Gain on equity investments	78,246	81,145	(2,899)
Loss on equity investments	(4,540)	(8,583)	4,043
Income before taxes	73,829	90,790	(16,961)
Income taxes	(421)	(1,541)	1,119
NET INCOME	73,407	89,249	(15,842)

Revenues from operating activities mainly refer to charges for:

- royalties on the Reply trademark for 35,433 thousand Euros (34,343 thousand Euros in the financial year 2019);
- shared service activities in favour of its subsidiaries for 33,777 thousand Euros (36,039 thousand Euros in the financial year 2019);
- management services for 11,656 thousand Euros (9,940 thousand Euros in the financial year 2019).

Operating income 2020 marked a positive result of 7,400 thousand Euros after having deducted amortization expenses of 1,978 thousand Euros (of which 176 thousand Euros referred to tangible assets, 1,368 thousand Euros to intangible assets and 434 thousand Euros related to RoU assets arising from the adoption of IFRS 16). Financial expenses amounted to 7,278 thousand Euros and included interest income for 6,344 thousand Euros and interest expenses for 3,016 thousand Euros mainly relating to financing for the M&A operations and to the non-effective portion of the IRS. Such result also includes net negative exchange rate differences amounting to 10,506 thousand Euros.

Income from equity investments which amounted to 78,246 thousand Euros refers to dividends received from subsidiary companies in 2020.

Losses on equity investments refer to write-downs and losses reported in the year by some subsidiary companies that were considered to be unrecoverable.

Net income for the year ended 2020, amounted to 73,407 thousand Euros after income taxes of 421 thousand Euros.

FINANCIAL STRUCTURE

Reply S.p.A.'s financial structure as at 31 December 2020, compared to that as at 31 December 2019, is provided below:

(THOUSAND EUROS)	31/12/2020	31/12/2019	CHANGE
Tangible assets	333	209	125
Intangible assets	6,733	4,749	1,985
RoU assets	755	722	33
Equity investments	144,528	142,119	2,409
Other fixed assets	6,576	5,893	683
Non-current liabilities	(7,651)	(10,644)	2,993
Fixed capital	151,274	143,048	8,227
Net working capital	31,845	6,471	25,374
INVESTED CAPITAL	183,119	149,519	33,600
Shareholders' equity	467,514	412,493	55,021
Net financial position	(284,395)	(262,975)	(21,420)
TOTAL SOURCES	183,119	149,519	33,600

The net invested capital on 31 December 2020, amounting to 183,119 thousand Euros, was funded by Shareholders' equity in the amount of 467,514 thousand Euros from Shareholders' equity and available overall funds of 284,395 thousand Euros.

Changes in balance sheet items are fully analysed and detailed in the explanatory notes to the financial statements.

NET FINANCIAL POSITION

The Parent Company's net financial position as at 31 December 2020, compared to 31 December 2019, is detailed as follows:

(THOUSAND EUROS)	31/12/2020	31/12/2019	CHANGE
Cash and cash equivalents, net	184,012	161,331	22,682
Financial assets to subsidiaries	27,066	47,494	(20,428)
Loans to third party	283	-	283
Due to banks	(10,552)	(16,327)	5,775
Due to subsidiaries	(145,699)	(79,449)	(66,251)
Financial liabilities IFRS 16	(374)	(325)	(49)
Net financial position short term	54,736	112,724	(57,988)
Long term financial assets to subsidiaries	248,067	174,517	73,550
Due to banks	(18,024)	(23,871)	5,847
Financial liabilities IFRS 16	(384)	(395)	11
Net financial position long term	229,659	150,251	79,408
Total net financial position	284,395	262,975	21,420

Change in the net financial position is analysed and illustrated in the explanatory notes to the financial position.

RECONCILIATION OF EQUITY AND PROFIT FOR THE YEAR OF THE PARENT COMPANY

In accordance with Consob Communication no. DEM/6064293 dated 28 July 2006, Shareholders' equity and the Parent Company's result are reconciled below with the related consolidated amounts.

(THOUSAND EUROS)	31/12/2020		31/12/2019	
	NET EQUITY	NET INCOME	NET EQUITY	NET INCOME
Reply S.p.A.'s separate financial statements	467,514	73,407	412,493	89,249
Results of the subsidiary companies, net of minority interest	314,186	133,828	262,662	117,582
Cancellation of the carrying value of investments in consolidated companies net of any write-offs	(85,668)	-	(75,864)	-
Cancellation of dividends from subsidiary companies	-	(87,749)	-	(81,145)
Adjustments to accounting principles and elimination of unrealized intercompany gains and losses, net of related tax effect	(19,156)	4,720	(8,892)	(9,096)
Non-controlling interests	(918)	(608)	(3,339)	(2,732)
Net Group consolidated financial statement	675,957	123,598	587,061	113,858

CORPORATE GOVERNANCE

The Corporate Governance system adopted by Reply adheres to the Corporate Governance Code for Italian Listed Companies issued by Borsa Italiana S.p.A., in July 2018 version, with the additions and amendments related to the specific characteristics of the Group. As of 2021, the new version of the Code to which the Company adheres as a STAR issuer is in force.

In compliance with regulatory obligations the annually drafted “Report on Corporate Governance and Ownership Structures” contains a general description of the corporate governance system adopted by the Group, reporting information on ownership structures and compliance with the Code, including the main governance practices applied and the characteristics of the risk management and internal control system also with respect to the financial reporting process.

The aforementioned Report, related to 2020, is available on the Corporate Governance section of the website www.reply.com - Investors – Corporate Governance.

The Corporate Governance Code, both in July 2018 version and January 2020 one, is available on the website of Borsa Italiana S.p.A. www.borsaitaliana.it.

The Board of Directors, at the proposal of the Remuneration Committee, establishes a Remuneration Policy which incorporates the recommendations of the Corporate Governance Code and regulations issued by Consob.

Pursuant to the law, the Remuneration Policy and compensation adopted for the period 2020-2022, approved by the Board of Directors’ meeting on March 13, 2020, is contained in the First Section of the Report on Remuneration and has been examined by the Shareholders meeting that approved the 2019 financial statements.

DECLARATION OF NON-FINANCIAL DATA

The company, in accordance with the provisions of article 5 (3) (b) of Legislative Decree No 254/2016, has prepared the consolidated declaration of a non-financial nature which constitutes a separate report. The consolidated declaration of non-financial data 2020, drafted in accordance with the "GRI Standards" reporting standard, is available on the Group website www.reply.com.

OTHER INFORMATION

RESEARCH AND DEVELOPMENT ACTIVITIES

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

Reply considers research and continuous innovation a fundamental asset in supporting clients with the adoption of new technology.

Reply dedicates resources to Research and Development activities in order to project and define highly innovative products and services as well as possible applications of evolving technologies. In this context, Reply has developed of its own platforms.

Reply has important partnerships with major global vendors so as to offer the most suitable solutions to different company needs. Specifically, Reply boasts the highest level of certification amongst the technology leaders in the Enterprise sector.

HUMAN RESOURCES

Human resources constitute a primary asset for Reply which bases its strategy on the quality of products and services and places continuous attention on the growth of personnel and in-depth examination of professional necessities with consequent definitions of needs and training courses.

The Reply Group is comprised of professionals originating from the best universities and polytechnics. The Group intends to continue investing in human resources by bonding special relations and collaboration with major universities with the scope of attracting highly qualified personnel.

The people who work at Reply are characterized by enthusiasm, expertise, methodology, team spirit, initiative, the capability of understanding the context they work in and of clearly communicating the solutions proposed. The capability of imagining, experimenting and studying new solutions enables more rapid and efficient innovation.

The group intends to maintain these distinctive features by increasing investments in training and collaboration with universities.

At the end of 2020 the Group had 9,059 employees compared to 8,157 in 2019.

GENERAL DATA PROTECTION REGULATION (GDPR)

The governance model of the Group privacy policy reflects what is required by the existing code for the protection of personal data and the European Regulation 679/16 (GDPR).

Privacy fulfilments are managed uniformly at the Reply Group level in order to maintain adequate levels of internal coherence and to facilitate external relations, in particular with authorities, customers and suppliers. To ensure compliance the Group has adopted a GDPR program which provides several activities including:

- updating the Group privacy organizational model;
- designation for each Region of a Data Protection Officer;
- GDPR training at all business levels;
- assessment of privacy and security of IT central services;
- drafting of Records of the data treatment activities;
- development and dissemination of new processes.

TRANSACTIONS WITH RELATED PARTIES AND GROUP COMPANIES

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

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

TREASURY SHARES

At the balance sheet date, the Parent Company holds 4,028 treasury shares amounting to 24,502 Euros, nominal value equal to 524 Euros; at the balance sheet item net equity, the company has posted an unavailable reserve for the same amount.

At the balance sheet date, the Company does not hold shares of other holding companies.

FINANCIAL INSTRUMENTS

In relation to the use of financial instruments, the company has adopted a policy for risk management through the use of financial derivatives, with the scope of reducing the exposure to interest rate risks on financial loans.

Such financial instruments are considered as hedging instruments as they can be traced to the object being hedged (in terms of amount and expiry date).

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

EVENTS SUBSEQUENT TO 31 DECEMBER 2020

The first months of 2021 were characterized by a resurgence of the pandemic that is still putting a strain on the economy, on society and on the very resilience of people. Despite the complexity of the situation, since the beginning of the year Reply has further consolidated its leadership on new technologies and digital transformation by investing in new skills and extending its geographical presence.

In this regard, it should be emphasized that the organizational structure (including the supplier ecosystem), the financial solidity of the Group, the diversification of the business in various countries, markets and industrial sectors, has allowed to act /react quickly, implementing locally all the actions necessary to minimize the impacts of the pandemic on operational activities.

OUTLOOK ON OPERATIONS

The current scenario is constantly evolving and it is very difficult to make predictions about the future in the short and medium term. Reply's structure, due to its network characteristics, which give granularity, flexibility and territorial distribution, together with the widespread use of the most innovative communication technologies, guarantee the capability for reaction and rapid adaptation to minimize the impacts of the pandemic on the Group's business.

The past few months have, in any case, definitively changed the perception of technology by all companies. Today even the most traditional and conservative have realized that the digitization of processes, the cloud and artificial intelligence are indispensable to restart and be competitive in an increasingly connected and digital world.

This transformation is irreversible and, while dramatic for some, opens up new potential opportunities for companies like Reply. High-speed communication software infrastructure, e-commerce, new digital experiences and a strong push towards automation are, in fact, the founding elements of the economy in the coming years.

MOTION FOR THE APPROVAL OF THE FINANCIAL STATEMENT AND ALLOCATION OF THE RESULT FOR THE FINANCIAL YEAR

The financial statements at year end 2020 of Reply S.p.A. prepared in accordance with International Financial Reporting Standards (IFRS), recorded a net income amounting to 73,407,227 Euros and net shareholders' equity on 31 December 2020 amounted to 467,513,909 Euros thus formed:

(IN EUROS)	31/12/2020
Share Capital	4,863,486
Legal reserve	972,697
Reserve for treasury shares on hand	24,502
Other reserves	388,245,997
Total share capital and reserves	394,106,682
Net income	73,407,227
Total	467,513,909

The Board of Directors in submitting to the Shareholders the approval of the financial statements (Separate Statements) as at 31 December 2020 showing a net result of 73,407,227 Euros, proposes that the shareholders resolve:

- to approve the financial statement (Separate Statements) of Reply S.p.A. which records net profit for the financial year of 73,407,227 Euros;
- to approve the motion to allocate the net result of 73,407,227 as follows:
 - › a unit dividend to shareholders amounting to 0,56 Euros for each ordinary share with a right, therefore excluding treasury shares, with payment date fixed on 5 May 2021, coupon cut-off date 3 May 2021 and record date, determined in accordance with Article 83-terdecies of Legislative Decree no. 58/1998 set on 4 May 2021;
 - › having the Legal reserve reached the limit of one fifth of the share capital pursuant to article 2430 of the Italian Civil Code, the residual amount to be allocated to the Retained earnings reserve;

- to approve, pursuant to Article 22 of the Articles of association, the proposal of the Remuneration Committee to distribute to Directors entrusted with operational powers, a shareholding of the profits of the Parent Company, to be established in the amount of 3,150,000.00 Euros.

Turin, 15 March 2021

/s/ Mario Rizzante

For the Board of Directors

The Chairman

Mario Rizzante

